

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

[Registration No. 196101000326 (4372-M)]

(Incorporated in Malaysia)

Minutes of the Sixty-Third (“63rd”) 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, 8 May 2024 at 9.30 a.m.

PRESENT

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

IN ATTENDANCE

Mr. Adiel Emir Ikram Aziz Al Rahim (AEI)	:	Company Secretary
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BY INVITATION

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

ATTENDEES

(1,382 Members, 239 Proxies and 1 Corporate Representative participated in the virtual meeting of the 63rd Annual General Meeting as per the summary of attendance)

1. CHAIRMAN OF THE MEETING

TSA chaired the 63rd Annual General Meeting (“**AGM**” or “**Meeting**”) of BAT Malaysia.

2. WELCOME ADDRESS AND HOUSE RULE

AEI 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 2023. 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 2023;
- 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 2023, where the Board of Directors has declared dividends amounting to 63 sen per share for the financial year ended 31 December 2023;
- 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 63rd AGM dated 4 April 2024 ("**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 2024.

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 Boardroom Corporate Services 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 on the Company's corporate website within 14 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**") 2023 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 products¹ to adult consumers.
- b) It was the Group's third consecutive year of marginal decline in illicit incidence, where in 2023, the reduction recorded at 1 percentage point ("ppt") compared to the previous year. This was delivered through continuous anti-illicit trade efforts by the relevant authorities which included strict controls of the transshipment of tobacco products and increase enforcement effort against illicit cigarettes.
- c) Despite the decline in the black market, the Group saw a reduction in the legal cigarette market volume by 1%. This was largely driven by the interaction with vape products, where the vapour segment grew about 20% in 2023.
- d) The Value-for-Money ("VFM") segment within the legal cigarette category continued to grow as price-stretched consumers downtraded to cheaper options.

8. 2023 FINANCIAL PERFORMANCE

The Finance Director, AY, shared with the shareholders the Group's 2023 financial performance as follows:

- a) Profit from operations declined by 31% due to lower contributions from combustibles as well as the Group's increase investment to launch and accelerate in New Categories.
- 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) Despite reduction in the operating profits, the Group's cash from operations improved by 3% which was contributed by the implementation of better working capital management and supported by debt factoring facilities.
- d) Accordingly, the Group's borrowing level improved with a reduction of 22% compared to 2022.
- e) The Group is committed to pay a dividend payout ratio of above 90%. In 2023, the Group declared dividends amounting to 63 sen per share representing 92% of dividend payout ratio.

9. 2024 OUTLOOK

The 2024 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, a weak Ringgit Malaysia and disruptions on the global supply chain.
- b) The Group urged the Government to introduce balanced regulations on nicotine products and accelerate the interventions to further reduce the tobacco black market.
- c) On future prospect, the Group believes it has the right strategy, the right products, the right brands and the right people to be successful.

¹ Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk-free and are addictive.

10. AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 AND THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON

AEI was invited by the Chairman to read the resolutions and agenda of the Meeting. AEI 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 2023 together with the Reports of the Directors and Auditors thereon ("**2023 AFS**"). The first item on the Agenda was for discussion only and did not require voting.

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

Ordinary Resolution 1 was in relation to the re-election of LK 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 AY IN ACCORDANCE WITH CLAUSE 109.1 OF THE COMPANY'S CONSTITUTION**

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

**13. ORDINARY RESOLUTION 3
PAYMENT OF DIRECTORS' FEES AND BOARD COMMITTEES' FEES TO THE NON-EXECUTIVE DIRECTORS FOR THE PERIOD COMMENCING 9 MAY 2024 UNTIL THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY**

Ordinary Resolution 3 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 9 May 2024 until the next Annual General Meeting of the Company.

**14. ORDINARY RESOLUTION 4
PAYMENT OF DIRECTORS' BENEFITS TO THE NON-EXECUTIVE DIRECTORS OF UP TO RM250,000 FOR THE PERIOD COMMENCING 9 MAY 2024 UNTIL THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY**

Ordinary Resolution 4 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 9 May 2024 until the next Annual General Meeting of the Company.

**15. ORDINARY RESOLUTION 5
RE-APPOINTMENT OF KPMG PLT AS AUDITORS OF THE COMPANY**

Ordinary Resolution 5 was in relation to re-appointment of KPMG PLT as the auditors of the Company for the financial year ending 31 December 2024 and to authorise the Directors to fix their remuneration. The retiring auditors, KPMG PLT have indicated their willingness to continue in office.

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16. ORDINARY RESOLUTION 6

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 6 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 2024.

AEI 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.

17. 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 AEI together with the Board members 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 shareholders were informed that the Company would provide responses to questions that were not addressed at the Meeting on the Company's corporate website within 14 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.

18. DECLARATION OF POLL RESULTS

The Ordinary Resolutions tabled at the 63rd AGM of the Company were duly passed by the shareholders of the Company and the poll results of the resolutions as summarised below:

	FOR		AGAINST		Result
	No. of shares	%	No. of shares	%	
<u>Ordinary Resolution 1</u> Re-election of LK as a Director	156,878,950	98.2027	2,871,173	1.7973	Carried
<u>Ordinary Resolution 2</u> Re-election of AY as a Director	156,083,772	97.7034	3,668,851	2.2966	Carried
<u>Ordinary Resolution 3</u> Payment of Directors' fees and Board Committees' fees to the Non-Executive Directors	159,208,160	99.6528	554,743	0.3472	Carried

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<u>Ordinary Resolution 4</u> Payment of Directors' benefits to the Non-Executive Directors of up to RM250,000	159,056,473	99.5590	704,620	0.4410	Carried
<u>Ordinary Resolution 5</u> Re-appointment of KPMG PLT as auditors	159,191,960	99.6515	556,763	0.3485	Carried
<u>Ordinary Resolution 6</u> Proposed Renewal of the Recurrent Related Party Transactions Mandate	16,631,640	98.1043	321,383	1.8957	Carried

19. CLOSURE

There being no other business to be transacted, the Meeting closed at 11.45 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: 23 May 2024

Questions received from MSWG and the Company's Responses

1. **2023 has been extremely challenging for BAT Malaysia on the back of strong economic headwinds and continued inflationary pressures that reduced the disposable income of consumers. This in turn forced consumers to downgrade or choose alternative nicotine products such as vapour. Meanwhile, BAT Malaysia has identified that "accelerated combustibles market reduction & downtrading" as one of the key risks to BAT Malaysia (Page 15 & 35 of AR2023).**

BAT Malaysia's revenue is mainly derived from the sales of tobacco cigarettes, however, the revenue decreased significantly from RM4.6 billion in FY2015 to RM2.3 billion in FY2023 partly due to the increasing market share of illegal cigarettes in Malaysia. The net return on shareholders' funds has also decreased from 166% in FY2015 to 52% in FY2023 (page 6 of AR2023 and page 3 of AR2015).

- (a) **What are the Group's plans and mitigating measures to address the risks of accelerated combustibles market reduction & downtrading, to prevent further decline in the Group's overall market share and shareholders' return?**

The Group's focus is to drive long-term sustainable value growth within combustibles category by reinforcing the Premium segment - **Dunhill's** value and position as the benchmark for taste, quality, modernity and innovation.

We have launched a new brand named **Luckies** under the Value-For-Money segment, to provide additional affordable options to consumers and as our commitment to growing our non-combustible portfolio, the Group also unveiled our flagship vape brand, **Vuse**, in July 2023, featuring a range of modern, disposable vape devices.

Another key initiative was implementing a **price adjustment** for key combustible brands (Dunhill, B&H, Peter Stuyvesant, and Kyo). This measure aims to ensure a sustainable business model that not only achieves our business objectives but also mitigates the challenges posed by the rising costs of doing business.

However, the tobacco black market is still a big issue impacting the industry and the Group continues to urge the government to enhance and strengthen anti-smuggling initiatives, including tightening controls on the importation of cigarettes and enhancing controls along the Malaysian coastline and at landing points, including private jetties.

- (b) **Please provide market research data on BAT Malaysia's current market share and number of consumers of combustibles and vapour products in Malaysia. To consider disclosing data on market share of combustibles and vapour products in the annual report to provide more insight to shareholders.**

We already provide market share performance data on combustible products in our Annual Report on pages 38 and 39. We will consider disclosing data on vapour products in the future.

(c) Which category of customer groups have switched their preferences from combustibles to vapour products?

60% of Vapour users come from existing FMC users and 30% come from new entrants into the category. 75% of current Vapour users are dualist, meaning they continue to smoke FMC, in addition to complementing their nicotine consumption moments with vapour.

With this, BAT will continue to ensure that our portfolio across both FMC and vapour segments provides strong brand offers that resonates across different consumer segments and meets their needs.

2. Upon the legalisation of vapour products in 2023, BAT Malaysia was swift to expand into this segment of nicotine consumers by launching Vuse. Another key risk that would significantly impact BAT Malaysia is the "adverse tobacco and vapour regulations". (Page 15 & 47 of AR2023).

(a) What are the current regulations on vapour products in Malaysia (i.e. requirements on the liquid, packaging, battery-powered device, etc) other than imposition of excise duty?

Apart from excise duty that are imposed on vapour products and the impending regulatory framework for vapour products under the new Control of Smoking Products for Public Health Act 2023 that will be introduced by the Ministry of Health, the Government has already mandated that any vapour device sold in the market must comply with a vapour device safety standard and be certified by SIRIM. This requirement has been in place since 2022.

All our Vuse products in the market are fully compliant with the vapour device safety standards and are certified by SIRIM.

(b) What is the market share of illegal vapour products versus the total vapour market?

At the moment we are unable to establish the market share for illegal vapour products as the Government is in the midst of developing a regulatory framework for vapour products under the new Control of Smoking Products for Public Health Act 2023.

(c) There is a recent news report stating that new regulations for the vape industry have been drafted and are now under evaluation by legal officials. (<https://www.nst.com.my/business/economy/2024/03/1025731/malaysian-vape-chamber-commerce-moh-draft-regulations-vape>)

Other than the potential increase in excise duty, how do the new regulations for vape industry may impact BAT Malaysia

To-date, the Government has yet to introduce regulations on vapour products. As such it is too early to assess the impact of the regulations on BAT Malaysia.

3. **Vuse products are now available from any of BAT Malaysia's verified retailers at over 6,600 convenience stores and vape specialist outlets throughout Malaysia and from our authorised online store on Lazada. (Page 40 of AR2023).**

Based on Vuse Malaysia's official website, Vuse products have wide distribution channels via nationwide convenience stores, selected vape outlets, grocery stores, restaurants & etc. However, it is noted that the competitor brands are available via other easily accessible channels, i.e., phone gadget stores and other major vape outlets.

- a) **Are the retailers subjected to license requirements or other regulations to sell vapour products?**

Currently, there is no requirement in place for retail outlets to apply for specific license in order to sell vapour products.

- b) **Please brief us on BAT Malaysia's strategy to expand its distribution channels and retailers' selection of Vuse products in the next two years.**

BAT Malaysia deploys a distribution strategy that is driven to:

- i. Ensure spread of availability across channels and geographies in Malaysia to drive convenience for current nicotine consumers;
- ii. Ensure optimal coverage to consistently and responsibly build awareness of our brands amongst nicotine consumers to drive value growth for shareholders;
- iii. Ensure shared opportunities with willing and collaboration business partners to drive value growth for the retail environment, the organisation and its employees;
- iv. Ensure we and our business partners are operating within regulations and social guidelines; and
- v. Ensure a balanced footprint to drive efficiency and effectiveness within our route to market model and costs base.

Our distribution and expansion plans will continue to remain driven by the core objectives listed above.

- c) **During the financial year 2023, the subject matter of audits conducted by the BAT Group Internal Audit was route-to-market. (Page 120 of AR2023) Please share insights into the improvement recommendations on BAT Malaysia's distribution channels arising from the Internal Audit.**

As noted by an earlier question, the shrinking legal industry has contributed to considerable business challenges for BAT Malaysia (BATM) in the form of declining volumes and higher Route to Market (RTM) costs, which impacted the sustainability of BATM's previous model. In response to these challenges, in September 2021, BATM commenced a multi-year RTM transformation from a fixed cost exclusive distribution model to a fit-for-purpose hybrid distribution model. The new model is more efficient, interactive and utilises tech-enabled 3rd Party Logistics.

As part of this critical transformation process, we ensured that proper controls and governance were evaluated over the entire updated RTM processes. We subjected the processes to a full scope internal audit covering the following key areas:

- i. Field force and call center administration
- ii. Contract management

- iii. Regulatory interpretation & compliance
- iv. RTM planning and execution
- v. Customer management
- vi. Incentive execution
- vii. User access management, and risk and compliance management.

The key recommendations from the audit are for management to execute:

- i. Improvement of control over expired stocks and market returns
- ii. Improvement in contract management processes.

- 4. The excise duty to selling price ratio of vapour products is relatively lower compared to combustible. For instance, the excise duty of VUSE GO 5000 (RM0.40/ml on 10ml e-liquid) would be RM4.00, 12% of the retail price of RM33.00. The excise duty of Dunhill cigarettes (RM0.40/stick on 20 sticks) would be RM8.00, 45% of the retail price of RM17.70.**

After factoring in other costs of sales, is the gross margin (in percentage) of vapour products higher than combustibles.

It is difficult to make direct comparisons between the cigarettes and vapour products. Whilst excise are comparatively lower as a % of the retail price, the cost of production is much higher as these products have more components required for manufacture. Additionally, the vapour category is also extremely competitive. It is important that government enforcement on excise is robust to ensure level playing field for all players, otherwise there is a real risk of a vapour black market.

- 5. In 2023, BAT Malaysia moved to a new warehouse in Pulau Indah, which was twice the size (64,000 sq.ft.) of the former warehouse in Bangi. (Page 55 of AR2023) BAT Malaysia reported inventories amount to RM32.6 million at the end of FY2023, approximately 42% lesser compared to RM55.9 million at the end of FY2022.**

Please explain the need to move to a bigger warehouse since there is an improvement in inventory turnover.

The warehouse supports the Company's vision of moving into a multcategory business. On top of that, the new warehouse is closer to the port, which is only 8km away and is equipped with a solar system that supports our ESG agenda.

- 6. During the reporting year, electricity usage at the factory increased as a result of production increasing by 19%, as BAT Malaysia started producing a new brand of cigarettes for export. (Page 55 of AR2023).**

(a) What is the current annual production output and which cigarette brands are produced for export? Which countries are these cigarettes exported to?

We have started to export to the Singapore market with London SKU being produced in our JB factory. Additionally, Benson & Hedges is also being produced there for domestic and duty-free market. Currently, the annual production output for the JB factory is 132 million sticks.

(b) It was mentioned in the last AGM that the manufacturing cost in Malaysia would be 500% more than in Indonesia. What is the rationale for BAT Malaysia to manufacture for export given that it is not cost-efficient?

BAT Malaysia commenced production of the export London SKU in Q4 2023. The JB factory is the only factory that could produce the SKU, and all products are sold at above cost supporting the factory cost which benefits the shareholders in Malaysia.

7. **Under BAT Malaysia's sustainability initiative, A Better Tomorrow, one of the targets is to increase the proportion of women in management roles to 45% by 2025. In 2023, there are 36% of women in management roles and 29% in the leadership team. (Page 102 of AR2023)**

Currently, BAT Malaysia has 28.57% female representation at the Board level, with two of the seven directors being female. Would the Board consider increasing the women directors on Board sooner than 2 years (as indicated in page 34 of Corporate Government Report 2023) in setting the appropriate tone at the top, to show commitment in achieving the above sustainability target?

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 another 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.

8. **Fostering a circular economy has been a priority for BAT Malaysia and it has focused its attention on increasing recyclability of the product packaging as well as implementing the New Category device Take-Back Scheme. (Page 57 of AR2023).**

- **What are the current approaches to dispose the New Category device collected from the Take Back Scheme to ensure minimal environment contamination? Can the scrap of the devices be utilised in the production of new devices?**

We are committed to the responsible disposal of our vape devices at end of life. BAT Malaysia launched the Vuse Take Back scheme to enable consumers to dispose their used Vuse GO devices as part of this commitment. Once these devices are dropped off at Take Back Stations, they will be collected and sent to a collection facility for storage until the required volume for disposal has been met. We are currently working on disposal solutions with a local e-waste management vendor to ensure our products will be recycled and/or disposed of in a responsible manner.

For more information on the Vuse Take Back Scheme, please visit <https://www.vuse.com/my/en/take-back-program>

- **Would BAT Malaysia consider providing incentives to its customers to encourage participation in the Take-Back Scheme?**

We currently do not provide consumer incentives for returning used devices. Our primary focus is to drive awareness on the importance of the responsible disposal of used vape devices amongst adult nicotine users. The Vuse Take Back Scheme supports this by providing ease of accessibility for consumers to drop off their used devices at various sites. We hope that our consumers will continue to be part of this journey with us.

Summary of Shareholders' Questions Received and the Company's Summarised Responses

1.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<p>Can BAT Malaysia provide shareholders with door gifts, vouchers or a token for shareholders who have and will continue to support BAT Malaysia?</p> <p>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:</p> <ul style="list-style-type: none"> • attending as a shareholder; • attending as shareholder and proxy; • attending as a proxy, irrespective of the number of shareholders represented. <p>Vouchers will be distributed approximately 2 weeks after the meeting adjourned.</p>
2.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<p>What is the profit margin for the sale of Vuse? Did VUSE start to contribute to the revenue for the company and what is the projection of revenue VUSE going to contribute to the Company in the next 3 to 5 years?</p> <p>Vuse is currently having negative contribution at bottom line, as heavy marketing investment is made to build the brand visibility and gain competitiveness. Internally the ambition in the next 3 to 5 years is to have New Categories delivering up of 30% of total net revenue.</p>
3.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<p>Given the recent increase in SST, what is the impact on BAT's operating cost and profitability?</p> <p>The introduction of SST effective from 1 March 2024 will impact the Group's operating cost by around RM3 million. However, we will work toward minimising the impact of expenses through cost optimisation efforts.</p>
4.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<ol style="list-style-type: none"> 1. After profit consistently dropped, did Management take any action? Will 2024 be a better year than 2023 or it will be worse due to new challenges? 2. What is the plan or strategy in order to increase revenue and profit for 2024 or upcoming? 3. What's the Board's plan to turnaround the downward trend of the Company's businesses? <p>Our profit has been impacted by the challenging economic climate, inflationary pressures and high illicit threat.</p> <p>Prior to the legalisation of vapour products in Malaysia in Q2 2023, the Company was limited to compete in the legal combustibles space which accounts for 29% of the total nicotine pool. With the launch of Vuse in Q3 2023, we have expanded our market presence to include vapour segment which also represents 29% of the total nicotine pool.</p> <p>The Company will continue to invest in VUSE as a multi-category company for the sustainability of the business.</p> <p>The 2024 Outlook has been covered under the Business and Finance Performance Update.</p>

5.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<p>Will the Management consider implementing share-buy-back program to support the sharp declining share price over the decades from RM 60?</p> <p>Currently the Company has no plans to implement share-buy-back.</p>
6.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<p>1. Any reason(s) for the downward movement in BAT's share price? 2. What are the steps being taken to improve things and the share price which has suffered quite a bit recently?</p> <p>Unfortunately, our share price continues to be under pressure, largely from the external environment. The legal industry is significantly impacted by the tobacco black market as well as the uncertainty surrounding the regulations of nicotine in Malaysia. We plan to continue to prioritise investments into Vuse as part of our efforts to reduce the health impact of our business and improve the long-term sustainability of our business.</p>
7.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<p>The pilot launch of VUSE GO Max 1500 in July 2023, and the subsequent introduction of VUSE GO 3000 and 5000 is a strategic move in the right direction. Having said so, I would like to see more affordable VUSE products, especially those refillable variants are brought into Malaysia, as opposed to the current disposable types which are both pricey and harmful to the environment?</p> <p>A significant proportion of vape device formats in the Malaysian market sits within the disposable/closed system format, which is where the Vuse portfolio will be focused on to ensure that it meets both consumer and commercial needs.</p> <p>With Vuse, we remain committed to minimising our impact on the environment and adhering to the E-Waste regulations in respect of all our Vuse products. One such sustainability initiative is the Vuse Take Back Scheme, of which further information can be found at https://www.vuse.com/my/en/take-back-program.</p>
8.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<p>Even though I never smoke, I gathered very valuable feedback from friends who smoke. According to them, the cooling sensation of VUSE during inhalation loses out to other brands in the market, especially your main competitor Relx. Besides, they prefer certain flavours like green tea, coffee which unfortunately VUSE does not offer such nice aroma.</p> <p>Flavour and sensation preference is highly dependent on personal taste and varies across individual usage behaviour. Vuse will be constantly expanding its portfolio in Malaysia with new flavours targeted at satisfying the needs of adult nicotine users.</p> <p>For more information on Vuse quality standards, please visit https://www.vuse.com/my/en/vape-quality.</p>
9.	<p><u>Questions:</u></p>	<p>1. What positive steps have BAT taken to combat illegal cigarettes? Has any representatives been sent to PMX since there are now positive steps by the Prime Minister to tackle this problem. Congratulations to MACC for tackling this issue but ultimately the customs department as the enforcement agency to curb rampant smuggling in Sabah and Sarawak.</p>

	<p><u>Response:</u></p>	<p>2. For the last one decade, BAT Malaysia calls for government to take radical action and review existing excise frameworks to stub out illegal cigarettes. However, we have yet to see any major enforcement done by the relevant government agencies. Kindly comment on this?</p> <p>BAT Malaysia has been consistent in our call for the Government to stop the tobacco black market which remained persistently high at 55.6% for 2023.</p> <p>We are encouraged by the Government's commitment to address the tobacco black market as well as the recent heightened enforcement actions taken against the illegal players. We look forward to sustained enforcement actions by the relevant law enforcement agencies.</p>
10.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<p>Any update on VUSE to enter Johor state?</p> <p>Currently, we do not market our vapour products in the state of Johor pending clarity on the Government's regulatory framework for vapour products under the new Control of Smoking Products for Public Health Act 2023.</p>
11.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<p>Is the company planning to sell off the prime land at the former "Rothmans" Roundabout in PJ so that battled shareholders can recoup their losses from the sale.</p> <p>The Company has sold the land located in Petaling Jaya back in Year 2016.</p>
12.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<p>1. Your dividend has been declining every year for many years. Do you see any light at the end of this year 2023 or next year or at end of the tunnel?</p> <p>2. As a shareholder of BAT, I am writing to express my concerns regarding the recent performance of the company, particularly the disappointing trend in share price and the reduction in dividends over the past few years.</p> <p>Despite encountering multiple challenges, BAT Malaysia's dividend payout has been consistent and sustained at above 90% of its earnings for the past few years.</p>
13.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<p>BAT PLC has written down value of a number of its brand. Do you see it happening BAT Malaysia?</p> <p>The carrying amount of goodwill is reviewed for impairment annually. Based on the annual assessment, the recoverable amount exceeded the carrying amount of the goodwill. Accordingly, no impairment is required for the Company.</p>
14.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<p>I noticed that the company's official Glo website was closed in April. Does this mean that the Glo tobacco heating products will be permanently exiting the Malaysian market?</p> <p>BAT Malaysia made the decision to remove Glo from the market starting from February 2024. With the legalisation of vapour products in 2023, we see significant growth in the vapour segment and a stagnation in the tobacco heated products (THP) segment, so we are prioritising our business to meet consumers' needs with Vuse and invest in the vapour segment.</p>

15.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<p>1. What is the Company's future goodwill in revenue gaining? World restrict tobacco and vape. Does company diversify to others business to sustains business profit and operations cost?</p> <p>2. Any diversification plan into other related business(es)?</p> <p>The carrying amount of the Company's goodwill is reviewed for impairment annually. Based on the annual assessment, the recoverable amount exceeded the carrying amount of the goodwill. Hence, no impairment or adjustment is required for the Company.</p> <p>The Company's focus is to drive long-term sustainable value growth within combustibles category, invest into new categories and simplify and optimise the business. Currently, we do not have plan to diversify into other business.</p>
16.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<p>Will 2024 be a better year than 2023 or be worse due to new challenges?</p> <p>The Group is optimistic of achieving a steady financial performance in 2024, particularly in realising value from Vuse, the number one global vaping brand.</p> <p>We have also launched a new brand named Luckies in the Value-For-Money segment, to provide additional affordable options to consumers and as our commitment to growing our non-combustible portfolio.</p> <p>With this, BAT will continue to ensure that our portfolio across both FMC and vapour segments provides strong brand offers that resonates across different consumer segments and meets their needs.</p>
17.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<p>BAT's revenue and profit have steadily declined since 2000. Will it continue to drop in the coming years?</p> <p>Our financial performance in the past few years has been impacted by the challenging economic climate, pandemic, inflationary pressures and high illicit tobacco threat.</p> <p>To tackle all these challenges, our strategy is to achieve a sustainable future and quality growth by focusing on driving value from combustibles, investing into New Categories whilst continuing to simplify and optimise the business.</p>
18.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<p>As part of the shareholders, the taste and the Vuse acceptance to the consumers should improvised from times to times to attract more new users. Is that any survey regarding brand acceptance to most of the Malaysian users has been conducted so far?</p> <p>Vuse offers a variety of intense flavours that are targeted to adult nicotine users to give a satisfying vaping experience. We ensure to deliver quality liquids through thorough evaluation of all ingredients and use of only high-grade materials. Our formulations are constantly going through rigorous development processes to ensure quality and taste satisfaction.</p>

		BAT will continue to ensure that our vapour portfolio provides high quality and relevant products to meet the needs of our consumers, with ongoing product and consumers research to ensure we are kept abreast of industry and consumer feedback.
19.	<p><u>Questions:</u></p> <p>Does BAT intend to develop tobacco products that are not harmful to human health?</p> <p><u>Response:</u></p> <p>It is important to understand that most of the health risk associated with cigarettes is caused by the burning of tobacco (combustion) and not the nicotine.</p> <p>That is why we have developed a range of alternative products that do not burn tobacco but contain the nicotine that adult smokers want. There is a growing body of evidence that supports the role of these products as less risky alternatives² to combustible cigarettes.</p> <p>While they are not risk free, these product categories support our ambition of making a smokeless future a reality.</p>	
20.	<p><u>Questions:</u></p> <p>How much has been invested into this product to build brand visibility?</p> <p><u>Response:</u></p> <p>The Company's focus is strategically investing into vapour to build the brand visibility and gain competitiveness which as such, resulted in the negative contribution at bottom line.</p>	
21.	<p><u>Questions:</u></p> <p>How do Vuse position itself in the vapor market? Does it target the premium market, or the price sensitive market?</p> <p><u>Response:</u></p> <p>Vuse positions itself as a vape brand that offers trusted and high-quality products in the market. This is in line with our global brand positioning across multiple countries. Our range of products is targeted at adult vapers who seek high quality products across a range of flavours and puff counts at a price range that is in line with the market average.</p>	
22.	<p><u>Questions:</u></p> <p>While illicit cigarettes decreased from 63.8% in 2020 to 55.6% in 2023 (page 47), BAT still reported volume decreases of 12.9% due to contraction of the legal industry (page 44).</p> <p>a) Does this suggest that the total cigarette volume (both illicit and legal) has been declining over the past few years?</p> <p>b) Including the growth of vape, overall, does the total industry volume still shrink?</p> <p>c) Please share the volume trend of legal cigarette, illicit cigarette, vape, and overall industry?</p> <p><u>Response:</u></p> <p>Whilst illicit incidence has declined, illicit backflow continues to shift into vapour, leading to the contraction of the legal cigarette industry. The industry also observes an increase in Vape Users +20% vs FY2022. Hence, VUSE was launched in the second half of 2023 to capture the opportunity of this nicotine segment.</p>	

² Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

23.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<p>Referring to the recent The Edge article, Philip Morris reported big success in its Heated Tobacco Product in Japan and is trying to replicate the same success in Malaysia. Heated tobacco product's market share in Kuala Lumpur is more than 10%. Do BAT have similar products? If yes, please share what is the revenue and profit contribution to the group. If not, please explain why.</p> <p>BAT Malaysia made the decision to remove glo which is a heated tobacco product from the market in February 2024. With the legalisation of vapour products in 2023, we see significant growth in the vapour segment and a stagnation in the tobacco heated products (THP) segment, so we are prioritising our business to meet consumers' needs with Vuse and invest in the vapour segment.</p>
24.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<ol style="list-style-type: none"> 1. The company mentioned about price adjustment for key combustible brands. How much is the price hike and will there be a price increase planned for the year in view of escalating costs and weaker RM? If yes, how much is the quantum would it be? 2. Following the price increase, will the company's quarterly and annual profit margin can stay above 10% to 11%? <p>The price adjustment was as below:</p> <ol style="list-style-type: none"> i. Dunhill - RM17.40 to RM17.70 ii. Peter Stuyvesant - RM15.90 to RM16.20 iii. Benson Hedges - RM17.40 to RM17.90 iv. Kyo - RM12.00 to RM13.00 <p>We will continue to review the need for price adjustment taking into consideration relevant circumstances.</p> <p>On top of the price increase, the Group has been continuously transforming and digitalising our business to future-proof our operations and maintain our profit margin.</p>
25.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<ol style="list-style-type: none"> 1. With rampant increase of illegal cigarette markets in Malaysia, any on-going talks with the current government to stem the black markets. 2. For the last one decade, BAT Malaysia calls for government to take radical action and review existing excise frameworks to stub out illegal cigarettes. However, we have yet to see any major enforcements been done by the relevant government agencies. Kindly comment on this? <p>The Company has no enforcement power and 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 tobacco black market problem in Malaysia.</p> <p>BAT Malaysia has also been consistent in our call for the Government and law enforcement agencies to stop the tobacco black market which remained persistently high at 55.6% for 2023.</p>

26.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<p>1. What is the BAT plan on vape market? 2. What is the % of production capacity?</p> <p>Our plan for Vuse is to establish the brand as a trusted and high quality vape brand in Malaysia. This will be supported alongside continuous development and expansion of our range including flavours, puff counts and formats. In addition, we will leverage our robust trade marketing and distribution capabilities to ensure we win and have our fair share of the market.</p> <p>Vuse is an imported product from facilities that meets all the BAT quality standards and demand. Process is in place to ensure product availability.</p>
27.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<p>1. How is the respond of product Vuse in the market? 2. What are the efforts the company has taken or will do to promote Vuse as more competitive choice than other vapour products? As of now, what is the target customers for Vuse? 3. Will the company consider revising the price of Vuse to make it more affordable so that it is more competitive than local vapour products?</p> <p>Initial results from Vuse since its launch in 2023 shows that it has been well received by consumers and we look forward to continuing the growth of our vapour portfolio.</p> <p>Our marketing efforts for Vuse have focused on ensuring we establish strong brand awareness and consideration amongst adult vapers, alongside securing availability and distribution in key channels. Our robust marketing plan covers both digital and offline activations to drive effective and impactful reach, which can be seen across our retail channels, and digital touchpoints.</p> <p>Vuse positions itself as the #1 Global Vape Brand that offers trusted and high-quality products in the market. This is in line with our global brand positioning across multiple countries. Our range of products is intended for adult vapers who seek high quality products in a range of flavours and puff counts.</p> <p>Vuse is currently priced at RM27 for 3000 puffs and RM33 for 5000 puffs, reflecting the high-quality standards of our products while remaining competitive in the market. We monitor market developments continuously and will adjust our pricing to ensure competitiveness.</p>
28.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<p>What's the latest progress update on the Company's product R&D so far? What're the breakthrough achievements that the Board could share with us?</p> <p>We are constantly on a journey of innovation as part of our purpose towards creating A Better Tomorrow.</p> <p>For further details on global scientific research efforts, please visit https://www.bat.com/brands-and-innovation.</p>
29.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<p>Due to profit drop, any plan to reduce operation cost?</p> <p>While we acknowledge the challenges, the Company has continuously transformed and digitalised our business to future-proof our ways of working which can improve efficiency and reduce operational costs over the long term.</p> <p>Besides that, we have and will continue to manage cost of sales, optimising on marketing investments that will drive commercial growth and streamlining operational costs to spend where it matters.</p>

30.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<p>For those directors who seek for re-election on today's meeting, can the involved director brief us their achievements for the past terms?</p> <p>Cik Norliza binti Kamaruddin and Mr. Anthony Yong Mun Seng retire in accordance with Clause 109.1 of the Constitution of the Company and had offered themselves for re-election as Directors of the Company. Their achievement and contributions are as follows:</p> <ol style="list-style-type: none"> 1. <u>Cik Norliza Kamaruddin</u> <ol style="list-style-type: none"> i. Consistently assisted the Board in fulfilling its oversight responsibilities in relation to the delivery of BAT Malaysia's Sustainability strategy. ii. Shaped the formulation of BAT Malaysia's Sustainability (ESG) Strategy, priorities and targets as well as initiatives to deliver the overall strategy. iii. Continuously monitored the strategic management of BAT Malaysia's material sustainability matters, risks and opportunities while closely monitoring progress against set targets. iv. Reviewed reporting of matters to the shareholders and relevant authorities specifically any disclosures on sustainability mandated by the Bursa including Sustainability Statement of the AR. v. Engaged and communicated BAT Malaysia's Sustainability Strategy and performance with external stakeholders to support enhancing corporate reputation. 2. <u>Mr. Anthony Yong Mun Seng</u> <ol style="list-style-type: none"> i. Developed and implemented financial strategies aligned with the Company's goals and objective. ii. Ensuring compliance with financial regulations and accounting standards to maintain transparency and accountability. iii. Upon the legalization of vapour products, actively supported the introduction of Vuse into the market by focusing on effective resource allocation and ensuring proper marketing spend effectiveness. iv. Optimised working capital by deploying multiple initiatives resulting in operating cashflow which have been higher than profit from operations for the past two years. v. Consistently monitored and optimised cost despite operating in a high inflationary environment.
31.	<p><u>Questions:</u></p> <p><u>Response:</u></p>	<p>Your Lazada online store has stopped operation since two weeks ago. At the time of writing this message, it is still down. Please explain why so.</p> <p>Lazada has recently took a stand not to have vapor products listed in their platform. At this juncture, several flagship brand stores including ours ceased operating on their platform while other vapor brands sold by resellers remain operational. Lazada's concern was in relation to general vapor products being sold without proper Youth Access Prevention (YAP) processes in place. We have been closely engaging with Lazada as our stringent YAP processes have been in place since we have been operating on the platform and we hope to receive a favorable reply from them soon.</p>

32.	<p><u>Questions:</u></p> <p>Would the Board consider physical or hybrid shareholders' meeting for the next event?</p> <p><u>Response:</u></p>	<p>Would the Board consider physical or hybrid shareholders' meeting for the next event?</p> <p>We stand guided by the regulatory authorities on the conduct of General Meetings for Listed Issuers. With the utilisation of technology via remote participation and voting, we have a wider reach of shareholders more cost effectively.</p>
33.	<p><u>Questions:</u></p> <p>Could you share the future efforts in ensuring that BAT can compete or eventually win over the established competitors in the market for vapour products?</p> <p><u>Response:</u></p>	<p>Could you share the future efforts in ensuring that BAT can compete or eventually win over the established competitors in the market for vapour products?</p> <p>Our plan for Vuse is to establish the brand as a trusted and high quality vape brand in Malaysia. This will be supported alongside continuous development and expansion of our range including flavours, puff counts and formats. In addition, we will leverage our robust trade marketing and distribution capabilities to ensure we win and have our fair share of the market.</p>
34.	<p><u>Questions:</u></p> <p>Growth in IQOS? Growth in vaping?</p> <p><u>Response:</u></p>	<p>Growth in IQOS? Growth in vaping?</p> <p>We do not comment on other industry players' products and performance.</p>
35.	<p><u>Questions:</u></p> <p>The company flags weaker RM as a continuing challenge. To understand the impact on profitability, could you please share how a 1% or 5% change in the USD/MYR rate would affect profitability? Specifically, I'd like to understand the quantum of profitability erosion at these exchange rate fluctuations.</p> <p><u>Response:</u></p>	<p>The company flags weaker RM as a continuing challenge. To understand the impact on profitability, could you please share how a 1% or 5% change in the USD/MYR rate would affect profitability? Specifically, I'd like to understand the quantum of profitability erosion at these exchange rate fluctuations.</p> <p>It is one of the key challenges that the Company faces and with its impact, we are mitigating the risk by using hedging facilities.</p>
36.	<p><u>Questions:</u></p> <p>Years ago, BAT used to source some of their tobacco requirement from Kelantan and Melaka. Is this still happening? If not, why not?</p> <p><u>Response:</u></p>	<p>Years ago, BAT used to source some of their tobacco requirement from Kelantan and Melaka. Is this still happening? If not, why not?</p> <p>More than 10 years ago, cultivation of local tobacco had ceased. This is largely driven by declining legal volume due to illicit trade. This declining demand resulted in farmers opting out of tobacco farming which was not economically viable anymore.</p>
37.	<p><u>Questions:</u></p> <p>With the consistent decline in BAT's business in Malaysia, any plan for the Group to explore new markets in developing countries? Any new smokeless products like vapes and heated tobacco devices that going to be introduced in 2024?</p> <p><u>Response:</u></p>	<p>With the consistent decline in BAT's business in Malaysia, any plan for the Group to explore new markets in developing countries? Any new smokeless products like vapes and heated tobacco devices that going to be introduced in 2024?</p> <p>The continued efforts of our global innovation development in vapour ensures that we are able to offer consumers a wide range of Vuse products including flavours, puff counts and formats. A portfolio strategy is in place which we are not at liberty to share at this point in time.</p> <p>With regards to heated tobacco devices, BAT Malaysia made the decision to remove Glo from the market in February 2024. With the legalisation of vapour products in 2023, we see significant growth in the vapour segment and a stagnation in the tobacco heated products (THP) segment, so we are prioritising our business to meet consumers' needs with Vuse and invest in the vapour segment.</p>

38.	<p><u>Questions:</u></p> <p>How much market percentage Vuse manages to capture in Malaysia? Currently, who is the market leader on vapour products between BAT, JTI, RLEx, Philip Morris?</p> <p><u>Response:</u></p>	<p>Unlike FMC, there is no consensus on an accurate measure of tracking market share for vapour now, hence we are unable to disclose market share performance and sizing.</p>
39.	<p><u>Questions:</u></p> <p>We are concerned about BAT's reliance on a global marketing framework that may not be effectively tailored to the Malaysian market. How does BAT plan to incorporate more local content and better understand the needs and preferences of Malaysian customers to improve business performance?</p> <p><u>Response:</u></p>	<p>We understand the importance in understanding our Malaysian customers' needs. Our International Marketing Principles have been recently revised to a new Responsible Marketing Framework to take into account changes around the globe, including Malaysia, as we continue to market our product to adult consumers responsibly. It is important to note that the Responsible Marketing Framework does accede to local laws where local laws are stricter on marketing freedoms.</p>
40.	<p><u>Questions:</u></p> <p>I'm puzzled by BAT's limited route to market for Vuse products, particularly with the absence of a presence on popular e-commerce platforms like Shopee, compounded by technical issues preventing listings on Lazada. In a market where e-commerce is prevalent, how does BAT plan to expedite the resolution of these technical issues and expand its distribution channels to better reach Malaysian consumers and improve the accessibility of Vuse products?</p> <p><u>Response:</u></p>	<p>BAT remains committed to addressing consumer demand and is constantly expanding Vuse product distribution footprint. Majority of the nicotine consumers in Malaysia still prefer to purchase in a physical retail store, and that has been the focus since launch. Additionally, Shopee and Lazada have taken a position to prohibit the sales of vape products. We are currently in engagement with Lazada to ensure continuous availability of our products to its users. We will continue our efforts in seeking opportunities to further expand online distribution across other touchpoints, who share the same commitment in underage access prevention.</p>