



REMUNERATION COMMITTEE

TERMS OF REFERENCE

A. Purpose

The Terms of Reference of the British American Tobacco Kenya Plc ('BAT Kenya') Remuneration Committee within the context of the local market, can be summarised as follows:

- (i) Review and propose changes to pay and benefits policy, as applicable to any category of employee in the Company but excluding expatriate terms and conditions.
- (ii) Review the expenditure related to any annual remuneration reviews, inclusive of collective pay/benefit awards for unionised employees.

B. Responsibilities & Objectives

All these responsibilities should be executed with due reference to appropriate local market practices as sourced through reliable market surveys. Appropriate local market practice, in the latter context, refers to comparing the company with comparable local organisations.

The **key objectives** in executing the above responsibilities are as follows:

1. The Remuneration Committee is charged with reviewing all terms and conditions including all benefits in kind and is responsible for ensuring that reward practices and HR related policies and procedures are competitive and aligned to the BAT Group Reward Policy.
2. Ensure that all aspects of the Company's remuneration offering are sufficiently competitive to enable the Company to attract and retain an appropriate talent pool and be regarded as an employer of choice within the local context.
3. Recognise that the Company's remuneration offering is a major cost, but also a significant management instrument which must be used strategically and positively with a clear view of the cost/benefit implications of any proposal.
4. Ensure that the Company's remuneration offering encourages and rewards excellent performance.
5. Oversee compliance with laws and regulations with respect to compensation and human resource matters, including labour and employment standards, human rights and workers' compensation legislation, whilst at the same time maximising legitimate commercial advantage.
6. Oversee entrenchment of the Company culture across the Company by reviewing outcomes of employee opinion surveys and setting the measures of success for the key culture metrics to be tracked by Management.
7. Ensure that proposed changes to the package are based on the market and affordability. The pay review should not be linked to the cost of living (except to the extent that inflation is reflected in market pay levels). The frequency of reviews should be governed by normal practice amongst comparator companies.

8. After salary, retirement benefit schemes are frequently the largest single element of the total package to the Company in cost terms and to the individual in benefit terms. The Remuneration Committee is responsible for ensuring that retirement benefit arrangements comply with the BAT Group's Corporate Best Practice Guidelines.
9. Review major changes in the Company's organisational structure and recommend any changes if necessary.

C. Membership

The composition of the Remuneration Committee shall be at least two (2) non-Executive directors and two Executive Directors. The Head of Human Resources shall be the Secretary to the Committee. The Board Company Secretary shall be a permanent invitee to the Committee.

D. Quorum & Attendance

The quorum necessary for the transaction of business shall be two non-Executive directors and at least one Executive Director. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

Other relevant Senior Management may be invited to attend for all or any part of a meeting as and when appropriate, in the opinion of the Committee members.

The Head of Human Resources will act as the Secretary of the Committee.

E. Meeting Frequency

The Remuneration Committee shall meet at least twice a year.

To provide the Company's Board more visibility on the Human Resources (HR) Agenda, two (2) HR sessions will formally be scheduled in February and September of each year, or such other time as agreed.

F. Notice of Meeting

Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chairman.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and copies of all Committee papers, shall be sent to all members of the Committee, and to all other attendees as appropriate, at least four (4) working days before the meeting.

G. Authority

The Committee is authorized by the Board to:

- (i) seek relevant information/insights as required from Management of the Company to perform its duties;
- (ii) delegate its powers in relation to matters to a sub-committee, determine its membership, terms of reference and the extent of its delegated powers.

H. Reporting Procedures

Reporting procedures will be as follows:

- (i) The Committee Chairman shall report to the Board at its next meeting on the proceedings of each meeting on all matters within its duties and responsibilities. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- (ii) The Secretary shall minute the proceedings and resolutions of the Committee meetings, including the names of those present and in attendance.
- (iii) The Secretary shall circulate draft minutes of meetings of the Committee to all members of the Committee. Once approved, minutes shall be circulated to all other members of the Board except where the Committee determines it to be inappropriate to do so for reasons of confidentiality.
- (iv) The Committee's activities shall be disclosed in the Annual Report.

I. Other

The Committee shall:

- (i) give due consideration to all applicable laws and regulations, as appropriate; and
- (ii) annually review its own performance, its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- (iii) The Committee shall have access to sufficient resources in order to carry out its duties.
- (iv) The Committee shall work and liaise with all other Board Committees.
- (v) No Member of the Committee may participate in any decision with respect to his or her position.

J. REVIEW OF THE TERMS OF REFERENCE

The Terms of Reference shall be reviewed annually by the Committee, which shall then recommend any proposed changes to the Board for approval.

Peter Mwangi
Chairman, Remunerations Committee

Approval of these Terms of Reference

These Terms of Reference were reviewed by the Remuneration Committee on 4th February 2021 and by the Board on 18th February 2021.

These Terms of Reference were further reviewed by the Remuneration Committee on 3rd February 2022 and approved by the Board on 17th February 2022.

These Terms of Reference were further reviewed by the Remuneration Committee on 2nd February 2023 and approved by the Board on 2nd February 2023.