

**BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD**

[Registration No. 196101000326 (4372-M)]

(Incorporated in Malaysia)

Minutes of the Sixty-First (61<sup>st</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, 27 April 2022 at 9.30 a.m.

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**PRESENT**

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

**IN ATTENDANCE**

Ms. Sharifah Thaherah	:	Company Secretary
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**BY INVITATION**

Mr. Adrian Lee	Messrs. KPMG PLT (External Auditors)
Ms. Lee Seen Yin	Messrs. Jeff Leong, Poon & Wong

**ATTENDEES**

*(765 Members, 49 Proxies and 1 Corporate Representative participated in the virtual meeting of the 61<sup>st</sup> Annual General Meeting as per the summary of attendance)*

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**1. CHAIRMAN OF THE MEETING**

TSA chaired the 61<sup>st</sup> Annual General Meeting (“**AGM**” or “**Meeting**”) of BAT Malaysia.

**2. WELCOME ADDRESS AND HOUSE RULE**

The Company Secretary 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 turning around the business in 2021. The Chairman also thanked the shareholders for their continued support and loyalty.

The Chairman briefed the Meeting on the following:

- a) BAT Malaysia held strong in the face of adversity, operated with minimal disruptions and 2021 saw BAT Malaysia's volume grew for the first time since 2002 and profit grew for the first time since 2015;
- b) Despite the trying times, BAT Malaysia remained committed to returning value to shareholders declaring dividends of 98 sen per share for the financial year ended 2021;
- c) In delivering 'A Better Tomorrow™', BAT Malaysia unveiled its sustainability strategy supported by the key pillars of Harm Reduction, Environment, Social and Governance or HESG. HESG would focus on reducing the health impact of the business, excellence in environmental management, positive social impact and robust governance across BAT Malaysia.
- d) BAT Malaysia is encouraged by the Government's announcement on the range of measures to tackle the tobacco black market in Budget 2021. The preliminary measures were effective and resulted in illegal cigarettes prevalence declining from 63.8% in 2000 to 57.7% in 2021. However, the level of tobacco black market remained too high against international standards. BAT Malaysia believes focus must now be put on further increasing enforcement, maintaining policy stability including excise duty moratorium and encouraging collaboration between industry players and the Government. Shareholders were also encouraged to be vocal and active advocates against the tobacco black market.
- e) BAT Malaysia called for establishment of appropriate regulations to be introduced to ensure nicotine vape users in Malaysia have access to vape products that are regulated and compliant to quality and safety standards.

#### **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 61<sup>st</sup> AGM dated 29 March 2022 ("**Notice**") was announced to Bursa Malaysia Securities Berhad, published on BAT Malaysia's website, advertised in the newspapers and circulated to all members on 29 March 2022.

#### **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 also 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 ten (10) working days from the date of the Meeting. Mr. Loo Ling Wah and Ms. Choo Bee Bee, both being shareholders of the Company had agreed to be the proposer and seconder for all the resolutions tabled.

## **7. 2021 STRATEGY AND OPERATING ENVIRONMENT**

The Chairman then invited the Managing Director, NS, to share BAT Malaysia and its subsidiaries (“**the Group**”) 2021 strategy and operating environment. NS shared the key strategy and operating environment highlights as follows:

- a) The Group would be committed to drive combustible value growth, become a multi-category business in Malaysia to deliver its purpose in reducing the health impact of its business, and transform into a simpler and smarter company to maximise shareholders’ value.
- b) The Group welcomed the Government’s transshipment ban which came into effect in January 2021. The Government’s actions yielded positive results in reducing illegal cigarettes incidence by 6 percentage points (“**ppt**”) which in turn contributed to the growth of the legal tobacco industry domestic volume by 5%. However, the tobacco black market remained at a critical stage where nearly three in five cigarettes consumed are illegal cigarettes and tobacco black market operators have been quick to switch to coastal smuggling.
- c) Currently, there are 1.1 million vape users in Malaysia in 2021 which represented a rapid increase of 23% from 2020. To effectively address the tobacco black market and legalisation of nicotine vapour, it would be critical for the Government to establish regulations for nicotine vapour as a sustainable future for the industry. Otherwise, the Government would continue to lose RM5 billion in tax revenue every year due to an unregulated black market.
- d) In order to further reduce the tobacco black market, it would also be crucial that the Government take the following steps:
  - Maintain the transshipment restrictions;
  - Heighten enforcement against smuggling activities particularly coastal smuggling; and
  - Reduce the price gap between legal and cheap tobacco black market products.
- e) In 2021, the Group continued on its journey to become a smarter and simpler organisation leveraged on digital transformation, supply-chain savings and streamlined ways of working. BAT Malaysia was certified as a Top Employer in Malaysia in 2021. Diversity and inclusion was a big agenda item for the business. BAT was the first tobacco company to globally achieve both National and Global Equality Standards.

- f) On the sustainability highlight, BAT Malaysia was congratulated and/or awarded on the following:
- Johor factory operations achieved carbon neutrality certified by First Climate;
  - Gold Award at the 17<sup>th</sup> Malaysia Occupational Safety and Health Practitioners Association Awards;
  - Minority Shareholders Watch Group (“MSWG”) Excellence Award for overall Corporate Governance Disclosure; and
  - MSWG Industry Excellence Award.

## **8. 2021 FINANCIAL PERFORMANCE**

The Finance Director, AY, shared with the shareholders the Group’s 2021 financial performance as follows:

- a) Total Group’s volume recorded an increase of 10% in 2021 as compared to the same period last year as a result of the recovery of the legal volume and reduction in tobacco black market due to Covid restrictions.
- b) The Group’s revenue and profit from operations recorded RM2,637 million and RM411 million respectively in 2021 mainly due to increase in the Group’s domestic volume, share growth and a one-off benefit from the implementation of route-to-market. The revenue and profit from operations had increased by 14% and 19%, respectively as compared to the same period last year.
- c) The Group’s total share of market recorded an increase of 0.8 ppt as compared to the same period last year. Dunhill continued to strengthen its position as the leading premium brand in Malaysia and grew by 2.1 ppt as compared to the same period last year. Value-for-money portfolio grew by 1.4 ppt in share of market as compared to the same period last year.
- d) The Group’s operating expenses were RM264 million, an increase of 5% as compared to the same period last year as the Group invested in various strategic initiatives to support the Group’s journey to “A Better Tomorrow™”.

## **9. 2022 OUTLOOK**

The 2022 outlook was highlighted as follows:

- Combustible value growth would still be the core of the Group’s business;
- Step-change in new categories through driving step change in regulation for nicotine vapour and tobacco harm reduction;
- Simpler and smarter company with emphasis on business sustainability and talent acceleration.

The Group urged the Government to take necessary actions to fight the tobacco black market as it remained at a crisis point. The Group would be hopeful that there would be no tobacco excise increase in Budget 2023 as increased enforcement must be complemented with measures that address consumer affordability. The Group called on the Government to pursue a science-based approach and establish a specific regulatory framework to prevent a vapour black market.

**10. AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 AND THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON**

The Chairman 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 2021 together with the Reports of the Directors and Auditors thereon (“**2021 AFS**”). The first item on the Agenda was for discussion only and did not require voting.

**11. ORDINARY RESOLUTION 1  
RE-ELECTION OF DCL IN ACCORDANCE WITH CLAUSES 109.1 AND 109.2 OF THE COMPANY’S CONSTITUTION**

Ordinary Resolution 1 was in relation to the re-election of DCL as a Director of the Company in accordance with Clauses 109.1 and 109.2 of the Constitution of the Company.

**12. ORDINARY RESOLUTION 2  
RE-ELECTION OF LK IN ACCORDANCE WITH CLAUSE 115 OF THE COMPANY’S CONSTITUTION**

Ordinary Resolution 2 was in relation to the re-election of LK as a Director of the Company in accordance with Clause 115 of the Constitution of the Company.

**13. ORDINARY RESOLUTION 3  
RE-ELECTION OF NS IN ACCORDANCE WITH CLAUSE 115 OF THE COMPANY’S CONSTITUTION**

Ordinary Resolution 3 was in relation to the re-election of NS as a Director of the Company in accordance with Clause 115 of the Constitution of the Company.

**14. ORDINARY RESOLUTION 4  
RE-ELECTION OF AY IN ACCORDANCE WITH CLAUSE 115 OF THE COMPANY’S CONSTITUTION**

Ordinary Resolution 4 was in relation to the re-election of AY as a Director of the Company in accordance with Clause 115 of the Constitution of the Company.

**15. ORDINARY RESOLUTION 5  
PAYMENT OF DIRECTORS’ FEES AND BENEFITS TO THE NON-EXECUTIVE DIRECTORS UP TO AN AMOUNT OF RM1,000,000.00 WITH EFFECT FROM THE 61<sup>st</sup> AGM OF THE COMPANY UNTIL THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY**

Ordinary Resolution 5 was in relation to the approval of the payment of Directors’ fees and benefits to Non-Executive Directors up to an amount of RM1,000,000.00 with effect from the 61<sup>st</sup> AGM 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 2022 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 29 March 2022.

The Chairman 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 Management were read out by the Company Secretary 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 ten (10) working days from the date of the Meeting.

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 61<sup>st</sup> AGM of the Company were duly passed by the shareholders of the Company and the poll results of the resolutions as summarised below:

**BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD**Minutes of the 61<sup>st</sup> Annual General Meeting held on 27 April 2022

	FOR		AGAINST		Result
	No. of shares	%	No. of shares	%	
<u>Ordinary Resolution 1</u> Re-election of DCL as a Director	180,891,391	99.6608	615,605	0.3392	Carried
<u>Ordinary Resolution 2</u> Re-election of LK as a Director	174,505,398	96.1458	6,995,398	3.8542	Carried
<u>Ordinary Resolution 3</u> Re-election of NS as a Director	181,412,390	99.9496	91,506	0.0504	Carried
<u>Ordinary Resolution 4</u> Re-election of AY as a Director	181,083,068	99.9483	93,628	0.0517	Carried
<u>Ordinary Resolution 5</u> Payment of Directors' fees and benefits to Non-Executive Directors	181,136,615	99.9244	136,974	0.0756	Carried
<u>Ordinary Resolution 6</u> Re-appointment of KPMG PLT as auditors	181,163,970	99.8134	338,626	0.1866	Carried
<u>Ordinary Resolution 7</u> Proposed Renewal of the Recurrent Related Party Transactions Mandate	29,724,372	99.8246	52,224	0.1754	Carried

**20. CLOSURE**

There being no other business to be transacted, the Meeting closed at 12.30 p.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: 31 May 2022

Questions received from MSWG and the Company's Responses

**1. The Company's volume of sales registered a growth for the first time since 2002 in FYE 2021. This was aided by a 6.1% decline in the illicit cigarette market in FYE 2021. Given that the illicit market is still big at around 57%, what are the additional steps that the Government can take through its enforcement agencies to reduce the impact of the illicit cigarettes market going forward? (Page 24 of AR 2021)**

- Since the introduction of the transshipment restrictions for cigarettes at port, the illicit incidence has reduced for the first time since 2015.
- However, as the demand for cheap tobacco black market continues, tobacco black market operators are quick to switch their modus operandi from port to coastal smuggling.
- In order to further reduce the illicit incidence, it is crucial that the Government take the following steps:
  - a. Maintain the transshipment restrictions,
  - b. Heighten enforcement against smuggling activities particularly coastal smuggling; and
  - c. Reduce the price gap between legal and cheap tobacco black market products.

**2. BAT had invested in the 'STOP THE BLACK MARKET' campaign in 2021 as a move to counter the negative impact to its business from the illicit cigarettes market. (Page 24 of AR 2021).**

**What was the amount spent on this campaign so far and how much has been earmarked for future campaigns to combat the illicit cigarettes market?**

- In 2020/2021, we spent about RM5 million on 'STOP THE BLACK MARKET' campaign. The objective of this campaign was to drive the awareness of the huge illicit cigarette problem in Malaysia. The campaign has generated significant interest with more than 500 media articles published on this topic. The campaign has successfully created the right attention amongst the 'rakyat' as well as the key stakeholders culminating with the announcement of specific counter illicit cigarette trade measures during Budget 2021.
- Since the introduction of the transshipment restrictions for cigarettes at port as announced during Budget 2021, the illicit incidence has reduced for the first time since 2015. However, as the demand for cheap tobacco black market persists, for 2022, BAT Malaysia will continue to prioritise its focus and efforts to help reduce the illicit trade.

**3. As part of the Company's 'A Better Tomorrow' campaign is to manufacture products which are less harmful for its customers.**

**(a) What are the 'lesser harmful' products that the Company has in the pipeline to introduce to the market?**

Our reduced risk\* product portfolio includes vapour, tobacco heating products, and modern and traditional oral products, which include oral tobacco and nicotine products. These products have yet to be distributed in Malaysia (except for Glo) pending the legalisation and establishment of a regulatory framework.

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



**(b) What was the cost to develop these products?**

These products were developed by BAT plc and as such do not have a sizeable impact on BAT Malaysia's R&D costs.

**4. The Government recently announced that it will be introducing legislation to prohibit the sales of tobacco products to those born after 2005. This will impact the Company as many young customers will not be able to use the Company's products.**

**What are the Company's views on this move by the Government and what will be the measures taken by the Company to mitigate the financial impact to the company when such legislation is enforced?**

- BAT Malaysia supports the Health Ministry's desire to reduce the health impact of smoking. However, the concept of a generational smoking ban is without any scientific backing or evidence. History shows that prohibition does not work and a discriminatory approach for adult consumers, arbitrarily eliminating their freedom of choice, can lead future generations to defy the law and ultimately undermine policy objectives through the establishment of a bigger black market for tobacco products. Already 57% of the Malaysian cigarette market is illicit and such a measure would undoubtedly make this worse.
- Nearly three in five cigarettes sold in Malaysia is illicit. This costs the government nearly RM5 billion a year in lost tax revenue. The black marketeers selling these cigarettes do not have any regard for the age of those they sell to. A draconian approach to putting a generational smoking ban would simply worsen this situation.
- The existing legal rights of consumers and businesses, as well as the unintended consequences of this untested measure must be taken into consideration.
- Greater success in reducing the health impact of smoking can be achieved by a regulatory framework that offers consumers a choice of smoking alternatives, backed by scientific evidence. Countries that have taken progressive approaches towards these alternative products include UK, New Zealand, and Canada, yielding positive results.
- BAT Malaysia has shared for some time our intention to offer consumers a range of our reduced risk\* nicotine products. We look forward to consultation on these matters with the Ministry of Health.

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

**5. Practice 5.9 of the Malaysian Code of Corporate Governance 2021 stipulates that at least 30% of the Board should comprise women directors.**

**As at end of FYE 2021, only 2 of the 7 Company's directors were women which is only 29%. This does not comply with the Practice. Does the Company plan to apply Practice 5.9, and if yes, by when?**

The Board is ambitious of achieving more than thirty percent (30%) female representation through the adoption of a Diversity Policy 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 and the Company's Summarised Responses

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

**Response:** As mentioned in our Notice of AGM dated 29 March 2022, we will not be providing any voucher or door gift. This includes e-vouchers as well.

However, BAT Malaysia will provide door gifts when we return to our physical AGM.

2. **Questions:** **Our Co's EPS has been on a yearly decline; what is the additional impact on our Co's business growth & profitability due to the Malaysian Govt's desire to impose a generational cigarette ban on youths born after 2005, please elaborate including initiatives to ameliorate the impact?**

**Response:** This question was addressed under MSWG Question 4.

3. **Questions:** **E-cigarettes are being aggressively promoted as an alternative to cigarette smoking, is it really true e-cigarettes pose no health issues and costs?**

**Response:** We know combustible products like cigarettes pose serious health risks. The only way to avoid those risks is not to start or to quit smoking.

That is why we are changing: creating new products, backed by science, that provide adult smokers with less risky alternatives.

For e-cigarettes, a study commissioned by the UK Department of Health in 2017 found that people using Tobacco Heating Products ("THP") were exposed to around 50–90% less of the "harmful and potentially harmful" compounds compared with conventional cigarettes. In fact, the aerosol from glo, ie our flagship THP brand, has been found to contain 90-95% fewer toxicants compared to cigarette smoke.

Further, in the UK and New Zealand vaping has been acknowledged as a reduced-risk product.

4. **Questions** **What is the contribution of e-cigarettes to our Co?**

**Response:** Currently 100% of our income come from our combustible portfolio.

As such, there is zero contribution from this segment at this time.

5. **Questions:** **Please elaborate on the future direction of the Company.**

**Response:** In line with our purpose for A Better Tomorrow™, we want to put a sharper focus on reduced-risk products as they represent a significant harm reduction and revenue opportunity.

However, until a regulatory framework is in place to legalise reduced-risk products, combustible products will be our core business.

6. **Questions:** **Can shareholders expect increased and monthly dividend payout? Can we expect double net profit increased? Share price have dropped a lot, what are your views?**

**Response:** For 2021, the dividend payout ratio was 98% for a dividend yield of 7.01%, amongst the highest for Malaysian PLCs.

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 these issues.

We will continue to offer dividends to shareholders on a quarterly basis as we focus on protecting our business and driving commercial growth in the legal market, optimising our investments at the same time. We will ensure that we continue to do well across all 3 segments namely Premium, Aspirational Premium and Value-For-Money with our winning brands.

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 also hope the Government will consider establishing a regulatory framework for nicotine vapour that is science-backed, sound and solid, to allow us to unlock New Categories in Malaysia and realise the potential of these reduced-risk products.

Finally, as mentioned in our answer to MSWG Question 4, a generational smoking ban that is untested, unproven and without any scientific evidence of effectiveness may prove counter-productive and dangerously detrimental to our country's public health agenda. Given the immense 57% tobacco black market in Malaysia, such a ban is likely to worsen the illegal cigarette crisis without reducing the overall cigarette consumption.

**7. Questions: Why is the non-executive Chairman getting paid so much money?**

Response: BAT Malaysia's remuneration policy for its Directors including the Chairman is tailored to provide a remuneration package that serves to attract, retain, and motivate directors of calibre and with the skills set needed to manage the business of the Group.

The Board believes in a competitive and transparent remuneration framework that supports the Director's responsibilities in managing the Group to drive its long-term objectives and enhance stakeholder/shareholder value.

**8. Questions: Any saving further made on the advertisement and marketing expenses this year since no rapid growth in revenue as endemic transmission start and there is no growth in the smokers' quantity (people)?**

Response: In line with our agenda to be a simpler and faster organisation, BAT Malaysia always aim to drive continuous cost optimization & productivity savings with emphasis on marketing spend effectiveness and revenue growth management.

Nevertheless, with the legalization of vapour, we do foresee a shift in investment focus, including marketing spend, from our combustible business to the New Category business to better achieve our purpose of A Better Tomorrow™.

**9. Questions: Does BAT carry out research in innovative additive products that cause no health risks? To give an example, something like chewable sweets which are simply irresistible yet perfectly not harmful.**

Response: BAT Malaysia's purpose is to build A Better Tomorrow™ by reducing the health impact of our business. We are committed to providing adult consumers with a wide range of enjoyable and less risky products. That is why we, as a group globally, invest almost £350 million a year to find innovative new ways to contribute to Tobacco Harm Reduction.

10. Questions: **No need presentation to save time and cost, Virtual meeting no need so many to attend to save cost also.**

Response: We view the presentation as a useful tool to communicate and update our strategies, plans and progress to our shareholders.

With the comprehensive presentation made by our Board and Management, we hope our shareholders will be able to understand their investment in the Company, and utilise the avenue provided to interact with and ask constructive questions to the Board and Management.

11. Questions: **I surveyed with one of my friends who is a smoker. She told me brands like Dunhill cost about RM20 versus those illegals, perhaps only RM4-5 price difference in comparison in the same size of packaging. What has BAT management done so far to at least reduce this scenario in maintaining the market share position?**

Response: The investments behind our portfolio strategy have further strengthened our brand and our position in the legal market. In 2021, BAT Malaysia's share of market improved 0.8 ppt and its effective distribution model enabled us to gain competitiveness in all segments as well as capture the illicit backflow in 2021 with the introduction of transshipment restrictions for cigarettes at port.

Also, we have introduced a value for money brand, KYO at RM 12 (minimum price), reducing the price gap between legal and cheap black market products. In the VFM segment, BAT Malaysia holds 34.4% of the VFM segment (30%).

To further reduce the illicit incidence, it is crucial that the Government maintains the transshipment restrictions, heightens the enforcement against smuggling activities as well as ensure there is a framework addressing consumers affordability.

12. Questions: **How the effectively enforcement on the illegal cigarettes via e commerce?**

Response: BAT Malaysia is part of Multi-Agency Task Force (MATF) under Ministry of Finance to address illegal cigarettes and alcohol. Sale of Illegal cigarettes online has been highlighted to the MATF which includes Malaysian Communications and Multimedia Commission (MCMC) which can shut down these illegal platforms.

13. Questions: **Is there a projection for volume growth this year following a 10% recorded in 2021?**

**In view recent weakening RM and stronger USD, is BAT foresee weaker performance in 2022? This is because BAT now converted to an import-based model with only 1% of goods manufactured out of JB factory.**

Response: There are many headwinds and uncertainties ahead but for now, we are optimistic of growth in volume for 2022, based on assumptions that demand will increase with the country moving into the endemic phase and reducing trend of illegal cigarette market. We do not foresee major impact as we have hedges in places to manage short term fluctuations and forex movements.

14. Questions: **Don't waste money to buy test kit, mask and sanitiser anymore, there are many free method to kill the virus?**

Response: BAT Malaysia is a company that puts employees' health and well-being first and foremost. We also implemented cost-free measures to ensure employees' safety was taken care of during COVID, such as flexi-working arrangement, social distancing in office and removal of physical gatherings.

BAT Malaysia also implemented safety measures to remain compliant to the Malaysian Government's COVID SOPs.

15. Questions: **Please put pressure on the Government to take action on the sale of illegal cigarettes by small time retailers. Real mockery when you see the sale is done openly. No taxes being collected. Supernormal profits made by them. We loyal shareholders are denied good dividends due to lower profits recorded by our Company. No point talking about taking action. Government must be seen to be doing it.**

Response: BAT Malaysia works closely with law enforcement agencies to drive effective enforcement actions across the illegal supply chain including on unscrupulous retailers. We have positive result in 2021 with 6.1% decline of illegal incidence but we will continue to prioritise our focus and efforts to help reduce the problem.

16. Questions: **When physical AGM will resume?**

Response: We place the health and safety of our shareholders, our Board and our employees as our utmost priority, and hence before we come to the decision to revert to a physical/hybrid AGM, we will first assess the prevailing situation, as well as refer to the SOPs and directives issued by the authorities at that point of time. If all is well, we expect to hold the next AGM in a tentatively hybrid format.

17. Questions: **Cost of goods such as leaves, wrapping materials and packaging as well as shipping cost are on the rise. With the inflationary cost, what are impacts to BAT's profitability? How is the company going to minimise the impact? Do you mind to share with us your average cost for leaves, wrapping materials and packaging as of now? How long is the company hedge period for these materials?**

Response: We are constantly looking into productivity saving opportunities to offset the impact of inflation. Foreign currency exposure is minimised by hedging the net exposure for 18 months, in line with the hedging period allowed under the foreign exchange control guidelines enforced by Bank Negara Malaysia.

18. Questions: **Illegal cigarette can't eliminate completely, we need to cut cost on delivery, packaging and labour.**

Response: As the Government continues to address the tobacco black market, we will continuously undertake cost optimisation of our operations to ensure continued business sustainability.

19. Questions: **If the "Generation End-Game" proposal materialises, BAT would be adversely impacted given that cigarettes remain the core business of BAT. What are the measures BAT has in place to cushion and/or minimise the impact?**

Response: At this point, we cannot be certain of the full impact of such a law. 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.

As mentioned earlier, instead of an outright ban, BAT Malaysia believes that urgency should be placed towards introducing a regulatory framework for reduced-risk products such as nicotine vapour. Where there is legal access to a wide range of less risky alternatives to smoking and the tobacco black market is under control, greater success can be achieved by well-designed regulatory

interventions that increase consumers' chances to make better choices. On our end, we will continue advocating this.

**20. Questions: What is your succession planning for retiring directors?**

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.

**21. Questions: Buy land to grow own tobacco.**

Response: We have exited tobacco planting in Malaysia for more than 10 years. We have no plans to start tobacco planting again.

**22. Questions: What will be the next Growth Plan for coming 5 years for BAT Malaysia.**

Response: Combustibles products are still the core of the business and we will continue to grow the value of combustible business with focus on anti-illicit trade.

In line with our purpose for 'A Better Tomorrow™', we want to put a sharper focus on reduced risk new category products as they represent a significant harm reduction and revenue opportunity.

At the same time, we will also focus on our journey to become a simpler and faster organization.

**23. Questions: When is the vape going to proceed by BAT?**

Response: BAT Malaysia is encouraged by the Government's announcement in October 2021 during Budget 2022 tabling that nicotine vapour products will be legalised.

BAT Malaysia supports regulations to be introduced on the nicotine vapour category as part of its overall tobacco harm reduction initiatives.

Commercial opportunities will only be assessed once a robust regulatory framework is made clear and only then we are able to make assessment and planning to access the market.

**24. Questions: When is the next dividend?**

Response: It will be announced with our Q1 results. Payment will be made in June 2022.

**25. Questions: How much does the company spend on this virtual AGM?**

**I'm a long time and loyal shareholder of the company, I would like to request that the BOD kindly consider giving shareholder with e- voucher, as a token of appreciation for attending today's RPV.**

Response: Virtual AGM costs approximately 50% less than physical AGM.

As mentioned by our Chairman, the Company will be providing door gift as a token of appreciation once we return to physical AGM in the future.

**26. Questions: Diversify to food and beverage to keep survive.**

Response: Our purpose is to build "A Better Tomorrow™" by reducing the health impact of our business. We are committed to providing adult consumers with a wide range of enjoyable and less risky products.

We currently do not have plans to diversify into food and beverages.

**27. Questions: I notice that a lot of illegal Vape products come with all sorts of artificial flavour and smell like strawberry, orange etc. Does BAT plan to do the same?**

**Response:** Our BAT p.l.c. Group's Vapour products deliver a smooth and satisfying experience in a range of exciting flavours.

However, flavours are dependent on regulations. As there is still an absence of clarity on the regulatory framework for vapour products in Malaysia, we will continue to work with the authorities on a comprehensive regulatory framework and necessary processes involved.

**28. Questions: As a staunch BAT shareholder, I hate to hear rumours regarding the potential privatization of BAT, which become rife in recent years due to your suppressed share price. Nonetheless, is such rumour likely to materialize?**

**Response:** There are no such plans for privatization.

**29. Questions: Anthony given that the Group GP% has slid from 31.7% in 2018 to 25.6% in 2021 while excise duties have not increased at the same rate (+2.6 ppt only), can you please comment on how related party transfer prices are set with group companies and how they will be protected in the future.**

**Response:** The Group's gross profit margin has been down trending over the years due to the legal landscape.

All our related parties transactions are set using the arm's length principle, which means the price agreed is the same as that in transactions between unrelated parties in the open market.

**30. Questions: Is there any plan for BAT to open retail vape outlets to market your vuse product directly to end users?**

**Response:** We are still waiting for the detailed regulatory framework for new category products from the Government. We will assess the feasibility and necessity of vape outlets once the regulatory framework is finalised.

**31. Questions: Will BAT add on Nicotine content in its Vape product range?**

**Response:** While both cigarettes and vapour products contain nicotine, the nature of the products are not the same. Vapour products do not involve burning or combustion of tobacco and studies show that vapour products present consumers with reduced-risk\* alternatives for smokers.

As for nicotine level, this depends on regulations setting a limit to the nicotine concentration. As there is still an absence of clarity on the regulatory framework for vapour products in Malaysia, we will continue to work with the authorities on a comprehensive regulatory framework and necessary processes involved.

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

**32. Questions: May I know when the Company going to reward shareholder with bonus issue?**

**Response:** BAT Malaysia has no intention to issue bonus share at this moment. We will focus on maximising value to our shareholders through the continuity of consistent dividend payouts.



**33. Questions: How would BAT benefit from the legalization of vaping? Will the new vape income stream more than offset the adversity in conventional tobacco products?**

**Response:** BAT Malaysia's purpose is to build "A Better Tomorrow™" by reducing the health impact of our business by providing adult consumers with a wide range of enjoyable and less risky products.

BAT Malaysia intends to focus its efforts on legalising nicotine vaping, and we aim to lead the discussion around the establishment of an appropriate regulatory framework for nicotine vaping as it represents a significant revenue opportunity for both the Government and BAT Malaysia.

**34. Questions: May I know, what is the company's future Outlook. How much is the impact due to Covid 19?**

**Response:** Currently, the Group is on track to deliver our 2022 ambition.

With the nation's transition into endemic phase, we do not foresee any further impact from Covid-19.

**35. Questions: No need engage expensive Auditor to save some cost for food voucher.**

**Response:** KPMG is the auditor of the whole BAT group and due to the scale size of BAT group worldwide, we believe our auditor's fees is very competitive and fair to the level and quality of services which are required and provided by them.

**36. Questions: Can the company be able to pay more dividend the coming year.**

**Response:** The dividend amount is depending on the performance of the business and we are on track to deliver our ambition for 2022 with our multi category strategy. As such, BAT Malaysia is committed to maintain our high payout ratio on dividend.

**37. Questions: Are BoD members receiving meeting allowances during virtual AGM? Pls hold physical AGMs next year onwards so that shareholders can meet up with BoD members.**

**Response:** No, our Board of Directors do not receive a meeting allowance during this virtual AGM.

On holding a physical AGM, that was addressed in an earlier question. We will assess the situation and stand guided by prevailing SOPs.

**38. Questions: Is the company expects better sales at duty free channels in view of re-opening of borders?**

**Response:** We do expect a gradual recovery in duty free sales at airports from Q2 onwards with the reopening of international borders.

**39. Questions: How can BAT proactively influence or apply pressure to the government & enforcement bodies to curb the growth of illicit cigarettes business?**

**Response:** The 'Stop The Black Market' campaign launched by BAT Malaysia has successfully created the right attention amongst the key stakeholders culminating with the announcement of specific counter illegal cigarette trade measures during Budget 2021. In addition, BAT Malaysia will continue to ensure addressing illegal cigarette trade remains the priority through direct engagements with the relevant policy makers and law enforcement agencies.

**40. Questions: Certain ministers in Malaysia is promoting to legalise planting of ketum leave and marijuana. Does BAT welcome this two plants and if so what is the plan?**

**Response:** Currently we have no plans to diversify into Ketum leaves or Marijuana.

**41. Questions: What about having a whistle-blower program to eradicate illegal cigarettes market?**

**Response:** The Royal Malaysian Customs already has a whistle-blower program in place to address illegal cigarettes trade. Anyone with information on smuggling activities is encouraged to contact the Customs through its toll-free line at 1800-88-8855 or the nearest Customs office.

**42. Questions: Why illegal cigarette arise?  
Price different mainly due to duty imposed?  
It has been long time this exists, unless government reduce the duty, right?**

**Response:** Illegal cigarettes in Malaysia is high because of the high excise duties imposed over the years and which resulted in the current huge price gap between legal and illegal cigarettes. While creating awareness through our "Stop the Black Market" campaign and engagement with the Government and relevant authorities for enforcement are key initiatives in our effort to eradicate the illegal cigarette trade, it is also crucial for the Government to maintain policy stability as well as consider closing the large price gap between legal and illegal cigarettes.