

## BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

[Registration No. 196101000326 (4372-M)]

(Incorporated in Malaysia)

Minutes of the Sixty-Second (“62<sup>nd</sup>”) Annual General Meeting of British American Tobacco (Malaysia) Berhad (“the Company” or “BAT Malaysia”) held at the broadcast venue at Infinity Room, Level 16, Guoco Tower, Damansara City, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Wednesday, 3 May 2023 at 9.30 a.m.

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### PRESENT

Tan Sri Dato’ Seri Dr. Aseh bin Haji Che Mat ( <b>TSA</b> )	:	Chairman
Dato’ Chan Choon Ngai ( <b>DCCN</b> )	:	Independent Non-Executive Director
Mr. Eric Ooi Lip Aun ( <b>EO</b> )	:	Senior Independent Non-Executive Director
Cik Norliza binti Kamaruddin ( <b>LK</b> )	:	Director
Datuk Christine Lee Oi Kuan ( <b>DCL</b> )	:	Independent Non-Executive Director
Mr. Nedal Louay Salem ( <b>NS</b> )	:	Non-Independent Non-Executive Director
Mr. Anthony Yong Mun Seng ( <b>AY</b> )	:	Managing Director
	:	Finance Director

### IN ATTENDANCE

Ms. Sharifah Thaherah ( <b>STA</b> )	:	Company Secretary
Mr. Adiel Emir Ikram Aziz Al Rahim ( <b>AEI</b> )	:	Company Secretary

### BY INVITATION

Mr. Adrian Lee	:	Messrs. KPMG PLT (External Auditors)
Ms. Soo Tho Pei Yin	:	Messrs. KPMG PLT (External Auditors)
Mr. Poon How Kun	:	Messrs. Jeff Leong, Poon & Wong

### ATTENDEES

*(846 Members, 119 Proxies and 1 Corporate Representative participated in the virtual meeting of the 62<sup>nd</sup> Annual General Meeting as per the summary of attendance)*

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#### 1. CHAIRMAN OF THE MEETING

TSA chaired the 62<sup>nd</sup> Annual General Meeting (“**AGM**” or “**Meeting**”) of BAT Malaysia.

#### 2. WELCOME ADDRESS AND HOUSE RULE

STA shared that the AGM was a fully virtual meeting, and the Meeting was restricted to shareholders and authorised representatives of corporate shareholders. BAT Malaysia had taken all efforts to ensure a smooth live streaming, however the quality of the broadcast for the recipients might be affected by the participants’ own internet bandwidth connection and stability. Shareholders were also encouraged to submit their questions early in the query box.

### **3. CHAIRMAN'S OPENING SPEECH**

On behalf of the Board of Directors ("**Board**") and the Leadership Team of BAT Malaysia, the Chairman extended a warm welcome to the shareholders and authorised representative of corporate representatives, proxies and invitees to the AGM. The Chairman went on to express his special gratitude to all employees of BAT Malaysia for their grit, dedication and resilience in 2022. The Chairman also thanked the shareholders for their continued support and loyalty.

The Chairman briefed the Meeting on the following:

- a) BAT Malaysia delivered a commendable performance given the challenging operating environment in 2022;
- b) In line with BAT Malaysia's commitment to delivering value to its stakeholders, the Board of Directors maintained a dividend payout ratio of above 90% in 2022, where the Board of Directors has declared dividends amounting to 88 sen per share for the financial year ended 31 December 2022;
- c) The Board of Directors remained committed to delivering strong shareholder value.

### **4. QUORUM**

The requisite quorum being present pursuant to Clause 80 of BAT Malaysia's Constitution, the Chairman declared the Meeting duly convened.

### **5. NOTICE OF MEETING**

The Notice of the 62<sup>nd</sup> AGM dated 4 April 2023 ("**Notice**") was announced to Bursa Malaysia Securities Berhad, published on BAT Malaysia's website, advertised in the newspapers and circulated to all members on 4 April 2023.

### **6. VOTING PROCEDURES**

Before proceeding with the agenda of the Meeting, the shareholders and proxies were briefed by the Chairman that pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolutions set out in the Notice would be voted on by way of poll.

The shareholders were informed that BAT Malaysia had appointed Tricor Investor & Issuing House Services Sdn. Bhd. as the poll administrator to conduct the e-voting process and Coopers Professional Scrutineers Sdn. Bhd. as the scrutineer to validate the votes cast.

The shareholders were informed that the voting on the resolutions could be done at any time during the Meeting until the closure of the voting session. The polling process via remote participation and voting facility for the resolutions and hotline number for support were shared.

The Chairman informed the shareholders that the Board would make every effort to answer questions received prior to and during the Meeting. For questions that were not addressed at the Meeting, the Company would provide responses by email within five (5) working days from the date of the Meeting.

## **7. BUSINESS AND FINANCIAL PERFORMANCE**

The Chairman then invited the Managing Director, NS, to share BAT Malaysia and its subsidiaries (“**the Group**”) 2022 strategy and operating environment. NS shared the key strategy and operating environment highlights as follows:

- a) The Group’s purpose strategy remained the same which is to build A Better Tomorrow™ by reducing the health impact of its business through offering a greater choice of enjoyable and less risky products to adult consumers.
- b) It was the Group’s third consecutive year of marginal decline in illicit incidence, where in 2022, the reduction recorded at 1 percentage point (“**ppt**”) compared to the previous year. This was delivered through the Company’s continuous efforts working with enforcement agencies like the Royal Malaysian Customs.
- c) With the decline in the black market, the Group was able to see a direct correlation where the legal tobacco industry grew by just under 5%. The biggest beneficiary of legal market growth was the Value-for-Money (“**VFM**”) segment, where the black-market smokers up trade to legal VFM offers.
- d) The lifting of the Movement Control Order (“**MCO**”) helped drive Gross Domestic Product (“**GDP**”) growth to +8.7% compared to same period last year which was the highest annual growth recorded in 22 years. This was largely driven by private consumption supported by better labour market prospects.

## **8. 2022 FINANCIAL PERFORMANCE**

The Finance Director, AY, shared with the shareholders the Group’s 2022 financial performance as follows:

- a) After two consecutive years of market share growth (2019: 50.6%, 2020: 51.7%; 2021: 52.4%), the Group experienced a decline in total market share this year, mainly driven by the Group’s planned delisting of Pall Mall and Kent. Both brands contributed 2.8% share of market in the prior year.
- b) Nevertheless, the Group would remain in a better position to strengthen its portfolio going forward as well as to move into multi-category.
- c) The Group’s cash from operations improved significantly by 242% which contributed to the loan repayment of RM80 million in 2022. As a result, the Group’s borrowing levels have reduced by 10% from RM775 million in 2021 to RM695 million in 2022.
- d) Despite the challenging operating environment during the year, the Group landed profit from operations at 1% lower than 2021 with improved gross profit margins.
- e) The Group continued to be committed to a dividend payout ratio of above 90% and had declared dividends of 88 sens per share during the full year 2022.

## **9. 2023 OUTLOOK**

The 2023 outlook was highlighted as follows:

- a) Despite the unemployment rate dropping to a 3-year low at 3.5% in February 2023 and GDP growth forecasted at +4.1% compared to same period last year, in the short-term, the Group would expect a volatile economic environment driven by inflationary pressures and disruptions on the global supply chain.

- b) The Group would expect this challenging operating landscape to stretch disposable income, leading to downtrading from legal products to tobacco black market options.
- c) In the medium term, the Group was confident the economic conditions would improve, the Government would introduce balanced regulations on vapour and accelerate their interventions to further reduce the tobacco black market.
- d) The Group aimed to continue growing its tobacco heating product, glo™, which represented its efforts to offer a choice of reduced-risk alternatives to adult smokers. The Group would also focus on investing in VFM brands and maintaining leadership in the Premium segment.
- e) The Group welcomed the Government's move to regulate vapour. This would ensure vapers in Malaysia have access to legal products that adhere to safety and quality standards.
- f) The Group believed regulations on vapour products should be based on scientific evidence. There was a growing consensus among many members of the public health community and academics about the role of vapour products as a reduced-risk alternative to smoking.

**10. AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 AND THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON**

STA was invited by the Chairman to read the resolutions and agenda of the Meeting. STA informed the shareholders that the first item on the Agenda was to receive the Audited Financial Statements of the Company for the financial year ended 31 December 2022 together with the Reports of the Directors and Auditors thereon ("**2022 AFS**"). The first item on the Agenda was for discussion only and did not require voting.

**11. ORDINARY RESOLUTION 1  
RE-ELECTION OF TSA IN ACCORDANCE WITH CLAUSE 109.1 OF THE COMPANY'S CONSTITUTION**

Ordinary Resolution 1 was in relation to the re-election of TSA as a Director of the Company in accordance with Clause 109.1 of the Constitution of the Company.

**12. ORDINARY RESOLUTION 2  
RE-ELECTION OF DCCN IN ACCORDANCE WITH CLAUSE 109.1 OF THE COMPANY'S CONSTITUTION**

Ordinary Resolution 2 was in relation to the re-election of DCCN as a Director of the Company in accordance with Clause 109.1 of the Constitution of the Company.

**13. ORDINARY RESOLUTION 3  
RE-ELECTION OF EO IN ACCORDANCE WITH CLAUSE 109.1 OF THE COMPANY'S CONSTITUTION**

Ordinary Resolution 3 was in relation to the re-election of EO as a Director of the Company in accordance with Clause 109.1 of the Constitution of the Company.

**14. ORDINARY RESOLUTION 4  
PAYMENT OF DIRECTORS' FEES AND BOARD COMMITTEES' FEES TO THE NON-EXECUTIVE DIRECTORS FOR THE PERIOD COMMENCING 4 MAY 2023 UNTIL THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY**

Ordinary Resolution 4 was in relation to the approval of the payment of Directors' fees and Board Committees' fees to the Non-Executive Directors for the period commencing 4 May 2023 until the next Annual General Meeting of the Company.

**15. ORDINARY RESOLUTION 5  
PAYMENT OF DIRECTORS' BENEFITS TO THE NON-EXECUTIVE DIRECTORS OF UP TO RM250,000 FOR THE PERIOD COMMENCING 4 MAY 2023 UNTIL THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY**

Ordinary Resolution 5 was in relation to the approval of the payment of Directors' benefits to the Non-Executive Directors of up to RM250,000 for the period commencing 4 May 2023 until the next Annual General Meeting of the Company.

**16. ORDINARY RESOLUTION 6  
RE-APPOINTMENT OF KPMG PLT AS AUDITORS OF THE COMPANY**

Ordinary Resolution 6 was in relation to re-appointment of KPMG PLT as the auditors of the Company for the financial year ending 31 December 2023 and to authorise the Directors to fix their remuneration. The retiring auditors, KPMG PLT have indicated their willingness to continue in office.

**17. ORDINARY RESOLUTION 7  
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR THE COMPANY AND ITS SUBSIDIARIES TO ENTER INTO RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH RELATED PARTIES ("PROPOSED RENEWAL OF THE RECURRENT RELATED PARTY TRANSACTIONS MANDATE")**

Ordinary Resolution 7 was in relation to the Proposed Renewal of the Recurrent Related Party Transactions Mandate. The details of which were set out in the Circular to Shareholders dated 4 April 2023.

STA informed the Meeting that DCL, NS and AY and persons connected with them, were deemed to be interested in the proposed resolution and as such, would abstain from voting on the resolution pertaining to the proposed renewal of shareholders' mandate for recurrent related party transactions in respect of their direct and indirect shareholdings in the Company.

**18. QUESTIONS AND ANSWERS**

The Chairman informed the Meeting that the Company had received questions from the Minority Shareholders Watch Group ("**MSWG**"). The questions posted by MSWG and the responses from the Company were read out by STA, NS and AY respectively and were shared to the shareholders on the screen.

The Company had also received questions prior to and during the Meeting. The shareholders were notified that questions would be summarised to avoid repetition. The Chairman, NS and AY took turns to answer the questions. The shareholders were informed that the Company would provide email responses to questions that were not addressed at the Meeting within five (5) working days from the date of the Meeting.

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A summary of questions by MSWG and the shareholders together with summarised responses by the Company was annexed hereto as Appendix A.

The Meeting then proceeded to vote and was adjourned for the counting of votes.

**19. DECLARATION OF POLL RESULTS**

The Ordinary Resolutions tabled at the 62<sup>nd</sup> AGM of the Company were duly passed by the shareholders of the Company and the poll results of the resolutions as summarised below:

	<b>FOR</b>		<b>AGAINST</b>		<b>Result</b>
	No. of shares	%	No. of shares	%	
<u>Ordinary Resolution 1</u> Re-election of TSA as a Director	166,419,164	99.6700	550,998	0.3300	Carried
<u>Ordinary Resolution 2</u> Re-election of DCCN as a Director	166,525,168	99.7325	446,594	0.2675	Carried
<u>Ordinary Resolution 3</u> Re-election of EO as a Director	166,913,053	99.9642	59,709	0.0358	Carried
<u>Ordinary Resolution 4</u> Payment of Directors' fees and Board Committees' fees to the Non-Executive Directors	166,899,339	99.9569	71,988	0.0431	Carried
<u>Ordinary Resolution 5</u> Payment of Directors' benefits to the Non-Executive Directors of up to RM250,000	166,761,412	99.8746	209,415	0.1254	Carried
<u>Ordinary Resolution 6</u> Re-appointment of KPMG PLT as auditors	166,744,375	99.8681	220,187	0.1319	Carried
<u>Ordinary Resolution 7</u> Proposed Renewal of the Recurrent Related Party Transactions Mandate	24,161,482	99.8191	43,783	0.1809	Carried

**20. CLOSURE**

There being no other business to be transacted, the Meeting closed at 11.40 a.m. with a vote of thanks to the Chairman.

**CONFIRMED AS CORRECT RECORD  
OF THE PROCEEDINGS**



**TAN SRI DATO' SERI DR. ASEH BIN HAJI CHE MAT**  
Chairman

Date: 29 May 2023

**APPENDIX A**

Questions received from MSWG and the Company's Responses

**1. BAT Malaysia's total market share was 0.8% lower in 2022, mainly attributed to the planned delisting of the *Kent* and *Pall Mall* brands during the year. BAT Malaysia's value-for-money (VFM) brands – *KYO* and *Rothmans* – captured an additional 1% market share in 2022 (page 32 of AR2022).**

**(a) What strategies or measures does BAT Malaysia plan to implement to maintain profit margins in response to the downtrading trend that is resulting in increased sales of VFM products (which generally yield lower margins)?**

The prevalence of the tobacco black market with the incidence of illicit cigarettes continuing to hover above 55% remains a major challenge to shift consumers back towards legal consumption. BAT Malaysia maintains our efforts through our call-to-action campaigns like Stop the Black Market and continues to urge the Government to enhance and strengthen anti-smuggling initiatives.

While we acknowledge the challenges, BAT Malaysia has continuously transformed and digitalised our business to future-proof our ways of working which contribute towards maintaining our profit margins. Through these rigorous efforts, we have and will continue to manage cost of sales, marketing investments and optimise operational costs to spend where it matters.

We further continue to strengthen our position as the leading premium brand in Malaysia with Dunhill through the introduction of limited-edition product offers for Dunhill Full Flavour and Capsule Range to remain competitive in the Premium Range segment. Also, we have just launched glo™ in Q1, 2023 as a further big step in accelerating our transformation into a consumer product business that defines itself by the consumer needs that we meet, rather than the products we sell. To date, glo™ has been well received in the market and we are optimistic of its growth moving forward.

**(b) Please provide more insight into the reasoning behind BAT Malaysia's decision to delist the *Pall Mall* and *Kent* brands, and what improvements in overall performance does BAT Malaysia expect to see as a result of the delisting?**

BAT Malaysia's decision to delist the Pall Mall and Kent brands is part of our continued efforts to simplify the business and focus on our key strategic brands. Our key strategic brands such as Dunhill continues to strengthen its position as the leading premium brand in Malaysia, delivering growth of 1.1% in the premium segment, while our Peter Stuyvesant brand grew its share of segment by 7.5% in 2022.

Our Value-for-Money (VFM) portfolio continued to be a key growth driver for the Company in 2022, with a total of 1% growth in share of market compared to the previous year.



2. **BAT Malaysia is considering the introduction of its vapour product *Vuse* (page 30 of AR2022).**

**Given the recent introduction of an excise duty on vaping liquid by the government, what is BAT Malaysia's assessment of the current and future commercial opportunities for its vapour product *Vuse*? Please provide data from market research that BAT Malaysia has conducted on the potential of the vaping market in Malaysia).**

BAT Malaysia commends the steps taken by the Government recently to exempt nicotine vapour from the Poisons Act and introduce excise onto nicotine vapour as it signals the intent to enable regulations to be introduced.

We believe it is critical for the Government to introduce a science-based regulatory framework on nicotine vaping products.

It is estimated that there are approximately 1.5mn Malaysian vape users spending RM 2.2 billion per annum. Vapour users are also expected to increase by approximately 9% per annum. We are currently assessing the commercial opportunities and will launch our vapour product *Vuse* soon.

3. **The Group's operating profit trended upwards in the first three quarters of 2022 with a decline in the final quarter due to the timing of marketing spend as it geared towards the launch of the tobacco heating product *glo Hyper X2* in the first quarter of 2023 (page 32 of AR2022).**

- (a) What was the amount spent on marketing in the final quarter of 2022? If the marketing expenditure was excluded, would operating profit have continued to trend upwards, or were there other variables at play?**

The decrease in operating profits of RM17million in the final quarter is largely attributed to the pre-commitment spend for THP launch at RM12 million along with regular year-end seasonal ground activation marketing spend at RM3 million. While the quarterly financial trend provides insights to our business cycles, our real focus is on driving medium to long term sustainability and growth.

- (b) What are the reasons behind the Group's decision to reintroduce *glo* in the market, given that it was discontinued in 2020 due to low consumer demand and a limited outlook for tobacco heated products?**

BAT Malaysia identified a sizeable and growing progressive consumer segment that seeks out reduced-risk\* alternatives to combustible products at a consumer relevant price position. With the reintroduction of *glo* in the market, BAT unveiled *glo*<sup>TM</sup> hyper X2, the latest innovation from *glo*. The product's innovative new design is shaped by consumer insights, offering new, innovative, user-friendly features.

Our multi-category portfolio offers the industry's widest choice of scientifically substantiated, reduced risk\* and enjoyable products for adult smokers who are looking to switch. This is a further big step in accelerating our transformation into a multi-category consumer products business that defines itself by the consumer needs that we meet, rather than the products we sell.

*(\*Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.)*

**(c) What are BAT Malaysia's targets and expectations for future financial performance?**

As we move into an economic environment that will see more moderate growth as a result of inflationary pressures and tighter monetary policy, we are cognizant that consumer spending power will be affected. However, we are also optimistic that the efforts by the Government to stop the black market will continue to bear fruit and urge the Government to step up efforts in this area to recover the RM5bn revenue that is lost annually.

Legalisation of nicotine vapour products will provide a platform for our ambition to build a multi-category business. As always, we continue to strive hard to manage our cost of doing business which are also impacted by inflation and the weaker ringgit. Barring any unforeseen circumstances, we are cautiously optimistic that we will continue to deliver sustainable growth going forward.

**4. BAT Malaysia ceased its cigarette production at its plant in Petaling Jaya, Selangor in 2017 and began importing tobacco from other BAT Group factories in the region, primarily Indonesia. The new business model was appealing from a margin point of view as manufacturing costs were lower in Indonesia. In 2018, BAT Malaysia opened a small-scale plant in Johor to maintain its Malaysian manufacturing license.**

**(a) Have there been any changes in the import tax and transfer pricing premium since BAT Malaysia started importing tobacco from Indonesia, and how have these factors impacted BAT Malaysia's margins and profitability?**

BAT Malaysia imports cigarettes from Indonesia. There hasn't been any changes to import tax tariff of 5% from Indonesia. Transfer Price movement is inevitable due to inflation and foreign exchange movements. However, manufacturing cost per stick has been held flat since 2017. The impact to margins and profitability has been minimal, as the group continuously looks for productivity savings to offset the increases.

**(b) What is the current variance in manufacturing costs between Indonesia and Malaysia, and what trends or factors are currently influencing BAT Malaysia to consider expanding its tobacco manufacturing operations in Malaysia?**

Indonesia is one of the strategic export facilities for the group, hence is able to use its scale to maintain its competitiveness. Based on internal estimates, manufacturing cost in Malaysia would be 500% more than in Indonesia. There are no plans to expand our tobacco manufacturing operations in Malaysia unless there is a significant reduction in the tobacco black market.

**(c) What is the current annual production output of the Johor factory, and which cigarette brands are produced there?**

The Johor factory produces 2 SKUs, Benson & Hedges for the domestic and duty free market and the annual production output currently is 80 million sticks.

**5. What specific measures has BAT Malaysia implemented to prevent the marketing of its products to youth and non-smokers? How does BAT Malaysia approach the challenge of reducing smoking rates among younger generations?**

BAT Malaysia does not market its products to underage persons and non-smokers, and this is embedded in our policies and procedures such as our Standards of Business Conduct and International Marketing Principles. We internally review every marketing touchpoint that goes out into the market for compliance with applicable laws under the Control of Tobacco Product Regulations.

We take smoking incidences in younger generations seriously as we conduct measures such as youth access prevention training to our retail partners and customers, and advise on compliance with government-mandated sales prohibition to minors. Additionally, BAT remains compliant with regulations under the Control of Tobacco Product Regulations that prohibit the sale of tobacco products to those under 18 years.

Hence, for any vacant Board positions in the future, the focus would be sourcing for suitable candidates, and consideration will be given to identifying suitably qualified female candidates.

**6. Currently, BAT Malaysia's Board has a 29% representation of women, with only two out of seven directors being female.**

**Can you provide an update on BAT Malaysia's progress towards meeting the 30% representation of women directors on its Board by 2025, as stated in your reply last year? Have any steps been taken towards sourcing a suitable female director and identifying suitably qualified female candidates?**

Diversity and inclusion continue to be important to BAT Malaysia. The Board is ambitious of achieving more than thirty percent (30%) female representation and sourcing of a suitable female Director by 2025, or earlier if a Board position opens up.

Hence, for any vacant Board positions in the future, the focus would be sourcing for suitable candidates, and consideration will be given to identifying suitably qualified female candidates.

Summary of Shareholders' Questions Received, the Company's Summarised Responses and positive comments received from Shareholders

1. Question: Can BAT Malaysia provide shareholders with door gifts, vouchers or a token for shareholders who have and will continue to support BAT Malaysia?

Response: BAT Malaysia will be giving out RM50 Touch n Go e-Wallet vouchers as a token of appreciation to shareholders and proxies who are attending this meeting.

The basis of the entitlement is 1 voucher each for those who are:

- attending as a shareholder;
- attending as shareholder and proxy;
- attending as a proxy, irrespective of the number of shareholders represented.

Vouchers will be distributed approximately 2 weeks after the meeting adjourned.

2. Question: With the legalisation of the sale of vape, when will the company start the sale of Vuse to help the boost of Company's income in year 2023? What will make the consumers buy Vuse compared to another brand? Additionally, I was informed that BAT Malaysia was not granted a license to sell refill vape liquid. The license BAT Malaysia currently have is restricted to selling new vape device. Can you please clarify on the matter?

Response: We are encouraged that the Government is taking positive steps to regulate vapour products. When BAT Malaysia enters the vape market, we will launch Vuse which is the number one global vaping brand to compete with established players. Globally we have also delivered industry leading consumer acquisition in 2022, up to 1.6 million to 10 million consumers.

Vuse is also the world's first global carbon neutral brand, designed with purpose and backed by science with Consumer satisfaction at the heart of everything we do in the design, development, and manufacturing of our products.

There will be significant investments in the beginning to be competitive and gain market share. It is premature to announce projected profits on the vape category of business given that the commercial assessment and financial profitability will be heavily dependent on the vapour regulatory framework which is not in place yet but we will ensure that we remain competitive in price and flavor.

At the moment there are no regulations that requires BAT Malaysia to have a license to sell vapour products in the market. In the future if there is a requirement rest assured that BAT Malaysia will comply with the same.

3. Question: What is the company's view and strategy to overcome the effect of GEG?

Response: We have always maintained our position that the Generational End Game ("GEG") proposal is untested, unproven and without any scientific evidence of effectiveness and it may prove counter-productive and dangerously detrimental to our country's public health agenda. Given the immense 56.6% tobacco black

market in Malaysia, such a ban is likely to worsen the illegal cigarette crisis without reducing the overall cigarette consumption. Possibly it may have an opposite effect to increase the consumption of cheaper illicit cigarettes.

We believe that progressive tobacco harm reduction policies and access to alternative products with reduced risk to smoking that was adopted in UK and Sweden are key to help Malaysia reduce its smoking prevalence. BAT Malaysia will continue to advocate our views on this matter to the Government.

4. Question: Any strategic marketing strategy to capture the market cap once GEG is implemented by the Government?

Response: It is pre-mature to discuss this as there hasn't been any decision made on the GEG proposal by the Government. On our end, BAT Malaysia will continue to advocate our views on this matter to the Government.

What we do know is that legal industry players will be severely affected as the illegal cigarette levels will grow exponentially. Given the immense size of the tobacco black market in Malaysia, such a ban is likely to worsen the illegal cigarette crisis without reducing the overall cigarette consumption. Possibly it may have an opposite effect to increase the consumption of cheaper illicit cigarettes.

5. Question: Will the Management consider issue Dividend Reinvestment Plans (“DRIP”) or bonus to reward existing loyal shareholders?

Response: There is currently no intention to do so. BAT Malaysia continues to provide great value to its shareholders through its annual dividends, historically providing a dividend payout ratio of above 90%.

6. Question: Will the company go into privatisation?

Response: Currently the Company has no plans to go into privatisation.

7. Question: Lack of enforcement of illegal cigarettes by customs official in the East Malaysia. What actions are being taken? Is Jabatan Kastam aware of this problem. Has the company proactively informed them of this illegal Phillipino cigarette problem?

Response: Over the years we have engaged closely not only with Royal Malaysian Customs but also with various other law enforcement agencies to drive awareness of the illicit cigarette problem in Malaysia including in the East Malaysia. In fact, recently there had been several key seizures of illicit cigarette in both Sabah and Sarawak. BAT Malaysia will continue our close collaboration with the law enforcement agencies to strive for sustained enforcements against illegal cigarette trade.

8. Question: In the recent removal of KENT and PALL MALL, will BAT come up with any new branding to be competitive in the market?

Response: BAT Malaysia's decision to delist the Pall Mall and Kent brands is an effort to simplify and stay focused on our key strategic brands. We continue to build on the strengths of our existing portfolio with our key strategic brands such as Dunhill continuing to strengthen its position as the leading premium brand in Malaysia, delivering growth of 1.1% in the premium segment, while our Peter Stuyvesant brand grew its share of segment by 7.5% in 2022.

9. Question: Dunhill the stronghold of BAT brand withstands how many % revenue a year?

Response: While we do not normally release information on individual brand profitability, be rest assured that our revenue growth has always been driven by strong combustible growth and this is largely contributed by Dunhill's consistent performance in the share of market and share of segment which stood at 32% and 62.3% respectively for 2022. The investments behind our portfolio strategy continue to strengthen our brands as we continually urge the Government to enhance anti-smuggling initiatives to further bring down illicit cigarette incidence in the country and shift consumers back to the legal market.

10. Question: Cigarette had been labelled bad for health, human beings had been smoking for thousands of years until recent medical experts victimise nicotine as the culprit, does the company plan to introduce nicotine free cigarettes for smokers so that impact for cigarettes' bad image is reduced?

Response: We know that combustible products pose serious health risks the only way to avoid those risks is to not start, or to quit, smoking. However, it is important to understand that most of the harm associated with cigarettes is caused by the burning of tobacco (combustion), not by the nicotine.

That is why we have developed a range of alternative products that contain the nicotine adult smokers want, but do not burn tobacco. These products are backed by science. While they are not risk free, the science supports our belief that these types of product categories could be considered reduced-risk\* compared to smoking.

*(\*Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.)*

11. Question:

1. Is BAT planning to introduce modern oral products, such as tobacco-free nicotine pouches, into the Malaysian market?
2. There are various vapour products on the market right now. What is BAT's strategy for positioning and increasing sales of vapour products?
3. According to several studies, vapour is more harmful than smoking. I'd like to know how BAT management feels about the aforementioned comment.

Response: BAT has a wide range of reduced risk products worldwide, based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive. These products include glo (now available in Malaysia), Vuse (no.1 Brand in US) plus modern and traditional oral products. We've addressed our plans for the launch of vape products earlier, and we will review commercial opportunities for modern oral pending a conducive regulatory framework.

On the third question, a number of public health authorities, such as Public Health England are clear that vaping is likely to be much less risky than smoking traditional cigarettes when used as a complete substitute for continued cigarette smoking.

At BAT, we continue to publish scientific evidence behind our New Category products. Last year, we conducted a first-of-its kind study of Vuse, our flagship vapour brand, designed to assess and provide insights into the real-world health impact of vaping. Results from the completed study will be published in due course.

12. Question: Any succession planning for retiring directors as you are re-electing them? What is the minimum tenure for each director as the retirement age is 60 and technology is evolving at a fast pace.

Response: We will conduct market mapping to identify potential successors and screening will be done by senior management, the Nomination and Remuneration Committee and the Board.

13. Question: How much the company spend on this virtual AGM?

Response: The Company ensures that we only spend where it matters and this virtual AGM takes that into account, with its costs being approximately 50% less than a physical AGM.

14. Question: Consumers normally will either choose conventional cigarettes, or the perceived to be healthier vape products.

- (a) Glo™ and viio seem to fall in between, will it have the demand?  
(b) Please share the revenue and profit contribution of the glo and viio products? And its trend?

Response: Glo™ has been reintroduced to Malaysia market in February 2023 in a few selected key account channels. The footprint is following the target consumer concentration (over indexed) to ensure effective investment in building awareness and consumer trial of the new offer.

With the strategically targeted retail footprint, this is a great testament of the retailers' confidence level towards our new glo™. We are getting good traction in VIIO consumable performance that's pairing with our glo Hyper X2 device platform, gaining share in the category in the strategic retail channels.

(3% category share and growing week on week).

15. Question: On page 17 of the annual report, board and management mentioned about executing strategies to transform BAT Malaysia into a high-growth multicategory consumer goods company. However, BAT revenue and profit generally has been in a downtrend over the past 5 years (page 34), are the high-growth targets realistic?

Response: As we move into an economic environment that will see more moderate growth as a result of inflationary pressures and tighter monetary policy, we are cognizant that consumer spending power will be affected. However, we are also optimistic that the efforts by the Government to stop the black market will continue to bear fruit and urge the Government to step up efforts in this area to recover the RM5bn revenue that is lost annually.

Legalisation of nicotine vapour products will provide a platform for our ambition to build a multi-category business. As always, we continue to strive hard to manage our cost of doing business which are also impacted by inflation and the weaker ringgit. Barring any unforeseen circumstances, we are cautiously optimistic that we will continue to deliver sustainable growth going forward.

16. Question:
1. When can the company hold physical AGM?
  2. When can we expect dividend increased?
  3. What are the measures the board of directors have in place for the company shares prices to perform better?

Response:

1. We stand guided by our regulatory authorities on the return to physical AGM. In addition to that, virtual AGMs allow us to have wider reach, enabling all our shareholders to be involved.
2. We are committed to pay dividend at a high payout ratio above 90%.

17. Question: Any plan to introduce innovative products on this year?

Response: Our multi-category portfolio offers the industry's widest choice of scientifically substantiated, reduced risk products based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

We are currently assessing the commercial opportunities and will launch our vapour product Vuse soon.

18. Question: Malaysia has removed nicotine liquids and gels from Poison Act 1952, effectively legalising vapes. The government also imposed an excise duty of 40 sen/ml on for vape liquids or gels effective this month. Do you mind sharing about BAT's vape venture? What is the potential contribution from vape and how much A&P going to spend this FY? Also, what are the plans beyond this year?

Response: We are encouraged that the Government is taking positive steps to regulate vapour products. When BAT Malaysia enters the vape market, we will launch Vuse which is the number one global vaping brand to compete with established players. Globally we have also delivered industry leading consumer acquisition in 2022, up to 1.6 million to 10 million consumers.

Vuse is also the world's first global carbon neutral brand, designed with purpose and backed by science with Consumer satisfaction at the heart of everything we do in the design, development, and manufacturing of our products.

There will be significant investments in the beginning to be competitive and gain



market share. It is premature to announce projected profits on the vape category of business given that the commercial assessment and financial profitability will be heavily dependent on the vapour regulatory framework which is not in place yet but we will ensure that we remain competitive in price and flavor.

At the moment there are no regulations that requires BAT Malaysia to have a license to sell vapour products in the market. In the future if there is a requirement rest assured that BAT Malaysia will comply with the same.

19. Question: Besides offering price, what are strengths and weakness of BAT compared with black market from the perspective customer fronting areas e.g. route to routes to market, marketing strategies and customer service?

Response: BAT has invested in fit for future route to market model and marketing strategies that are superior to the black market. The only competitive advantage the black market has is on price driven by their blatant disregard of the law.

20. Question: Farm Garden project is a good move and i hope the company can invite the shareholders to tour the sites so that investing shareholders are more involved in the company and not just an idling shareholder that is least attending by the Board of Directors.

Response: Thank you for your keen interest in our ESG efforts. Our flagship community investment project “Beyond Benih” supports communities to grow their food requirement in community-run farm gardens. BAT Malaysia intends to transform the lives of over 165,000 beneficiaries by 2026 and we will continue to invest in this programme over the next few years as part of our commitment to give back to the communities we operate in. We shall take into consideration how we can involve our shareholders in these initiatives.

21. Question: Do you mind sharing with us about the tobacco-heating product Glo™ that was launched on February 6? How is the response so far? What are the plans to drive adoption and sales?

Response: With the strategically targeted retail footprint in several key accounts, this is a great testament of the retailers’ confidence level towards our new Glo™.

We are getting good traction in VIIO consumable performance that’s pairing with our glo Hyper X2 device platform, gaining share in the category in the strategic retail channels. (3% category share and growing week on week).

We will continue to ensure we build right level of the brand awareness and competitive positioning in the market. We are optimistic of its growth moving forward.

22. Question: What the sales volume in FY22 vs FY21?

Response: Legal FMC sales volumes in FY2022 increased by +5% vs FY2021, and BAT comprises of 51.6% of the share of market.

23. Question: The Company's revenues, earnings and shareholders' returns have been on a net gradual decline; what is ailing the Company? What is the impact on the Company's performance & dividend payments due to:

- i) illegal equivalents
- ii) Government's actions to ban smoking for those born after 2007
- iii) impact of vaping
- iv) loss of market share to rivals?

Response: The company's profit from operations margins have been stable in the past 3 years hovering around 15% despite the challenges of the high tobacco black market, the onset of the unprecedented pandemic, the volatility in the global economy, as well as the current inflationary pressure ensnaring consumers' spending power.

The Group has been committed to paying dividends at a level of at least 90% of its earnings on a quarterly basis and the 2022 payout ratio was 96% with a dividend yield of 8%, amongst the highest for Malaysian PLCs.

While we cannot be fully certain of the full impact of the Government's intention to ban smoking for those born after 2007, we know that legal industry players will be affected as the black market expands exponentially following such an outright and untested ban in the country. Given the immense size of the tobacco black market in Malaysia, such a ban is likely to worsen the illegal cigarette crisis without reducing the overall cigarette consumption. Possibly it may have an opposite effect to increase the consumption of cheaper illicit cigarettes. We believe that progressive tobacco harm reduction policies and access to alternative products with reduced risk\* are key to getting smokers to switch.

Meanwhile, the Group commends the steps taken by the Government recently to exempt nicotine vapour from the Poisons Act as it signals the intent to enable vapour regulations to be introduced. In 2022, there are approximately 1.5 million vape users which is about 34% of the total market. When the Group introduces Vuse, we will invest to be competitive and gain market share. We are very confident in our product Vuse as well as our trade marketing & distribution capabilities and strategy which will ensure we win and capture our fair share of the market when we enter the category.

To stay ahead, we continue to innovate and enhance our products to drive combustible growth and are on track in this journey of transformation into a multi-category consumer products business. Our focus is to drive share growth in combustibles in order to drive revenue growth. This revenue growth will ensure we are able to reinvest in the development of New Category products in order to satisfy ever-evolving consumer needs by offering a greater choice of enjoyable and reduced-risk\* products.

The company is also continuously improving and optimising our ways of working through automation and leveraging on our digital capabilities to drive cost efficiencies and accelerate our decision-making to remain competitive in the market and deliver shareholder value in the long-run.

*(\*Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.)*

24. Question: BAT's gross margin of 26.1% in FY22 was one of its lowest ever, do you mind guiding us on profit margins going ahead? Will it be continued on downtrend in view consumers opt for value for money products that offer thin margin? What is the expected margin in 2023? Why so

Response: Gross profit margin improved in 2022 at 26.1% as compared with 25.6% and 25.8% in years 2021 and 2020 respectively. The company has taken proactive steps in combatting the rising costs of doing business despite not having a price increase in our products since 2018.

We observe strong volatility and high inflation in the 2023 global economy amidst the Russian-Ukraine war, the banking crisis and rates hike by the US Fed. Although Malaysia showed signs of economic recovery in 2022, we are cautiously optimistic of 2023 amidst the happenings in the global environment. Local consumer spending remains stretched by inflationary pressures and is evidenced by continuous downtrading of cigarettes into the VFM segment.

To ensure that we can continue to grow, we are pursuing greater efforts in tackling illicit trade and urge the Government to seriously address the tobacco black market. In addition, we are committed in transforming our portfolio to include reduced risk\* products, which will not only support our purpose of A Better Tomorrow and our aim of reducing the health impact of our business, but also has huge commercial potential to the Company, as well as to the Government in the form of excise.

Overall, our Portfolio Strategy for 2023 will see us investing into the VFM segment, maintain our Premium segment leadership and launching our vapour product.

*(\*Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.)*

25. Question: After a decline in sales volume in FY22, is BAT expects another year of sales volume decrease in FY23? Yes and no, why?

Response: 2023 will see an exciting year for BAT Malaysia as we have launched our tobacco heating product glo hyper X2 and are further encouraged that the Government is taking positive steps to regulate vapour products.

When BAT Malaysia enters the vape market, we will launch Vuse which is the number one global vaping brand to compete with established players. There will be significant investments in the beginning to be competitive and to gain market share. We are confident in Vuse which is the world's first global carbon neutral brand, designed with purpose and backed by science with Consumer satisfaction at the heart of everything we do in the design, development, and manufacturing of our products.

We will also continue to focus on protecting our business and driving commercial growth by extracting value from our Combustible business. To ensure that we can continue to grow in the legal combustible space, we are pursuing greater efforts in tackling illicit trade and urge the Government to seriously address the tobacco black market.

Overall, our Portfolio Strategy for 2023 will see us investing into the VFM segment, maintain our Premium segment leadership and launching our vapour product. We are truly transforming into a multi-category business this year which supports our purpose of A Better Tomorrow™ and our aim of reducing the health impact of our business.

26. Question: BAT Malaysia is proud to have reduced waste to landfill and carbon emission in our production processes; However, if all its products produced or sold are all lit up, how much carbon dioxide, smoke particles and remnant cigarette butts & vape waste & product packaging are generated to the detriment of our environment? Do we know?

Response: BAT Malaysia is committed to building A Better Tomorrow™ for all its stakeholders. We seek to do this by reducing the health impact of our business while championing excellence across our Environmental, Social and Governance performance. Alongside affirming the utmost importance of Harm Reduction, we also remain committed to address other sustainability issues such as climate change and circular economy.

In line with BAT Group's goals, BAT Malaysia is committed to achieving carbon neutrality in our direct operations (Scope 1 and 2 CO<sub>2</sub>e emissions) by 2030, and Net Zero emissions across our value chain (Scope 1, 2 and 3 CO<sub>2</sub>e emissions) by 2050. In fact, our Johor Bahru factory has already achieved carbon neutral certification. You can read more about our targets and achievements on pages 41 - 43 of the 2022 Integrated Annual Report available on our website.

BAT Malaysia sells a variety of products including cigarettes and now New Category products. In calculating Scope 3 CO<sub>2</sub>e emissions, which form part of BAT's Group-level reporting:

- The calculations estimating the emissions associated with the use of products sold by BAT are included in BAT's Group-level Scope 3 calculations, which following international guidance. Further information on the methodology used is available here:

[BAT Scope 3 Simplified Methodology](#)

- In summary, the following are included:
  - For Tobacco Heating / Vapour Products: emissions associated with charging of devices throughout a device's lifetime, and emissions associated with the use of e-liquid.
  - Tobacco Combustion: emissions associated with the combustion of cigarettes including cigarette paper and tobacco blend. It is assumed that 90% of cigarette paper and tobacco blend are combusted in cigarettes and similar products. The remaining 10% of the product is assessed in Category 12 End of Life Treatment.
  - Lighter Fuel: emissions associated with the use of lighter fuel to light all combustible products.

Circularity is at the core of how BAT across the Group seeks to manage resources. From minimising operational waste to innovative New Category product designs, the BAT Group is working to address a growing global concern on plastic and other waste.

The Group aims for 100% of our packaging to be reusable, recyclable or compostable by 2025. In all markets where the Group sells New Category devices, Take-Back schemes are in place. Glo device packaging is recyclable, where local facilities exist, and BAT Group has worked to eliminate unnecessary plastic packaging from it. For example, the plastic wrap has been removed from glo device packaging, which has resulted in a saving of 20 metric tonnes of plastic per year. In 2022, BAT Group also reduced the glo device box size by

over 55% vs 2021, which has resulted in a saving of 300 tonnes of paper per year, and a 65% reduction in its carbon footprint from the changes to the device packaging.

BAT Malaysia has such a Take-Back scheme in place alongside its launch of glo in 2023. In addition, in 2022, BAT Malaysia intensified its effort to achieve <1% operational waste is disposed to landfill and 90% recycling of operational waste. BAT Malaysia's operational unit achieved zero waste to landfill in 2022, with >98% waste recycling and all non-recycled waste being disposed via incineration processes approved by the Department of Environment. There is more information on page 45 of the 2022 Integrated Annual Report available on our website.

27. Question: The black-market size of Tobacco had been increased to 56.6% for 2022. The black market has a very mature supply chain and marketing strategies which are accepted by customers in Malaysia. Suggest BAT to think out of box on tackling significant business threats. The old strategies do not work well as intended.

Response: Since the 43% shock excise hike in 2015, the tobacco black market has been on an increasing trend and illicit incidence peaked at 64% of the total market in 2020. However, in 2021, the incidence recorded a reduction of 7 percentage points as a result of the implementation of transshipment restrictions by the Government. This has further reduced to 56.6% in 2022.

While we are encouraged by the declining trend of the incidence, we believe much more can be done. Apart from driving enforcement actions against smuggling activities, BAT Malaysia together with the tobacco industry continue to collaborate with the Government to further review and introduce policy changes to enhance controls at entry points (coastal landing points and private jetties) as well as to sustain enforcement efforts through implementation of special reward scheme for enforcement agencies as announced in October 2022 by the Government.

28. Question: Surprised that BAT internal estimate shows that manufacturing cost in Malaysia is 500% as compared to Indonesia. Can BAT provide more details of cost breakdown?

Response: The reason for the manufacturing costs in Indonesia being low against Malaysia is attributable to the economy of scale where Indonesia manufactures for several End Markets across the globe compared to the same being done for Malaysia on its own.

29. Question: For better corporate governance, please consider including a section on Responsible Marketing & Transparency in Communications as per your parent company BAT plc has in its annual reports.

Response: Thank you for reading our and BAT PLC's annual report. Corporate governance is of great importance to us at BAT Malaysia with ESG being front and center of everything we do, and we appreciate the great input that you have provided to us. Rest assured that this suggestion will be raised directly to our Board of directors for their view and careful consideration and we will advise them on the same. Please look forward to reading our annual report next year.

30. Question: Share price of BAT has plummeted from the height since early years, for long term investors since early days how should we recover from the loss? is the share price going to diminish below RM10 in the future?

Response: The current share price is not a fair reflection of the strength and quality of the Company. The current share performance reflects the size of the illegal black market, as well as the uncertainty surrounding the legalisation of vapour in Malaysia. To ensure share price growth and shareholder returns, we need to tackle both of these issues.

We will continue to focus on protecting our business and driving commercial growth by extracting value from our Combustible business and expanding our product offerings into the New Categories business. We have been proactive in transforming our company to be a smarter and simpler organisation through new digital capabilities and fit-for-growth strategies.

We will continue to remain vocal and active on the high levels of illicit cigarettes in this country, and we will continue to work with all stakeholders in tackling the tobacco black market.

We will work with the Government to establish a regulatory framework for nicotine vapour that is science-backed, sound and solid to allow us to further unlock New Categories in Malaysia and realise the huge potential of these reduced-risk\* products.

*(\*Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.)*

31. Question: BAT has a fleets of direct marketing force in the retailer/wholesaler channel and can be a good potential knowledge on potential illegal cigarettes hideouts. Is there any extra incentive to encourage the fleet to reports on this so that the illegal cigarettes market can be dropped to say below 10% whereby the legal company and government and consumers can be largely benefits?

Response: As the fight against tobacco black market is one of BAT Malaysia's top priority, the trade marketing teams also play a role in the journey to bring down illicit incidences. This includes collating information relating to suspicious illicit activities for further actions. Having said that, the company practices a high standard of care in the safety of its employees and any activities that will expose our employees' safety and security such as incentivising for tobacco black market supply chain info are not encouraged. Notwithstanding, BAT Malaysia together with the tobacco industry continue to collaborate with the Government in addressing the tobacco black market.

32. Question: In your presentation, the legal domestic industry volume actually increases by 4.8%, while illegal only drop 1.1pt. This seems like the overall cigarette smoking population is still growing (exclude the vape). However, MoH and certain NGO actually reported that the smoking population reduce over the years. With these mix signal, can board and management please confirm, whether Malaysia smoking population increases, or reduces? And, where do these figures coming from?

Response: Nicotine consumption has gone up due to vape usage, however overall smoking population has reduced. The legal cigarette industry increase was due to regulatory and enforcement efforts to stop the black market, which translated to illicit smokers returning to legal domestic industry.

## BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

Minutes of the 62<sup>nd</sup> Annual General Meeting held on 3 May 2023

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These figures are reported from the Confederation of Malaysian Tobacco Manufacturers industry exchange as well as an illicit cigarette study conducted by our market research partner, Nielsen.

33. Comment: Thanks to the Board for giving us the token of appreciation this year. Hope this trend will continue going forward. Really appreciate it.
34. Comment: As a shareholder pls continue virtual AGMs. Agree on Cost Saving comment, hope management will also not give out AGM gifts next year as we are shareholders and not guest. Hope this will be considered
35. Comment: Dear directors, I prefer online meeting than physical meeting by Tricor.
36. Comment: Please keep to virtual meetings as long as the Company rewards all participants for their attendance as virtual meetings reduces our carbon footprint, saves time and effort for everyone involved. Thank you.