

British American Tobacco Kenya Plc
Remunerations Committee
Terms of Reference

A. Purpose

The terms of reference of the BAT Kenya Remuneration Committee within the context of the local market, can be summarised as follows:

- (i) Review and propose the pay & benefit policies for all Non-Executive directors;
- (ii) Review and approve the pay & benefit policies for all Executive Directors;
- (iii) Review and propose changes to pay and benefit policy for all employees in the company;
- (iv) 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:

- (i) The Remuneration Committee is charged with reviewing all terms and conditions including all benefits in kind and is responsible for ensuring that reward practices are competitive and aligned to the BAT Reward Policy.
- (ii) 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.
- (iii) 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.
- (iv) Ensure that the company's remuneration offering encourages and rewards excellent performance.
- (v) Ensure that company's remuneration practices are at all times fully in compliance with local taxation and legal requirements, whilst at the same time maximising legitimate commercial advantage.
- (vi) 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.
- (vii) 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 Corporate Best Practice Guidelines.

C. Membership

The **composition** of the Kenya Remuneration Committee is as follows:

- (i) Non-Executive Director (Kenya Remuneration Board) - Chairperson
- (ii) Non-Executive Director (Kenya Remuneration Board) - Independent Member
- (iii) Non-Executive Director (Kenya Remuneration Board) - Independent Member
- (iv) Managing Director - Member
- (v) Finance Director - Member
- (vi) Head of HR - Secretary

D. Quorum

The quorum necessary for the transaction of business shall be three, of which two shall be Independent NEDs. 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.

E. Attendance

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 Chairman and/or most its members.

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

F. Meeting Frequency

The Remuneration Committee meeting should at least be held once annually to sign off the annual increases. However, the committee may meet at such other times as the committee chairman or any member of the committee request.

G. 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 working days before the meeting.

H. 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.

I. Reporting Procedures

Reporting procedures will be as follows:

- (i) The Committee Chairman shall report to the Board on its proceedings after 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 should 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.

J. 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.

Peter Mwangi
Chair, Remunerations Committee

Approval of these Terms of Reference

- These Terms of Reference were reviewed by the Remuneration Committee on 12th April 2018 and by the Board on 27th April 2018.