BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

(Company No. 4372-M)
(Incorporated in Malaysia)

Minutes of the Fifty-Eighth (58th) Annual General Meeting of British American Tobacco (Malaysia) Berhad ("the Company" or "BATM") held at Connexion Conference & Event Centre, Nexus 2 & 3, Level 3A, Nexus, Bangsar South City, No. 7, Jalan Kerinchi, 59200 Kuala Lumpur on Thursday, 18 April 2019 at 10.30 a.m.

PRESENT

Tan Sri Dato' Seri (Dr.) Aseh Bin Haji Che Mat	:	Chairman Independent Non-Executive Director
Mr. Hendrik Stoel	:	Managing Director
Datuk Oh Chong Peng	:	Independent Non-Executive Director
Dato' Chan Choon Ngai	:	Independent Non-Executive Director
Mr. Eric Ooi Lip Aun	:	Independent Non-Executive Director
Datuk Christine Lee Oi Kuan	:	Non-Independent Non-Executive Director
Mr. Ricardo Martin Guardo	:	Finance Director

ABSENT WITH APOLOGY

Datuk Zainun Aishah Binti Ahmad	:	Independent Non-Executive Director

IN ATTENDANCE

Ms. Lee Mi Ryoung	:	Company Secretary

BY INVITATION

Ms. Linda Song Yik Lin	Legal and External Affairs Director
Mr. Vicente Costa	Business Development Director
Ms. Samanmalee Priyanvada Chandrasiri	Human Resources Director
Mr. Adrian Lee	KPMG PLT (External Auditors)
Mr. Au Soon Yong	KPMG PLT (External Auditors)
Ms. Lee Seen Yin	Messrs. Jeff Leong, Poon & Wong
Ms. Maxine Ang Yuen May	Messrs. Jeff Leong, Poon & Wong

ATTENDEES

(919 Members, 525 Proxies and 1 Corporate Representative attended the 58th Annual General Meeting as per the summary of attendance)

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1. CHAIRMAN OF THE MEETING

Tan Sri Dato' Seri (Dr.) Aseh bin Haji Che Mat chaired the 58th Annual General Meeting ("AGM" or "Meeting") of the Company.

2. SAFETY BRIEFING

Encik Ramli Bin Abdul Manaff, Safety and Security Manager from the Connexion Centre provided the safety briefing to the members.

3. WELCOME ADDRESS AND CHAIRMAN'S OPENING SPEECH

On behalf of the Board of Directors ("Board") of the Company, the Chairman extended a warm welcome to the shareholders, corporate representatives, proxies and invitees to the Company's 58th AGM. The Chairman expressed his gratitude to the management and all employees of the Company for their relentless spirit, energy and resilience to continue to lead the legal tobacco market with high-quality products and brands while upholding high standards in governance despite the tough market conditions. The Chairman also thanked the shareholders for their continued support and loyalty.

The Chairman briefed the Meeting on the following:

(a) After the closure of the Company's factory at Virginia Park in 2017, the Group worked hard on stabilising the business and the transformation of the Group's business model from production to importation. In order to ensure the Group maintained market leadership and continued the legacy as the leading tobacco company in Malaysia as well as maximised shareholders' returns, the Group undertook to build further on the theme of transformation post 2017 and invested significantly into its talent, brand and commercial capabilities. These efforts paid off with the Group's stabilised performance compared to prior years, with gradual recovery in terms of legal volumes and stable market share.

(b) Testament to the Company's commitment and effort in setting a high benchmark for corporate governance standards, shareholders' value and human resource policies and practices, the Company achieved the following:
- Received 10 awards on the talent front for the development of diverse and equal workplace;
- Recognised as one of the top three best companies within Malaysia, acknowledged by Top Employer Institute, an independent global certification company; and
- Recognised by The Edge Billion Ringgit Club 2018 as having the highest return on equity over three years in the consumer products and services sector.

(c) Consistent with the Company's commitment in returning value to shareholders, the Company declared dividends of 155 sen per share for the financial year ended 2018.

(d) Senior Independent Non-Executive Director and Chairman of the Audit Committee of the Company, Datuk Oh Chong Peng would be retiring from his position on the Board on the conclusion of this AGM. The Board expressed their sincere appreciation and gratitude to Datuk Oh for his effort and contributions to the Company during his 21 years tenure as a board member of the Company.

(e) The Board welcomed Mr Eric Ooi Lip Aun, as an Independent Non-Executive Director of the Company. Mr Ooi would be appointed as the Chairman of the Audit Committee replacing Datuk Oh.

4. QUORUM

The requisite quorum being present pursuant to Article 71 of the Company's Constitution, the Chairman declared the Meeting duly convened at 10.30 a.m.

5. NOTICE OF MEETING

With the consent of all members present, the Notice of Meeting circulated on 20 March 2019 was tabled and taken as read.

6. VOTING PROCEDURES

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

The Meeting was also informed that the Company had appointed Tricor Investor & Issuing House Services Sdn. Bhd. as Poll Administrator to conduct the e-voting process and Coopers Professional Scrutineers Sdn. Bhd. as Scrutineer to validate the votes cast.

The e-voting process for the Resolutions would be conducted upon completion of the deliberation of all items to be transacted at the AGM.

7. 2018 FINANCIAL PERFORMANCE AND HIGHLIGHTS

Members were briefed on the Company's 2018 performance and highlights were as follows:

(a) Profit from operations was RM637 million stabilising with a smaller decline by 2.2% as compared to the preceding year with gradual recovery in terms of legal volumes, market share and illicit cigarettes growth stagnated at 63%.

(b) The new Government's focus on fighting corruption, transparency, addressing affordability and illicit trade. Although there was growing enforcement will but there is still not enough intensity. Tax stamps refund process was clearly established and accelerated, which saw 95% of refunds recovered. There was no increase in excise duty imposed last year, as the Government realised is effect on the affordability of legal cigarettes.

(c) There were 350 million legal packs sold as compared to an estimated of 600 million (or equivalent 63%) illicit packs sold in Malaysia last year which translated into an estimated tax revenue losses of RM5 billion to the Government and 5,750 jobs losses. However, the change in Government saw new initiatives to address the illicit cigarettes market with stricter deterrent penalties of RM100,000 fine or 6 months jail for offenders, enhanced retail enforcement, focus on syndicates and no excise increase in 2018.

(d) In 2018, our brands in the value-for-money, aspiration premium and premium segments recorded 3.6%, 10.7% and 39.0% share respectively. Illicit cigarette incidence registered at 63% of total market share primarily driven by continued affordability pressure on consumers coupled with enforcement challenges on curbing illicit cigarettes trade. As a result, the Company's market share maintained at 56.3% in 2018.

(e) Dunhill's performance in 2018 was strong with 83.4% share of full flavour segment which saw an increase of 2.5 ppt as compared to the preceding year, reinforcing the Company's leadership in the market. In addition, Peter Stuyvesant performed solidly in the aspirational premium segment, with shipment share of segment gaining 3.7 ppt at 31.0% compared to same period last year. Rothmans rapidly established a strong position in 2018 against other competitive offers in the value-for-money segment with a 3.1 ppt gain at 3.6% as compared to same period last year.

(f) In line with the Company's commitment towards Building a Fair Society with diversity, freedom of choice, positive action and fairness, the following achievements were recorded in 2018:
- Corporate social responsibilities activities conducted with various partners;
- Accelerated local talent intake, with recruitment of 34 mid-career joiners and 17 Global Graduates;
- Strengthened the quality of local succession with 16 international assignments undertaken by local talent;
- Drove strong focus on diversity with 50% of senior leaders and 55% new hires being females;
- Recognition from NACRA, The Edge Billion Ringgit Club Awards 2018 and HR best practices were recognised by The Brandlaudreate, HR Asia, HR Excellence Award and Top Employer.

(g) Volume, revenue and profit from operations for 2018 declined by 5%, 3% and 2% respectively as compared to 2017 with stabilised business in the legal market, focus on the premium segment and protecting value share. The operating expenses were 4.5% lower than the same period last year and operating margin remained flat with the Company's continuous cost optimization efforts. Revenue was growing quarter by quarter in 2018 with market contraction, absence of contract manufacturing, lesser product mix, removal of good and services tax, sales and services tax implementation and gross pricing. The Company registered higher return on equity of 111% as compared to the same period last year.

(h) The Company leveraged on the new supply chain model which reduced the inventories holding days, thus unlocking the availability of working capital. In 2018, operating expenses recorded RM281 million which is 4.5% lower as compared to 2017. Inventories and prepaid excise duties reduced by 22% or RM85 million as compared to 2017 due to saving in lead time for finished goods from 26 days to 16 days and prepaid excise duties refund reduced from 21 days to 11 days.

7. QUESTIONS FROM MINORITY SHAREHOLDERS WATCHDOG GROUP

Members were informed that the Minority Shareholder Watchdog Group ("MSWG") had submitted a series of questions to the Company prior to the AGM and the questions and responses from the management of the Company were as follows:

1. As mentioned in the Management Discussion & Analysis on page 23 of the Annual Report, the Company has successfully launched its tobacco heating product 'glo' in Canada, Italy, Japan, Romania, Russia, South Korea and Switzerland. This product will be brought in to Malaysia in 2019.

(a) What is the percentage of revenue from the new tobacco heating product in FY2018 and the expected revenue (in percentage) in the next 3 years?

As mentioned in the Annual Report, the Company is expected to bring this product into Malaysia in 2019. It is important to highlight that the product was not introduced to the Malaysian market in 2018. Therefore, the level of revenue last year was negligible (0.3%), and it was related to the set-up of the Company's distributor in readiness to launch in the first quarter of 2019. At the moment, the Company was waiting for final price approval from the Tobacco Control Sector of the Ministry of Health to proceed. This approval has taken longer than expected but the expectation that it will be resolved in April.

From a global perspective, New Categories products (which includes tobacco heating, vapour and modern oral products) had experienced good growth, with revenues of £917m from these New Categories in 2018. The British American Tobacco Group ("BAT Group") expect strong growth in New Categories revenue - increasing to £5 billion by 2023/2024. However, it is important to note that these are still very new categories and therefore it is very hard to predict numbers as the market dynamics are fairly fluid and so we expect that our main source of revenue will continue to come from our combustibles business for many years to come.

From the Malaysian perspective, based on our research, we do not foresee exponential growth during 2019 and therefore the expected revenue contribution in the short term is estimated to be not material when compared with the combustibles business. Given that it is a new category and there will be different products and competitors in the market, we will monitor the performance of the category and the consumers' response, which will ultimately decide the real potential and investment level for the category moving forward.

(b) Will this new product help to combat illicit cigarettes?

The level of illicit cigarettes trade in Malaysia today is very high at more than 60% of the market and will require several solutions including enhanced enforcement as well as product solution that addresses affordability pressure.

However, we see tobacco heating products as separate from the problem of illicit cigarettes as these products are meant to cater to the evolving demand of our consumers who are looking for reduced harm products, though it may help to address illicit vaping products.

(c) How competitive is this new product in the tobacco industry now?

Consumer preferences are diverse and constantly evolving. The BAT Group's increasingly broad range of potentially reduced-risk products allows us to meet these varied preferences and create a better tomorrow for our consumers.

The BAT Group's potentially reduced-risk products has seen outstanding growth. Our tobacco heating, vapour and modern oral products are now available in 29 markets and used by six million adult consumers worldwide.

As we develop new and potentially reduced-risk product categories, our conventional cigarette business remains strong and important for many years to come. For Malaysia, the conventional cigarettes business will remain the Company's focus going forward.

2. The graph page 93 of the Annual Report exhibits a monthly downward trend for BAT Malaysia Corporate Market share from 57.6% in January 2018 to 54.9% in December 2018.

(a) What are the reasons for the downward trend in market share in FY2018?

During 2018, our portfolio strategy was to grow value share in order to protect shareholder value. We have succeeded in this as we are the only company in the legal market to gain value share of 1.1%. The corporate market share declined 2.7 ppts from January to December 2018 mainly due to affordability pressures and the price increase on our premium segment after the introduction of the Sales & Services Tax.

(b) Moving forward, is the trend expected to continue?

We do expect to recover market share in 2019 based on our growing brand strength and our strong plans for 2019.

3. As reported on page 100 of the Annual Report, the Company is in the midst of setting a new manufacturing facility in Johor.

(a) When is the new facility targeted to be in operation?

The Company's manufacturing facility in Nusajaya Industrial Park, Johor Bahru commenced operations in Quarter 4, 2018.

(b) Is the operating cost expected to reduce with this new manufacturing facility in Johor?

The new manufacturing facility in Johor has been set up to protect our manufacturing licence in Malaysia despite a change in manufacturing sourcing as we believe in the potential of the market in Malaysia in the long term. The facility is currently operating on a small scale, approximately less than 3% of the total volume. Given the scale, savings derived from this operation is unlikely to have significant impact to the overall business. Having said that, the Company will continue to strive an optimal operating model to reduce cost without impacting efficiency or quality.

Corporate Governance Matters

1. **Note 4 to the Financial Statements on page 180 of the Annual Report shows that non-audit fees increased significantly to RM110,000 in FY2018 from RM10,000 in FY 2017.**

   What is the reason for the significant increase and what are the services provided in respect of the non-audit fees in FY 2018?

   The increase in non-audit fee in FY2018 is attributed to the fee charged by our external auditors in relation to the adoption of the Sarbanes-Oxley Act (SOX), as a new requirement for the BAT Group in 2018. The Company has adopted the framework designed by the BAT Group, which was required to implement additional internal controls and procedures in line with the SOX framework (described in page 90 of Annual Report). We believe that the adoption of SOX will allow us to establish an even stronger governance framework that is in line with our ongoing commitment to good corporate governance behavior, which is an integral part of our business strategy.

2. **The Company in its Corporate Governance Report has stated that it has applied Practice 12.3 of the MCCG. Practice 12.3 refers to facilitating or providing platform for shareholders to vote and participate at the Annual General Meeting without being physically present at the Company's AGM. The Company has explained that "shareholders are entitled to appoint proxy/proxies to vote on their behalf….." under the application column of Practice 12.3. Please note that the Company has not applied the practice which relates to remote participation.**

   The Company had not applied Practice 12.3 of the MCCG which relates to remote participation of shareholders at the general meetings via the use of technology, as the Company is in the midst of exploring the accuracy and stability of such technology, and the resources required. For shareholders who are unable to attend the AGM in person, they can remotely participate by exercising their right to appoint proxy(ies) to attend, vote and speak in his/her stead.

   For the Company's 58th AGM, the Company has leveraged on technology to facilitate electronic voting for the conduct of poll on all resolutions proposed. We will review for next year whether to implement remote participation of shareholders to AGM via the use of technology.

3. **Practice 5.1 of the MCCG requires Large Companies to engage independent experts periodically to facilitate objective and candid board evaluation. The explanation under the application column of Practice 5.1 for both FY2017 and FY2018 indicates that the assessment was done internally.**

   Does the Board intend to engage independent experts to facilitate Board evaluations in the coming years?

The Board intends to engage an external facilitator in 2020 to evaluate the Board's performance for 2019. Having said that, it is important to highlight that the Board, with the assistance of the Nomination Committee, conducts an annual evaluation with the objective of assessing the performance of the Board, the committees and individual Directors based on a robust and comprehensive assessment framework.

4. **In the CG Report for FY2017, the Board had set a 1-year timeframe to apply Practice 7.2 of the MCCG. However, in the CG Report for FY2018, the timeframe has been extended to two years. The CG Report states that the Company is in the midst of reviewing its internal process for the disclosure of remuneration components of Senior Management who are not Board Members of the Company.**

   What are the internal processes that are being reviewed to enable the said disclosure of remuneration components? To-date, is the review process on schedule for the Company to adopt the Practice in two years' time?

   The Company's review of internal processes has taken more time than anticipated. Nevertheless, the content of this review is confidential and we will make every effort to ensure that we will be ready for disclosure in 2020 ahead of the 2 years' time period stated in the CG Report after appropriate consultation and communication with senior managers.

   The Chairman then thanked Mr. Hendrik Stoel and Mr. Ricardo Martin Guardo for their respective presentations and proceeded to the first agenda of the Notice of the AGM.

8. QUESTIONS FROM OTHER MEMBERS

Key questions raised by members and responded by the Board were as follows:

(a) Question: On the Director who was absent at the AGM.
Respond: The Director was away overseas to attend to very important matters.

(b) Question: On the request to elaborate the internal process that required 2 years to implement disclosure of senior management remuneration.
Respond: The Company needed to take into consideration the confidentiality obligations made to employees. Having resolved this, the management would disclose senior management remuneration in the next Annual Report.

(c) Question: On the suggestion to replace the word "stabilising" with "improvement" in the Annual Report.
Respond: Management noted the suggestion.

(d) Question: On management's direction to improve revenue, profit from operations and share price.
Respond: The Company would continue to work on improving its results and be the most competitive in the legal tobacco industry. However, the industry growth would very much depend on the recovery of the legal tobacco market. To address this, management would continue to work closely with the Government to curb the illicit cigarette trade and continue its transformation initiatives in order to deliver

growth and achieve better performance. With that, the Company hopes that its share price would be positively affected.

(e) Question: On the Company's strategy to fight the illicit tobacco trade and proposal for the Company to develop dedicated products for female consumers.
Respond: The Company would continuously grow its business across all categories to meet all consumers needs including female. Notwithstanding, the Company would require positive support from the Government to address the illicit cigarette trade to enable the business to be sustainable in the long term. The Government's increased enforcement could reduce the illicit cigarette trade, which would allow the legal tobacco business to expand and drive the share price, revenue and operating profit higher. Strict regulations on health warning and restriction on smoking were not the main reasons for the decline in the legal tobacco market. However, the Company was working closely with the Government to address the illicit cigarette trade and to made legal cigarette more affordable for consumers.

(f) Question: On e-cigarettes, new category potential and other ways for the Company to grow revenue.
Respond: From the Global perspective, the New Categories products (which includes tobacco heating, vapour and modern oral products) have experienced good growth, with revenues of £917m from these New Categories in 2018. From the Malaysian perspective, the Company does not foresee exponential growth during 2019 and therefore the expected revenue contribution in the short term is estimated to be not material when compared with the combustibles business. Combustibles business is the main source of revenue for many years to come. The Company would continue to build new categories products and expand legal cigarettes in the near future.

(g) Question: On proposal for the Company to assist Government to clamp down on illicit cigarette operators.
Respond: The Company was working closely with Government and law enforcement agencies to address the illicit cigarette operators.

(h) Question: On whether the slogan "Building A Fair Society" is for political reason.
Respond: The Company strongly believed and embedded actions in association with the slogan "Building A Fair Society".

(i) Question: On proposal for the Company to create a product with the same taste but without poison or nicotine product.
Respond: The Company is working on the new categories products to deliver potentially reduced risk products to consumers.

(j) Question: On whether the import model overheads was cheaper as compared to maintain a full scale manufacturing factory in Malaysia. What is the Johor factory expenditure and the tenancy period?
Respond: Import model has lower overheads cost as compared to a full scale manufacturing factory in Malaysia. The small scale manufacturing factory in Johor has been set-up to protect the Company's manufacturing licence in Malaysia as the Company believe in the potential of the market in Malaysia in the long term. The Company had signed a two-year tenancy agreement for the factory in Johor and the factory set-up costs was less than RM1 million.

(k) Question: On the mismatch between the expenses and revenue incurred as the staff cost increased by RM10 million, tax costs increased from RM146 million to RM154 million, audit fees increased from RM549,000 to RM580,000 and Directors' remuneration from RM8.6 million to RM10 million from the previous year.
Respond: For the past two years, the Company managed to reduce 10% of its expenses. The Company had established a special team to deal with illicit trade issues and drive the strategies on illicit trade which would bring long term value to the Company.

(l) Question: On the suggestion to disclose directors' bonus separately and training on IT or Tax matters.
Respond: Breakdown of the directors' remuneration were disclosed in page 71 of the Annual Report in accordance to the Main Market Listing Requirements. The Board would decide on the type of training every year. In 2018, media training was deemed suitable with increasing media attention on the business.

(m) Question: A query on Datuk Christine's total remuneration as reflected in the Annual Report.
Respond: Datuk Christine's remuneration was in line with her previous executive role in the Company.

(n) Question: On the performance of Dunhill share drop from 39.0% to 37.3% on the other hand growth in value-for-money segment from 0.5% to 4.1% and the profit margin for value segment and premium segment.
Respond: Consumers have shifted from premium segment to value-for-money segment due to consumers' affordability choice.

(o) Question: On whether the three main customers as stated in page 198 of the Annual Report are related to the Company and the credit terms.
Respond: The three main customers are key accounts which are not related to the Company. Their credit risks are assessed regularly and the Company has long term working relationship the three main customers.

(p) Question: On whether the Company would see a downturn in the illicit cigarette trade.
Respond: Curbing illicit cigarette trade is in the purview of the enforcement agencies and the Company would continue to propose solutions for Government's consideration.

(q) Question: On the reason receivables increased while the revenue decreased and the increase in inventories written down from RM4.5 million to RM6 million in the year 2018.
Respond: The receivables were high due to a combination of holding stock and longer payment terms for two key accounts but overall there was no risk on bad debts. The increase in inventories written down was due to the importation model and management expected improvement on the inventories holding by next year.

(r) Question: On the reason for the nomination of Mr. Hendrik Stoel instead of a local director for the position.
Respond: The Nomination Committee had reviewed Mr. Hendrik Stoel's profile, qualification and experience. The Board had also reviewed and recommended to the shareholders for Mr. Hendrik Stoel's re-election. The re-election stated in

Ordinary Resolution 1 was made in accordance with the Constitution that stated one third of the directors shall retire. Therefore, Mr. Hendrik Stoel was subject to re-election in accordance with the Constitution of the Company. Mr. Hendrik Stoel's profile is available in the Annual Report for reference.

(s) Question: On whether Mr. Ricardo Martin Guardo is a member of the Audit Committee and MIA member.
Respond: Mr. Ricardo Martin Guardo is not a member of the Audit Committee. Datuk Oh informed that he is the Chairman of the Audit Committee and a MIA member.

(t) Question: On the breakdown of the Proposed Renewal of Shareholders' Mandate for the Company and its subsidiaries to enter into Recurrent Related Party Transactions ("RRPTs").
Respond: The information on the RRPTs was provided in the Circular to Shareholders dated 20 March 2019, which was sent together with the 2018 Abridged Annual Report.

(u) Question: On request for a summary of the adoption of the new Constitution of the Company.
Respond: The amendments were made in accordance to the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia. The information on the new Constitution was provided in the Circular to Shareholders dated 20 March 2019, which was sent together with the 2018 Abridged Annual Report.

9. DECLARATION OF POLL RESULTS

The Ordinary and Special Resolutions tabled at the 58th AGM of the Company were duly passed by the shareholders of the Company and the poll results of the resolutions as summarized below:

	FOR		AGAINST		Result
	No. of shares	%	No. of shares	%	
Ordinary Resolution 1 Re-election of Mr. Hendrik Stoel as a Director	232,583,787	99.9958	9,800	0.0042	Carried
Ordinary Resolution 2 Re-election of Mr. Ricardo Martin Guardo as a Director	232,517,487	99.9673	76,100	0.0327	Carried
Ordinary Resolution 3 Re-election of Mr. Eric Ooi Lip Aun as a Director	232,392,887	99.9137	200,700	0.0863	Carried
Ordinary Resolution 4 Re-appointment of Datuk Zainun Aishah Binti Ahmad as a Director	214,446,774	92.1981	18,146,813	7.8019	Carried

	FOR		AGAINST		Result
	No. of shares	%	No. of shares	%	
Ordinary Resolution 5 Payment of Directors' fees and benefits to Non-Executive Directors	229,683,287	98.7505	2,906,200	1.2495	Carried
Ordinary Resolution 6 Re-appointment of KPMG PLT as auditors	232,592,887	99.9997	700	0.0003	Carried
Ordinary Resolution 7 Proposed Renewal of the Recurrent RPT Mandate	89,627,787	99.7766	200,700	0.2234	Carried
Special Resolution 1 Proposed Adoption of the New Constitution of the Company	232,592,887	99.9997	700	0.0003	Carried

10. CLOSURE

There being no other business to be transacted, the Meeting closed at 1:40 p.m. with a vote of thanks to the Chair.