



BRITISH AMERICAN TOBACCO KENYA LIMITED

MINUTES OF THE 69TH ANNUAL GENERAL MEETING OF THE COMPANY HELD ELECTRONICALLY AT BAT KENYA OFFICES, LIKONI ROAD, NAIROBI ON WEDNESDAY, 12TH MAY AT 9:00 A.M.

Present:

Ms. Rita Kavashe	-	Chairperson
Mr. Crispin Achola	-	Managing Director
Mr. Philemon Kipkemoi	-	Finance Director

Attending virtually

Ms. Carol Musyoka	-	Non-Executive Director
Mr. Peter Mwangi	-	Non-Executive Director
Dr. Martin Oduor-Otieno	-	Non-Executive Director
Dr. Macharia Irungu	-	Non-Executive Director
Mr. Samuel Onyango	-	Non-Executive Director
Ms. Marion Gathoga-Mwangi	-	Non-Executive Director
Mr. Andre Joubert	-	Non-Executive Director

In Attendance:

Ms. Kathryn Maundu	-	Company Secretary
Mr. Jacob Gathecha	-	Audit Partner, KPMG Kenya
Mr. Lawrence Kibet	-	Image Registrars Limited, the Share Registrar
Mr. James Kubasu	-	Anjarwalla & Khanna, Legal & Compliance Auditor
Mr. Noahfred Ngocho	-	PricewaterhouseCoopers, Vote verifier
Ms. Mary Mwai	-	PricewaterhouseCoopers, Vote verifier

Shareholders who registered to attend the AGM: 811 (62.23% of shareholders)

1. CHAIRPERSON'S REMARKS TO THE SHAREHOLDERS

The Chairperson welcomed Shareholders to the 69th Annual General Meeting and proceeded to introduce members of the Board, key partners and the Leadership Team. She informed members that this was her first Annual General Meeting as the Chairperson of the Company having been appointed as an Independent Non-Executive Director in July 2020 and Chairperson of the Board in September 2020.

The Chairperson informed members that Mr. George Maina retired as a Director and Chairperson of the Board on 31st August 2020 and Mrs. Beverley Spencer-Obatoyinbo retired as the Managing Director effective 31st December 2020. She thanked both Mr. Maina and Mrs. Spencer-Obatoyinbo for their contribution to the Company. She further informed members that Mr. Crispin Achola had succeeded Mrs. Spencer-Obatoyinbo as the Company's Managing Director effective 1st January 2021.

Mr. Crispin Achola gave a brief introduction of himself.

2. KEY HIGHLIGHTS FROM MANAGING DIRECTOR'S PRESENTATION

Mr. Crispin Achola, the Managing Director, took shareholders through the Company's performance and future expectations under the following headings: BAT Evolved Corporate Strategy, 2020 performance highlights and 2021 focus areas.

BAT Evolved Corporate Strategy

He informed shareholders that the BAT Group strategy was to create 'A Better Tomorrow' through the introduction of potential reduced risk products (PRRPs) to consumers. This would be delivered through the Company's mission. He informed members that in order to deliver, the focus would be on 3 areas namely: delivering superior performance; high growth segments and priority markets.



This would be underpinned by several key initiatives which included inspirational foresights, remarkable innovation and investment in powerful brands. He informed the shareholders that the BAT culture would be at the core of the delivery of the strategy.

On ESG, he informed members that the Company would continue to champion excellence in environmental management, deliver a positive social impact in the society it operated in to reduce the Company's health impact through offering a greater choice of enjoyable and less risky products to consumers potential harm to the environment as well as having robust governance framework to ensure corporate responsibility.

2020 Review

Mr. Achola took the shareholders through the 2020 operating environment with the following highlights:

2020 was a challenging year amidst the disruptions caused by COVID-19 and the challenging operating environment. It was reported that BAT's employees were the primary focus of the Board and Management and the Company ensured that employees were safe and well through the provision of protective gear, constant communication with employees as well as deployment of work from home arrangement.

The supply chain was impacted by the COVID-19 pandemic, but the Company managed to deliver its goods to consumers on time as well as raw materials to the factory. The Company continued to contribute to the society during the pandemic by providing clean water to over 4,500 families in the leaf growing regions.

On the business challenges, Mr. Achola reported the following:

- a) Consumer stretch was one of the key challenges with consumers continuing to feel the pressure of rising inflation while the lockdowns and curfews due to COVID-19 continued to stifle economic recovery. Further, the excise increases of 5% (2019:20%) impacted affordability resulting in highly priced goods.
- b) Illicit trade also continued to be a challenge; in 2020, illicit trade in tax-evaded cigarettes doubled to about 23%. It was noted that this not only impacted industry revenues but also continued to deny the Government revenue estimated to be over KSh. 4 billion per annum. Mr. Achola implored the Government agencies to root out flows of illicit product and stated that the Company was willing to work closely with government agencies to achieve this goal.
- c) On regulatory headwinds in New Categories, Mr. Achola reported that the Company continued to engage the relevant stakeholders to understand the proposed regulations.

On the 2020 performance summary, it was reported that the Company delivered strong results despite the COVID-19 impact.

- Net revenue increased by 5% to KSh. 25.3 billion which was due to higher export revenues and lower excise duty and value added tax (VAT).
- Operating expenses reduced by 3% due to pro-active cost saving initiatives undertaken to cushion business profitability from COVID-19 pandemic impact.
- The lower sales volume in Kenya, VAT and Corporate Tax rate changes that kicked in in April 2020 to cushion businesses, saw a reduction in payment of excise duty, VAT, Pay As You Earn (PAYE) to KSh. 16 billion (11% reduction – KSh. 2 billion).
- Profit before tax increased by 34% to KSh. 7.4 billion. This was due to the increase in net revenue and reduction in operating costs.
- Dividend payment increased by 34% to KSh. 45 per share. It was reported that the increase was in line with the increase in profitability and the Company's commitment to increasing long-term value to shareholders.



It was also noted that the Company's business practices continued to receive recognition. In the year 2020, the Company won accolades among them top employer globally, in Africa and in Kenya; Kenya Association of Manufacturers (KAM) awards for best Company in electricity savings and water conservation; KAM Women in Manufacturing, Green Edge and Gold Mark awards for technology driven sustainable manufacturing by CIO 100 Awards and FiRe award in Industrial Commercial & Services categories plus runners up in Listed Companies & Corporate Governance categories.

In closing, Mr. Achola informed members that the Board's and Management priority areas for 2021 included Kenya volume recovery, regain volume from illicit trade, continue portfolio transformation, re-establish and accelerate New Categories

3. NOTICE OF THE MEETING

The Notice of the meeting was read by the Secretary after confirmation of a quorum.

4. REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Report of the Directors and the Financial Statements for the year ended 31 December 2020 were received and considered by shareholders. The Chairperson gave a broad overview of the Company's performance as per her Statement.

Legal & Compliance Auditor's Report

Mr. James Kubasu was invited to read the Legal & Compliance Auditors' Report.

Mr. Kubasu informed the meeting that their responsibility was to express an opinion on the status of compliance with applicable laws, regulations and standards. In their opinion, the Company was generally in compliance with applicable laws, regulations and standards. In that regard an unqualified opinion was issued.

Independent Auditor's Report

Mr. J. Gathecha of KPMG Kenya was invited to read the Auditors' Report to the shareholders. He confirmed that KPMG Kenya audited the financial statements of the Company and its subsidiaries. In KPMG's opinion, the financial statements gave a true and fair view of the consolidated and Company financial position as at 31 December 2020, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Kenyan Companies Act, 2015.

With respect to other legal and regulatory requirements, Mr. Gathecha confirmed that in KPMG's opinion the information given in the Report of the Directors was consistent with the financial statements and the auditable part of the Directors' Remuneration Report was properly prepared in accordance with the Kenyan Companies Act, 2015. In view of the above, KPMG issued an unqualified audit opinion.

2020 Directors' Report and Financial Statements

The Chairperson invited questions from shareholders on the Financial Statements to which she, the Managing Director and the Finance Director responded to.

Mr. Stephen Irungu Kimani, commended the Board for the good work they had done in managing the Company. He also commended Image Registrars for its constant updates regarding the AGM. He asked the Chairperson and the Managing Director to look into illicit trade which was very rampant especially in the slums.

Mr. Kimani sought responses on the following:

- Why the current ratio in the balance sheet was not good.



- Why the Directors Remuneration had increased by almost 23%.
- On election of Directors – Why the Managing Director was subjected to the re-elected process and yet he was appointed by the Board of Directors on behalf of the Company.
- The re-election process of Directors noting that 4 directors had since left the Board and others had been appointed.
- If the Company was exploring giving shareholders a special dividend as the retained earnings were high.
- On Directors Shareholding, he noted that only one Director held shares in the Company and urged the other Directors to also invest in the Company as this would give confidence to shareholders that their investment was in good hands.

The Finance Director, Mr. Philemon Kipkemoi responded as follows:

On Directors' Remuneration query, he informed Shareholders that a survey was conducted in 2020 on how the Company remunerates its Directors in comparison to other Nairobi Securities Exchange (NSE) listed peer companies. To ensure that the Company recruited and retained a good calibre of directors and having ascertained through independent survey that the Company paid Directors below average, a decision was made to increase the Directors remuneration to bring it closer to the earnings of other directors in peer listed companies. Mr. Kipkemoi informed Shareholders that this was important for sustainability.

On the question on gross revenue wherein the Shareholder noted that it was KSh. 38.8 billion yet the taxes were KSh. 16 billion, the Finance Director confirmed this to be correct. For context, he informed members that for every Ksh. 1/- the shareholder got, the Government got KSh. 4/-. As a good corporate citizen, the Company strives to pay all the requisite taxes. The Company continued to engage the relevant authorities in respect of excise duty which continued to increase making the Company's products unaffordable, hence stimulating illicit trade.

In respect of hedging reserves in the balance sheet, while in 2019 it had hedging reserves, the Company did not have any in 2020. This was a result of the COVID-19 pandemic whereby Management reviewed the strategy on hedging. Noting that the Company had balanced revenue streams and the volatility of the environment at the time, a decision was made not to hedge any inflows hence the reason there was no hedging in 2020.

On the question on dividends, he explained that the KSh. 41.50 was the final dividend which when added with the interim dividend of KSh. 3.50 made a total of KSh. 45/- which was in line with profit growth of the Company. He further pointed out that the dividend pay-out was at 82% which was in line with pay-out ratio in previous years.

On the retained earnings he confirmed that these had not changed from prior year. As articulated earlier by the Managing Director, the Company continues to make investments specifically in New Categories for long term sustainability.

The Finance Director thereafter responded to questions on the livestream as follows:-

Mr. Mohammed Farah, George Mwinga and Ms. Jane Maina asked questions related to receipt of dividends via Mpesa.

The Finance Director requested the Shareholders to contact the Shares Registrars (Image Registrars) for assistance on how to receive dividends through Mpesa.

Mr. John Kuria, Mr. Peter Mwangi and Mr. Peter Maina inquired on the dividend pay-out for the year.

The Finance Director informed Shareholders that an interim dividend of KSh. 3.50 was paid on 18 September 2020 and a final dividend of KSh. 41.50 was payable immediately after the AGM subject to approval of members. This would make a total dividend pay-out of KSh. 45/-.



The Managing Director responded to Mr. Kimani's question on whether the illicit trade was a focus area for the Board and Management. He informed the Shareholders that combating illicit trade was one of the focus areas for the Company as earlier highlighted in his report. He informed Shareholders that, in comparison to the data of 2019, the Board had noted that illicit trade incidences had doubled by more than 11% in 2019 to 23% in 2020. This presented an opportunity for growth as they were more than a one billion sticks that could be recouped. He informed Shareholders that the main challenge was that the Company was not an enforcement authority as this was solely vested in government agencies which the Company was closely working with to provide insights into the nature of trade to enable them have sufficient information and understanding for effective enforcement.

Mr. Alois Chami asked a question on the future of the cigarette industry considering the current prevalence of COVID-19.

To this the Managing Director informed Shareholders that there was profitable future in the cigarette industry. While cigarette sales declined by 24% in 2020, the Board and Management was of the view that COVID-19 was one of the circumstances in the decline, the other 2 being illicit trade and consumer affordability on the back of economic hardships. From a Company perspective, the Board would continue to make significant investments in cigarette business but at the same time recognise changes in consumer consumption by investing in New Categories so as to offer consumers with Potentially Reduced Risk Products (PRRPs).

On the question from Mr. Kimani on the need to subject the Managing Director to re-election, the Board Chairperson, Ms. Rita Kavashe, informed Shareholders that the matter would be covered in the Special Business of the meeting.

On Directors election, the Chairperson explained that 2 directors had been appointed to fill casual vacancies since the last AGM and 3 other Directors were retiring and seeking re-election in line with the Company's Articles of Association.

The Board Chairperson then closed the Q&A session and proceeded to seek Shareholders proposals to approve and adopt the Financial Statements for the year ended 31st December 2020.

Mr. Stephen Irungu Kimathi, a Shareholder, proposed the Resolution:

THAT the Report of the Directors and the Financial Statements for the year ended 31 December 2020, as audited and reported by the Company's Auditors, now submitted to this meeting, be and are hereby approved and adopted.

Ms. Mary Wambui Karanja, a Shareholder, seconded the Resolution which was put to the meeting for voting.

5. DECLARATION OF A FINAL DIVIDEND

Mr. John Nderitu Mathenge, a Shareholder, proposed the Resolution;

THAT the interim dividend of KSh. 3.50 per ordinary share paid on 18th September 2020 be and is hereby confirmed and that a final dividend of KSh. 41:50 per ordinary share payable, net of Withholding Tax, to be paid on 12th May 2021 to Shareholders on the Register at the close of business on 16th April 2021 be and is hereby approved and payment ratified.

Ms. Mary Wangari Gichohi, a Shareholder, seconded the Resolution which was put to the meeting for voting.



6. ELECTION OF DIRECTORS

- a) Shareholders noted that in accordance with Article 101 of the Company's Articles of Association, Ms. Rita Kavashe and Mr. Crispin Achola had been appointed to fill casual vacancies on the Board. Having been appointed after the last AGM, they offered themselves for re-election. Due to the conflict of interest in tabling this motion, the Chairperson handed the meeting to the Finance Director, Mr. Philemon Kipkemoi who took members through the motion.

Mr. Thomas Maina Wanjohi, a Shareholder, proposed and Mr. Antony Muchiri Muriuki seconded the Resolution:

That Ms. Rita Kavashe who retires in accordance with Article 101 of the Articles of Association and being eligible, offers herself for re-election, be and are hereby re-elected as a Director of the Company.

Mr. Thomas Wariithi Ndiritu, a Shareholder, proposed and Ms. Jane Nyandia Maina seconded the Resolution:

That Mr. Crispin Achola who retires in accordance with Article 101 of the Articles of Association and being eligible, offers himself for re-election, be and are hereby re-elected as a Director of the Company.

- b) It was noted that Mr. Peter Mwangi, Dr. Martin Oduor- Otieno, Andre Joubert who retire by rotation in accordance with Article 102 of the Articles of Association and being eligible, offer themselves for re-election. The Company Secretary informed the shareholders that:

Mr Alois Wafula Chami had proposed and Mr. Dennis Omonyi Okemwa had seconded the motion to re-elect Mr. Peter Mwangi as a Director. This was put to the meeting for voting.

Mr. Geoffrey Bethuel Maoga had proposed the motion to re-elect Dr. Martin Oduor-Otieno as a Director and Mr. Wislon Francis Ojunju seconded the motion which was put to the meeting for voting.

Mr. Isaac Ayekha Mudoga had proposed and Mr. Edwin Oyaro Osoro had seconded the motion to re-elect Mr. André Joubert as a Director. The motion was put to the meeting for voting.

7. RE-ELECTION OF MEMBERS OF THE BOARD AUDIT & RISK COMMITTEE

The Chairperson informed members that as per the requirements of the Companies Act, 2015, the members of the Board Audit & Risk Committee were required to be re-elected at each Annual General Meeting.

Mr. John Wairi Wandugo proposed the resolution and Ms. Florence Wamuyu Mwithaga seconded the resolution which was read out:

THAT pursuant to the provisions of Section 769 of the Companies Act 2015, Dr. Martin Oduor-Otieno, Samuel Onyango, Carol Musyoka and Marion Gathoga-Mwangi be and are hereby elected to continue to serve as members of the Board Audit & Risk Committee.

The motion was put to the meeting to vote.

8. DIRECTORS REMUNERATION AND DIRECTORS REMUNERATION REPORT

Mr. Junia Imade proposed and Mr. John Mutina, seconded the following resolution which was read out:-



THAT the remuneration of the Director's and the Directors' Remuneration Report for the year ended 31 December 2020 be and are hereby approved.

The resolution was put to the meeting for voting.

9. RE-APPOINTMENT AND REMUNERATION OF AUDITORS

Mr. Dan Kiplimo Kogei, proposed and Ms. Mary Mwikali Musyoki, seconded the following resolution which was read out: -

THAT in accordance with Section 721(2) of the Companies Act 2015, KPMG Kenya be re-appointed as External Auditor of the Company for the year ending 31 December 2021 and that the Directors be and are hereby authorized to fix their remuneration.

The resolution was put to the meeting for voting.

10. SPECIAL RESOLUTION TO AMEND THE COMPANY'S ARTICLES OF ASSOCIATION

Having concluded the ordinary business, the Chairperson directed the shareholders to the Special Business of the AGM which was the amendment of Articles 101 and 102 of the Company's Articles of Association to exempt Executive Directors from provisions of offering themselves for re-election at Annual General Meetings.

Ms. Caroline Njeri Ndenya, proposed and Mr. Samson Odongo Ademba, seconded the following resolution:-

That the resolutions set out in the Notice and Agenda with respect to the amendment of the Company's Articles of Association so as to exempt the Executive Directors from the provisions of Articles 101 and 102 be and are hereby passed as Special Resolutions, as recommended by the Directors.

The resolution was put to the meeting for voting.

11. VOTING RESULTS

The Chairperson requested Shareholders for a 5-minute recess to facilitate the tallying of the votes on each resolution which had been tabled to the meeting. Post this, the results on each resolution were displayed and the Company secretary confirmed that all the resolutions had been passed by majority vote. Shareholders were informed that the detailed results would be published on the Company's website within 24 hours of close of meeting.

12. END OF PROCEEDINGS

There being no other business, the Chairperson declared the business of the 69th Annual General Meeting as concluded. She thanked all the shareholders for attending the meeting.

Confirmed: _____
Chairperson

Date: _____