

INTRODUCTION

In March 2000, the Securities Commission issued the Malaysian Code on Corporate Governance (“MCCG”) which has provided tools for corporate governance reform. In 2021, the MCCG which supersedes its earlier edition, takes on a new approach to promote greater internalisation of corporate governance culture.

British American Tobacco (Malaysia) Berhad (“BAT Malaysia”) and its subsidiaries of companies (“Group”) fully support the recommendations of the MCCG and is committed to ensure that structures and processes used to direct and manage the business and affairs of the Group towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interests of other stakeholders are established and reviewed as maybe required.

This British American Tobacco (Malaysia) Berhad Code on Corporate Governance (“BAT Malaysia Code”) sets out the principles and best practices to be applied by the Group in their operations towards achieving the optimal governance framework.

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THE BOARD OF DIRECTORS BOARD CHARTER

A. ROLE

1. The Board of Directors (“Board”) is responsible to the shareholders for the overall strategic direction and governance of the Group.
2. Besides its usual legal and statutory responsibilities, the Board is responsible for the following:
 - (a) Reviewing and adopting a strategic plan for the Group
 - (b) Overseeing the conduct of the Group’s business to evaluate whether the business is being properly managed;
 - (c) Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks
 - (d) Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing members of the Board and Leadership Team;
 - (e) Developing and implementing an investor relations programme or shareholder communications policy for the Group;
 - (f) Reviewing the adequacy and the integrity of the Group’s internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
 - (g) Approving the financial statements and accounting policies of the Group;
 - (h) Determining and declaring dividends;
 - (i) Establishing committees including the Audit Committee, Nomination and Remuneration Committees, Risk Management Committee and Sustainability Committee (collectively referred to as the “Committees”) and determining the authorities of the Board to be delegated to the Committees;
 - (j) Receiving and reviewing reports from the Committees;
 - (k) Establishing and monitoring compliance with the Group’s Standards of Business Conduct and other policies of the Group;
 - (l) Establishing appropriate systems of corporate governance of the Group
 - (m) Reviewing and approving the Board’s statement of compliance with the MCCG for inclusion in BAT Malaysia’s annual report;

- (n) Pertaining to sustainability, the Board's role and responsibilities encompasses the following:
 - I. Serving as the highest governance body within the Group's sustainability governance structure.
 - II. Ensuring oversight on material sustainability topics, including climate change, and ensuring the Management has developed necessary internal reporting processes and controls and allocated sufficient resources to drive the Group's sustainability agenda.
 - III. Including sustainability considerations (e.g., climate risks and impacts) as part of the Board's overall deliberation and decision-making approach. This includes deliberating how material sustainability topics influence or impact business, operational, and financial performance over the short, medium, and long term and deliberating and approving the Climate Risk Register approved by the SC.
 - IV. Ensuring that Management maintains an updated Group Sustainability Policy, notably in line with the requirements of the Group and emerging sustainability reporting frameworks and standards.
 - V. Monitoring the progress of the Group towards realisation of sustainability KPIs and targets.
 - VI. Reviewing and approving the Group's annual sustainability statement.
- (o) Considering and approving other matters specifically reserved for the attention of the Board.

B. COMPOSITION

1. There should be a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority.
2. The Board should include a balance of Executive Directors and Non-Executive Directors. Non-Executive Directors should be persons of calibre, credibility and have the necessary skill and experience to bring an independent judgement to bear on the issues of strategy, performance and resources including key appointments and standards of conduct.
3. To be effective, the Board shall consist of at least one third (1/3) of Non-Executive Directors who shall be independent, namely independent of management and free from any business or other relationships which could interfere with the exercise of their independent judgement or the ability to act in the best interests of BAT Malaysia.
4. All Directors shall retire from office at least in each three (3) years but shall be eligible for re-election.

5. Every Director shall give to Bursa Malaysia Securities Berhad (“Bursa Malaysia”) an undertaking to comply with the Listing Requirements of the Bursa Malaysia not later than fourteen (14) days from the date of his appointment in accordance with the Listing Requirements of the Bursa Malaysia.
6. Every Independent Director shall give to Bursa Malaysia, a letter confirming and declaring that he is an Independent Director not later than fourteen (14) days from the date of his appointment in accordance with the Listing Requirements of the Bursa Malaysia.
7. Every Director shall also file with Bursa Malaysia a declaration to comply with the requirements on restriction of Directorships not later than fourteen (14) days from the date of his appointment in accordance with the Listing Requirements of the Bursa Malaysia.
8. In order to facilitate any concern being conveyed to the Board, the Board shall appoint a senior Independent Non-Executive Director of the Board to whom such concerns may be conveyed.
9. The tenure of Directors shall be limited to term limit of nine (9) years without extension.

C. TRAINING FOR DIRECTORS

All Directors must attend continuous training programmes, including sustainability-related training, prescribed by Bursa Malaysia and BAT Malaysia from time to time.

D. DIRECTORS’ ACCESS TO INFORMATION AND ADVICE

1. All Directors and its Committees shall in furtherance of their duties, have access to all information within BAT Malaysia including obtaining advice from any internal stakeholder or independent professional at BAT Malaysia’s expense if necessary.
2. All Directors shall have access to the advice, services and guidance of the Company Secretary of BAT Malaysia, the appointment and removal of whom is a matter for the Board.
3. In the event that any Director shall require any information to be supplied in furtherance of his/her duties, the officers of BAT Malaysia shall ensure that such information is supplied in a timely manner and in the form and of a quality appropriate to enable the Director to discharge his/her duties. Such information shall include financial information and information that assist the Board in assessing performance factors such as customer satisfaction, product and service quality, market share, market reaction, sustainability performance and so on when dealing with any item on the agenda.
4. In the event that any Director or the Board shall need to seek independent professional advice in furtherance of his/her/its duties, they shall first consult with and obtain the prior approval of the Chairman of the Board.

E. MEETINGS OF THE BOARD

1. The Board shall meet at least four (4) times per annum (broadly in accordance with the following programme):
 - Mid - February - to review and approve the annual financial statements, to declare the 4th interim dividend and to agree the agenda for the Annual General Meeting.
 - Late - May - to review the first quarter results and declare the 1st interim dividend.
 - Late July - to review the first half results and declare the 2nd interim dividend.
 - Late October - to review the third quarter results and declare the 3rd interim dividend.
2. Special meetings of the Board shall be convened to deal with urgent matters where necessary.
3. The agenda for the Board meetings shall be set by the Managing Director in consultation with the Chairman and the Company Secretary.
4. The minutes of the meetings of the Board which include all issues discussed in arriving at the decisions and conclusions of the Board shall be recorded, prepared and circulated by the Company Secretary and the Company Secretary shall also ensure that the minutes are properly kept and produced for inspection (if required).
5. The Non-Executive Directors shall meet twice a year and the meeting will be minuted as a record.
6. A resolution in writing signed or approved by letter, facsimile, electronic means or other similar means of communication by a majority of the Directors who may be present in Malaysia and who are sufficient to form a quorum, shall be valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted; provided that where a Director is not so present but has an alternate, who is present, then such resolution shall also be signed or approved by such alternate. All such resolutions shall be described as “Directors’ Circular Resolution” and shall be forwarded or otherwise delivered to the Company Secretary without delay and shall be recorded by him/her in BAT Malaysia’s Minute Book. Any such resolution may consist of several documents in the like form, each signed and approved by one (1) or more Directors or their alternate.

F. DIRECTORS’ FIT AND PROPER ASSESSMENT

1. All Directors of BAT Malaysia are required to have the necessary qualities, competencies and experience that allows them to perform their duties and carry out the responsibilities required of the position in the most effective manner.

2. In assessing any person identified to be appointed as a Director or to continue holding the position as a Director within BAT Malaysia, the Board shall conduct a fit and proper assessment prior to the initial appointment or proposed re-election/re-appointment as a Director. The fit and proper assessment of a Director may also be conducted whenever BAT Malaysia becomes aware of information that may materially compromise a Directors' fitness and propriety.
3. The Board through the Nomination and Remuneration Committee, in conducting the above fit and proper assessment, shall be guided by the Directors' Fit and Proper Policy as described in Appendix 1 below.

COMMITTEES

The Committees are established to assist the Board in performing its duties. There are four established Committees and other Committees maybe established from time to time for specific purposes.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

A. COMPOSITION

1. The Audit Committee shall comprise at least three (3) members, the majority of whom are independent. All the members of the Audit Committee must be Non-Executive Directors.
2. The Chairman of the Audit Committee shall be an Independent Non-Executive Director.
3. The Company Secretary shall be the Secretary of the Audit Committee.
4. At least one (1) member of the Audit Committee shall be:
 - (a) a member of the Malaysian Institute of Accountants (“MIA”); or
 - (b) if he is not a member of the MIA, he must have at least three (3) years’ working experience and:
 - (i) have passed the examinations specified in Part 1 of the 1st schedule of the Accountants Act 1967.
 - (ii) is a member of one of the associations specified in Part II of the said schedule; or
 - (c) fulfils such other requirements as prescribed by Bursa Malaysia.
5. No alternate Director shall be appointed as a member of the Audit Committee.
6. At least three years cooling-off period shall be observed, before a former key audit partner is appointed as a member of the Audit Committee.

B. AUTHORITY

1. The Audit Committee is authorised by the Board to review any activity within the Audit Committee’s terms of reference.
2. In the event that any member of the Audit Committee shall need to seek independent professional advice in furtherance of his/her duties, he/she shall first consult with and obtain the prior approval of the Chairman of the Audit Committee.

3. The Audit Committee shall have direct communication channels and be able to convene meetings with the external auditors, the internal auditors or both excluding the attendance of other Directors and employees of the Group, whenever deemed necessary.
4. The Audit Committee to recommend to the Board any appropriate changes to the duties of the Audit Committee.

C. DUTIES OF THE AUDIT COMMITTEE

1. To review the quarterly, half-yearly and annual financial statements of the Group, focusing particularly on:
 - (a) Any significant changes to accounting policies and practices;
 - (b) Significant adjustments arising from the audits;
 - (c) Compliance with applicable Financial Reporting Standards and other legal and regulatory requirements; and
 - (d) The going concern assumption;
2. To review any related party transaction and conflict of interest situations that arose, persist or may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts;
3. To ensure that systems of internal control are soundly conceived and in place, effectively administered and regularly monitored;
4. To cause reviews to be made of the extent of compliance with established internal policies, standards, plans and procedures including for example, the Group's Standards of Business Conduct;
5. To obtain assurance that proper plans for control have been developed prior to the commencement of major areas of change within the Group;
6. To recommend to the Board steps to improve the systems of internal control derived from the findings of the internal auditor and external auditor and from the consultations of the Audit Committee itself;
7. To be satisfied that the strategies, plans, manning and organisation for internal auditing are communicated down through the Group specifically;
 - (a) To review the internal audit plans and to be satisfied as to their consistency with the Risk Management Framework used, adequacy of coverage and audit methodologies employed;
 - (b) To be satisfied that internal audit has the competency and qualifications to enable them to complete their mandates and approved audit plans;

- (c) To review status reports from internal audit and ensure that proper action is taken on the recommendations of the internal audit function. To recommend any broader reviews deemed appropriate as a consequence of the issues or concerns identified;
 - (d) To review any appraisal or assessment of the performance of the members of the internal audit, approve any appointment or termination of senior staff members of the internal audit function and inform itself of any resignations of internal audit staff members and reasons thereof;
 - (e) To ensure internal audit has full, free and unrestricted access to all activities, records, property and personnel necessary to perform its duties; and
 - (f) To request and review any special audit which it deems necessary;
8. To review with the external auditor the nature and scope of the audit plan, audit report, evaluation of internal controls and ensure co-ordination where more than one external auditor is involved. The Audit Committee will consider a consolidated opinion on the quality of external auditing at its meetings;
 9. To review any matters concerning the appointment and re-appointment, audit fee and any questions of resignation or dismissal of the external auditor;
 10. To review and evaluate factors related to the independence of the external auditor and assist the external auditor in preserving its independence;
 11. To be advised of significant use of the external auditor in performing non-audit services within the Group, considering both the types of services rendered and the fees, such that the external auditor's position as auditors is not deemed to be compromised;
 12. To review the external auditors' findings arising from audits, particularly any comments and responses in management letters as well as the assistance given by the employees of the Group in order to be satisfied that appropriate action is being taken;
 13. To recommend to the Board, steps to improve the system of internal control derived from the findings of the internal and external auditors and from the consultations of the Audit Committee itself;
 14. To review with the external auditor the statement of internal control of the Group for inclusion in the annual report;
 15. To prepare the annual Audit Committee report to the Board which includes the composition of the Audit Committee, its terms of reference, number of meetings held, a summary of its activities and the existence of an internal audit function and summary of the activities of that function for inclusion in the annual report;
 16. To report to the Board any suspected frauds or irregularities, serious internal control deficiencies or suspected infringement of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board and

17. To review and/or act on any other matters as maybe directed by the Board.

D. MEETINGS AND MINUTES

1. The Audit Committee shall meet at least four (4) times annually and/or as required in furtherance of the performance of its duties. However, at least twice a year, the Audit Committee shall meet with the external auditors without Executive Directors being present.
2. A majority of the members in attendance must be Independent Directors in order to form a quorum for the meeting.
3. Other than in circumstances which the Chairman of the Audit Committee considers inappropriate, the Finance Director and external auditors shall be entitled to attend any meeting of the Audit Committee and make known their views on any matter under consideration by the Audit Committee, or which in their opinion, should be brought to the Audit Committee's attention. Non-member Directors and employees of the Group shall not attend unless specifically invited by the Audit Committee.
4. The Chairman of the Audit Committee shall engage with members of the Leadership Team and the external auditors on a continuous basis in order to be kept informed of matters affecting the Group.
5. The Company Secretary shall record, prepare and circulate the minutes of the meetings of the Audit Committee and ensure that the minutes are properly kept and produced for inspection if required.
6. The Audit Committee shall report to the Board and its minutes will be tabled to and noted by the Board.
7. A resolution in writing signed or approved by a majority of the members of the Audit Committee shall be valid and effectual as if it had been passed at a meeting of the Audit Committee. All such resolutions shall be recorded by the Company Secretary in the minutes book. Any such resolution may consist of several documents in the like form, each signed by one (1) or more members of the Audit Committee. The expressions "in writing" or "signed" include approval by legible confirmed transmission by way of letter, facsimile, electronic means or other means of communication.

E. INTERNAL AUDIT FUNCTION

1. The Internal Auditor shall have direct access to the Chairman of the Audit Committee and shall report directly to the Audit Committee on all matters of control and audit. All proposals by management regarding the appointment, transfer and removal of Internal Audit shall require prior approval of the Audit Committee. Any inappropriate restrictions on audit scope are to be reported to the Audit Committee.

TERMS OF REFERENCE OF THE NOMINATION AND REMUNERATION COMMITTEE

A. COMPOSITION

1. The Nomination and Remuneration Committee shall comprise wholly of Non-Executive Directors and a majority of whom are Independent Directors.
2. The Chairman of the Nomination and Remuneration Committee, shall be an Independent Non-Executive Director
3. The Company Secretary shall be the secretary of the Nomination and Remuneration Committee.

B. AUTHORITY

1. The Nomination and Remuneration Committee is authorised by the Board to review any activity within the Nomination and Remuneration Committee's terms of reference.
2. In the event that any member of the Nomination and Remuneration Committee shall need to seek independent professional advice in furtherance of his/her duties, he/she shall first consult with and obtain the prior approval of the Chairman of the Nomination and Remuneration Committee.
3. The Nomination and Remuneration Committee to recommend to the Board any appropriate changes to the duties of the Nomination and Remuneration Committee.

C. DUTIES OF THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee is authorised by the Board to act as follows:

1. Specific responsibilities in relation to nomination matters include the following:
 - (a) To make proposals to the Board on candidates for appointment or re-appointment as Directors in accordance with the Directors' Fit and Proper Policy under Appendix 1 below;
 - (b) To ensure that the Board has an appropriate balance of gender diversity, skills, knowledge, expertise, experience, professionalism, integrity, attributes and core competencies;
 - (c) To review succession plans for members of the Board;
 - (d) To assess the tenure of the non-executive directors;

- (e) To recommend to the Board, Directors to fill the seats on Committees;
 - (f) To assess annually the effectiveness of the Board, the Committees of the Board and the contribution of each individual Director;
 - (g) To assist the Board to assess the independence of all the Independent Directors annually;
 - (h) To implement a process and annually assess the effectiveness of the Board, the Committees of the Board and the contribution of each individual Director. The Board effectiveness exercise includes assessing the performance of the Directors and the Board on monitoring sustainability risks and opportunities;
 - (i) Recommend suitable orientation and training/development programmes to continuously train and equip new and existing Directors; and
 - (j) To review succession plans for members of the Leadership Team.
2. Specific responsibilities in relation to remuneration matters include the following:
- (a) To recommend to the Board policy framework on the terms of employment of the Executive Directors and members of the Leadership Team;
 - (b) To recommend to the Board on all elements of remuneration and compensation payments of the Executive Directors and members of the Leadership Team;
 - (c) To review and approve the annual bonus and salary increment of the Executive Directors and members of the Leadership Team;
 - (d) To review and recommend to the Board the remuneration of the Non-Executive Directors;
 - (e) To receive and note the minutes of the Executive Compensation Committee meetings from time to time and to update the Board where necessary;
 - (e) Review and assess the effectiveness of the Human Resources (“HR”) Division in supporting BAT Malaysia Group, including oversight of the scope and quality of HR projects/programmes;
 - (f) Recommend for Board’s approval, new, revision and/or decommissioned of HR policies and frameworks, and changes to the said policies and frameworks, in line with HR strategy and direction set by the Board; and
 - (g) To review and/or act on any matters as may be directed by the Board.

C. MEETINGS AND MINUTES

1. The Nomination and Remuneration Committee shall meet at least once a year and/or as required in furtherance of its duties.

2. A majority of the members in attendance must be Independent Directors in order to form a quorum for the meeting.
3. The Executive Directors and Non-Executive Directors shall abstain from the deliberations and voting decisions in respect of their respective remuneration either at the Nomination and Remuneration Committee or Board level as the case maybe.
4. The Company Secretary shall record, prepare and circulate the minutes of the meetings of the Nomination and Remuneration Committee and ensure that the minutes are properly kept and produced for inspection if required.
5. The Nomination and Remuneration Committee shall report to the Board and its minutes will be tabled to and noted by the Board.
6. A resolution in writing signed or approved by a majority of the members of the Nomination and Remuneration Committee shall be valid and effectual as if it had been passed at a meeting of the Nomination and Remuneration Committee. All such resolutions shall be recorded by the Company Secretary in the minutes book. Any such resolution may consist of several documents in the like form, each signed by one (1) or more members of the Nomination and Remuneration Committee. The expressions “in writing” or “signed” include approval by legible confirmed transmission by way of letter, facsimile, electronic means or other means of communication.

TERMS OF REFERENCE OF THE RISK MANAGEMENT COMMITTEE

A. COMPOSITION

1. The Risk Management Committee shall comprise at least three (3) members, the majority of whom are Independent Directors.
2. The Chairman of the Risk Management Committee shall be an Independent Non-Executive Director.
3. The Company Secretary shall be the Secretary of the Risk Management Committee.
4. No alternate Director shall be appointed as a member of the Risk Management Committee.

B. AUTHORITY

1. The Risk Management Committee is authorised by the Board to review any activity within the Risk Management Committee's terms of reference. This includes, assisting the SC in reviewing sustainability-related risks and impacts, such as climate risks.
2. In the event that any member of the Risk Management Committee shall need to seek independent professional advice in furtherance of his/her duties, he/she shall first consult with and obtain the prior approval of the Chairman of the Risk Management Committee.
3. The Risk Management Committee shall recommend to the Board any appropriate changes to the duties of the Risk Management Committee.
4. The Risk Management Committee to consider the appointment and/or removal of the Chief Risk Officer.
5. The Chief Risk Officer shall report status and findings/resolutions to the Risk Management Committee at its meetings.

C. DUTIES OF THE RISK MANAGEMENT COMMITTEE

1. To consider annually the Risk Management framework adopted within the Group and to be satisfied that the methodology employed allows the identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner that will allow the Group to minimise losses and maximise opportunities;
2. To review, monitor and assess the effectiveness of the Group's implementation of risk treatment / mitigation action plan(s) for the management and control of the key risks;

3. To review and keep updated of any new or emerging trends of threats, so as to ensure that the management continues to promote risk awareness at all levels within the Group;
4. To review any significant risks that could affect the Group and assess the steps that the management has taken to manage such risks;
5. Business Continuity Management:
 - (a) To review and deliberate reports on business continuity testing results and recommendations;
 - (b) To review the plan and the scope as well as the effectiveness of business continuity plans; and
 - (c) To act on any other matters as may be directed by the Board.

D. MEETINGS AND MINUTES

1. The Risk Management Committee shall meet at least four (4) times annually and/or as required in furtherance of its duties.
2. A majority of the members in attendance must be Independent Directors in order to form a quorum for the meeting.
3. The Company Secretary shall record, prepare and circulate the minutes of the meetings of the Risk Management Committee and ensure that the minutes are properly kept and produced for inspection if required.
4. The Risk Management Committee shall report to the Board and its minutes will be tabled to and noted by the Board.
5. A resolution in writing signed or approved by a majority of all members of the Risk Management Committee shall be valid and effectual as if it had been passed at a meeting of the Risk Management Committee. All such resolutions shall be recorded by the Company Secretary in the minutes book. Any such resolution may consist of several documents in the like form, each signed by one (1) or more members of the Risk Management Committee. The expressions “in writing” or “signed” include approval by legible confirmed transmission by way of letter, facsimile, electronic means or other means of communication.

TERMS OF REFERENCE OF THE SUSTAINABILITY COMMITTEE

A. COMPOSITION

1. The Sustainability Committee shall comprise at least three (3) members from amongst the Directors of the Company.
2. The Chairman of the Sustainability Committee shall be an Independent Non-Executive Director.
3. The Company Secretary shall be the Secretary of the Sustainability Committee.
4. No alternate Director shall be appointed as a member of the Sustainability Committee.

B. AUTHORITY

1. The Sustainability Committee is authorised by the Board to review any activity within the Sustainability Committee's terms of reference.
2. The Sustainability Committee is established to assist the Board in fulfilling its oversight responsibilities concerning the Group's sustainability strategy and performance. The Committee ensures that the Group's sustainability strategy aligns with its corporate objectives, policies, risk management, climate change, and stakeholder expectations while complying with relevant regulations and standards.
3. In the event that any member of the Sustainability Committee shall need to seek independent professional advice in furtherance of his/her duties, he/she shall first consult with and obtain the prior approval of the Chairman of the Sustainability Committee.
4. The Sustainability Committee is authorised to review and recommend to the Board the annual sustainability plan budget and additional ad-hoc initiatives in relation to the sustainability strategy and budget increases amounting to RM1 million and above.
5. The Sustainability Committee is to recommend to the Board any appropriate changes to the duties of the Sustainability Committee.
6. The Sustainability Committee to consider the appointment and/or removal of the Chief Sustainability Officer.
7. The Chief Sustainability Officer shall provide recommendation, report status and findings and/or resolutions to the Sustainability Committee at its meetings.
8. The Sustainability Committee shall have oversight on any internal or independent assurance or audit exercise pertaining to sustainability data or disclosures undertaken by the Group.

C. DUTIES OF THE SUSTAINABILITY COMMITTEE

1. To review, monitor and assess the Group's sustainability strategy, related policies, standards, and performance including climate change. This includes monitoring progress achieved against set sustainability key performance indicators and targets.
2. To provide insights and input to the Management to ensure that the Group's sustainability strategies, goals and programs are aligned with the global direction and stakeholders' expectations to promote and encourage the Group's commitment towards sustainability.
3. To ensure that the Group has a robust reporting process for material sustainability topics in accordance with relevant reporting frameworks and standards. This includes reviewing and approving the Group's Climate Risk Register (e.g., climate risks and opportunities) and other climate information, notably the Group's implementation of risk treatment/mitigation action plan(s) for managing and controlling identified climate risks.
4. To review and approve the Group's list of material sustainability topics as and when a new materiality assessment exercise is conducted.
5. To review the Group's sustainability report and any other specific reports (if any) prior to reporting to the Board including:
 - a. changes in sustainability policies, standards and procedures, and its implementation.
 - b. assessment of material issues to the achievement of sustainability goals by the Group and efforts to address the issues.
6. To review issues relating to sustainability arising from independent audits and assurance reports as well as other relevant matters pertaining to the industry.
7. To act on any other matters as may be directed by the Board.

D. MEETINGS AND MINUTES

1. The Sustainability Committee shall meet at least four (4) times annually and/or as required in furtherance of its duties.
2. The quorum for the Sustainability Committee's meeting shall be two (2) members.
3. The Company Secretary shall record, prepare and circulate the minutes of the meetings of the Sustainability Committee and ensure that the minutes are properly kept and produced for inspection if required.
4. The Sustainability Committee shall report to the Board and its minutes will be tabled to and noted by the Board.

5. A resolution in writing signed or approved by a majority of all members of the Sustainability Committee shall be valid and effectual as if it had been passed at a meeting of the Sustainability Committee. All such resolutions shall be recorded the Company Secretary in the minutes book. Any such resolution may consist of several documents in the like form, each signed by one (1) or more members of the Sustainability Committee. The expressions “in writing” or “signed” include approval by legible confirmed transmission by way of letter, facsimile, electronic means or other means of communication.

TERMS OF REFERENCE FOR THE EXECUTIVE COMPENSATION COMMITTEE

A. COMPOSITION

1. The Executive Compensation Committee (“ECC”) shall comprise the following:
 - (a) Managing Director of BAT Malaysia;
 - (b) Finance Director of BAT Malaysia; and
 - (c) Human Resources Director of BAT Malaysia.
2. The Chairman of the ECC shall be the Managing Director of BAT Malaysia.
3. The Company Secretary of BAT Malaysia shall act as the Secretary to the ECC.

B. TERMS OF REFERENCE

The ECC is authorised to perform, with respect to all employees (except members of the Leadership Team) of the Group the following functions:

1. To review and approve all elements of remuneration, compensation payments, bonuses, rewards and benefits which include inter alia the elements set out below, save and except that in the case of salaries of employees in the Group (except members of the Leadership Team), the relevant Head of Function shall with the Human Resources Director review and approve the salaries of employees of that relevant function:
 - (a) to ensure that the Group remuneration systems offer the opportunity of excellent reward for excellent performance;
 - (b) to examine reward packages as a whole, seeking overall competitiveness rather than item-by-item comparability based on the market and affordability;
 - (c) to review the individual components of the total reward package to determine, via employees and market trends, the benefit value of each element and adjust the package to achieve the greatest perceived value for cost;
 - (d) to establish an appropriate comparator market in terms of the types of organisations which would be direct competitors for the calibre of employees required and against which the Group in practice has to recruit within the business environment;
 - (e) to ensure that arrangements are made for regular surveys of remuneration and benefits, with a sufficient sample of comparator companies to obtain a reliable measure of the market. This may be through participation in surveys of other companies or the commissioning of a survey through suitable local consultants;

- (f) to ensure that the remuneration package is at all times fully in compliance with local taxation and legal requirements, whilst at the same time maximising legitimate commercial advantage.
- 2. To review and approve the mandate for collective agreement. The ECC will be required to give prior approval to collective pay/benefit awards for unionised employees. The ECC will empower the Managing Director to negotiate pay/benefit settlements with recognised trade unions or employees' association within predetermined limits, agreements being notified to ECC members on completion of negotiations. If deemed fit, the Managing Director may empower the Human Resources Director to perform the said negotiations. When pay/benefits are determined by legislation or the Group is part of an Employers' Association, the likely awards, and confirmation of awards including the costs of translating such awards to Group level pay and benefits, will be notified to the ECC;
- 3. To review, approve and amend as the case maybe, the design and terms of BAT Malaysia's executive shares schemes, if any;
- 4. To review and approve voluntary separation schemes; and
- 5. To note job upgrades of Grades 35, 36, 37 and 38.

C. MEETINGS AND MINUTES

- 1. The ECC shall meet at least twice a year or more frequently, if necessary.
- 2. The quorum for the ECC shall be at least two members of which one of the member present must be the Chairman.
- 3. The Secretary shall record and circulate the minutes of the meeting.
- 4. The ECC shall report to the Nomination and Remuneration Committee and the minutes of the ECC is tabled to the Nomination and Remuneration Committee which the Board is then updated on.

CHAIRMAN OF THE BOARD

1. The Chairman of BAT Malaysia (the “Chairman”) shall be primarily responsible for the efficient and effective functioning of the Board.
2. The Chairman’s specific duties and responsibilities shall be as follows:
 - (a) To preside at meetings of shareholders and the Board and as the case maybe, the Committees constituted by the Board;
 - (b) To review in consultation with the Managing Director and the Company Secretary, the agenda for the Board meetings;
 - (c) To recommend to the Nomination and Remuneration Committee for its consideration candidates for appointment to the Board;
 - (d) In conjunction with the Managing Director, to recommend to the Board the fees payable to Non-Executive Directors;
 - (e) To ensure that all Directors are kept properly briefed and that they receive the support and information they need in a timely manner to enable them to fulfil their functions efficiently and effectively;
 - (f) To ensure that, at all times, the Board is constituted in accordance with and acts in compliance with, inter alia, the Listing Requirements of Bursa Malaysia, the MCCG, the Companies Act 2016, and all other statutory requirements;
 - (g) To establish and maintain relationships with the stakeholders of BAT Malaysia including government institutions, shareholders and potential shareholders and major external bodies; and
 - (h) To undertake such representational responsibilities as may be appropriate.
 - (i) To ensure that the Group sustainability strategy and performance, including climate change, when necessary, is deliberated at the Board meetings as part of the agenda. This includes the latest external developments, internally generated findings and information, and related performance data.

SENIOR INDEPENDENT DIRECTOR

The Board may approve the appointment of a Senior Independent Director (“SID”) from amongst its members, who shall have specific responsibilities which include as follows:

- (a) Acting as a sounding board to the Chairman of the Board;
- (b) Acting as an intermediary for other Board members when necessary;
- (c) Acting as a point of contact for shareholders and stakeholders particularly on concerns which they may have; and
- (d) Providing leadership support and advice to the Board and Board members when required.

MANAGING DIRECTOR OF BAT MALAYSIA

1. The Managing Director is responsible for the operation and development of the Group in accordance with the objectives and strategies established by the Board. He is also responsible for stewardship of all the Group's assets and jointly with the Chairman, representation of the Group externally.
2. The Managing Director is accountable to the Board or to the Chairman of BAT Malaysia as appropriate, for the discharge of the following specific duties and responsibilities:
 - (a) To prepare plans and programmes for the attainment of approved objectives and to recommend such plans and programmes to the Chairman of BAT Malaysia and, as appropriate, to the Board;
 - (b) To develop, obtain approval of and ensure compliance with the Group's policies governing the manner in which business will be conducted;
 - (c) To lead the direction of the Group, with particular emphasis on:
 - corporate and business strategy;
 - financial strategy;
 - corporate culture and corporate management structure;
 - standards of business conduct;
 - establishment of controls necessary to protect the rights and interests of shareholders and relevant stakeholders of the Group;
 - sustainability strategy related matters, including climate change .
 - (d) To ensure a clear business and financial strategy for the Group is formulated for consideration by the Board;
 - (e) To determine for the Board's consideration delegated authorities and limits for the following:
 - capital expenditure;
 - acquisition and disposal of assets; and
 - borrowings and other plans to finance the activities of the Group;
 - (f) To create conditions within the Group for the efficient operation by the responsible managers of all departments;
 - (g) To ensure that adequate organisation plans, procedures and controls are made for the proper execution of functional Directors' duties and attainment of targets;
 - (h) To provide leadership in and report progress upon the Group's commitment to high business standards generally (including standards of environmental care, safety at work and community affairs);
 - (i) To ensure that proper procedures are put in place for career development;

- (j) To take timely action to rectify prospective failure to meet previously agreed operating objectives and targets;
- (k) To keep the Chairman of BAT Malaysia informed on all matters of importance relating to the Group;
- (l) To facilitate the discharge by the Chairman of BAT Malaysia of his duties and responsibilities;
- (m) To preside at meetings of the Board in the absence of the Chairman of BAT Malaysia;
- (n) To preside at Leadership Team meetings;
- (o) In consultation with the Chairman of BAT Malaysia, to recommend to the Board the fees payable to Non-Executive Directors;
- (p) To respond to requests for information from Non-Executive Directors of BAT Malaysia.
- (q) In conjunction with the Chairman of BAT Malaysia, to establish and maintain relationships with the stakeholders of BAT Malaysia including government institutions, shareholders and potential shareholders and major external bodies.

COMPANY SECRETARY

1. The Board shall appoint a Company Secretary who is capable of carrying out the duties to which the post entails and his/her removal shall be a matter for the Board.
2. The Company Secretary's specific duties and responsibilities shall be as follows:
 - (a) To provide strong and positive support to the Chairman of BAT Malaysia so as to ensure the effective functioning of the Board;
 - (b) To provide guidance to the Board and its Committees on their responsibilities under the relevant laws and other statutory requirements to which they are subject and how those responsibilities should be discharged;
 - (c) To advise the Chairman of BAT Malaysia and the Board on the implementation of the MCCG;
 - (d) To ensure that the Group complies with all relevant laws and other requirements;
 - (e) To ensure that that procedures of the Board including with respect to Board meetings and minutes are followed regularly and reviewed;
 - (f) To attend all meetings of the Board and act as the recording secretary for all meetings of the Board and Committees established by the Board; and
 - (g) To carry out any other duties and responsibilities as maybe instructed by the Board.

INVESTOR RELATIONS

It is important for the Board to maintain an active and constructive communication policy that enables the Board and management to communicate effectively with its shareholders, stakeholders and the public generally.

This will take several forms:

- disclosures in annual and quarterly reports;
- announcements;
- circulars to shareholders;
- general communications to the market and the news media;
- general meetings;
- meetings or discussions with investors, analysts and fund managers;
- roadshows; and
- company briefings.

A. INVESTOR COMMUNICATIONS DURING ANNUAL AND QUARTERLY REPORTS

1. The Managing Director and Finance Director may hold discussions with analysts and major shareholders in the evening of the same day following each quarter's announcement of results to the Bursa Malaysia. Presentations are made as appropriate to explain the Group's strategy, performance and major developments. However, any information that may be regarded as undisclosed material information about the Group will not be given to any single shareholder or shareholder's group.
2. A press release based on the quarterly report will be issued in the evening after close of business.

B. ANALYSTS AND FUND MANAGERS

1. Meetings are held to provide clarification on BAT Malaysia's position and trading.
2. Any undisclosed information or competitively sensitive details is not disclosed.
3. The Managing Director and Finance Director are the only authorised persons to meet analysts and fund managers. No meetings will be allowed thirty (30) days prior to the announcement of quarterly or yearly results.

C. ROAD SHOWS

1. Road shows are a time-effective means of meeting current and prospective shareholders. The invitations are made by brokers on behalf of their clients. No broker will be favoured over others.

2. Attendance at road shows may be scheduled after the announcement of the quarter results. BAT Malaysia also holds company briefings for investors at forums organised by the Bursa Malaysia.
3. Participation at road shows will be subject to the approval of the Managing Director.

Appendix 1

FIT AND PROPER POLICY

1. Any person to be appointed as a Director or to continue holding the position as a Director within BAT Malaysia must not be disqualified or deemed to be disqualified or vacated his/her position as a director. In assessing a person's fitness and propriety, the Board through its Nomination and Remuneration Committee, shall consider all relevant factors based on the following overarching criteria:

- Character and integrity;
- Experience and competence; and
- Time and commitment

2. The Nomination and Remuneration Committee shall determine factors including as outlined below, for its consideration in a fit and proper assessment, having regard to the circumstances and requirements relevant to the Group.

(a) Character and integrity

(i)	Probity	<ul style="list-style-type: none"> • The relevant person must be compliant with legal obligations, regulatory requirements and professional standards, where applicable. • The relevant person has not been obstructive, misleading or untruthful in dealings with regulatory bodies or a court of law.
(ii)	Personal integrity	<ul style="list-style-type: none"> • The relevant person has not perpetrated or participated in any business practices which are deceitful, oppressive, improper (whether unlawful or not), or which otherwise reflect discredit on his/her professional conduct. • The relevant person's service contract (i.e. in the capacity of management or as a director) has not been terminated in the past due to concerns on his/her personal integrity. • The relevant person has not abused other positions (that he/she has held) in a manner that contravenes the principles of good governance.
(iii)	Financial integrity	<ul style="list-style-type: none"> • The relevant person manages personal debts or financial affairs satisfactorily. • The relevant person demonstrates the ability to fulfill personal financial obligations as and when they fall due.

(iv)	Reputation	<ul style="list-style-type: none"> • The relevant person is of good repute in the financial and business community. • The relevant person has not been the subject of civil or criminal proceedings or enforcement action, in managing or governing an entity for the past 10 years. • The relevant person has not been substantially involved in the management of a business or company which has failed, where that failure has been occasioned in part by deficiencies in that management.
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(b) Experience and competence

(i)	Qualifications, training and skills	<ul style="list-style-type: none"> • The relevant person possesses an education qualification that is relevant to the skill set that such person is earmarked to bring or to bear onto the boardroom (i.e. a match to the Board skill set matrix). • The relevant person has a considerable understanding on the workings of a corporation. • The relevant person possesses general management skills as well as understanding of corporate governance, and appreciation of sustainability issues- • The relevant person keeps knowledge current based on continuous professional development. • The relevant person possesses leadership capabilities and a high level of emotional intelligence.
(ii)	Relevant experience and expertise	<ul style="list-style-type: none"> • The relevant person possesses relevant experience and expertise with due consideration given to past length of service, nature and size of business, responsibilities held, number of subordinates as well as reporting lines and delegated authorities.
(iii)	Relevant past performance or track record	<ul style="list-style-type: none"> • The relevant person had a career of occupying a high-level position in a comparable organization and was accountable for driving or leading the organisation's governance, business performance or operations. • The relevant person possesses commendable past performance record as gathered from the results of Board evaluations.

(c) Time and commitment

(i)	Ability to discharge role having regard to other commitments	<ul style="list-style-type: none"> • The relevant person is able to devote time as a Board member, having factored other outside obligations including concurrent board positions held by the relevant person across listed issuers and non-listed entities (including not-for-profit organisations).
(ii)	Participation and contribution in the Board or track record	<ul style="list-style-type: none"> • The relevant person demonstrates willingness to participate actively in Board activities. • The relevant person demonstrates willingness to devote time and effort to understand the business and exemplifies readiness to participate in events outside the Boardroom. • The relevant person manifests passion in the vocation of directorship. • The relevant person exhibits the ability to articulate views independently, objectively and constructively. • The relevant person exhibits open-mindedness to the views of others and the ability to make considered judgment after hearing the views of others.

3. A person who has been identified for appointment as a Director or for re-appointment/re-election as a Director in BAT Malaysia shall be required to make the fit and proper declaration in such form as the Nomination and Remuneration Committee may from time to time prescribe or approve.

Appendix 2

Date of revision	Amendment
27 April 2005	The Remuneration Committee recommended the change to the Executive Compensation Committee terms of reference to cover all employees of the Company except G38 and above and the Board of Directors had approved the recommendation on 27 April 2005.
24 June 2005	The Board approved Remuneration Committee terms of reference to extend the scope of authority of the Committee to cover Executive Directors, members of the Top Team and employees of Grade 38 and above.
20 March 2006	Amendment to composition of Remuneration Committee where the Human Resource Director, who is not a member of the Board not to be a member of the Remuneration Committee.
15 February 2007	Amendment for Chairman of the Audit Committee to be an Independent Non-Executive Director.
22 April 2008	<p>Key amendments are as follows:</p> <ul style="list-style-type: none"> (a) the need for continuous Directors training; (b) proper record not only decisions made but also all the issues discussed in arriving at the decisions; (c) composition of Audit Committee, requiring all audit committee members to be Non-Executive Directors; (d) eligibility criteria for appointment as an audit committee member requiring all members to be able to read, analyse and interpret financial statements; (e) setting out the rights of audit committee to convene meetings with external auditors, internal auditors or both, excluding the attendance of other Directors and employees of the Company; (f) expanding the functions of audit committee to include the review of the adequacy of the competency of the internal audit function; (g) greater emphasis on continuous engagement between the Chairman of the Audit Committee and the senior management of the Company and external auditors; (h) increase the frequency of meetings between Audit Committee and the external auditors to at least twice a year; (i) recognises the importance of the internal audit function; (j) eligibility criteria for appointment of Directors requiring the Board has an appropriate balance of skills, knowledge, expertise, experience, professionalism, integrity, attributes and core competencies from its members; (k) places importance on the process carried out by the Nomination Committee in evaluating members of the Board; and (l) the Nomination Committee should also ensure that its assessments and evaluations are properly documented.

Date of revision	Amendment
17 July 2008	The Board approved Executive Compensation Committee's Terms of Reference to extend the scope of authority of the Committee i.e. to review and approve all other elements of remuneration, rewards and benefits for all employees (except members of the Top Team).
17 July 2008	The Board approved Remuneration Committee's Terms of Reference to clarify the scope of authority of the Committee to cover executive Directors and members of the Top Team.
23 April 2009	The Board approved Executive Compensation Committee's Terms of Reference to extend the scope of authority of the Executive Compensation Committee and to clarify the responsibilities of the Head of Function together with the Human Resources Director and Managing Director.
22 April 2010	The Board approved the revision to the composition of the Executive Compensation Committee ("ECC") and revised the Terms of Reference of the ECC.
21 April 2011	The Board approved the declaration and payment of four (4) interim dividends per financial year.
26 February 2013	The Board approved the revised Terms of Reference of the Audit Committee to be in line with disclosures in the annual report 2012.
16 February 2015	The Board approved the revised Terms of Reference of the ECC.
11 March 2015	The Board approved the revised Terms of Reference of the Remuneration Committee.
17 February 2016	The Board approved the revised Terms of Reference of the Nomination Committee.
20 July 2017	The Board approved the revised Terms of Reference of the Remuneration Committee.
13 February 2018	The Board approved the revised Terms of Reference of the Audit Committee.
21 May 2018	The Board approved the revised Terms of Reference of the Remuneration Committee.
28 May 2019	The Board approved restructuring of the Committees and Terms of Reference of the revised Audit, new Risk Management and revised Nomination and Remuneration Committees.
25 July 2019	The Board approved the revised Terms of Reference of the Risk Management Committee.

Date of revision	Amendment
20 February 2020	The Board approved the tenure of Independent Non-Executive Director should not exceed a cumulative term limit of nine (9) years.
31 May 2021	The Board approved the formation of new Sustainability Committee and dissolution of the Corporate Social Responsibility Committee.
28 October 2021	The Board approved the revision on the terms of reference of a former partner of the external audit firm from a 2-year cooling off period to 3-year cooling off period.
31 May 2022	The Board approved the revision of the Board Charter for the inclusion of a fit and proper policy, and the updates to keep consistent with MCCG practices.
29 May 2023	The Board approved the revision on the tenure of Independent Directors to a term limit of 9 years without extension, the role of Senior Independent Director, and on the requirement to have Non-Executive Directors meeting twice a year.
24 July 2023	The Board approved the revision on the revised Terms of Reference of the Audit Committee and Terms of Reference of the Executive Compensation Committee.
30 May 2025	The Board approved the revision to the revised Board Charter and the revised Terms of Reference for the Nomination and Remuneration Committee, the Risk Management Committee, the Sustainability Committee, Chairman of The Board and the Managing Director of BAT Malaysia.