UNITY IN DIVERSITY
Balance for a Better Bangladesh
British American
Tobacco
BANGLADESH

Scan the QR code for accessing the digital version of our Annual Report 2018
www.batbangladesh.com
British American Tobacco Bangladesh, with a rich legacy of 108 years, works towards inclusive economic development, ensuring that men and women work together in a framework, which brings the ideas of diversity and prosperity to life.

The Company believes in gender equality and diversity, which harnesses the development of the nation. (Women empowerment initiatives, contd. on page 157).

As a pioneering organisation, we welcome the diversity of ideas and perspectives for embracing an open approach to inclusivity that has helped us to become one of the most aspirational companies of Bangladesh.

The Company endorses the highest standards of principled stewardship, and we believe the journey towards a stronger and better Bangladesh can emanate through a meaningful balance in our efforts.

We feel privileged in harmonising our efforts with governmental initiatives for achieving the goals of sustainable development within 2030, while also engaging in fostering a better relationship with all our stakeholders.
GREETINGS!

We welcome you to our Annual Report for the year ended 31 December 2018.

Essential elements of our Report

This report has been developed to enable our stakeholders to make an informed assessment about our ability to create value over time.

To facilitate such an assessment, we have introduced the Company, outlining who we are, where we operate, what we do, and how we create and sustain value. We have also provided a strategic and governance overview incorporating the Chairman’s statement, review of our leadership team, governance and remuneration practices. We have also disclosed our interaction with the six capitals that enable our business and our key stakeholder relationships.

This report covers the period from 1 January 2018 to 31 December 2018. A. Qasem & Co., Chartered Accountants, a member firm of Ernst & Young, has audited our annual financial statements 2018 and provided an unmodified opinion thereon.

Our reporting process has been guided by the principles and requirements contained in the International Financial Reporting Standards (IFRS), International Accounting Standards Board (IASB), and the BSEC Listings Requirements.

The full set of our Annual Report 2018, as well as a suite of additional information to assist in the better understanding of our Company, is available online (www.batbangladesh.com) or can be requested from our Company Secretary.

This report provides information on all those matters that we believe could substantively affect value creation at BAT Bangladesh.

Integrated thinking

At BAT Bangladesh, integrated thinking is essential in the way we manage our business and with respect to our internal strategy development and reporting practices. Our strategy has been developed to ensure that we manage the resources and relationships needed to create value over time.

Assurance

The Board has applied its collective wisdom to the preparation and presentation of the information in this report, following guidelines set out by the regulatory bodies of Bangladesh.

On the recommendation of the respective Board Committees, the Board approved the Company’s Annual Report 2018 on 11th March 2019.

Golam Mainuddin
CHAIRMAN

Shezad Munim
MANAGING DIRECTOR
CORPORATE INFORMATION

Board of Directors
Mr. Golam Moinuddin
Mr. Shehazad Munim
Mr. Mohammad Moinuddin Abdullah
Mr. K. H. Masud Siddiqui
Mr. A.K.M. Aftab Ul Islam
Mr. Mikail Shipar (resigned)
Mr. Md. Abdul Halim
Ms. Tahmina Begum
Mr. Kazi Sanaul Hoq
Mr. William Pegel
Chairman
Managing Director
Non-Executive Director
Independent Director
Independent Director
Non-Executive Director
Non-Executive Director
Finance Director
Managing Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Finance Director

Board Nomination and Remuneration Committee
Mr. K. H. Masud Siddiqui
Mr. Golam Moinuddin
Mr. Kazi Sanaul Hoq
Mr. Md. Azizur Rahman FCS
Chairsman
Member
Chairman
Company Secretary

Executive Committee
Mr. Shehazad Munim
Mr. William Pegel
Mr. Ozsan Ozbas
Ms. Muniba Asif
Mr. Saad Jashim
Mr. Golam Safwat Chowdhury
Mr. Shahed Zubair
Managing Director
Finance Director
Head of Operations
Head of Legal & External Affairs
Head of Human Resources
Head of Marketing
Head of Business Development

Head of Internal Audit & Compliance
Mr. Md Zahidul Islam
Company Secretary

Board Audit Committee
Mr. Mohammad Moinuddin Abdullah
Mr. Mikail Shipar (resigned)
Mr. Md. Abdul Halim
Ms. Tahmina Begum
Mr. Kazi Sanaul Hoq
Mr. Md. Azizur Rahman FCS
Chairman
Member
Member
Member
Member
Company Secretary

Board CSR Committee
Mr. Mikail Shipar (resigned)
Mr. Mohammad Moinuddin Abdullah
Mr. Md. Abdul Halim
Ms. Tahmina Begum
Mr. Shehazad Munim
Mr. Md. Azizur Rahman FCS
Chairman
Member
Member
Member
Member
Company Secretary

Registered Office
British American Tobacco Bangladesh Company Limited
New DOHS Road, Mohakhali, Dhaka 1206
T: +880 2 9842791-5
F: +880 2 9842786
Email: md.azizur.rahman@bat.com
www.batbangladesh.com

Statutory Auditors
A. Qasem & Co., Chartered Accountants

Governance Compliance Auditor
Al-Muqtadir Associates, Chartered Secretaries

Bankers
Standard Chartered Bank
Hongkong and Shanghai Banking Corporation
Citibank N.A.
Commercial Bank of Ceylon
Sonali Bank Ltd.
Pubali Bank Ltd.
Eastern Bank Ltd.

Front view of Head Office, BATB
YEAR HIGHLIGHTS, 2018

**SHAREHOLDERS**
- **BDT 50 PER SHARE**
  - Cash Dividend
- **1:2**
  - Stock Dividend

**EXPORT**
- **USD 29 million**
  - Unmanufactured Tobacco

**CAPACITY ENHANCEMENT**
for Cigarette Export

**TAX CONTRIBUTION**
- **BDT 19,133 Crore**
  - National Exchequer
- **82%**
  - of Revenues as taxes

**EMPLOYEES & OTHERS**
- **1,453** Employees
- **38,000** Farmers
- **1,300,000** Retailers
- Only Company in Bangladesh to win Top Employer Award!

**CSR**
- **Bonayon: Pioneer in private sector afforestation since 1980**
- **9.97 Crore Saplings Distributed**
- **Probaho: Supply Fresh Water daily in Arsenic Prone Areas**
- **4 Lac Litres Daily**
- **2 Lac Families**
- **Deepto: Solar Energy System in off Grid Areas**
- **2,330 Units 13,000 Persons**
- **Current Ratio**
- **Gross Profit Ratio %**
  - 2014: 47% 2015: 45% 2016: 48% 2017: 50% 2018: 52%
- **Net Current Assets**
- **Debt Equity Ratio**
- **Earning Per Share**
  - 2014: 0.4 2015: 0.4 2016: 0.4 2017: 0.4 2018: 0.4
- **Net Revenue**

*In BDT Crore*
54 CORPORATE FOCUS

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For the ease of our shareholders and other readers, we present below a material index matrix that serves two purposes:

Firstly, to help our readers to reach quickly to the information sought in this annual report. Secondly, to showcase our intent in information transparency to enable our readers to make an informed assessment about our Company and its prospects.

### Questions to Ask

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### Integrated Reporting

#### Scope and Boundary of the Report

The cycle of integrated reporting acts as a force for financial stability and sustainability by focusing on value creation over time. Integrated reporting promotes a more cohesive and efficient approach to corporate reporting and aims to improve the quality of information available to our investors and other stakeholders. An integrated report aims to provide insights about the resources and relationships used and affected by an organisation.

Our report highlights fiscal year’s financial performance in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), issued by the Institute of Chartered Accountants of Bangladesh (ICAB) and International Integrated Reporting Council (IRRC). The financial statements and other disclosures for the year 2018 are in accordance with the requirements of:

- International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS);
- The Companies Act, 1994;
- The Securities and Exchange Rules, 1987;
- The Income Tax Ordinance, 1984;
- The Income Tax Rules, 1984;
- BSEC Corporate Governance Code, 2018 and other applicable laws and regulations of the country.

The contents are prepared using results of our engagement with stakeholders and the Integrated Reporting Framework. All material topics, which are of interest to different stakeholders and which reflect significant impact of our activities on the economy, environment and the society has been taken into account in preparing this report.

The content laid out in the report and the methodology in preparing the Integrated Report sets out to provide a holistic and meaningful picture of our business model, strategy, governance, performance and future prospects. Our corporate governance practices report has been drawn in reference from the revised Corporate Governance Guidelines (CGG) issued by Bangladesh Securities and Exchange Commission (BSEC).

### REPORT MARKERS

**Value-Added Information**

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### SRD OTHERS

- **Corporate Social Responsibility**
- **Gender Equality and Diversity**
- **Sustainable Agriculture**

### INTEGRATED REPORTING

**External Assurance**

BATB obtains external assurance from the following two firms during the period under consideration. In accordance with regulatory requirements, auditors are rotated every three years to ensure their independence and objectivity. In order to maintain compliance, auditors have been rotated this year, the outcomes of which are duly published in this report.

### Availability of the Annual Report

The annual report is published within three months from the date of preparation of financial statements. The printed hard copy of the Annual Report is forwarded to all shareholders, prior to the Annual General Meeting, giving required period of notice. For extended use of the report by our shareholders, a soft copy of the report is also made available on our website.

### Hughes Capital

Our story as a leading manufacturing company today and in the future and our ability to create value over different time horizons primarily depend on the forms of capital available to us (inputs), how we use these capitals (value creation activities), our impact on these capitals (how we change or use these capitals) and the ultimate value we deliver (output and outcomes).

- **FINANCIAL CAPITAL**
  - Finance – equity and debt – required to efficiently manage business operations and activities.
- **MANUFACTURING CAPITAL**
  - Manufacturing plant and infrastructure used for the production of goods and how business is done.
- **INTELLECTUAL CAPITAL**
  - Our brand reputation and intellectual property.
- **HUMAN RESOURCE CAPITAL**
  - Our human resources, their competencies and innovation focus and our investment in developing our people to enhance this skill.
- **SOCIAL AND RELATIONSHIP CAPITAL**
  - The strong relationship built among BATB and its stakeholders.
- **NATURAL CAPITAL**
  - Our impact on the environment and our focus on sustainability.

Please refer to pages 61-74 for detailed descriptions of the six capitals.
Notice is hereby given that the Extraordinary General Meeting (EGM) of British American Tobacco Bangladesh Company Limited will be held on Sunday, 28th April 2019 at 10 am at the Ballroom of Pan Pacific Sonargaon Hotel, 107 Kazi Nazrul Islam Avenue, Karwan Bazar, Dhaka-1215 to transact the following business and to pass the following as Special Resolutions:

AGENDA - 1
To amend clause 5 of Memorandum of Association of the Company- “The Share capital of the Company is Tk. 60,00,00,000 divided into 6,00,00,000 ordinary shares of Tk. 10 each, with power to increase the capital and to divide the shares in the capital for the time being in to several classes, and to attach there to any preferential, deferred, qualified or special rights, privileges or conditions” subject to approval of the shareholders at the Extraordinary General Meeting (EGM):

Proposed Special Resolution -
Resolved that the Authorized Capital of the Company be and is hereby increased from Tk. 60, 00,00,000 (Sixty crores) to Tk. 540, 00,00,000 (Five hundred forty crores) and accordingly the clause 5 of the Memorandum of Association of the Company be and is hereby amended to read as follows –

“Clause 5: The Authorized Share capital of the Company is Tk. 540,00,00,000 (Five hundred forty crores) divided into 54,00,00,000 ordinary shares of Tk. 10 each, with power to increase the capital and to divide the shares in the capital for the time being into several classes, and to attach there to any preferential, deferred, qualified or special rights, privileges or conditions.”

AGENDA - 2
To amend Article 80(a) of the Articles of Association of the Company- “The ordinary remuneration of a Director shall not exceed Taka 750 per meeting of the Board of Directors or a Committee of such Board attended by him.” by passing the following as Special Resolution, subject to approval of the shareholders at the Extraordinary General Meeting (EGM):

Proposed Special Resolution -
Resolved that Article 80(a) of the Articles of Association of the Company be and is hereby amended to read as follows:

“Article 80(a): The meeting attendance fees of a Director per Meeting of the Board of Directors or a Committee of such Board attended by him/ her and remuneration, honorarium, advisory service fees and any other fees relating to the Board of Directors or a Committee of such Board may be revised, amended and enhanced from time to time and at any time by recommendation of the Nomination & Remuneration Committee (NRC) or any other Committee so constituted under the Bangladesh Securities and Exchange Commission (BSEC) Codes of Corporate Governance and approved by the Board.”

By order of the Board

Md. Azizur Rahman FCS
Company Secretary

Notes:
- The Shareholders whose names appear in the Members/Depository Register on the Record Date i.e. 4th April 2019 shall be eligible to attend the EGM of the Company.
- A Shareholder wishing to appoint a Proxy must deposit the Proxy Form, duly stamped at the Company’s registered office by 10.00 am of 24th April 2019.
Notice is hereby given that 46th Annual General Meeting (AGM) of British American Tobacco Bangladesh Company Limited will be held on Sunday, 28th April 2019 at 10:30 am at the Ballroom of Pan Pacific Sonargaon Hotel, 107 Kazi Nazrul Islam Avenue, Karwan Bazar, Dhaka 1215, for the transaction of the following business:

2. To approve Stock and Cash Dividend for the year ended 31st December 2018.
3. To elect Directors.
4. To appoint the Statutory Auditors for the year 2019 and to fix their remuneration.
5. To appoint the Compliance Auditor for the year 2019.

(As per directive of the Bangladesh Securities and Exchange Commission, no gift/food/coupon will be offered in the upcoming Annual General Meeting.)

Notes:
- The Shareholders whose names appear in the Members/Depository Register on the Record Date i.e. 4th April 2019 shall be eligible to attend the AGM of the Company and to receive the Dividend.
- A Shareholder wishing to appoint a Proxy must deposit the Proxy Form, duly stamped (Tk.20) at the Company’s registered office by 10:30 am of 24th April 2019.
- Only the Shareholders or their validly appointed proxies shall be allowed to have access to the registration process to attend the meeting.
- Admission into the auditorium will be allowed strictly on submission of the attendance slip sent with the Notice as well as verification of signature of Member(s) and/or Proxy holder(s).
- In case of non-receipt of Annual Report 2018 of the Company sent through e-mail, members may collect the same from the Company’s share office within 25th April 2019 by submitting a written application. Annual Report is available in investor relations section of the Company’s Website: www.batbangladesh.com
- No children will be allowed at the AGM.

(As per directive of the Bangladesh Securities and Exchange Commission, no gift/food/coupon will be offered in the upcoming Annual General Meeting.)

By order of the Board

Md. Azizur Rahman FCS
Company Secretary

7 April 2019
Women empowerment – Balance for gender equality

At BAT Bangladesh, we are among the pioneers in gender inclusion and women empowerment, fostering a robust support framework that encourages collaboration, co-working and co-existence. Today, we offer unique and innovative women-centric benefits, including extended maternity leave and a full-fledged day care center, while also providing them with challenging workplace opportunities that help them realise their potential.

Women in our Top Management

At BAT Bangladesh, women comprise almost 14% of our total employees. Furthermore, it is a matter of pride that the skills and capabilities of our women and men have been recognised far and wide, with the result that they have been invited across several group markets abroad for sharing best practices.
OVERVIEW

WHO WE ARE

We thrive in a culture that is rich in diversity to meet the evolving expectations of our stakeholders

OUR LEGACY

With a rich legacy that can be traced back to the year 1910, British American Tobacco Bangladesh (BAT Bangladesh) today is a business built on great brands and strong people resources.

BAT Bangladesh is a subsidiary of BAT plc, the world’s leading tobacco group that operates in over 200 markets around the world and is engaged in sustainable initiatives in transforming tobacco to shape a future that provides consumers with more choice, more innovation and reduced risk.

OUR BUSINESS CREDENTIALS

At BAT Bangladesh, we are engaged in the business of making world-class tobacco products that meet the diverse preferences of our consumers. Our integrated value chain that spans from ‘crop to consumer’ enables high levels of operational and quality control.

As an organisation operating in a highly-regulated industry, we understand our added responsibility and take pride in upholding the highest standards of corporate governance, while stewarding our operations in a sustainable and responsible way. Furthermore, our deep and comprehensive involvement in the tobacco supply chain has enabled us to empower livelihoods across Bangladesh, and this is a testament to our unambiguous impact on the national economy.

OUR IMPACT

BAT Bangladesh is among the few legal manufacturers of cigarettes in Bangladesh and one of the country’s most economically impactful business establishments. As the country’s largest individual tax contributor, BAT Bangladesh accounts for around 10% of the total industry’s tax contributions and constitutes around 8% of the Government’s total tax revenue.

Our holistic corporate social initiatives and our forward-looking agricultural development practices aim to drive socio-economic change of create a sustainable impact among population pools that need it the most.

OUR LISTING

BAT Bangladesh is the tobacco industry’s largest and the only listed company on the Dhaka Stock Exchange and Chittagong Stock Exchange. The Company closed the year with a market capitalisation of Taka 212,502 crore, against the year-start market capitalisation of Taka 204,018 crore.

We are one of the country’s top employers and our successful value creation case is possible due to the passion, skills, commitment and diversity of our strong team of 1,453 employees.

Shehzad Munim
MANAGING DIRECTOR

1,453
Our employees

1,300,000
Our retail network

5
Trade marketing regions

38,000
Our registered farmers
VISION AND MISSION

Our vision, supported by our well-defined mission, unites us to move forward with confidence, while meeting the diverse aspirations of our various stakeholder groups.

VISION
To be the world’s best at satisfying consumer moments in tobacco and beyond.

Satisfying consumer moments
We believe that by being the world’s best at satisfying consumer moments, we will become the leader in our industry. Consumers are at the core of everything we do, and our success depends on addressing their evolving concerns, needs and behaviours.

Tobacco and beyond
The second part of our vision — tobacco and beyond — recognises the strength of our traditional tobacco business and the opportunities we see in Next Generation Products. This is a great potential business opportunity because consumers are looking for choices and product categories in which we are uniquely placed to succeed.

MISSION
Delivering on our commitments to society, while championing informed consumer choice.

Champion informed consumer choice
We need to continue to ensure that our adult consumers are fully aware of the choices they are making when they purchase our products. We recognise that we have a responsibility to offer a range of products across the risk continuum, but we will also defend people’s right to make an informed choice.

Deliver our commitments to society
As society changes and priorities and needs shift, we must be ready to meet new challenges and take advantage of new opportunities. We are a major international business and with this status comes responsibilities such as developing less risky products, being open about the risks of all our products, supporting agricultural communities in leaf-growing areas worldwide and minimising our impact on the environment.

STRATEGIC FOCUS AREAS
The foundations upon which our strategy is built have been in place for many years, but we continue to refocus our activities in all four areas and constantly review our ways of working.

Growth
Developing brands, innovations and new products to meet consumers’ evolving needs.

Productivity
Effectively deploying resources to increase profits and generate funds for investment.

Winning organisation
Ensuring we have great people, great teams and a great place to work.

Sustainability
Ensuring a sustainable business that meets stakeholders’ expectations.

Our guiding principles articulate our key attributes, represent our intrinsic culture and guide us in delivering value for our stakeholders.

OPEN-MINDED
Our corporate culture embodies the inherent strength of our business and represents one of the key reasons we have been, and will continue to be, successful. We are forward-looking and anticipate consumer needs, behaviours and preferences, focusing on winning with innovative, high-quality products. We listen to, and genuinely consider, diverse perspectives and changing social expectations. We are open to new ways of doing things.

FREEDOM THROUGH RESPONSIBILITY
We provide our people the freedom to operate in their local environment, providing them with the benefits of our scale and empowering them with the ability to succeed. We strive to do the right thing, exercising our responsibility to the society and other stakeholders. We use our freedom to take decisions and act in the best interest of our consumers.

ENTREPRISING SPIRIT
We value the spirit of enterprise and expose our people to a tremendous breadth of ideas and viewpoints towards enhancing the way we do business. We have the confidence to passionately pursue growth and new opportunities, while accepting the considered entrepreneurial risk that comes with it. We are bold and strive to overcome challenges. This represents the cornerstone of our success.

STRENGTH FROM DIVERSITY
We respect and celebrate differences and enjoy working together, embracing a participative and collaborative style of working. We harness diversity — of our people, cultures, viewpoints, brands, markets and ideas — to strengthen our business. We value what makes each of us unique.

BAT Bangladesh’s vision, mission and strategic focus are in line with the BAT Group.
**BUSINESS MODEL**

**WHAT WE DO**

Essentially, we make and sell cigarettes, but there is definitely a lot more to it than that. Our sustainable approach to sourcing, production and distribution helps us to create value for a wide range of stakeholders. They include farmers and their communities, suppliers, retail and wholesale trade partners, NGOs, Government, regulators and the society at large.

**SOURCE**

**What We Do**

We do not own tobacco farms, but we provide agronomy support through our extensive services. The Company’s Leaf function starts with the hard work of 58,000 registered farmers within the village community.

**What Makes Us Different**

We have implemented the policy on Sustainable Tobacco Programme with an aim to apply the best local and international practices in the areas of Agronomy, Leaf Depot Operations, Leaf Processing Operations, Environmental Management, Human Rights, Occupational Health and Safety Standards encompassing it’s Leaf Operations.

**PRODUCE**

**What We Do**

Manufacturing tobacco products is a large-scale operation and we have state-of-the-art manufacturing facilities in the country. We work to ensure that our costs are competitive and that we use our resources as effectively as possible.

**What Makes Us Different**

- Our production facilities are designed to meet the needs of an agile and flexible supply chain, providing a world-class operational base that is fit for the future.
- To meet the market needs and to improve the quality and future export potential of our products, the manufacturing facility has to undergo balancing and modernisation and, as such, investment has been made day-to-day basis.
- Ensuring leaf and products in right place at the right time at the right quantity is a formidable logistical exercise for which BATB is highly committed.
- The nature of our business allows us to pool resources on a global scale and maximise efficiency.

**MARKET**

**What We Do**

We produce a range of products including: Benson & Hedges, John Player Gold Leaf, Pall Mall, Capstan, Star, Derby, Pilot and Hollywood. Our range of products covers all segments, from low to premium.

**What Makes Us Different**

We have a successful brand strategy based on sound consumer insights.

- Our portfolio of a good number of international as well as local brands is designed to meet a broad array of consumer preferences around the country, with the idea of delivering today and investing for tomorrow.
- Our well-developed distribution channels are critical enablers of our growth strategy, allowing us to roll out innovations on a big scale.
- We place consumers at the heart of our business. We invest in world-class research to understand changing consumer needs and buying behaviour. This drives our supply chain, product development, innovations, brands and trade activities. We aim to satisfy consumers while addressing stakeholder expectations about how we should sell our products. We are developing innovative solutions to evolve our brand portfolio and create more differentiated products. This supports our aim to champion consumer choice and provide a range of products.

**DISTRIBUTE**

**What We Do**

Our work with scientists and public health professionals aims to secure widespread support for tobacco harm reduction, including the regulatory changes needed to bring reduced-risk products to the market.

**What Makes Us Different**

- We continuously review our route to market, including our relationships with wholesalers, distributors and logistics providers.
- We encourage to embed best practices at the distributor end as well, to ensure regulatory compliance of the cigarette industry as a whole.

**CONSUMERS**

We encourage to embed best practices at the distributor end as well, to ensure regulatory compliance of the cigarette industry as a whole.
OUR VALUE CHAIN

At BAT Bangladesh, our integrated business spans the full value chain comprising sourcing, processing/manufacturing, marketing, distribution and consumer-centric innovation. The key aspects of our value chain that enable us to create value comprise the following:

**OUR V ALUE CHAIN**

**SOURCING**
We engage with our farmer communities and provide extensive agronomy support through our wide range of solutions and services. The Company’s leaf function starts with the commitment of around 38,000 registered farmers within the village community.

**Our differentiator:**
We have implemented a comprehensive Sustainable Tobacco Programme policy with an aim to apply the best local and international depot operations, leaf processing operations, environmental management, human rights and occupational health and safety standards encompassing our leaf operations.

**PROCESSING/PRODUCTION**
Processing/manufacturing tobacco products is a large-scale operation and we possess state-of-the-art manufacturing facilities in Bangladesh that enable us to produce best-in-class quality products in the country. We work to ensure that our costs are competitive and that we use our resources as efficiently as possible. Furthermore, we possess rich experience in ensuring leaf and products are in the right place, at the right time and in the right quantity, and for this, our formidable logistical infrastructure and resources team is highly committed to achieve these objectives.

**Our differentiator:**
We have implemented a comprehensive Sustainable Tobacco Programme policy with an aim to apply the best local and international depot operations, leaf processing operations, environmental management, human rights and occupational health and safety standards encompassing our leaf operations.

**MARKETING**
We produce a range of branded products, including Benson & Hedges, John Player Gold Leaf, Captain, Star, Delity, Pilot and Hollywood. Our range of products covers all segments of the market, from low to premium.

**Our differentiator:**
We possess a successful and time-tested brand strategy based on sound consumer insights. Our portfolio of a good number of brands is oriented to meet a broad array of consumer preferences around the country.

**DISTRIBUTION**
Our well-developed distribution channels are critical enablers of our growth strategy, enabling us to roll out innovations on a mass scale.

**Our differentiator:**
We continuously review our route-to-market, including our relationships with wholesalers, distributors and logistics providers. We also encourage our distribution ecosystem to embed best practices and also to ensure comprehensive regulatory compliance. After meeting our domestic needs and in line with the Government’s policy, we are exploring the prospect of export of tobacco leaf and tobacco-related products.

**RESPONSIBLE CONSUMER PRACTICES**
We place consumers at the heart of our business model. We invest in world-class research to understand changing consumer preferences and buying behaviours. This drives our supply chain, product development, innovation, brands and trade activities. We aim to satisfy consumers, while addressing stakeholder expectations about how we should sell our products. We are also developing innovative solutions to evolve our brand portfolio and create more differentiated products. This supports our aim to champion consumer choice and provide a range of products.
“2018 was an eventful year for BATB as the Company had to face multiple issues and challenges. The Board of Directors guided the Management and the Company to grow in the business and uphold the long term value creation for shareholders. The company strongly believes in corporate governance, supports Government initiatives to move forward towards being a middle-income country and sustain the growth potential.”

Golam Mainuddin
CHAIRMAN
I welcome you to the 46th Annual General Meeting of our company and continue to take pride in your association with us. Like in the past, we will stay on a path that takes into consideration the interests of our stakeholders, while safeguarding the welfare of our creation platform for our shareholders.

2018 overview
It is my pleasure to report that BAT Bangladesh Limited was able to deliver on its commitment to a strong performance, with revenue growing to Taka 23,312 crore and earnings per share increasing by 28% in 2018. The Board has approved a cash dividend of BDT 50 Per Share and 1:2 Bonus shares as stock dividend for 2018 at the Board meeting held on 11 March 2019. The dividend in subject to the approval of the shareholders at the forthcoming annual general meeting of the Company for 2018.

Despite the continued challenges from the external environment, we navigated the business with the accountability and responsibility that is expected from us. The end result was that we improved our profitability, maintained our status as the most valuable listed entities on the Dhaka and Chittagong Stock Exchange. Due to the 35% price increase in low segment, the second half of 2018 was very challenging. Despite the headwind in the tenacity, passion, knowledge and commitment they bring to the workplace. As a Company, we empower our women colleagues by offering all support that help them achieve their aspirations. These include extended maternity leave, day-care centres facilities, etc. I am also enthused by the success of our Farmer Training program that has nurtured a culture where diversity of thought and opinion is celebrated.

Yet another facet that showcases our diversity is that we have people from very tough with 17.0% of our workforce from 17 low segment decline of 49%. This impacted Government revenue and company profitability. If the Government does not increase these taxes, BAT Bangladesh, as many as five nationalities working at our factories, will bear the brunt of it.

achieved due to the proactive guidance from our Board, strong leadership of our Managing Director, dedication of our Executive Committee members and the hard work of our diversified talent base in our company. An outstanding range of high-quality brands, vibrant talent, integrated channel network, effective cost management initiatives and productivity improvement and machine utilisation initiatives across the Company influenced the overall results.

Socio-economic impact
In 2018, as in the previous years, BAT Bangladesh maintained its position as one of the largest private companies in Bangladesh. Our contributions by way of tax collection to the Consolidated Fund is projected budget gap. Though we understand that regulation is necessary, a corporate tax rate of 47.5% with the imposition of additional taxes and duties, including supplementary duty, HSCD and VAT, creates an overall tax differentiation between listed and non-listed entities only disadvantageous. This is unjustified from a shareholder’s point of view.

We appeal to the Government to ensure a serious and comprehensive analysis of the impact of the ITC cigarettes trade and create policies and strategies that are balanced and evidence-based, which delivers public health policy goals, while also preserving the rights of adult consumers and upholds the economic interests of the legal tobacco business.

Governance and sustainability
A retrospective tax claim by the IBA (Large Tax Unit) of the NBR (National Board of Revenue) was advocated in our favour, which, we believe will go a long way in reinforcing the trust placed by companies in the fairness of the judicial system and the Government. We have remained prompt in discharging our due tax obligations to the NBR and we will move forward to continue to assist the tax revenue mobilisation efforts of the Government.

At BAT Bangladesh, good governance has been a longstanding priority. Continuing to meet all our obligations under various legal frameworks, the Company is delivering results with integrity and transparency. In the case of the 30% price increase in low segment, the company is assiduously protecting the public interest and our stakeholders are upholding our high standards of ethics and integrity. Finally, a special thanks to our investors and shareholders, customers, distributors and other partners for placing their trust in us.

With my best wishes,
Sd/-
Golam Maimudinn
CHAIRMAN’S MESSAGE

Dear shareholders,

The Company continued to face several challenges arising out of its operating environment. The government-led price hike in the low segment sharply impacted our category volumes through the growth of illegal cigarettes.

We continued to steer our enterprise in the direction of responsible value creation, a very healthy profit growth. This result was achieved due to the proactive guidance from our Board, strong leadership of our Managing Director, dedication of our Executive Committee members and the hard work of our diversified talent base in our company. An outstanding range of high-quality brands, vibrant talent, integrated channel network, effective cost management initiatives and productivity improvement and machine utilisation initiatives across the Company influenced the overall results.

Women empowerment is an essential component of our company’s commitment under the United Nation’s Sustainable Development Goals (SDGs). In this respect, I am delighted to state that our Company is a model of inclusivity and diversity, where different perspectives are encouraged in healthy discussions and nurture a collaborative approach. In the current operating environment, this ability has enabled us to thrive in an increasingly volatile market, which has ultimately enabled us to meet the preferences of our consumers and cater to evolving consumption patterns.

We are proud that almost 14% of our staff comprises women, which is among the highest in any Fast Moving Consumer Goods (FMCG) company in Bangladesh. Furthermore, almost 29% of our workforce are in mid and senior management and the company is cognisant of the tenacity, passion, knowledge and commitment they bring to the workplace. As a Company, we empower our women colleagues by offering all support that help them achieve their aspirations. These include extended maternity leave, day-care centres facilities, etc. I am also enthused by the success of our Farmer Training program that has nurtured a culture where diversity of thought and opinion is celebrated.

Yet another facet that showcases our diversity is that we have people from various segments of our workforce from diverse backgrounds. Our contributions by way of tax collection to the Consolidated Fund is projected budget gap. Though we understand that regulation is necessary, a corporate tax rate of 47.5% with the imposition of additional taxes and duties, including supplementary duty, HSCD and VAT, creates an overall tax differentiation between listed and non-listed entities only disadvantageous. This is unjustified from a shareholder’s point of view.

We appeal to the Government to ensure a serious and comprehensive analysis of the impact of the ITC cigarettes trade and create policies and strategies that are balanced and evidence-based, which delivers public health policy goals, while also preserving the rights of adult consumers and upholds the economic interests of the legal tobacco business.

As a Company that is focused on augmenting public resources for general welfare, we are expected to influence a large extent to meet the projected budget gap. Though we understand that regulation is necessary, a corporate tax rate of 47.5% with the imposition of additional taxes and duties, including supplementary duty, HSCD and VAT, creates an overall tax differentiation between listed and non-listed entities only disadvantageous. This is unjustified from a shareholder’s point of view.

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At BAT Bangladesh, good governance has been a longstanding priority. Continuing to meet all our obligations under various legal frameworks, the Company is delivering results with integrity and transparency. In the case of the 30% price increase in low segment, the company is assiduously protecting the public interest and our stakeholders are upholding our high standards of ethics and integrity. Finally, a special thanks to our investors and shareholders, customers, distributors and other partners for placing their trust in us.

With my best wishes,
Sd/-
Golam Maimudinn
CHAIRMAN’S MESSAGE

British American Tobacco Bangladesh Limited

OVERVIEW

Annual Report 2018
31
PERFORMANCE, 2018

During the first half of 2018, BAT Bangladesh demonstrated robust operational resilience, supported by a diverse talent pool that was united in cost efficiency of strengthening brand relevance and expanding market presence. But the second half of 2018 was difficult due to significant increase of illicit trade especially in low segment and price increase in budget 2018-19.

**REVENUES**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Percentage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low segment volume</td>
<td>14%</td>
<td>23,312 CR.</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>15%</td>
<td>1,931 CR.</td>
</tr>
<tr>
<td>Net profit</td>
<td>28%</td>
<td>1,001 CR.</td>
</tr>
</tbody>
</table>

All metrics are in Taka, unless otherwise stated.
“Our business strategy complemented by the right focus behind our portfolio, capacity, community development and most importantly human resources have enabled us to deliver satisfactory shareholders’ return and contribute proudly towards the sustainable development goals of the country with the overarching aim of building a better Bangladesh.”

Shehzad Munim
Managing Director
Dear Shareholders,  

2018 was yet another splendid year for BAT Bangladesh, as the company delivered outstanding business results amidst a very competitive environment and challenging opportunities. As one of the leading corporate citizens in Bangladesh, BATB always believes in staying ahead of the curve and establishing progressive standards for others to follow. The operating results of 2018 are a true testament of our commitment towards building the country’s rich legacy of strong shareholder returns. Complementing our financial performance are our increasing contributions to the national exchequer and our continued excellence in leading the tax compliance journey of the cigarette industry in Bangladesh. BATB is also very proud to contribute towards the economic development journey of the country through its support in the development of skilled human resources, environmentally sustainable work practices, environmentally sustainable business operations and several other of the country’s sustainable development goals. For the first time, we are proud to report the country’s largest taxpayer, BATB, has also been recognized both locally and globally by the renowned global Top Employer Institute.

The management is pleased to report these remarkable business results of 2018, being 31% higher than the corresponding period of last year. This increase was driven mostly by the value growth in the top segments which accounted for 34% of our total revenue. It is also noteworthy that BATB’s profit before tax stood at BDT 23,312 crore in 2018, up 14% from BDT 20,133 crore in 2017. The company’s profit before tax stood at BDT 19,191 crore, giving up by 15% from last year due to better brand mix, effective cost management and productivities, net profit after tax was BDT 13,001 crore, an increase of 28%. The company also contributed BDT 19,133 crore to the government exchequer, an increase of 18% over last year which enabled us to retain our position as the largest taxpayer in the country.

Business Results for 2018

The management has continued to focus on building a better Bangladesh and a better company, strongly support the government’s ambition of becoming a middle-income country by 2024 and would like to continue providing support to the government through increased exports, increased FDIs and investments. We are committed to working towards achieving the country’s Sustainable Development Goals.

Approach to Governance

The practice of good governance has been embedded into our company’s culture since inception. We pride ourselves in being one of the most well-awarded companies in the country operating within the various frameworks we are bound by and delivering results with integrity. We believe in transparency for enabling all laws and regulations of the country and support sensible and enforceable regulations.

Our Concerns

Illicit Trade

Illegitimate cigarette brands remain a significant threat to the revenue growth of the government and the overall sustainability of the industry. Aggressive price and tax increase in the low segment during the 2018-19 national budget have paved the way for numerous illicit cigarette brands to flourish, causing an estimated revenue loss of BDT 4,000 crore for the government. As a company, we strongly support the government in its anti-illicit trade efforts to increase industry compliance as well as theToolbar for the 2019 budget against illegal cigarettes. BAT Bangladesh is part of the global BAT Fight Illicit Tobacco Initiative, which since 2002 has invested $20 million in Bangladesh to earn the prestigious title of ‘Top Employer’ in Bangladesh for 2018, certified by the renowned global Top Employer Institute.

Our People - Always at the Core of Our Business

At BATB, employees have always been at the core of our business and the major driver for the company since its inception. BATB takes immense pride in employing around 1,500 people directly and engaging an additional 2,000 people, as farmers, distributors, suppliers and retailers, all of whom together make us one of the most preferred employers in the country. The company believes in achieving strength through diversity which is reflected through the 116 female representatives within the workforce, with 29% of the Company’s leadership roles being held by women. The company also holds the distinction of being awarded as the ‘Most Female Friendly Organization’ in Bangladesh. Building on its rich legacy of developing business leaders, BAT Bangladesh is one of the top exporters of talent to the BAT group with 45 BATB managers currently working in key roles across several countries. The very recent appointment of Rumana Rahman as the Regional Head of Talent for Asia Pacific and Middle Eastern markets comprising of 27 countries is also a remarkable achievement and a visible testimony to the potential of women leaders within the Regional Head of HR, APAC/ME region position is also one of the highest pools held by any Bangladeshi talent globally. It is also worth mentioning that one of BAT’s flagship initiative Battle of Minds (BoM) was tasted to the global level and proved extremely successful. Our strong and talented business leaders who are being groomed under the aegis of our flagship initiative Battle of Minds (BoM) are future leaders of BAT Bangladesh and BATB throughout 2018. The guidance from our Board of Directors have always been appreciated our products throughout 2018. We also expect the government to introduce a total tobacco product tax and compliance approach where all tobacco products would be covered under the same set of regulatory measures and tax regime.

Corporate Tax Rate

Tobacco product is already taxed in the form of Supplementary Duty, VAT and Health Development Surcharge. Total indirect tax on average accounts for 77% of our Gross Turnover with around 85% of our tax liabilities comprise of 81% of the price. The 47.5% corporate tax rate in the sector is by far the highest in the country and is deemed satisfactory by the shareholders. By being a publicly listed company, BATB has long been disadvantaged from the 10% relief of corporate tax. Moreover, the government has imposed an additional 2.5% surcharge on top of our current tax rate of 45%. Such duplication of tax is against the principal of encouraging investors’ confidence in the stock market. The company believes that with the new government coming in, investment friendly, pragmatic and progressive taxation policies will be reinstated in the upcoming national budget for the sustainability of industry and its shareholders.

Our Gratitude

I express my sincere thanks to all the shareholders of the company for upholding their confidence in us and our employees for providing their valuable contribution to BATB throughout the 2018. The guidance from our Board of Directors has always been instrumental in shaping the success of the company. We are also grateful to the millions of our consumers and shareholders in the future.

Shahid Munim
Managing Director

Managing Director’s Statement

In 2018, BAT Bangladesh has continued to stay ahead of the curve, setting standards at the global stage, with highest posts held by any Bangladeshi talent within global MNCs. One of the key highlights of the year was our flagship initiative Battle of Minds (BoM) was tasted to the global level and proved extremely successful. Our strong and talented business leaders who are being groomed under the aegis of our flagship initiative Battle of Minds (BoM) are future leaders of BAT Bangladesh and BATB throughout 2018. The guidance from our Board of Directors have always been appreciated our products throughout 2018. We also expect the government to introduce a total tobacco product tax and compliance approach where all tobacco products would be covered under the same set of regulatory measures and tax regime.
Bonayan – Largest private sector driven afforestation initiative
Balance for a Greener Bangladesh

At BAT Bangladesh, our Bonayan afforestation program is a one-of-its-kind in the country, which has ensured an expansive green cover. This has helped create a vast carbon sink that not only contributes to environmental sustenance but also offers lucrative economic return to the beneficiaries.

- Enhancing the environment through tree plantation
- Increasing economic benefits
- Supplying adequate food from plants
- Bringing positive impacts on health through medicinal plants
- Improving livelihoods

Under Bonayan, BAT Bangladesh has distributed 99.7 mn saplings free of cost across the country which is the largest afforestation program by a private organization.
BOARD OF DIRECTORS

Standing from Left to Right:
- Mr. Mohammad Moinuddin Abdullah
- Mr. Mikail Shipar
- Mr. Md. Abdul Halim

Sitting from Left to Right:
- Mr. Kazi Sanaul Hoq
- Mr. Golam Mainuddin
- Mr. William Pegel

Sitting from Left to Right:
- Mr. Shehzad Munim
- Ms. Tahmina Begum

Mr. A. K. M. Aftab Ul Islam
Independent Director

Mr. K. H. Masud Siddiqui
Independent Director

Mr. Kazi Sanaul Hoq
Non-Executive Director

Mr. William Pegel
Finance Director

Mr. Mr. Golam Mainuddin
Chairman

Mr. Mohammad Moinuddin Abdullah
Non-Executive Director (w.e.f 11th March 2019)

Mr. Mikail Shipar
Independent Director (resigned on 11th March 2019)

Mr. Md. Abdul Halim
Non-Executive Director

Mr. Md. Aziizur Rahman FCS
Head of Public Affairs & Company Secretary

Mr. Shehzad Munim
Managing Director

Ms. Tahmina Begum
Non-Executive Director
At BAT Bangladesh, the diversity, experience and knowledge of our Board represents the Company’s principal asset. As part of its general oversight function, the Board takes the lead on decisions regarding governance and compliance with all legislations and statutes, long-term strategy and on formulating the most appropriate social responsibility policies.

Background
Mr. Golam Mainuddin has been the Chairman of British American Tobacco Bangladesh since August 2008. After obtaining his Master of Science degree from Dhaka University, Mr. Mainuddin was a part of the agro-industry for 28 years, following which he switched to corporate management in which he has been engaged since the past 20 years. With humble beginnings comprising a role as a tea garden manager at Duncan Brothers from 1969 to 1982, he then joined BAT Bangladesh and was soon promoted as Head of Leaf in 1985.

Date of appointment to BATB Board
Mr. Mainuddin was appointed to the Board of Directors in 1986 and was entrusted with the responsibility of Deputy Managing Director in 1997.

Achievements
Over the last 35 years in BAT Bangladesh, Mr. Mainuddin has held various responsibilities. He was instrumental in the Company’s tobacco production achieving self-sufficiency, while also laying down the groundwork for focus on quality improvements to meet international standards. This helped the Company provide world-class products in Bangladesh, while also facilitating exports that helped develop the agro-based industry for 28 years, following which he switched to corporate management in which he has been engaged since the past 20 years. With humble beginnings comprising a role as a tea garden manager at Duncan Brothers from 1969 to 1982, he then joined BAT Bangladesh and was soon promoted as Head of Leaf in 1985.

Date of appointment to BATB Board
Mr. Mainuddin was appointed to the Board of Directors in 1986 and was entrusted with the responsibility of Deputy Managing Director in 1997.

Achievements
Over the last 35 years in BAT Bangladesh, Mr. Mainuddin has held various responsibilities. He was instrumental in the Company’s tobacco production achieving self-sufficiency, while also laying down the groundwork for focus on quality improvements to meet international standards. This helped the Company provide world-class products in Bangladesh, while also facilitating exports that helped drive the wider introduction of Bangladeshi tobacco in the world markets. He also played a pivotal role in popularising the tree plantation program of BAT Bangladesh, which was widely recognised.

Other responsibilities
- Mr. Mainuddin is a Director of Federation of Bangladesh Chamber of Commerce & Industries (FBCCI).
- He is the Vice-Chairman of Bangladesh Cigarette Manufacturer’s Association and in this position he has strived to create a level playing field for all the legally-established cigarette manufacturers of the country.
- He is the Director of IIFC (Infrastructure Investment Facilitation Company) under the aegis of the Ministry of Finance, Government of Bangladesh.
- Mr. Mainuddin is a Director of Federation of Bangladesh Chamber of Commerce & Industries (FBCCI).
- He is involved with several social and educational organisations engaged in the development of the country.

Mr. Golam Mainuddin
CHAIRMAN

Mr. Mohammad Moinuddin Abdullah
INDEPENDENT DIRECTOR

Background
Mr. Mohammad Moinuddin Abdullah obtained his Honors and Master’s Degree in Soil Science from the University of Dhaka. In 1994, he received international training on ‘Planning & Appraisal of Rural Development Project’ in the UK.

Date of appointment to BATB Board
Mr. Abdullah was appointed as an Independent Director to the Board of Directors in October 2012.

Achievements
Mr. Abdullah joined the Administration Cadre of Bangladesh Civil Service in 1983. He was appointed to the Ministry of Agriculture in March 2016 as a Secretary and then was promoted to the Senior Secretary. Before that, he was appointed as:
- Secretary of the Ministry of Housing & Public Works in 2014
- Joint Secretary of Cabinet Division in 2008
- Chairman of KFCO for more than two years when he was the Secretary in the Ministry of Industries.

Other responsibilities
- Mr. Abdullah is involved with several social and educational organisations engaged in the development of the country.

Mr. Shehzad Munim
MANAGING DIRECTOR

Background
Mr. Shehzad Munim joined BAT Bangladesh as a Territory Officer in 1997, after graduating from the Institute of Business Administration (IBA), University of Dhaka.

Date of appointment to BATB Board
Mr. Munim was appointed to the Board of Directors in the year 2010.

Achievements
Mr. Munim worked in various marketing roles within BAT Bangladesh before taking up assignments in BAT New Zealand as Group Brand Manager in 2013 and, subsequently, taking over the role of Head of Brand Marketing in 2005. In 2006, he was engaged as a Manager in product and packaging innovation in Sydney. He subsequently returned to Bangladesh as Head of Brand and was appointed as Head of Marketing. In 2010, he took over the role of Area Head of Marketing for South Asia. Thereafter, he was appointed as the Managing Director of BAT Bangladesh in 2013 and is the first Bangladeshi to become the Managing Director of BAT Bangladesh.

Mr. Shehzad Munim
MANAGING DIRECTOR

Background
Mr. Shehzad Munim joined BAT Bangladesh as a Territory Officer in 1997, after graduating from the Institute of Business Administration (IBA), University of Dhaka.

Date of appointment to BATB Board
Mr. Munim was appointed to the Board of Directors in the year 2010.

Achievements
Mr. Munim worked in various marketing roles within BAT Bangladesh before taking up assignments in BAT New Zealand as Group Brand Manager in 2013 and, subsequently, taking over the role of Head of Brand Marketing in 2005. In 2006, he was engaged as a Manager in product and packaging innovation in Sydney. He subsequently returned to Bangladesh as Head of Brand and was appointed as Head of Marketing. In 2010, he took over the role of Area Head of Marketing for South Asia. Thereafter, he was appointed as the Managing Director of BAT Bangladesh in 2013 and is the first Bangladeshi to become the Managing Director of BAT Bangladesh.

Other responsibilities
In 2017, Mr. Munim was elected as the President of Foreign Investors’ Chamber of Commerce & Industry, a representative body of 180+ foreign companies operating in Bangladesh and a prestigious business chamber of the country with a heritage of over 50 years.

Mr. Shehzad Munim
MANAGING DIRECTOR

Background
Mr. Shehzad Munim joined BAT Bangladesh as a Territory Officer in 1997, after graduating from the Institute of Business Administration (IBA), University of Dhaka.

Date of appointment to BATB Board
Mr. Munim was appointed to the Board of Directors in the year 2010.

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In 2017, Mr. Munim was elected as the President of Foreign Investors’ Chamber of Commerce & Industry, a representative body of 180+ foreign companies operating in Bangladesh and a prestigious business chamber of the country with a heritage of over 50 years.
Mr. K. H. Masud Siddiqui joined in Bangladesh Civil Service in 1982 after completing his Master's from the University of Dhaka. He also earned his MA degree in Economics from the University of Manchester, UK. He further received a Post Graduate Diploma in Development Administration and Management from the UK.

Date of appointment to BATB Board
Mr. Siddiqui joined the Board of Directors as Independent Director in October 2010, representing the Government, a shareholder of the Company. Mr. Siddiqui is also the Chairman of the Company’s Nomination and Remuneration Committee. Mr. Siddiqui was reappointed as an Independent Director to the Board of Directors in October 2018.

Achievements
Mr. Siddiqui was appointed as Secretary of the Ministry of Industries on September 2010 and then as Secretary of Ministry of Liberation War Affairs in 2012. At this time, Mr. Siddiqui was re-appointed as the Independent Director of BAT Bangladesh, as well as a member of the Company’s Audit Committee. Before this, Mr. Siddiqui led Bangladesh Chemical Industries Corporation as its Chairman. During his successful stint in the civil service for almost 34 years, he held several important positions at both the field administration level and in different ministries. He also worked in the Prime Minister’s Office in the capacity of a Director.

Other accomplishments
Mr. Siddiqui is a distinguished writer. He has five publications to his credit, including Lok Shadhonar Sangkhita, Tasauf and Other Contexts, Malgooddy Days and Bihongo Abolokon.

Background
Mr. K. H. Masud Siddiqui
Mr. K. H. Masud Siddiqui
INDEPENDENT DIRECTOR

Mr. A. K. M. Aftab Ul Islam joined in Bangladesh Civil Service in 1982 after completing his Master's from the University of Dhaka. He also earned his MA degree in Economics from the University of Manchester, UK. He further received a Post Graduate Diploma in Development Administration and Management from the UK.

Date of appointment to BATB Board
Mr. Islam was appointed as an Independent Director to the Board of Directors in October 2018.

Achievements
With his spectacular achievements in the IT sector, Mr. Islam was elected as the President of the Bangladesh Computer Sammy and played a pivotal role in the development of Bangladesh's IT sector. He was elected as the President of Dhaka Chamber of Commerce and Industry (DCCI) following his contributions to the ICT sector. Mr. Islam was also elected as the President of the American Chamber of Commerce in Bangladesh (AmCham) and was instrumental in attracting substantial FDI in Bangladesh. Mr. Islam is a former Chairman of the Small and Medium Enterprise (SME) Foundation and former Board member of Chittagong Stock Exchange (CSE) among other reputed organisations.

Other responsibilities
Mr. A. K. M. Aftab Ul Islam, a FCA and LLB, began his career at NCR Corporation, a US-based multinational company, and launched his own business under IOE (Bangladesh) Ltd in 1996.

Background
Mr. A. K. M. Aftab Ul Islam
INDEPENDENT DIRECTOR

Mr. Md. Abdul Halim obtained his MBA degree in Human Resources and also an MCom in Management from Dhaka University. He has vast working experience of more than 32 years in diverse fields, such as public administration, human resources and financial management. Mr. Halim has proven ability in public policy formulation, implementation, organisational modelling, innovation and improving the culture in the public sector.

Date of appointment to BATB Board
Mr. Halim has been serving as a Non-Executive Director to the Board since 2018.

Achievements
Mr. Md. Abdul Halim obtained his MBA degree in Human Resources and also an MCom in Management from Dhaka University. He has vast working experience of more than 32 years in diverse fields, such as public administration, human resources and financial management. Mr. Halim has proven ability in public policy formulation, implementation, organisational modelling, innovation and improving the culture in the public sector.

Date of appointment to BATB Board
Mr. Halim has been serving as a Non-Executive Director to the Board since 2018.

Achievements
Mr. Md. Abdul Halim, Secretary, Ministry of Industries, Government of the People's Republic of Bangladesh is a career civil servant. He took over the charge of Secretary in August 2018. Prior to current position, Mr. Halim was:
- Director General (Additional Secretary), Governance Innovation Unit, Prime Minister's Office (6/2010-20/2018)
- Deputy Secretary, Ministry of Posts and Telecommunications (8/2006-10/2010)
- Deputy Secretary (O&M), Ministry of Public Administration (4/2005-10/2016)
- Deputy Secretary, Ministry of Labour and Employment, Government of Bangladesh, from February 2012 to October 2017. He also held the post of Director General (Administration) in the Prime Minister's Office. Moreover, he has experience in the diplomatic field, being appointed as the First Secretary in the Bangladesh Deputy High Commission in Kolkata, India.

Other responsibilities
Mr. Halim's contributions were recognised when he was bestowed with the prestigious Public Service Award as the team leader of the Governance Innovation Unit and Recognition Award from the High Commission of Canada for the Governance Innovation Unit’s contribution in preventing child marriage and gender-based violence in Bangladesh.

Background
Mr. Md. Abdul Halim
NON-EXECUTIVE DIRECTOR

Mr. K. H. Masud Siddiqui possesses vast experience in administrative duties, including magistracy and field administration. He was awarded his MS degree in Agricultural Extension from Institute of Post Graduate Studies in Agriculture, Gazipur, Dhaka. In 1981, he graduated from Bangladesh Agricultural University, Mymensingh. He also received training in Agricultural Research Management in Hyderabad, India, and Women in Development from AIT, Bangkok.

Date of appointment to BATB Board
Mr. Shipar has been serving as an Independent Director to the Board since March 2016.

Achievements
Mr. Shipar joined the Bangladesh Civil Service, Administrative Cadre, in 1983. He was the Secretary of the Ministry of Labour and Employment, Government of Bangladesh, from February 2012 to October 2017. He also held the post of Director General (Administration) in the Prime Minister's Office. Moreover, he has experience in the diplomatic field, being appointed as the First Secretary in the Bangladesh Deputy High Commission in Kolkata, India.

Other responsibilities
In his versatile experience, Mr. Shipar was the National Commissioner of Bangladesh Scouts and also held the position of Chairman of Governing body of Dhaka Women's College, Uttara.

Background
Mr. Mikail Shipar
INDEPENDENT DIRECTOR

Mr. Shipar joined the Bangladesh Civil Service, Administrative Cadre, in 1983. He was the Secretary of the Ministry of Labour and Employment, Government of Bangladesh, from February 2012 to October 2017. He also held the post of Director General (Administration) in the Prime Minister's Office. Moreover, he has experience in the diplomatic field, being appointed as the First Secretary in the Bangladesh Deputy High Commission in Kolkata, India.

Other responsibilities
In his versatile experience, Mr. Shipar was the National Commissioner of Bangladesh Scouts and also held the position of Chairman of Governing body of Dhaka Women's College, Uttara.

Background
Mr. Mikail Shipar
INDEPENDENT DIRECTOR

Mr. A. K. M. Aftab Ul Islam
INDEPENDENT DIRECTOR

Mr. Mikail Shipar
INDEPENDENT DIRECTOR

Mr. Md. Abdul Halim
NON-EXECUTIVE DIRECTOR
Mr. Kazi Sanaul Hoq has been serving as a Non-Executive Director since 2018.

Achievements

Mr. Hoq started his career as a Senior Officer in Investment Corporation of Bangladesh (ICB) in October 1984 and served in different positions in the organisation. With such humble beginnings, he was appointed as Managing Director of ICB in August 2017 and Chairman of ICB Capital Management Ltd. During his career span, he took the challenge of engaging in cross-functional assignments, which refined his expertise in various areas like corporate affairs, finance, legal, intellectual property rights, land management, corporate banking and records management. Apart from his diverse role as Head of Public Affairs & Company Secretary, he is also Secretary of the Audit Committee, Board Leadership Team and Supply Chain Leadership Team, displaying strong leadership and business acumen.

Other responsibilities

Mr. Hoq has been a member of the Board of Directors of Renata Limited and Bangladesh Krishi Gobeshona Endowment Trust (BKGET) since 2009. He also serves as a non-executive member of several banks and financial institutions, including Standard Bank Limited, Credit Rating Information and Services Ltd. (CRISL), Credit Rating Agency of Bangladesh Ltd. (CRAB) and Apex Tanjil Limited.

Mr. Kazi Sanaul Hoq has completed his BCom (Hons) and MCom in Accounting from the University of Dhaka.

Background

Ms. Tahmina Begum has been serving as a Non-Executive Director to the Board since 2018.

Achievements

Ms. Begum has been serving as a Non-Executive Director to the Board since 2018.

Other responsibilities

As part of her broader public responsibilities, Ms. Begum was appointed as Upazila Magistrate of Delduwar Upazila of Tangail District earlier. She joined the Bangladesh Civil Service as Assistant Commissioner and Magistrate of Tangail in 1985 batch. She holds a Honors and Master's Degree in Sociology from the University of Dhaka. Over the years, she has accomplished a number of professional trainings and courses in Bangladesh and abroad.

Date of appointment to BATB Board

Mr. Md. Azizur Rahman is a Fellow Chartered Secretary (FCS) and elected Council Member of the Institute of Chartered Secretaries of Bangladesh (ICSB). After obtaining his Master’s Degree in Accounting from the University of Dhaka, he completed the Chartered Accountancy course at ICAI.

Achievements

Mr. Rahman joined BAT Bangladesh in March 2002 in the Company Secretarial function. In his 26-year career span, he took the challenge of engaging in cross-functional assignments, which refined his expertise in various areas like corporate affairs, finance, audit, legal, intellectual property rights, land management, corporate banking and records management. Apart from his diverse role as Head of Public Affairs & Company Secretary, he is also Secretary of the Audit Committee, Board Leadership Team and Supply Chain Leadership Team, displaying strong leadership and business acumen.

Other responsibilities

In his capacity as the Director General of Intellectual Property Association of Bangladesh (PABA) and Vice-Chairman of IP Committee of FBCCI, Mr. Rahman works with various national and international organisations for addressing IPR issues in Bangladesh. He has also been selected as the Chairman of Audit Committee and Seminar Committee of ICSB.
EXECUTIVE COMMITTEE

From Standing Left:
Mr. Golam Safwat Choudhury  Head of Marketing
Mr. Huseyin Ozsan Ozbas  Head of Operations
Mr. William Pegel  Finance Director
Mr. Shahed Zubair  Head of Business Development

From Sitting Left:
Mr. Saad Jashim  Head of Human Resources
Mr. Shehzad Munim  Managing Director
Ms. Mubina Asaf  Head of Legal & External Affairs

EXECUTIVE COMMITTEE MEMBERS’ PROFILE

Mr. Shehzad Munim
Managing Director

Mr. Munim joined BAT Bangladesh as a Territory Officer in 1997 after graduating from the Institute of Business Administration (IBA), University of Dhaka. He worked in various marketing roles within BAT Bangladesh before taking up assignments in BAT New Zealand as Group Brand Manager in 2003 and subsequently taking over the role of Head of Brand Marketing in 2005. In 2006, Mr. Munim was engaged as a Manager in the role of product and packaging innovation in Sydney, before returning to Bangladesh as Head of Brand and subsequently as Head of Marketing. In 2010, he took over the role of Area Head of Marketing for South Asia. He was appointed as the Managing Director of BAT Bangladesh in 2013 and is the first Bangladeshi to become the Managing Director of BAT Bangladesh. In 2017, he was elected as President of Foreign Investors’ Chamber of Commerce & Industry (FICCI). FICCI is a representative body of 180+ foreign companies operating in Bangladesh and has a rich heritage of over 50 years.

Mr. William Pegel
Finance Director

Mr. Pegel joined British American Tobacco Bangladesh as Finance Director in 2014. He possesses over 21 years of rich experience in various BAT companies and was appointed to the role of Finance Director in various end markets, including New Zealand, Papua New Guinea and Ghana, and has also held senior finance roles within BAT Australia and BAT South Africa, since 1996. Prior to joining BAT Bangladesh, Mr. Pegel was an integral member of the Australasian Finance Leadership Team and Supply Chain Leadership Team.

Mr. Huseyin Ozsan Ozbas
Head of Operations

Mr. Ozbas was appointed as Head of Operations in August 2016 and he brings diverse experience of more than 21 years in operations. He joined BAT in 2002 as part of the startup team to set-up the Izmir factory. He has performed various roles across manufacturing, quality and engineering in Turkey before moving to Australia for his first overseas assignment. In mid-2008, he moved back to Turkey as Production Manager of the Samsun Factory, following the Tekel acquisition. He played a key role in Samsun, being a part of its overall transformation journey. Subsequently, he moved to Egypt as Head of Operations in the beginning of 2013, and later took over the role of Area Head of Operations for North Africa, before moving to Bangladesh. Mr. Ozbas is now leading the transformation journey of BAT Bangladesh’s operations, which has emerged as the largest crop-to-consumer model in the Group.
Ms. Mubina Asaf
Head of Legal & External Affairs

Ms. Asaf possesses over 20 years of rich experience in the legal profession. Before joining BAT Bangladesh, she worked in the Attorney General’s Office of the Government of Bangladesh, first as an Assistant Attorney General and then as Deputy Attorney General for more than seven years. Before this, she was appointed as an Associate of Rokanuddin Mahmud and Associates, one of the most reputed law firms of Bangladesh. She is enrolled as an Advocate of the Dhaka District Court, High Court Division and Appellate Division of the Supreme Court of Bangladesh.

Mr. Shahed Zubair
Head of Business Development

Mr. Zubair completed his Bachelor’s in Electrical and Electronics Engineering from Bangladesh University of Engineering and Technology (BUET), Dhaka, and Master of Business Administration from the Institute of Business Administration (IBA), University of Dhaka. He joined BAT Bangladesh in 2007 as Corporate Communications Manager. Before joining BAT, he served in Nestle, Unilever and Banglalink, gaining diverse knowledge and experience. Thereafter, he moved to the role of Regulatory Affairs Manager in 2007 and was then transferred to BAT Australia to work as Area Internal Communications Manager as well as Strategy and Planning Manager in Corporate and Regulatory Affairs (CORA) function. He has over 23 years of strong experience in global FMCG and telecommunications sectors. Mr. Zubair rejoined BAT Bangladesh as Head of Corporate and Regulatory Affairs in 2012. In 2016, he took over the role of Head of Business Development.

Mr. Saad Jashim
Head of Human Resources

Mr. Jashim joined BAT Bangladesh in 2006 as a Territory Officer after completing his Bachelor of Business Administration from Institute of Business Administration, University of Dhaka. In 2008, he moved to the role of HR Executive, Industrial Relations & Welfare, and, since then, has performed a number of business partner roles across all the functions of BAT Bangladesh. In 2013, he took over the role of Organizational Effectiveness Manager in BAT AsPac before taking over the role of HR Business Partner - Marketing in 2015. He also executed talent management for BAT Bangladesh in 2016 as Senior HR Business Partner. He eventually moved to the role of Senior HR Business Partner Operations & Corporate in 2016. He was appointed as the Head of HR in February 2019.

Mr. Golam Safwat Choudhury
Head of Marketing

Mr. Choudhury joined BAT Bangladesh as a Territory Officer in 2002 after completing his Master’s degree from the Institute of Business Administration (IBA), University of Dhaka. He worked in various roles within BAT Bangladesh’s Marketing division before being appointed in BAT South Korea as Group Brand Manager for Dunhill. In 2015, he took up the challenge as Area Head of SP&I in South Asia Area. In 2018, he moved to the role of Regional Planning Manager APME. He eventually returned to BAT Bangladesh as Head of Marketing in 2019.
STEERING GROUP

The Company’s Steering group comprises members who are engaged with the day-to-day functioning, leading their respective teams with a performance-oriented approach.

From Left to Right:
- Mr. Kazi Mushfiqur Rahman
  - Group Brand Manager - VFM & Low
- Mr. Khalid Rahman
  - Corporate Finance Controller
- Mr. Md Aizur Rahman
  - Head of Public Affairs & Company Secretary
- Ms. Faheem Zabeen
  - Project Manager, Operations
- Mr. Farah Zabeen
  - Programme Manager Evolution & Change
- Mr. Syed Mahbub Ali
  - Head of Trade Marketing & Distribution
- Mr. Sheikh Shabab Ahmed
  - Head of External Affairs
- From Right to Left:
- Mr. Khaled Rahman
  - Corporate Finance Controller
- Mr. Ibrahim Sheikh
  - Project Manager - Auctus
- Mr. Mehedi Arif Mozammel
  - Programme Manager Evolution & Change
- Mr. Syed Mahbub Ali
  - Head of Trade Marketing & Distribution
- Mr. Sheikh Shabab Ahmed
  - Head of External Affairs
- From Right to Left:
- Mr. Fazle Rabbi Chowdhury
  - Head of SP&I
- Mr. Md Azizur Rahman
  - Head of Public Affairs & Company Secretary
- Ms. Adrita Datta
  - Senior HR Business Partner - Operations
- Mr. Hasnain Ishtiaq
  - Supply Chain Manager
- Mr. Rajiv Ahmed
  - Group Brand Manager - Premium & AP
- Mr. Shehriar Ahmed
  - Commercial Finance Controller - Operations
- Mr. Dewan Ashrafur Hossain
  - Commercial Finance Controller - Marketing
- Mr. Ilker Ogretir
  - Head of Manufacturing
- Mr. Rajiv Ahmed
  - Group Brand Manager - Premium & AP
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  - Commercial Finance Controller - Operations
Top Employer— Pioneering Benchmark
People Practices in Bangladesh

At BAT Bangladesh, we believe that people make the organisation. Our people practices enable empowerment, leading to a thriving, collaborative and engaged workplace. Also, we promote diversity that fosters innovation, representing our edge in a competitive market environment.

At BAT Bangladesh, we received the prestigious ‘Top Employer’ award, certified by the Top Employers Institute. This honor is a recognition of our people practices, reinforcing our stature as an employer of choice. The award has also strongly validated the impact of our people strategies.

- Best in class people practices in the country
- Strategic talent acquisition and development
- High-performance culture - engaged & energized organization
- Benchmark practices in reward, recognition & employee care
- Embracing strength in diversity
CORPORATE FOCUS

OUR STRENGTHS

At BAT Bangladesh, we are an enterprise that represents the coming together of various strengths that have enabled us to create a formidable business that is rooted in governance, accountability and sustainable value creation.

BRANDS
Our consumer-relevant innovation has enabled us to nurture brands that are category leaders.

MARKETS
We possess diversified presence with our branded products available across Bangladesh. We have a strong distributor network and we engage in a partnership-oriented approach with this important constituent that ensures the availability of our products in the market.

PEOPLE AND CULTURE
We endeavour to attract, develop and retain talented people that enable us to sustain our winning culture. Furthermore, we are a gender-inclusive and meritocratic organisation that respects participation, performance and ethics.

FARM INITIATIVES
Our integrated business model begins with robust agronomy support that we extend to our registered farm communities and, over the years, our supportive interventions have enabled transformation in farm economics.

MARKETS

REGULATORY COMPLIANCE
We foster a culture of high compliance that seeks to align with regulations. We also engage in a positive dialogue with our regulatory bodies to bring to their notice market distortions.

INNOVATION
Aligned with our Group principles, we have a strong emphasis on consumer-centric innovation that enable us to meet the evolving preferences of our consumers.

CORPORATE FOCUS

KEY FINANCIAL METRICS

At BAT Bangladesh, our proven business model, geographic diversity, strong brands and talented human resources enabled us to continue to deliver our strategy, reflected in good performance in 2018. However second half of 2018 was difficult especially low segment volume decreased by 26% from last year due to illicit trade as a consequence of price increase in the national budget.

FINANCIAL INFORMATION

<table>
<thead>
<tr>
<th>CIGARETTE VOLUMES</th>
<th>REVENUES</th>
<th>OPERATING PROFIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>51 Billion</td>
<td>23,312 Crore</td>
<td>2,082 Crore</td>
</tr>
<tr>
<td>-3%</td>
<td>+14%</td>
<td>+17%</td>
</tr>
<tr>
<td>2017: 53 Billion</td>
<td>20,414 Crore</td>
<td>1,780 Crore</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROFIT BEFORE TAX</th>
<th>PROFIT AFTER TAX</th>
<th>EARNINGS PER SHARE (BASIC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,931 Crore</td>
<td>1,001 Crore</td>
<td>166.87</td>
</tr>
<tr>
<td>+15%</td>
<td>+28%</td>
<td>+28%</td>
</tr>
<tr>
<td>2017: 1,676 Crore</td>
<td>2017: 783 Crore</td>
<td>2017: 130.50</td>
</tr>
</tbody>
</table>

| DIVIDEND PER SHARE | |
|-------------------| |
| BDT 50 cash dividend | |
| 1:2 stock dividend | |
| 2017 : Cash dividend of BDT 60 | |
OUR OPERATING ENVIRONMENT

The domestic market’s size is pegged at about Taka 300 bn, with the industry being one of the most highly regulated in the world.

Tobacco regulations

The tobacco industry is highly regulated in Bangladesh, with tobacco subject to extensive product, marketing and taxation requirements. Regulations cover almost all facets of the business, majorly comprising taxation and pricing.

Over the last few years, the country’s legal tobacco industry has witnessed the introduction of hostile regulations. For instance, in the 2018 Budget, the Government effected an almost 35% increase in Government-driven price hike in the legal lower-end cigarette category, resulting in a highly volatile operating environment that will further hamper our commercial interests.

In face of this inimical external environment, as a responsible tobacco enterprise, we will continue to support balanced and evidence-based regulations that meet public health objectives, while also ensuring livelihood sustenance of our business partners and protecting our long-term economic interests as well. The enactment of unreasonable regulations leads to increased costs and complexity, while putting at risk the rights of the legal tobacco industry of the country.

Steep increases in supplementary duties and taxes

The lack of a cohesive policy in the implementation of supplementary duties has resulted in steep increases in the retail prices of cigarettes. Over the past few years, excise-driven increases have pushed up the retail price. This unprecedented increase in the price of legal cigarettes has not only led to a distorted market environment, but has also resulted in consumers increasingly shifting to cheaper alternatives.

As in other regulated industries, we believe that the enactment of tobacco regulations with respect to excise duties and taxes should include constructive and consistent dialogue with the concerned authorities to ensure that the manufacture and consumption of cigarettes is regulated in a just and rational manner.

Growing illicit cigarettes market

In Bangladesh, we are the largest and only listed tobacco enterprise. The market also constitutes some small players, the under-regulated biri market and the illicit cigarette market.

With regulations targeting only the legally-established tobacco market, the outcome is that the illegal cigarette trade has jumped exponentially over the past few years. With legally-manufactured cigarettes becoming more expensive, consumers have increasingly shifted to smuggled cigarettes, thereby causing a loss in revenue to the state and defeating the Government’s public health objectives.

In 2018, especially during the last quarter of the year, law enforcement agencies impounded a large cache of smuggled cigarettes. However, the initiative was ad-hoc and inconsistent because of the absence of a policy framework and a national strategy seeking to curb the illicit trade. Today, estimates suggest that smuggled cigarettes make up for around 7% of the country’s total tobacco market.

Steep excise-led price increases of legally-manufactured cigarettes have resulted in a booming biri market, which has rapidly gained market share as a cheaper substitute to cigarettes. The biri market flourishes as a cottage industry and, despite accounting for nearly 40% of the total combustible market, contributes less than around Taka 1,200 crore to the Government’s tobacco tax revenue with the tax burden unfairly falling on legal cigarettes.

Responsible consumption

Harm reduction is a central pillar of BAT plc’s sustainability agenda and the Group sees strong potential in the development of less-risky tobacco alternatives.

At BAT Bangladesh, as a part of this ecosystem, we also engage in product innovation to foster responsible consumption practices and some of our launches during the year sought to fulfill these objectives.
At BATB, our financial capital includes our monetary resources, which are obtained through our business activities and from external sources. Funding mechanisms, such as overdraft and revenue, are the principal sources of our financial capital. Every year, we continue to implement prudent financial strategies that enhance our financial capital to enable us to:

- Conduct our day-to-day business activities smoothly
- Strengthen our ability to create value for all our stakeholders
- Manage our financial capital effectively to manage our risks, assess the wider economic impact of our activities on the society and maintain a balance between good corporate governance, while staying true to the values on which our business is built.

In 2018, our financial capital was enhanced by the strong performance achieved from our business segments.
Operational results (in BDT Cr) 2018 2017 2016 2015 2014

Gross turnover 23,312 20,414 16,563 14,371 12,672
Net turnover 5,464 5,196 4,375 3,989 3,556
PBT 1,931 1,676 1,317 1,246 1,086
PAT 1,001 783 758 587 628
Share capital 60 60 60 60 60
EPS (BDT) 167 131 126 98 105
No. of employees 1,453 1,459 1,476 1,400 1,353
Total exchequer contributions 19,133 16,427 13,631 11,051 10,007

Net revenue growth was driven by price increase in low segments, volume growth in the top-3 segments and higher export value. Despite volume drop in the low segment, NTO growth over the years was driven primarily by volume growth and gradual improvement of product mix.

Over the years, BATB delivered high gross profit margin and maintained it at 44% plus due to progressive growth of mix and productivity savings. The ratio for 2018 is higher, achieved on account of better brand mix, effective cost management and productivity savings.

One of the features of BATB’s financial performance is growth in operating profit. Improving productivity, effective cost management and drive to improve the brand mix played a pivotal role in improving operating profit.

Return on equity remained positive and improved, reaching 17.7% in 2018 from 16.9% in 2017. The higher ratio is driven by 11% growth in net profit in 2018. As the base of the equity is growing in line with net profit growth, the ratio is thus declining.

The debt equity ratio for 2018 is 18%, which is higher than in 2017 (13% in 2017). This year, the Company borrowed Short Term Loan and overdraft to support the higher stock purchases and capital expenditure. The debt can be termed as short-term borrowing.

The effective tax rate decreased from 53.28% in 2017 to 48.16% in 2018. The overall growth in business performance resulted in higher EPS growth. EPS for 2017 was lower due to retrospective impact of tax and surcharge (2.5% above the 45% tax rate). Hence, the basic EPS was BDT 130.5, which was supposed to be BDT 135.8 in 2017.

EPS increased by 28% from BDT 130.5 in 2017 to BDT 166.9 in 2018. The overall growth in business performance resulted in higher EPS growth. EPS for 2017 was lower due to retrospective impact of tax and surcharge (2.5% above the 45% tax rate). Hence, the basic EPS was BDT 130.5, which was supposed to be BDT 135.8 in 2017.

The current ratio is being maintained at a steady rate of 1.3x, which was the same as the previous year. Although current assets grew on account of purchase of leaf and higher receivables, this has been offset by growth in the current liabilities.

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In 2017 for both current and deferred tax. A 45% tax rate with a retrospective impact, resulting in higher tax provision rate. Also, in 2017, the government imposed a 2.5% surcharge over the Company's ensuing Annual General Meeting.

2019. The dividend is subject to final approval by the shareholders at the Board meeting held on 11 March year ended 31 December 2018, i.e. BDT 50 per share as cash and 1:2 bonus share as stock dividend.

The Board of Directors has recommended a cumulative dividend for the year end. To support the business requirement short-term borrowing was availed from different banks over the years.

An amount of BDT 78 Cr was generated from financing activity. The cash flow was generated from short term loan and overdraft to support the growth of the business. Dividend payment was at par as last year, making cash flow from operating activities increased by 18% due to higher collection from last year, which is offset by 15% increase in Supplementary Duty and VAT. Operating activity generated higher cash flow but due to higher payment of tax net cash flow is showing a lower growth in 2018.

Cash Flow from investing activities decreased to BDT 688 crore in 2018, from BDT 799 crore in 2017, because of lower investments on plant, property and equipment as compared to 2017. Cash Flow from investing activities decreased to BDT 688 crore in 2018, from BDT 799 crore in 2017, because of lower investments on plant, property and equipment as compared to 2017.

Cash Flow from operating activities increased by 18% due to higher collection from last year, which is offset by 15% increase in Supplementary Duty and VAT. Operating activity generated higher cash flow but due to higher payment of tax net cash flow is showing a lower growth in 2018.

Cash Flow Analysis (BDT crore)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash flows from operating activities</td>
<td>901</td>
<td>973</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>688</td>
<td>799</td>
</tr>
<tr>
<td>Net cash flow from financing activities</td>
<td>78</td>
<td>510</td>
</tr>
<tr>
<td>Net (increase)decrease in cash and cash equivalents (A+B+C)</td>
<td>291</td>
<td>336</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of the year (D+E)</td>
<td>208</td>
<td>128</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of the year</td>
<td>83</td>
<td>208</td>
</tr>
</tbody>
</table>

Borrowings and Liquidity

Net borrowings closed at BDT 518 crore, up by BDT 212 crore in the prior year closing position. Overall borrowings were higher due to higher working capital, capital expenditure and advance excise payment during the year-end. To support the business requirement short-term borrowing was availed from different banks over the years.

The dividend is subject to final approval by the shareholders at the Company's ensuing Annual General Meeting.

CHALLENGES
- Agility and responsiveness
- Balancing cost and benefit of investment
- Capability development
- Periodic feedback session to support HPO

MANNUFACTURING CAPITAL

HIGHLIGHTS
- Yield increased to 73.2% from 68%
- Capacity increased to 70 bn to support business growth
- MTBF increased to 10.1 min ensuring machine reliability
- Delivered highest-ever Q2S and Q2C (+5 ppt improvement)

FOCUS AREAS
- Manufacturing Phase
- People capability development
- Work environment improvement through 5S implementation
- Embedding HPO culture in shop-floor

CHALLENGES
- AM/PM pillar deployment as per plan
- Loss analysis and savings initiatives through DMAIC exercise
- Q pillar deployment through QIE/CoCoE DMS

MITIGATION TECHNIQUES
- Q pillar deployment through QIE/CoCoE DMS

ASSET CARE
- The asset care team ensures that equipment is kept in good, functional condition and that it contributes to safe working conditions and prevents environmental damage.

Our dedicated asset care team is focused on furthering the:
- Development and implementation of asset management policies and governance
- Development and implementation of centralised work planning and control
- Development and implementation of improved material management systems. Our reliance on manufactured capital and our approach to the management thereof allow us to extract the benefits and value out of our assets.
Our investment in manufactured capital is consistent with our organisational growth plan. Our business model relies on this resource. To facilitate the growing business needs, we have been steadily investing in technology.

**ASSET MANAGEMENT STRATEGY**

The primary purpose of the asset risk management strategy is to provide a structured approach to the implementation of an asset risk management system. Our asset management strategy is aligned with international best practices. The focus is on asset care, operations and maintenance, while considering asset performance and the effect of external factors.

**Scalability of Business Operations**

As a manufacturing company, we remain prepared to scale our operations in response to a sudden rise in business or unexpected opportunities requiring quick decision-making.

What makes us scalable is our long-term focus and a blend of ambitious goal-setting combined with prudent investments in infrastructure. A key component driving the balance between maintaining scalability and resource utilisation remains in our efforts to engage in continuous improvement to enhance process efficiencies.

This is further elaborated in our intellectual capital.

**Economies-of-scale**

When we invest in a new asset or in additional equipment for our employees, costs incurred are paid through the additional number of consumers we are able to serve. These benefits are multiplied by investing in our manufactured capital, which also enables economies-of-scale when it transforms into:

- Intellectual capital, by enabling process innovation and knowledge-sharing through investment in technology and platforms
- Human capital, through providing our people with platforms and tools they can use to improve efficiency and reduce turnaround times. Also, when we invested in smarter work environments, our employees are able to deliver better.
- Social and relationship capital, by enabling us to extend our services to a wider geographical location.
The company recognises its human capital as a core part of its business sustainability and growth agenda. BAT Bangladesh promotes a safe and conducive environment for management of employees, which leads to stronger levels of commitment and enhances productivity. BAT Bangladesh recognises that, in order to retain market leadership, hiring, retention and training of talented employees is a continuous process.

BATB considers quality and skilled human resources as one of the most valued assets for the Company to attain organisational objectives and goals. BATB believes that its human resources are critical in building and running the Company.

Attracting the Best
The Company believes that its uniqueness and strength comes from the emphasis it puts in the quality of the people in the organisation as they play an integral role in the Company’s success. Battle of Minds, a renowned competition organised and hosted by BATB every year, is a highly anticipated business recruitment platform for thousands of ambitious and capable final year university students. It is the flagship employer branding initiative of BATB and has been conducted for 15 years now with a specific focus on graduate engagement and as a platform that helps fresh aspiring graduates to transition into the corporate world. By reaching out to students from three disciplines – Business, Engineering and Agriculture, through extensive roadshows and student engagement sessions, it gives an opportunity to more candidates to get a feel of the BAT way of doing things. Learns who make it to the final stage showcase their understanding of real-time business complexities and idea generation in order to recommend relevant and realistic business solutions on the local and global scale.

Other than Battle of Minds, the Company uses a wide array of interactive and engaging assessments to identify and select the most talented applicants through rigorous multi-layered recruitment processes. The Company also has a Graduate Programme which is aimed to attract outstanding fresh graduates and develop them as future leaders of the country.

A career at BAT Bangladesh offers an opportunity to influence professional career growth and eventually also lead to better social standing. We constantly work hard to promote from within the organisation so that we can create greater career opportunities for our people. BATB believes that hiring of new employees is one of the powerful ways to develop the leadership team of the Company in a way that ensures the selection of qualified leaders which matches its mission and goals.

Developing New Talent – Global Graduate Programme:

Bangladesh believes in developing its future leaders as early as possible. The organisation gives an opportunity to more candidates to get a feel of the BAT way of doing things. Learns who make it to the final stage showcase their understanding of real-time business complexities and idea generation in order to recommend relevant and realistic business solutions on the local and global scale.

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Effectively designed training programs targeting the right groups of employees are conducted on a regular basis. In 2018 alone, 14 training modules covering 81% of the organisation’s workforce. 79% of these trainings were internally facilitated with a cost of BDT 23.15 million.

BAT’s talent development is a process for identifying and developing new leaders who can bring strength to the talent pipeline. Succession planning is critical as it enables us to ensure leadership continuity and avoid extended and costly leaderless periods. We work hard to promote from within the organisation so that we can create greater career opportunities for our people. BATB believes that hiring of new employees is one of the powerful ways to develop the leadership team of the Company in a way that ensures the selection of qualified leaders which matches its mission and goals.

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Battle of Minds, a renowned competition organised and hosted by BATB every year, is a highly anticipated business recruitment platform for thousands of ambitious and capable final year university students. It is the flagship employer branding initiative of BATB and has been conducted for 15 years now with a specific focus on graduate engagement and as a platform that helps fresh aspiring graduates to transition into the corporate world. By reaching out to students from three disciplines – Business, Engineering and Agriculture, through extensive roadshows and student engagement sessions, it gives an opportunity to more candidates to get a feel of the BAT way of doing things. Learns who make it to the final stage showcase their understanding of real-time business complexities and idea generation in order to recommend relevant and realistic business solutions on the local and global scale.

Other than Battle of Minds, the Company uses a wide array of interactive and engaging assessments to identify and select the most talented applicants through rigorous multi-layered recruitment processes. The Company also has a Graduate Programme which is aimed to recruit outstanding fresh graduates and develop them as the future leaders of the country.

A career at BAT Bangladesh offers an opportunity to influence professional career growth and eventually also lead to better social standing. We constantly work hard to promote from within the organisation so that we can create greater career opportunities for our people. BATB believes that hiring of new employees is one of the powerful ways to develop the leadership team of the Company in a way that ensures the selection of qualified leaders which matches its mission and goals.

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Effectively designed training programs targeting the right groups of employees are conducted on a regular basis. In 2018 alone, 14 training modules covering 81% of the organisation’s workforce. 79% of these trainings were internally facilitated with a cost of BDT 23.15 million.

BAT’s talent development is a process for identifying and developing new leaders who can bring strength to the talent pipeline. Succession planning is critical as it enables us to ensure leadership continuity and avoid extended and costly leaderless periods. We work hard to promote from within the organisation so that we can create greater career opportunities for our people. BATB believes that hiring of new employees is one of the powerful ways to develop the leadership team of the Company in a way that ensures the selection of qualified leaders which matches its mission and goals.

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Our intellectual capital comprises the intangible factors that are unique to BATB. Our values, our culture, the knowledge of our people, our processes and the specific way we conduct our business, together cannot be easily quantified but go a long way in reinforcing our long-term competitive position and sustainability. It also includes all our knowledge-based assets, such as process blueprint, procedures, protocols, copyrights, trademarks, and licenses. As a key competitive advantage that underpins our growth ambitions, we assess the extent to which our proprietary and licensed technologies, in combination with our expertise, provide sufficient advantage to generate long-term returns on investment we seek.

As technology and process improvements become more of a differentiating factor within modern companies, intellectual capital becomes a greater factor within modern companies. Intellectual capital has given us strong and sustainable yields.

In a world where access to critical information and the ability to act quickly and effectively are becoming strong business differentiators, the focus for BATB’s technology team is to sharpen the technology edge and transform the business today, in a way that would reposition the Company tomorrow.

This means leveraging pathbreaking technologies in cloud systems management and business analytics to tap into new opportunities and create new competitive differentiators that would provide a leading edge in the market.

Risk Mitigation through IT

Besides enabling us to scale our operations, these investments also help us mitigate various risks.

Global Application

As a part of a global organisation, to harness maximum benefit, we use ERP (enterprise resource planning) to capture real-time transaction data and enable effective monitoring and management reporting. All processes are in line with TOM (target operating model) and ERP systems are the interface for BAT-defined processes.

To support these processes, we are also using global applications and office productivity tools for efficient recording of business transactions, processing data, generating reports and performing daily correspondence, which are:

- EPR (SAP ECC6)
- SRM
- BPC
- Success factors
- Microsoft team
- Share Drive, Share Point and One Drive
- MS Office (Outlook, Power Point, etc.)

Processes

The focus for our IT department is to align IT strategy to support business growth. The IT function is responsible for information security, risk and compliance ensuring accessibility and availability of right information to the right people.

Knowledge

Knowledge is a key element to capture and make it available to everyone to make a leap from the current stage. The Company’s IT team has introduced a few systems as depository of information to learn and disseminate to a larger audience. Our intranet system is the knowledge-sharing destination where all our people can contribute and also benefit.

Training

We take several initiatives to improve user experience using IT collaboration tools. We also create awareness on the use of Skype and One Drive where people can connect and share information with others within the country and beyond.

Outcomes

As a result of improving operational efficiency, it has been possible to attain value-addition in several stages. From regular operations to elimination of redundant work for our employees, from cost savings translating to better profits for our shareholders to better resource planning in turn leading to lower our carbon footprint, investments in developing our intellectual capital has given us strong and sustainable yields.
SOCIAL AND RELATIONSHIP CAPITAL

Our success story is defined by the relationship we have created and nurtured with our stakeholders - customers, employees, regulators, shareholders and community. We stay in touch with all our stakeholders to ensure sustainable development and that objectives are met in a mutually-beneficial way. We actively work with our stakeholders to ensure that we contribute to the holistic development of the country.

FOCUS AREAS

Gain stakeholder confidence
Use renewable energy, wherever possible
Engage in impactful corporate social responsibility programs
Ensure environmental, social and governance (ESG) standards

CHALLENGES

Strict regulatory framework in performing CSR activities
Difficult to reach all stakeholders due to regulations

The material aspects of our social and relationship capital include:

- Focusing on gaining stakeholder confidence
- Ensuring ‘green’ practices
- Using renewable energy

We consistently engage with our stakeholders, which enable us to identify the material aspects. In return, we grow in strength by fulfilling the expectations of our stakeholders. Engaging in such a relationship and working together paves a path for us to do more for the country.

Stakeholder Identification and Engagement

<table>
<thead>
<tr>
<th>Key stakeholders</th>
<th>Engagement tools</th>
<th>Objectives</th>
<th>BATB’s approach to achieve objectives</th>
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<tbody>
<tr>
<td>Shareholders</td>
<td>Annual Report</td>
<td>Maximising shareholder value</td>
<td>Ensuring the highest standards of governance in order to protect shareholder value</td>
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<tr>
<td>Consumers</td>
<td>Annual General Meeting</td>
<td>Keep pace with the growing needs of all our customers</td>
<td>Initiatives to become a sustainable manufacturing business capable of serving today’s customer, as well as paving the way for future generations of Bangladesh to succeed in an ever-changing world</td>
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<tr>
<td>Suppliers</td>
<td>Website</td>
<td>Go beyond providing traditional manufacturing facilities and create real value for individuals and businesses that collaborate with us</td>
<td>Investment in education and training to provide opportunities and tools to help our employees today and in the future</td>
</tr>
<tr>
<td>Community</td>
<td></td>
<td>Achieve the necessary sustainable balance of economic growth, environmental protection and social progress</td>
<td>Designed the Company’s CSR initiatives to contribute to the economic, social and environmental sustainability of the communities in which we operate</td>
</tr>
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HIGHLIGHTS

- Planted 4.2 million saplings in 2018; 9.7 million in aggregate
- More than 200,000 people get access to pure drinking water every day through 78 water filtration plants initiated by BATB’s ‘Purabo’ initiative
- 2,330 units of solar home systems under BATB’s ‘Deepto’ project has reached 13,000 people in off-grid areas
- A unified family of 1,400+ employees located across the country

NATURAL CAPITAL

At BATB, as a responsible and future-facing enterprise, we are deeply conscious of our environmental imprint and focus on all possible ways and initiatives to engage in environmental preservation and sustenance.

FOCUS AREAS

Create a greener community
Provide energy support in off-grid areas
Engage in efficient farming practices
Fostering recycling practices to reduce energy consumption

HIGHLIGHTS

- Planted 99.7 million trees across the country
- Installed 2,330 units of solar home systems
- Installed 78 water filtration plants

BATB makes only a limited impact on the environment due to the nature of its manufacturing process. Therefore, though considered to have a low impact to the overall GHG emissions, we realise that this does not in any way reduce our responsibility towards the environment. It is why we strive to assess the impact our actions may have on the environment and, based on the results of these findings, we look for ways to improve.

Spearheading the entire effort is a broad-singing environmental strategy aimed at reducing the Company’s carbon footprint. Focusing on what we consider to be material environmental aspects relevant to our business, the strategy seeks to ensure that our impact on the environment is minimal. This is not only to help the Company to minimize its environmental footprint, but also to create a strong social impact that will transmit a positive benefit to our stakeholders.

Our CSR initiatives, focused on our commitment to maintain our footprint, but also to create a strong social impact that will transmit a positive benefit to our stakeholders.

The CSR initiatives undertaken by BATB contribute to the society and fall align with the regulators, considering the requirements of relevant stakeholders. These initiatives also complement the SDGs of the United Nations.

THE MAIN PILLARS OF OUR ENVIRONMENTAL STRATEGY

BAT Bangladesh is committed to its shareholders and stakeholders to reduce the impact on the environment that arises from its operations. The Company has taken several initiatives to reduce energy and water consumption, while at the same time also taken appropriate measures to ensure reduction in carbon emission from its operations.

Key Drivers

- Installation of LED lighting solutions
- Upgradation of air-conditioning units at branches
- Installation of energy-control equipment to optimise energy utilisation at branches
- Usage of solar power

ENGAGING EMPLOYEES

Commitment

Introducing an environmentally-conscious culture among employees ensures that the team is aligned to the Company’s environmental objectives and goals.
Key Drivers

- Providing training to educate employees regarding environmental issues
- Promoting employee participation in the Company’s CSR initiatives in environment protection and conservation

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OPERATING ENVIRONMENT ANALYSIS

At BAT Bangladesh, our operating context is characterised by an environment in which the legal tobacco industry is subject to high levels of regulations through Governmental policies and interventions. This skewed operating environment has spawned a large and growing illicit trade business that not only denies the Government of its rightful share of revenue, but also defies its public health policy agenda. On the other hand, with Bangladesh being one of the most populous countries of the world with economic transformation into a middle-income country, there represents significant opportunity in the consumer products space.

Below is a detailed articulation of some of the factors that impact our business and our adjoining strategy and response.

**OVERVIEW**

**Political**

Overview
The political climate in Bangladesh has been stable and improving over the last few of years. However, we are future-ready with our crisis management plans that can be activated to counter probable issues to ensure the safety of our people and processes for business continuity.

Industry and the operating context
Tobacco price in Bangladesh, especially in the low segments in the past few years, have been hiked by the Government to reduce tobacco consumption. This price control has had a negative trade-off with loss of potential revenue to the Government, which could have been otherwise used for public welfare and infrastructure development. With the rise in prices effected for the legal business, cheap and illicit products have flooded the market with price-pressured consumers shifting to these, resulting in volume decline in the legal low segment products.

BATB’s response and strategy
In this context, we are:
- Maintaining product quality and integrity that can be the biggest brand differentiator for BATB’s brands
- Engaging in long-term business planning and expansion on account of a stable political environment
- Continuing to appeal to the Government to conduct sustained enforcement drives to thwart the proliferation of the illegal and illicit trade

**Economic**

Overview
Bangladesh is one of the fastest growing economies in the world. Currently, the country has been recognised as a middle-income country from the LDC (least developed country) grade. Standards of living has been improving in the recent years on the back of sustained economic growth. The country’s GDP rose from 7.28% in 2017 to 7.86% in 2018. BATB is proud of its status as leading the country’s tax compliance efforts in the legal tobacco industry and also fulfilling its humble role in the economic development journey of the country, while also delivering sustainable shareholder returns.

Industry and the operating context
With the rise in major country indicators, including the gross domestic product, standards of living have been improving in recent years, which is visible in the fact that consumer spending reached to a record high in 2018.

BATB’s response and strategy
In this context, we are:
- Employing more than 51,500 people directly and indirectly in our operations
- Continuing our legacy of being among the highest taxpayers of the country, thereby playing our humble role in contributing to the economic growth of the nation
- Reaching out to consumers through appointing effective distribution channels, especially in the rural areas of the country
- Maintaining customer loyalty through offering strong consumer relevant innovation and value propositions
As a responsible enterprise, we are deeply engaged in the socio-economic welfare and transformation of the country, while also playing our part in environmental sustenance. Our social investment portfolio includes three flagship programmes in the realm of:

- Afforestation
- Safe drinking water
- Solar home systems

These CSR programs contributed to:

- Local revenue growth
- Job opportunities
- Business investment opportunities
- Better social facilities, including for education and small livelihood creation
- Enhanced standards of living

Industry and the operating context

Like most developing nations, Bangladesh is an impoverished country with a large percentage of the population still living on low wages and surviving on less-than-basic means and facilities. This clearly puts the onus on companies like ours to play a more meaningful and impactful role in ensuring social progress and development.

BATB’s response and strategy

In this context, we are:

- Aligning our CSR initiatives with the Sustainable Development Goals (SDGs) of the United Nations, while also contributing to the Government’s ambitious social development plans
- Actively helping the society to achieve the necessary sustainable balance of economic growth, environmental protection and social progress
- Enhancing the impact of Deepto (renewable energy program), Probaho (reaching clean potable drinking water) and Bonayan (extending the green cover) to benefit the maximum number of people, especially those living at the grassroots
Highest Tax payer in private sector
Balance for a progressive Bangladesh

At BAT Bangladesh, we are one of the most economically impactful organisations. This is a matter of nationalistic pride, as resources contributed by us are mobilised for public investments and welfare that go a long way in helping create a strong and progressive Bangladesh.

BDT Tax Contributions in 2018

19,133 crores

At BAT Bangladesh, we are not only the largest contributors to the Governmental exchequer in the country’s tobacco industry, but also the largest individual tax-payer, contributing almost 8% to the Government’s total tax revenue collections.
It is a pleasure and a privilege on the part of the Board of Directors to present the Directors’ Report and Auditor’s Report together with the audited financial statements of British American Tobacco Bangladesh Company Limited (BATB) for the year ended 31 December 2018. It is pleasing to state that BATB witnessed yet another successful year in 2018. The Company made steady progress across multiple areas during the year, despite persistent economic challenges and a regulatory backdrop. Some of the key challenges faced by the Company during the year were operational and regulatory challenges, as well as an uneven competitive platform due to growth of illicit cigarettes. Your Company however continued to remain resilient and reported sound results for the year, while contributing to value enhancement for all stakeholders.

**INDUSTRY & COMPANY PERFORMANCE**

**Economic & Industry Overview**

In 2018, Top 3 segments continued growth momentum which helped the favourable price indexing between Top 3 and Low segment also focused brand initiatives by BATB. Low segment price increased by +30% which put consumer affordability under severe stretch resulting into 26% Low segment volume decline vs last year (driven by 49% drop in post budget 2018). The decline in Low segment has offset the gains in Top 3 segments and overall legal industry volume declined by 9% vs last year (Jul-Dec’18 total industry decline was 17% vs Jul-Dec’17). With Low segment consumer affordability stretch, in post budget 2018, cigarette industry experienced an upsurge of illegal brands in different forms: duty not paid & counterfeit cigarettes. This upsurge remains a clear threat for the legal industry sustainability and government revenue which has been duly highlighted to the government. In line with this, Government has conducted successful enforcements against illegal cigarettes during Q3-Q4 2018. To ensure industry sustainability, Government interventions in Factory Manufacturing Cigarette floor segment is required along with the successful continuation of initiatives against illegal cigarettes.

Segment wise volume contribution in the cigarette industry is shown below:

- **2017 (Jan to Dec) Volume Contribution**
  - Top 3: 25%
  - Low: 75%

- **2018 (Jan to Dec) Volume Contribution**
  - Top 3: 40%
  - Low: 60%

The following chart also shows cigarette industry segment wise volume contribution vis-à-vis its revenue contribution to government:

- **2018 (Jan to Dec) Volume Contribution**
  - Top 3: 40%
  - Low: 60%

- **2018 (Jan to Dec) Gov. Revenue Contribution**
  - Top 3: 38%
  - Low: 62%
In 2018, Benson & Hedges expected volume growth vs 2017. This segment is as follows:

Overall revenue growth has masked the revenue loss in Low segment. As we have observed 49% growth in Low segment has always been a large contributor. As we have observed 49% growth in Low segment has always been a large contributor. As we have observed 49%

John Player Gold Leaf registered +6% volume growth in 2018 vs last year. BATB also contributed as much as 73% of the total VAD and HDSC collected from the cigarette industry. Going forward, the Company aims to support the Government’s proposals that enable the establishment of a sustainable level of tax contribution to the national revenue growth which has increased by 41% in 2018 alone. This has helped the Government to acquire +6% growth in overall revenue from cigarette industry.

Company Performance

In 2018, our Top 3 segment brands have experienced growth over previous years through a focused business strategy that was supported by all our people across all business functions. Our brand portfolio was strengthened through consumer relevant innovations and an outstanding focus on meeting the needs of the consumers. BATB supports Government’s strategies by targeting the corporate tax structure of a listed manufacturer, it is important to note that the growth in the top-3 segment. Through product mix improvement, the Company was able to support growth in profitability. Cost of goods sold was flat due to lower volume, better mix and productivity savings. This, paired with the product mix impact, enabled the Company's operating margin growth, which was 4% higher than in 2017.

Cost of Goods Sold and Profit Margins

Overall volumes declined largely due to reduction in the low segment, which was partially offset by growth in the top-3 segment. Through product mix improvement, the Company was able to support growth in profitability. Cost of goods sold was flat due to lower volume, better mix and productivity savings. This, paired with the product mix impact, enabled the Company's operating margin growth, which was 4% higher than in 2017.

SUSTAINABILITY

Preservation of the environment, together with our focus on embracing ecological initiatives that have a positive impact on climate change, has always been of critical importance for Bangladesh. This is accentuated, considering the fact that various natural resources indicate that Bangladesh will remain a vulnerable country to the impact of climate change in the decades ahead. In this context, BATB believes that the key role to play in helping the society to achieve the necessary sustainable balance of economic growth, environmental protection, and social progress in ways that build value for all stakeholders.

The Company is a pioneer in corporate social investments in Bangladesh and has contributed in building strong relationships with local communities. As a result of these ongoing education programs, farmers have become more cautious and conscious about the use of chemical pesticides in growing locations with the aim of driving farmers’ education/awareness regarding non-chemical alternatives for pest management, and also limiting additional land requirements.

In 2005, BATB established the country’s first Integrated Pest Management leaf growing areas. Every year, the Company distributes around 250 MT Dhaincha (Sesbania Aculeata), which is an effective approach to enrich agricultural practices (GAP) and standards. The Company’s leaf function is a proven model and the Company proactively sets high standards in rural communities. BATB’s contract farming system has been established around which we operate and in the extended environment. Our Company has distributed around 100 million saplings free of cost to farmers, which was partially offset by growth in the top-3 segment. Through product mix improvement, the Company was able to support growth in profitability. Cost of goods sold was flat due to lower volume, better mix and productivity savings. This, paired with the product mix impact, enabled the Company's operating margin growth, which was 4% higher than in 2017.

The Company recognises the Government’s revenue growth targets, and the industry has been working with the National Board of Revenue (NBR) over the years to ensure sustainable revenue growth from the cigarette industry.

The Company is committed to continue with this program to support the Government’s broader initiatives to combat the adverse effects in the local environment. For the past couple of years, the Company has been engaged in implementing IPM Clubs, a key role to play in helping the society to achieve the necessary sustainable balance of economic growth, environmental protection, and social progress in ways that build value for all stakeholders.

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In 2005, BATB established the country’s first Integrated Pest Management leaf growing areas. Every year, the Company distributes around 250 MT Dhaincha (Sesbania Aculeata), which is an effective approach to enrich agricultural practices (GAP) and standards. The Company’s leaf function is a proven model and the Company proactively sets high standards in rural communities. BATB’s contract farming system has been established around which we operate and in the extended environment. Our Company has distributed around 100 million saplings free of cost to farmers, which was partially offset by growth in the top-3 segment. Through product mix improvement, the Company was able to support growth in profitability. Cost of goods sold was flat due to lower volume, better mix and productivity savings. This, paired with the product mix impact, enabled the Company's operating margin growth, which was 4% higher than in 2017.
BATB, as a responsible corporate, embraced the opportunity to work in Bangladesh, in 2018, the platform was adopted by BAT Group as an innovative platform designed to give hands on training to there employees. BATB's factory employees went to Poland, Singapore, Fiji to give hands on training to there employees.

The 15th edition of ‘Battle of Minds' (BoM), the Company’s flagship talent promotion program, was launched for diversities all across Bangladesh. The program aims to augment and develop the capabilities of fresh graduates to a high degree of proficiency to prepare them as business professionals. Inspired by the success of ‘Battle of Minds’ in Bangladesh, in 2018, the platform was adopted by BAT Group as its first global corporate talent platform to launch simultaneously across 40 markets. Aligned with the innovative challenges offered to the participants, the program was framed by the social startup infrastructure of the country and invited to propose fresh solutions for a socially sustainable business environment in Bangladesh. The participants were given the fulfillment of Development Goals (SDGs). The students were also given a unique opportunity to collaborate as a consumer in an innovation lab 2a, the peerless innovation hub of the Government of Bangladesh, in an exciting rooftop competition and shared the Prime Minister’s Office. Before that, BoM alumni, with several BAT employees, visited some of the top universities of the country with roadshows, taking the stage to enlighten talented students about the competition and its various rounds. With comprehensive online campaigns, BoM reached out to an audience of 1.3 million via extensive social media outreach. Through this, the number of participants exceeded a record 3,300 students across 42 universities. The winners of the competition were awarded in a nation-building with the help of its Battle of Minds, and the success stories of its employees. Furthermore, the champion team from Bangladesh was invited to play in a challenging business competition of Institute of Business Administration, University of Dhaka, triumphed over the Asia Pacific and Middle East regional championship, to win the Global Final hosted at the BAT headquarters in London, raising the Bangladesh flag to pride to become the first ever global champion of Battle of Minds.

BAT takes on multiple initiatives in order to create a workforce that is highly engaged and strives to bring people together in achieving unified organizational objectives. We work constantly in involving people to make sure that they are aligned with the vision of the company as well as their individual visions.

MANUFACTURING CAPACITY IMPROVEMENT

The company from time to time had to go for capital investment to increase the manufacturing and warehouse capacity in the different locations of the country keeping in mind the quality expectation of consumers, in line with the developed and developing and industrial areas. To cater the evolving demand for products, the company has been focusing on creating new facilities and augmenting existing ones, in order to meet the local market demand. Further this process is highly appreciated by the govt. to diversify the export basket and earn much needed foreign exchange for the country.

WINNING ORGANISATION

The outstanding performance of BAT Bangladesh in 2018 can be credited to our committed and talented people, and the efficiency of our teams. BATB’s people resources are ever-committed in driving the business with passion to face an ever-changing and changing business environment. The rapid success and growth of the Company is powered through providing employees with an engaging workplace environment and involving employees within the core business strategies. Our constant resilience to tackle challenges with the right spirit has transformed BATB into an organisation driven to excellence.

BATB focuses on providing learning and growth opportunities to its people with the aim of developing leadership capabilities to assist them to realise their full potential. This is done by providing them with the right opportunities to learn from their leaders and through applying BAT’s globally-recognised and developed learning and development platform. The organisation continues to provide people with an environment that is open to their questions and is highly responsive to talent development.

ENVIRONMENT, HEALTH AND SAFETY

BATB is fully committed to ensure safety and health of its people who come to our premises, as well as minimize impact on the environment. To raise awareness among employees, the company carried out various kinds of communication and awareness programs for managers, employees and contractors throughout the year. A week-long campaign titled ‘EHS Awareness Week’ was organised focusing on work practices on the production floor, in warehouses and in offices.

THE BOARD OF DIRECTORS

The Board of Directors of BATB comprises a group of corporate specialists, highly qualified Senior Government officials and ex- Government officials. It is a combination of nine professionals of specialist, highly qualified Senior Government officials and ex- Government officials. The Board of Directors would like to place on record the excellent contributions of the members during their tenure as a Director of the Board. We believe that the Board of Directors is conducting all its activities in line with the amended Smoking and Tobacco Control Act (2018), and Tobacco Control Act (2004) and Act (2005), and Amendment Act, 2013, and the subsequent Rules along with Company policies. These principles symbolise our commitment to market our products appropriately and only to adult users, in compliance with local laws and regulations. We have successfully complied with the local laws and regulations regarding the Graphical Health Warning (GHW) on our cigarette packets. We believe that GHW must be implemented on all tobacco products to ensure a level playing field. However, we also believe that such regulations, if not properly implemented, may not deliver the intended results and will significantly erode our Intellectual Property Rights.

The Company has an economic impact both in terms of revenue generation for the Government as well as employment generation, as it employs around 1,500 employees directly, while also supporting indirect employment for as many as 50,000, comprising farmers, distributors and suppliers, and over 13 lakh retailers. Hence, the Company seeks to that the Government takes an inclusive and participative approach on tobacco regulations so that regulatory policies reflect the views of all relevant stakeholders and are practical and enforceable.

Mr. Golam Maimudunn
Chairman, Board of Directors

Mr. Sheikhzad Munim
Managing Director

Mr. Mohammad Moinuddin Abdullah
Non-Executive Director

Mr. Mr. Aftab Ul Islam
Independent Director

Mr. K. H. Masud Siddiqui
Independent Director

Ms. Tahmina Begum
Non-Executive Director

Mr. William Pegel
Finance Director

Mr. Abul Haim Mr. Mohammad Moinuddin
Non-Executive Director

Mr. Shehzad Sultana
Independent Director

Mr. Mr. M. Aftab Ul Islam
Independent Director

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at the last Annual General Meeting. Of them Mr. Sanaiul Hoq being senior will retire by rotation at the ensuing AGM. All the retiring directors being eligible have offered themselves for re-election. However, being eligible, he also proposes for re-election at the meeting for one year i.e. until the conclusion of the 47th Annual General Meeting to be held in 2020.

BOARD COMMITTEES

There are currently three functional Committees of the Board, namely, Board Audit Committee, Board Nomination & Remuneration Committee and Board CSR Committee, the details of which are as follows.

Audit Committee

The Board has constituted an Audit Committee as per the Bangladesh Securities & Exchange Commission directives. As required, the Report of the Audit Committee is included in this Annual Report. The Committee comprises Mr. Mohammad Moniruzzaman (Chairman of the Committee effective from 3rd January 2018), Mr. Md. Gomal Mansuruddin, Mr. K. H. Masud Siddiqui and Mr. Kazi Sanaiul Hoq. All the members of the Committee are non-Executive Directors; and the Chairman of the Nomination & Remuneration Committee is an Independent Director. The Audit Nomination & Remuneration Committee has met four times during the year 2018. Mr. Md. Azizur Rahman, Company Secretary, served as the Secretary to the Audit Committee. Our Internal Audit & Compliance Manager, Mr. Md. Zahidul Islam, presented the audit findings to the Audit Committee in the meetings. The key performances of the Audit Committee during the year were as follows:

• Reviewed and discussed the audit findings and risk assessment.
• Recommended to the Board the quarterly and annual financial statements.
• Considered and recommended to the Board the appointment and remuneration of the statutory auditors of the Company.
• Reviewed and appraised the performance of the internal control system.
• Discussed the internal and external audit report and findings therein with the Internal Auditors, Manager of the Management and monitored the status of implementation of the recommendations thereon.
• Reviewed and considered the report on matters as required under the BSEC Guidelines.
• Reviewed the loss and write-off report.
• Reviewed the laws of the country in relation to business operations.

Board Nomination & Remuneration Committee

The Board has constituted a Nomination & Remuneration Committee as per the Bangladesh Securities & Exchange Commission directives. As required, the Report of the Nomination & Remuneration Committee is included in this Annual Report. In 2018, Mr. K. H. Masud Siddiqui served as the Chairman of the Committee. Company Secretary, Mr. Md. Gomal Mansuruddin, Mr. K. H. Masud Siddiqui and Mr. Kazi Sanaiul Hoq. All the members of the Committee are non-Executive Directors; and the Chairman of the Nomination & Remuneration Committee is an Independent Director. The Nomination & Remuneration Committee has met four times during the year 2018. Mr. Md. Azizur Rahman, Company Secretary, served as the Secretary to the Nomination & Remuneration Committee.

CSR Committee

The Board has constituted a Social Corporate Responsibility (CSR) Committee comprises of five Directors, of which, an Independent Director is the Chairman. The members of the Committee are Mr. Md. Alamgir, Mr. Md. Md. Athar Hafiz, Mr. K. H. Masud Siddiqui and Mr. Shehzad Munim. The purpose of the Board CSR Committee is to ensure long-term sustainability of the Company’s aspirations and the management of the Company’s CSR initiatives. The initiatives are managed in a way that secures business stability and sustains the position of the Company. The Chairman of the Audit Committee is an Independent Director. The Audit Committee met four times during the year 2018. The initiatives are aligned with the SDGs and we are contributing to fulfilling the Government’s commitment and for BATB’s shareholders at large.

GOING CONCERN

The Directors are of the opinion that the Company is a going concern. Accordingly, Financial Statements are prepared on a going concern basis.

The system of internal control

As there is always a degree of uncertainty in our operations, the Board of Directors assures its shareholders that the Company has a competent risk management process to ensure that the system of internal control is sound in design and has been effectively implemented and monitored. Although it is possible that risks to the business, the Company takes reasonable steps to identify material risks that may hamper business results. The Company then systematically reviews these risks in light of the changing internal and external environment in order to assess that controls in place are adequate to address these risks. This report further elucidates our detailed discussion on the internal control framework under the Statement of Internal Control.

Directors’ declaration on the financial statements

The Directors are responsible for the governance of the Company and, as part of preparation and presentation of the financial statements, the Directors confirm to the best of their knowledge that:

• The financial statements, prepared by the Management of the Company which was scrutinised by the external auditors, present fairly the state of affairs, the result of its operations, cash flows and changes in equity.
• Proper books of account of the Company have been maintained;
• Accounts have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment;
• The International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and that the accounting policies have been applied consistently;
• The system of internal control is sound in design and has been effectively implemented and monitored; and
• The information disclosed upon the Company’s ability to continue as a going concern.

As required under the BSEC directives, the Directors further confirm that:

• The CEO and CFO have certified to the Board that they have reviewed the financial statements and affirmed that these statements do not contain any materially untrue statement or omit any material fact or certain statements that might be misleading.
• The CFO and CFO have certified to the Board that they have reviewed the financial statements and affirmed that these statements together present the true and fair view of the Company’s affairs and are in compliance with existing accounting standards and applicable laws.
• The Eo and CFO have further certified to the Board that there are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of its Charter.

Other Regulatory Disclosures:

• The Company is aware of its various risks and concerns of regulatory bodies. Financial risk management has been disclosed under note 36.B.i of the financial statements.
• All transactions with related parties have been made on a commercial basis and the basis was the principle of “Arm’s Length Transaction”. Details of related party and transactions have been disclosed under note 21 and 22. Where applicable, disclosure has been made in notes 10 and 11.
• The Company’s IFO was made during inception. No further issue of any instrument was made during the year.
• From 2017, the Board of Directors of BATB have continued to grow as reflected in the yearly financial statements of the Company.
• As per IAS 1 Presentation of Financial Statements, no items of income and expense are to be presented as “extraordinary gain or losses” in the financial statements.

Corporate Governance Compliance Statement

BATB believes that a nurtured governance regime is essential to success and sustainability. Accordingly, the Board of Directors periodically reviews and ponders on the Code of Corporate Governance to ensure the highest level of corporate governance. The Annual Report 2018

GOVERNANCE
ensure effective compliance of rules and regulations and proper timely disclosures in this respect.

The Company’s Corporate Governance framework is directed towards achieving its business objectives in a manner that is responsible and in accordance with the high standards of honesty, reliability, transparency and accountability. As per its governance policies, the Company emphasises on stronger diligence to business, all operations being apparent and invites larger involvement of the stakeholders. The essential elements that define effective corporate governance at the Company are outlined in the Corporate Governance Statement which is appended in this Annual Report. The contents in the statement further expand on the broad practices at BATB. All employees are expected to live up to these principles and guidelines which are communicated regularly throughout the Company in the form of various training and awareness programmes.

In this respect, we have the pleasure to confirm that the Company has complied with all the necessary guidelines under BSEC CG Notification No. BSEC/CMRCG/CG-006-158/207/Addm/Bd dated the 3rd June 2018. The Compliance Report along with the necessary remarks and disclosures is appended in this Annual Report for the year 2018. Further, a Certificate of Compliance required under the said CG codes, as provided by Mr. Ali-Mujaddid Associates, Chartered Secretaries, is also annexed to this report.

AUDITORS

As per requirements of law, the current statutory auditors A. Qasem & Co., Chartered Accountants, will retire at the 46th Annual General Meeting. They have expressed their willingness to be re-appointed and continuation upto the next AGM at a fee of Tk. 950,000 (Taka Nine Lacs fifty thousand) only and requests shareholders to approve the appointment. The shareholders are also requested to approve Ali-Mujaddid & Associates as Compliance Auditor.

BUSINESS COMMITMENTS

BATB values and continuously updates its corporate strategies and commitments. It was more than 108 years ago, when the Company established itself on this land of opportunities and possibilities - Bangladesh. Since independence of Bangladesh, BATB has demonstrated an unwavering dedication to the country and its people and this commitment is what sets BATB apart from any other business entity. This uniqueness is reflected through the passion and dedication of its employees and business partners that has taken BATB to great heights. BATB in Bangladesh is listed on both Dhaka and Chittagong stock exchanges and is currently the highest taxpayer. In this year alone, we have contributed Tk 19,335 crore to the Government exchequer in the form of Supplementary Duty, Value Added Tax, Income Tax, Custom Duty and other levies. BATB has always cherished and shall continue to value its treasured relationship with the Government of Bangladesh, esteemed employees and other stakeholders of the Company.

AWARDS & ACHIEVEMENTS

Our stupendous performance and management in the year 2018 has led to us achieve some prestigious awards from different credible organisations locally and internationally in 2018. The Company was awarded with the following recognitions:

1. Highest Tax Payer Recognition by National Board of Revenue (NBR)
2. ICAB National Award for best presented Annual Report
3. Life Time Achievement Award by Asia’s Best Leadership Awards to Mr. Golam Maimuddin
4. ICMAB Best CSR Practices Award 2017
5. ICSB National Award for Corporate Governance Excellence
6. SAVA Awards 2017 for Corporate Governance
7. Asia Responsible Entrepreneurship Awards for Green Leadership – Deepoto
8. Bangladesh Supply Chain Excellence Award 2018 in ‘Excellence in Supply Chain Talent Development’
9. CMO Asia Award in ‘Community Development’ Category – Deepoto
10. CMO Asia Award for Best CSR Practices
11. Top Employer Award from Top Employers Institute
12. Innovation Award for IDG Inclusion by BIF and Mastercard – Probaro
13. Dream Employer to work for 2018
14. Best HR event of the Year 2018
15. Bangladesh Supply Chain Excellence Award 2018 in ‘Excellence in Supply Chain Talent Development’
16. Diversity Impact Award 2018
17. 23 Local Government awards for Afforestation in different districts

MANAGEMENT DISCLAIMER FOR IT SECURITY

BATB Bangladesh has been using some applications software packages for its day to day activities. To the best of knowledges these software packages are fully immune and tested against any external hacking. The Cyber Security platform is being periodically checked by inhouse Information & Technology Specialist team.

ACKNOWLEDGEMENTS

The performance of BATB in 2018, even with many challenges confronted, demonstrates the determination of the Board, Management and the people in the Company. The outstanding achievement of the year is more than a tribute to the countless brand users of the Company and its numerous stakeholders. And it is with this conviction that the Board of Directors firmly believes that BATB has the necessary strengths, resources and commitments to further propel the Company to newer heights. The members of the Board would like to place on record their high appreciation to the valued shareholders and all other stakeholders of the Company for their persistent support and guidance. The Board would also like to thank each and every customer for their continued support and for making the Company’s brands their preferred choices. The Board also recognises that its journey and accomplishments during the year was possible because of the cooperation, positive support and guidance that it received from the Government of Bangladesh’s, particularly the Ministry of Finance, Ministry of Commerce, Ministry of Agriculture, Ministry of Labour and Employment, Ministry of Forest & Environment and Ministry of Housing & Public Works, National Board of Revenue, Board of Investment, Bangladesh Investment Development Authority, Bangladesh Securities and Exchange Commission, Stock Exchanges and other numerous stakeholders. The Board would also like to appreciate the support from BATB’s bankers, Bangladesh Bank insurers and financial institutions, vendors, the press and media, business partners and all our employees. The Board offers its utmost gratitude to them.

We also extend our warmest thanks to the management and employees for being an essential part of BATB during the year. It was their unrelenting commitment, dedication and diligence throughout the year that led the Company to achieving results, awards and accolades in 2018.

We are proud of you all and look forward to your continued support as we march ahead to take BATB forward as a leading player in Bangladesh’s business community.

On behalf of the Board of Directors,

11th March 2019

Sd/-

Golam Maimuddin

CHAIRMAN

Sd/-

Shehadeh Munim

MANAGING DIRECTOR
### GOVERNANCE

#### (a) Accounting policies and estimation for preparation of financial statements;

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), the Companies Act, 1994, the Securities and Exchange Rules, 1987, and other applicable laws and regulations in Bangladesh. Cash flows from operating activities are prepared under the method as prescribed by the Securities and Exchange Rules, 1987.

The financial statements have been prepared on a historical cost basis. Except for debt and equity financial instruments, no other contingent considerations that have been measured at fair value. The financial statements provide comparative information in respect of the previous period.

In January 2018, the Institute of Chartered Accountants of Bangladesh (ICAB) has adopted International Financial Reporting Standards issued by the International Accounting Standards Board as IFRSs. As the ICAB has adopted International Financial Reporting Standards without any modification, this recent adoption will not have any impact on the financial statements of the Company going forward.

A number of new standards and amendments to standards are effective by the International Accounting Standards Board as IFRSs. As the ICAB has adopted International Financial Reporting Standards issued by the International Accounting Standards Board as IFRSs, this recent adoption will not have any impact on the financial statements of the Company going forward. The Company has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

### (b) Changes in accounting policies and estimation

The Company applied IFRS 15 and IFRS 9 for the first time.

The Company has a series of policies, practices and controls in place in respect of the tobacco business that is different from the other industries and hence it is not possible to compare the financial position and cash flow with peer industry scenario.

### (c) Comparative analysis of financial performance and operational performance


<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude oil (BDT cr.)</td>
<td>207,131</td>
<td>184,141</td>
<td>156,507</td>
<td>143,371</td>
<td>132,673</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>(7,148)</td>
<td>(11,218)</td>
<td>(12,108)</td>
<td>(10,182)</td>
<td>(9,116)</td>
</tr>
<tr>
<td>Net Turnover</td>
<td>1,544</td>
<td>1,196</td>
<td>1,475</td>
<td>1,188</td>
<td>1,177</td>
</tr>
<tr>
<td>Cost of Goods Sold (BDT cr.)</td>
<td>(2,710)</td>
<td>(2,718)</td>
<td>(2,389)</td>
<td>(2,121)</td>
<td>(1,979)</td>
</tr>
<tr>
<td>Net Turnover</td>
<td>2,754</td>
<td>2,476</td>
<td>1,966</td>
<td>1,668</td>
<td>1,577</td>
</tr>
<tr>
<td>Financial Cost and Other Exp (BDT cr.)</td>
<td>(672)</td>
<td>(698)</td>
<td>(594)</td>
<td>(548)</td>
<td>(423)</td>
</tr>
<tr>
<td>Operating Profit (BDT cr.)</td>
<td>2,082</td>
<td>1,780</td>
<td>1,393</td>
<td>1,320</td>
<td>1,153</td>
</tr>
<tr>
<td>Profit before Tax (BDT cr.)</td>
<td>1,931</td>
<td>1,676</td>
<td>1,317</td>
<td>1,246</td>
<td>1,087</td>
</tr>
<tr>
<td>Tax</td>
<td>(930)</td>
<td>(893)</td>
<td>(559)</td>
<td>(545)</td>
<td>(458)</td>
</tr>
<tr>
<td>Profit after Tax (BDT cr.)</td>
<td>1,001</td>
<td>783</td>
<td>756</td>
<td>787</td>
<td>628</td>
</tr>
<tr>
<td>EBIT in BDT (BDT cr.)</td>
<td>166.65</td>
<td>130.50</td>
<td>126.37</td>
<td>97.94</td>
<td>104.70</td>
</tr>
</tbody>
</table>

#### Operational results 2018 2017 2016 2015 2014

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after Tax (BDT cr.)</td>
<td>1,001</td>
<td>783</td>
<td>756</td>
<td>787</td>
<td>628</td>
</tr>
<tr>
<td>Earnings Per Share</td>
<td>166.87</td>
<td>130.50</td>
<td>126.37</td>
<td>97.94</td>
<td>104.70</td>
</tr>
<tr>
<td>Cash and Cash equivalents at 01 January</td>
<td>83</td>
<td>208</td>
<td>128</td>
<td>139</td>
<td>126</td>
</tr>
<tr>
<td>Cash and cash equivalents at 31 December</td>
<td>83</td>
<td>208</td>
<td>128</td>
<td>139</td>
<td>126</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash generated from operating activities</td>
<td>1,769</td>
<td>1,514</td>
<td>1,083</td>
<td>1,409</td>
<td>870</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(943)</td>
<td>(525)</td>
<td>(682)</td>
<td>(686)</td>
<td>(387)</td>
</tr>
</tbody>
</table>
designed to address key financial reporting risks, including risks arising from changes in the business or accounting standards. The Finance Director is required to confirm annually that all information relevant to the Company audit has been provided to the Board of Directors through the Audit Committee and that reasonable steps have been taken to ensure full disclosure in response to requests for information from the external auditor.

In addition, it is standard practice for the Finance Director to fully review account reconciliations on a bi-annual basis. The effectiveness of the Company’s financial reporting controls is assessed through self-certification as part of the Control Navigator exercise described earlier. The integrity of the Company’s public financial reporting is further supported by a number of processes and steps to provide assurance over the completeness and accuracy of the content including review and approval by the Audit Committee and review and approval by the Board.

(g) Future plan or projection or forecast

BATB has an ambition to provide consumers’ preferred quality products to its numerous customers/brand users. Looking ahead in 2019 and beyond, BATB wishes to continue with the same zeal that it had started 108 years ago, to be the number one locally listed Company in turnover, in partnering with the national exchequer and to operate as a socially-responsible Company. Moreover, the Company’s social responsibility initiatives in 2019 will bring about a positive change across the nation with various initiatives designed to address key financial reporting risks, including risks arising from changes in the business or accounting standards. The Board, comprising of luminaries from diverse areas, provides the leadership necessary for the Company to meet its performance objectives within a robust framework of internal processes and controls.

Operating in a highly regulated industry, we consider it a bigger responsibility to ensure compliance with the highest standards of governance. As a leading consumer goods Company, we emphasize on integrity, transparency and accountability, which represent the key facets of corporate governance that enable sustainable growth and stakeholder value creation. The Company has always endeavoured to meet its goals. The Company’s Board comprises of nine (9) resourceful luminary from diverse areas, provides the leadership necessary for the Company to meet its performance objectives within a robust framework of internal processes and controls.

The Board aims to ensure the integrity and commitment of its employees, supported by a comprehensive framework of policies, guidelines and internal controls. In this Statement of Corporate Governance, we wish to provide insights to shareholders, investors and other stakeholders on the corporate governance initiatives at the Company.

The BAT Bangladesh Board is collectively responsible to shareholders of the Company for its performance and for the organisation’s governance framework, its value system and its strategies. The Board, comprising of luminaries from diverse areas, provides the leadership necessary for the Company to meet its performance objectives within a robust framework of internal processes and controls.

In order to achieve the goal of good governance, the BATB Board is committed to:

- Disclosure of the principles and practices of corporate governance
- Continuously improving regulatory alignment, taking note of international developments and meeting investor expectations

Our Board’s principal focus area is to ensure that the Company’s sustainability manifests, organisational effectiveness and high-performance culture represent a bulwark in enabling the organisation to meet its goals. The Company’s Board comprises of nine (9) resourceful individuals with core competencies considered relevant in the context of the Company. Towards ensuring a more balanced representation, the Board includes Independent Directors, who bring forth rich multi-sectoral expertise to the Board and whose values are aligned with that of the organisation. The Board of Directors of the Company, in fostering a responsible culture, ensures that it adopts practices and policies that are in accordance with the principles and recommendations of the Corporate Governance Guidelines of Bangladesh Securities and Exchange Commission (BSEC), and the Company’s own governing principles.

In order to achieve the goal of good governance, the BATB Board is committed to:

- Disclosure of the principles and practices of corporate governance
- Continuously improving regulatory alignment, taking note of international developments and meeting investor expectations

CORPORATE GOVERNANCE STATEMENT 2018
Governance through leadership

To achieve the Company’s business objectives, the corporate governance framework of BAT Bangladesh ensures sustainable business growth, achieved in a responsible manner. To comply with the laws, rules, regulations, corporate governance codes, articles of association, policies and procedures, the Company continually exercises effective control processes, transparent disclosures, well-defined shareholders’ rights and Board commitments. The manners of adherence to these principles and practices are outlined as follows:

Corporate Governance Framework

BAT Bangladesh’s corporate governance framework has been developed based on the basic principles and best practices outlined in the following:

- Bangladesh Securities & Exchange Commission (BSEC) Notification on Corporate Governance;
- The Companies Act 1994 and other applicable corporate regulations of Bangladesh;
- Dhaka Stock Exchange and Chittagong Stock Exchange Listing Regulations;
- Laws of the Land;
- Standard of Business Conduct, Policies and Guidelines of the Company;
- Statement of Risk Management Internal Control of the Company;
- Statement of Delegated Authorities of the Company; and
- Local and Global Best practices.

The Board also continuously reviews the corporate governance framework to ensure relevance, effectiveness and sustainability in addressing business challenges in an evolving environment.

All employees of the Company, including the Board of Directors, must remain in compliance with the Company’s policies, guidelines and standards of business conduct. Since it is expected that all employees shall live up to the standards of business conduct, they are hence required to confirm their commitment and compliance by executing a declaration of compliance annually.

The Board reviews the standards of business conduct from time to time for applying the highest standards of governance, embracing best global practices. The standards of business conduct was last updated and revised by the Board in November 2014. The Company, apart from abiding by the business conduct, also follows the Company’s statement of business principles which cover key matters that underpin corporate responsibility for a multinational business and, more particularly, the unique characteristics of a tobacco business. Mutual benefit, responsible product stewardship and good corporate conduct represent the three business principles that support the fundamental principles of business behaviour. Apart from the Company’s standards of business conduct and business principles, the Company also has in place the statement of delegated authorities which outlines the respective roles and authorities of the management. This helps governance and control of investment management. In the Company’s statement of delegated authorities, the Board has specifically reserved matters such as establishment of new businesses or factories, annual strategic plan, approval of major capital expenditure, acquisition and disposal of businesses or equity, derogations and any corporate restructuring. For its own decisions. Additionally, the Company also has in place the required internal policies, guidelines and codes to ensure good governance and control. The Company has always been comprehensively embracing the above-mentioned corporate governance principles and best practices along with statement on risk management and internal controls, articulating the manner in which the governance principles and best practices are applied.

Corporate Compliance

Corporate compliance to various laws, rules and regulations is one of the core fundamentals for good governance. Compliance helps build trust among the Board members, shareholders, customers and other stakeholders, including regulators.

A culture of authenticity and full and thorough adherence to integrity is practiced by the Board, which represents one of the most crucial strengths of the Company. In every Annual General Meeting (AGM), shareholders continuously validate their support towards our Board’s leadership. BATB provides accurate and periodic reporting of issuances and certifications, wherever necessary. Furthermore, BATB’s management team always embraces the highest levels of compliance with all the related legal and regulatory issues, which helps to ensure the practice of high levels of governance throughout the Company.

As a close monitoring process of the regulatory bodies, the organization promotes and complies with relevant laws and regulations. BATB complies with the Bangladesh Securities and Exchange Commission (BSEC), stock exchanges, National Board of Revenue (NBR), Registrar of Joint Stock Companies & Firms (RSCF) and all other relevant bodies and authorities. Moreover, the Company takes on many tasks for ensuring awareness sessions on existing and proposed laws for enforcing compliance throughout the organization. Overall, BATB strives to remain a compliant organisation, both in letter and in spirit.

Board Practices

The Board is responsible to the shareholders. The necessary guidance for meeting business objectives within the framework of its internal controls is provided by the Board, which helps meet the broader shareholder objectives.

Board composition complies with the BSEC Code on Corporate Governance, listing Regulations and Codes of best practices.

Policy on Appointment of Directors

The Company fully complies with the regulations issued by the authorities regarding the appointment of Directors. BSEC notifications and the Companies Act are strictly followed in this regard. As per the Companies Act, the maximum-term for an appointed Director too may have a consecutive two tenures of three years each. In regard to nomination removal and casual vacancy of the Directors, the Company follows all relevant rules and regulations of the respective regulatory bodies.

It must be noted that BAT Bangladesh does not have its own separate policy on appointment of Directors, except for the very first Board.

Chairman of the Board

The Board of Directors elects the Chairman of the Company whom the Board considers to be Independent.

Roles and Responsibilities of the Chairman

- Defined by the Board as per BSEC’s notifications on Corporate Governance Guidelines.
- As Chairman of the Board (or Chairman of any Committee formed by the Board) one does not personally possess the jurisdiction to apply policy-making or executive authority, he does not participate in or interfere with the administration or operational and routine affairs of the Company.
- The Board must function as per the Memorandum & Articles of Association along with other applicable laws which must be ensured by the Chairman.
- The Chairman presides over meetings of the Board and the Company (AGM). The Chairman also represents the Company in Corporate Governance in the courts of the Board and Company.
- Representing the Company (in consultation with Board and Managing Director), the Chairman maintains liaison with relevant stakeholders representing the Company as a responsible corporate citizen.
- The Chairman may assume any responsibility if the Board assigns within the purview of the relevant Rules, Regulations, Acts and Articles.

Primary Roles and Responsibilities of the Managing Director

- The Managing Director is responsible for driving business operations, leading the development and execution of the Company’s long-term strategies with a view to creating shareholder value.
- The MD’s leadership role also entails being ultimately responsible for all day-to-day management decisions and for implementing the Company’s long and short-term plans.
- The Managing Director acts as a direct liaison between the Board and the Management of the Company, and communicates to the Board on behalf of the Management.
- The MD also communicates on behalf of the Company to shareholders, employees, Government authorities, other stakeholders and the public.

To achieve the Company’s business objectives, the corporate governance framework of BAT Bangladesh ensures sustainable business growth, achieved in a responsible manner. To comply with the laws, rules, regulations, corporate governance codes, articles of association, policies and procedures, the Company continually exercises effective control processes, transparent disclosures, well-defined shareholders’ rights and Board commitments. The manners of adherence to these principles and practices are outlined as follows:

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It must be noted that BAT Bangladesh does not have its own separate policy on appointment of Directors, except for the very first Board.
Management through People
The BATB Board focuses on setting the organisational direction and, in this regard, considers empowerment as the biggest driver of change. It is in this spirit that the Board delegates operational and financial authority to the Managing Director, empowering him to set up the organisational structure, recruit appropriate talent, manage the Strategic Business Units and functional areas and provide the team guidance towards achieving the desired results.

Being the apex authority of the corporation, the Board remains alert to the targets and initiatives of the Business Units and is also apprised of the financial performance on a regular basis. The Managing Director is in-charge of the operations of the Company and manages the affairs through close consultation with relevant people from within the Company and, if necessary, outside experts.

Empowering Employees
To ensure that there is proper delegation of authority and clear statement of accountability of the management staff all the way to the supervisory level, the Board has provided clear guidelines to the Managing Director. Individual performance is judged based on clearly set measurable goals and through objective assessment of their achievements.

Composition of Board of Directors in 2018

Principal Responsibilities of the Board
- Strategies: Review long-term strategies and, accordingly, set goals and direction for the Company.
- Risk Assessment: Review the Company’s risk response mechanisms and confirm implementation of the necessary systems to manage these risks.
- Leadership: Provide the leadership necessary to ensure that the business objectives are within the boundaries of internal controls, as described in the code statement.

Educational Background of the Board Members
- Accounting
- Finance
- Management
- Economics
- Legal
- Agriculture
- Soil Science & Others

Non-Executive Directors

Mr. Golam Manuddin
Chairman of Board
Non-executive Director
- Joined on 6 Sep 2018

Mr. Shehzad Munim
Managing Director
- Joined on 6 Sep 2018

Mr. Mohammad Moosuddin Abdullah
(Champion, Audit Committee)
Independent Director
- Joined on 6 Sep 2018

Mr. K.H. Mianul Siddiqui
(Chairman, NRC Committee)
Independent Director
- Joined on 6 Sep 2018

Mr. Moklib Shikar
(Chairman, CSR Committee)
Independent Director
- Joined on 6 Sep 2018

Mr. Md. Abdul Hafiz
Non-Executive Director
- Joined on 15 Mar 2018

Ms. Hawa Begum
Non-Executive Director
- Joined on 15 Mar 2018

Mr. Kazi Sanaul Hoq
(Chairman, CSR Committee)
Independent Director
- Resigned on 6 Sep 2018

Mr. Jalal Ahmed
Non-Executive Director
- Resigned on 6 Sep 2018

Mr. Azizur Rahman
Head of Public Affairs & Company Secretary
- Joined on 15 Mar 2018

GOVERNANCE
Annual Report 2018
British American Tobacco
BANGLADESH
Audit Committee

The referred guidelines appointed an Independent Director as Chairman of the Committee under 1 Independent Director and 3 Non-Executive Directors. The Board has an Audit Committee for the Company. In 2018 the Committee comprised 4 members.

Other senior members are also invited to the Audit Committee meetings. The Audit Committee meets with the external auditors as per theToRs which are reviewed frequently by the Board.

Responsibilities of the Audit Committee include the following:

- To ensure compliance with accounting policies, standards and principles and monitoring the integrity of the financial reporting process.
- To mitigate risks and monitor the internal controls and business risk management process.
- To oversee the selection and performance of external auditors, which ensures that the statutory auditors are not engaged in any involvement in the Company which are restricted under regulatory guidelines.
- To monitor and review the effectiveness of the internal audit function.
- To engage in other matters as per the terms of reference of the Audit Committee.

The Audit Committee meets with the external auditors as per needs basis and separately with internal auditors annually without the presence of any Executive Director. The Committee met 4 times during the year 2018.

Nomination and Remuneration Committee

The Board Nomination and Remuneration Committee (NRC), headed by an Independent Director, makes recommendations to the Board in terms of employment of the members of the Executive Committee, managers and employees and decides their specific remuneration. The NRC met once in 2018. The Managing Director, Finance Director and Head of Human Resources attended the meeting of the NRC as invitees and the Company Secretary performed the functions of the Secretary of the Committee. The remuneration policy is designed to ensure that the reward and remuneration package is competitive so that high-quality human resources with proven track record and experience are recruited, motivated and retained.

Corporate Social Responsibility Committee

As a Company that is deeply aware of the divergence between the needs of the society and the impact required, we focus on activities that deliver the maximum welfare to the largest number of people in the quickest possible time. In order to achieve the necessary sustainable balance between economic growth, environmental protection and social progress, the Company ensures that its impact is appropriately targeted and long-lasting.

On 11th April 2012, the Board of Directors established a CSR Committee as a sub-Committee of the Board. Five (5) Directors are nominated to the Board CSR Committee, among whom an Independent Director is the Chairman. For ensuring business sustainability and creating a positive impact on image and reputation of the Company amongst stakeholders, the Board CSR Committee takes up the necessary tasks.

Members of CSR Committee

<table>
<thead>
<tr>
<th>Director</th>
<th>Number of Meetings Held</th>
<th>Attended</th>
<th>Attendance %</th>
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<tbody>
<tr>
<td>Mr. M. K. Masud Siddique</td>
<td>4</td>
<td>4</td>
<td>100%</td>
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<tr>
<td>Mr. M. K. H. Masud Siddique</td>
<td>4</td>
<td>4</td>
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<tr>
<td>Mr. Md. Abdul Halim</td>
<td>4</td>
<td>4</td>
<td>100%</td>
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</tbody>
</table>

Committee members and their attendance in meetings:

<table>
<thead>
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</table>

Annual Report 2018
GOVERNANCE

GOVERNANCE
A Company Secretary has been appointed by the Board for maintaining the respective ExCo member, please refer to pages 49 to 51 of this Annual Report. The respective ExCo gets invitation to the Board meetings based on the strategy and ensures daily operational alignment with Company plans. The Managing Director leads the Board is duly assisted by the respective functional heads of the Company, Leadership Team (Executive Committee) of the Company. The Board disseminates responsibilities for ensuring effective control processes in the organisation through the Board committees and also, an Executive Committee at the top management level, plays a significant role in managing the business as per the norms of corporate governance, while also ensuring that adequate internal controls are in place and supported through a robust risk management and MIS process.

Effective Control Processes

The Board receives an overview regarding Business Sustainability and a corresponding update on CSR activities. The Board disseminates responsibilities for ensuring effective control processes in the organisation through the Board committees and also, an Executive Committee at the top management level, plays a significant role in maintaining the Company’s corporate social responsibility, ensuring time involvement.

In the election held at the Annual General Meeting (AGM) in 2018, the Board receives an overview regarding Business Sustainability and a corresponding update on CSR activities. The Board disseminates responsibilities for ensuring effective control processes in the organisation through the Board committees and also, an Executive Committee at the top management level, plays a significant role in managing the business as per the norms of corporate governance, while also ensuring that adequate internal controls are in place and supported through a robust risk management and MIS process.

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Leadership Team (Executive Committee)

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BAT Bangladesh has a well-structured policy for evaluating performance. The recruitment strategy of the Company is based on attracting and retaining employees on regular intervals. The organisation also has a well-equipped technical training center for conducting technical trainings.

Compensation & Benefits

The Company invests time and resources to ensure a friendly and suitable work environment. All employees (both office and factory) must respect the environment. A zero-tolerance policy is maintained across the organisation. All employees, irrespective of their gender, are presented with equal opportunities and are subjected to no deprivation of work opportunities. In recognition of these efforts, the Company was yet again bestowed with the prestigious award is a reflection of this.

Ensuring a sound workplace

Our people have always been the core strength of the Company. The Company’s rewards and recognition program takes cognisance of an employee’s performance, action, behaviour and consistency of efforts. It is based on these criteria that BAT Bangladesh has a competent rewards and recognition program. Short-term business results generating value for the business are rewarded through annual incentive schemes. A reward is presented outside the routine performance evaluation for the continuous commitment that employees are required to follow and comply with a range of non-cash as well as monetary forms of reward through its various recognition and incentive schemes.

Grievances and Counselling

Work discipline may get affected by employee’s behavior or sometimes an employee may be aggrieved about his personal employment position. Hence, the Company encourages employees to speak out under the grievance procedure. Time to time human resources function also counsel employees.

Environmental policies

The Company works extensively to provide a unique, diversified culture and satisfying workplace environment where employees are able to escalate their grievances and also receive counselling.

Other Internal Policies and Guidelines

The Company has also supported by further policies, procedures, guidelines, and mentioned below are some of these guidelines.

- Procurement Policy and Guidelines: outline the process for obtaining the best possible value and quality for amount spent and to ensure timely delivery of goods and services to meet the Company’s business requirements.
- Marketing Policies and Guidelines which include distributors policy, credit policy, trade policy, marketing communication guidelines and international marketing principles— a framework to govern all aspects of responsible tobacco marketing
- Company financial policies - which include the policies and guidelines on treasury management, dividend, vehicle disposal, dealing margin, bank draft, bank guarantee, capital, depreciation, insurance, inventory, stock valuation, delegation of authority, domestic (local) costing, budgeting, bill payment, foreign currency, write-off process, etc.
- Health, safety and security
- Outsourcing policy
- Data protection policy

Statutory Audit

On the basis of the Audit Committee’s suggestion, the Board endorses the appointment of an Auditor upon shareholders’ approval at the Annual General Meeting. Appointment of the Statutory Auditor is regulated by the Companies Act, 1965, and by the Securities & Exchange Commission of Bangladesh (SEC) order, a Statutory Auditor cannot remain in office for more than three consecutive years. BAT Bangladesh maintains thorough independence of the Statutory Auditor. Prior to submission of the financial statements to the Board for approval, the Audit Committee meet with the Statutory Auditor to ensure the independence of the Statutory Auditor.

Further, to ensure adequate regulatory discharge, a Compliance Certificate is obtained from licensed practicing professional who certify on the basis of his audit that the Company has duly complied with all the regulatory requirements as stipulated in the CG code of Bangladesh Securities and Exchange Commission (BSEC). Such report is submitted to the Shareholders and forms part of the Annual Report of the Company.
The management is responsible for designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error. Accounting estimates are made which are rational as per circumstances with use of correct accounting policies and interpretations. The reports are then reviewed accordingly by respective authorities on a regular basis.

The external auditor attends the Audit Committee meetings to review the quarterly financial statements, as prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) and Company policies. The Board reviews the financial statements of the Company at the end of every quarter. The quarterly financial statements, along with the notes, are published in the two leading daily newspapers, as well as on the Company’s website. Furthermore, half-yearly and annual financial statements are also sent to all shareholders in a timely manner.

Directors prepare the Directors’ Report, which is an essential part of the Annual Report as it discloses the financial performance as well as non-financial information regarding Company growth, productivity, responsibilities and other information, in compliance with BSEC notification. The Company also abides by the applicable regulations in respect to price sensitive information (PSI).

Communication with Shareholders and Stakeholders

Prior to the AGM, respective shareholders are given 2-weeks’ notice so that full attendance from the shareholders can be made. Quarterly and half yearly accounts information are also published in the two leading newspapers. The Company tries to maintain liaison with shareholders as much as possible and ensures that all shareholders are informed about the Company’s activities on a routine basis. In order to ensure information dissemination among all shareholders and stakeholders, BAT Bangladesh also engages with shareholders and stakeholders in a routine basis. In order to ensure information dissemination among all shareholders and stakeholders, BAT Bangladesh also engages with shareholders and stakeholders as much as possible and ensures that all shareholders are informed about the Company’s activities on a routine basis. In this regard, various initiatives are undertaken to maintain liaison with shareholders and stakeholders. The Directors prepare the Directors’ Report, which is an essential part of the Annual Report as it discloses the financial performance as well as non-financial information regarding Company growth, productivity, responsibilities and other information, in compliance with BSEC notification. The Company also abides by the applicable regulations in respect to price sensitive information (PSI).

Communication with Shareholders

Regular communication with shareholders is made through:

- **Annual Report**
- **Annual General Meeting**
- **Quarterly Updates on Financial Performance**

The communication is made by the Company to meet the best interests of the shareholders. Exhibition of best practices is further made by providing comprehensive information on the Company’s website, ensuring investor trust and confidence in the Company. The Company’s website act as the right channel in case of retrieval of any publication. At the AGM, shareholders are offered the chance to ask the Board regarding the operations and prospects of the Company.

**Ensuring Participation of Shareholders at the AGM**

Ensuring full participation of shareholders in the AGM is one of the main objectives of BAT Bangladesh and, towards this end, it delivers the Annual Report at least 2-weeks prior to the AGM date. Regarding the AGM date, time and venue, this information is communicated well in advance to shareholders. Print and digital media are channels through which notices to shareholders are published. Compliance with regulatory bodies being compulsory, BAT Bangladesh affirms publishing of AGM notice in two widely circulated newspapers, with copies also sent to the stock exchanges and BSEC.

**Well-defined Shareholders’ Rights**

For managing successful and productive relationships with shareholders, it is imperative to reinforce the importance of maintaining transparency and accountability. Through the Company Secretary, the Board ensures that the shareholders of the Company are treated justly and the rights of the shareholders are firmly protected.

The Company Secretary becomes the bridge of communication between the shareholders and the Board of Directors of the Company, delivering standard services to its valued shareholders, conforming as per applicable laws and the Articles of Association of the Company the well-defined rights of the shareholders. The shareholders are informed on all material communication in a routine manner on all major developments and changes in business, catering the continuous requirement of disclosures so that shareholders can make informed decisions.

**Board Commitments**

British American Tobacco Bangladesh has been the highest tax payer in the private sector and is also enlisted on both the Dhaka and Chittagong stock exchanges. In 2018 alone, the Company disbursed the sum of BDT 19,133 crore as tax to the national exchequer. BAT Bangladesh has always cherished and shall continue to value its treasured relationship with the Government of Bangladesh, esteemed shareholders and other stakeholders of the Company by practicing the highest standards of ethics and corporate governance.

**Summary**

As per the Company’s view, effective governance is a continuous process that must constantly be run through across all functions and employees to attain corporate goals. Being in compliance, the Company upholds the spirit of transparency and accountability to the society as a whole through the establishment of an effective governance regime. Hence, the Company has developed good governance procedures across all functions as it is a key ingredient in managing the business professionally, effectively and responsibly, which makes it transparent, ethical law abiding and ensures accountability. Sufficient overall surveillance puts checks and balances to a good governance journey.

Overall, at BAT Bangladesh, we uphold our commitment to good corporate governance and pledge to continue to work in meeting the best interests of our shareholders and all other stakeholder groups.
STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Awareness
Board of Directors declares its awareness and responsibility on the importance of safeguarding shareholders' investment and the Company's assets recognizing the importance of risk management and internal control which also includes the establishment of an appropriate control environment and framework, as well as reviewing its adequacy, integrity and competence.

The Board regulates the nature and extent of the strategic risks which the Company may take to attain its objectives while minimizing the impact of the risks rather than control those risks. It must be noted that all control measures and monitoring of internal appropriate control drives to mitigate and control matters across the Company.

Operational Board Audit Committee

The Company has in place an ongoing process (outlined below) for identifying, evaluating, monitoring and managing significant risks faced by the Company. This process includes reviewing and updating the system of internal controls considering the changes in the regulatory, business and external environment. This process is reviewed by the Board through the Audit Committee. The Audit Committee’s responsibilities and duties are stated in the Audit Committee Report section of this Annual Report. The Company's Standards of Business Conduct underpin our commitment to good corporate behaviour and is an integral part of the Company's management systems and standards and that we conduct business in compliance with our Codes of Conduct. The functional and divisional management structures enable effective and timely identification of actual and emerging risks in those areas to the achievement of Company's business objectives. This process is led by our Management Committee enabling a continuous process of risk management

Risk Management Framework: Three Lines of Defense

1ST LINE
Markets/Factory
- Own risk/Accountable for identification and management of risks
- Perform front line controls in line with policies and procedures
- Reflect risks in business plans

2ND LINE
Risk Management Committee and others
- Set framework of policies, procedures, and controls compliant with legislations
- Provide guidance, advice, support, training, and share best practices
- Monitoring of control effectiveness and related performance

3RD LINE
Internal audit
- Audit effectiveness of risk management and control framework
- Provide independent assurance to Audit Committee and Board
- Constructively challenge and issue recommendations

Enterprise Risk Management Framework
Risk Management is critical for the sustainability of the Company and enhancement of shareholders' value. Hence it is strongly enforced and incorporated in the Company's management system.

The Risk Management Framework is aligned with BATS operating model and is a combined approach upon the three lines of defense. The structure encourages the communication and escalation of risks and control related matters across the Company.

BATS Board is responsible for strategy of the Company and thus also related for the risk appetite. The Risk Management Committee is accountable for operational directions of the business, taking responsibility of the risks and related internal control interventions. Core risk areas are as follows:
- Financial Risk
- Regulatory Risk
- Transformation Risk
- Operational Risk
- Policy Change Risk

These are the core risks areas for the business. The IT function ensures successful and effective alignment of functional business plans as per company's strategy, with respective business unit and functional management being responsible for the delivery of operational performance and the management of the inherent risks. It is these management teams who are responsible for the achievement of Company's strategic objectives within the scope of Company's policies and standards and that we conduct business in compliance with our Codes of Conduct. The functional and divisional management structures is led by our Management Committee enabling a continuous process of risk identification, evaluation, management and mitigation of significant risks in those areas to the achievement of Company's business objectives. This enables effective and timely identification of actual and emerging risks and responses to mitigate impacts or realise opportunities.

Risk Management Process
Company's Enterprise Risk Management Objectives
- Preserve the safety, security and health of its employees.
- Ensure the continuity of its supply of products to consumers and customers.
- Protect its assets, investments and reputation.
- Ensure that the Company's operations do not impact negatively on the community in which it operates and the environment.
- Protect the interests of all other stakeholders.

- Promote an effective risk awareness culture where risk management is an integral aspect of the Company's management systems.
- Ensure compliance with BSEC Codes of Corporate Governance and all applicable laws.

Risk Management Team and Responsibilities
Management operates a Risk Management Team comprised of senior managers from all functions of the Company and led by the Finance Director. It meets formally at least twice a year to:
- Review and update the risk register;
- Asses status of risk mitigation action plans.

The Audit Committee is briefed annually by the Enterprise Risk Manager on the Company's Risk Management Programme and its activities in the Audit Committee meetings.

The following are some of the responsibilities of the Risk Management Team:
- Oversee the Company's enterprise risk management programme.
- Promote a proactive risk awareness culture in the Company.
- Conduct bi-annual review of the business risks.
- Coordinate the development and implementation of risk mitigation action plans.
- Develop and update business continuity plans (BCPs) for key business risks.
- Plan and coordinate the testing of BCPs.

Organise training and education for employees on risk management.

Four Phase Risk Management Process

1. Identify
- Functional registers are maintained by RMC members

2. Assess & Evaluate
- Periodic reviews of Functional risk registers by function
- Manage
- Risks with ratings over 3 are included in Corporate Risk Register
- Monitor
- Review in Risk Management Committee settings

(1) Risk Identification
- All probable events that could adversely impact the achievement of business objectives, including failure to capitalise on opportunities are identified.

(2) Assess and Evaluate
- All risks identified are assessed and each is classified according to the likelihood of occurrence and the potential impact of the event.

- Business risks are identified in terms of the impact the risks may have on business strategies, objectives and their probability of occurring.
Business Continuity and Crisis Management

Business continuity is the creation of a strategy through the recognition of threats and risks facing a company, with an eye to ensure that personnel and assets are protected and able to function in the event of threats and risks facing a company, as well as to ensure that appropriate local employees will assume local control and deal with the incident directly until further directed by the CMT.

The senior manager at the site of the incident collects available pertinent information and assists the CMT Coordinator. This manager assisted by appropriate local employees will assume local control and deal with the incident directly until further directed by the CMT.

Risk Profile

Outcome of risk assessment during business planning process have not had much changes relative to previous year. Risks and their relative possibility of occurring and impact remains consistent.

The Company views the key risk as that of being in the tobacco sector and having the ability to significantly impact the Company's results. In addition to the above, the Company is subject to the ever-present risk of competitor actions. Steps to anticipate, mitigate and neutralize such risks are core to our business.

Risk Management Activities in 2018

Review of the Company's Risks

For the purpose of identifying the Company's risks while monitoring its progress of key activities, the Risk Management Team meets twice annually and along with senior managers they update the risk register and mitigation action plans.

The conclusion of the review involves the identification, evaluation, and a mitigation plan for the new risks. Test of the status of the Business Continuity plans along with updates on identification, evaluation, and a mitigation plan for the new risks are considered in the meeting.

Promotion of Risk Awareness

Communication regarding risk is an integral part of the risk management activity. Dissemination of risk information to relevant levels of employees and stakeholders is imperative for mitigation of risk. Suitable resources are allocated to ensure that the formation of employees to provide feedback on risk management issues and provide suggestions for improvement.

The Risk Management Team is responsible for the risk awareness induction programme for new recruits. The induction programme is aimed at educating management staff on the Company’s approach to risk management and internal controls and provides a forum to enhance the participant knowledge on controls and exercising that knowledge on managing the Company’s risk.

Crisis Management Activation

The Company activated crisis management team to manage the situation thus enabling the business to continue operation. As a result, business was saved, and financial impacts were negligible. The most challenging aspect of the situation was recovering, since the crisis control was successfully completed in a carefully sequenced and choreographed manner.

Business Continuity Plan Simulation and Testing

During the year, a desktop/ simulation/ operational activation was conducted by the Business Continuity Plan (BCP) owners, with the support of Incident Response Team members, across 19 BCPS. The review and testing indicated that the existing plans were still relevant to the current business environment.

System of Internal Control

Self-Assessment of Controls (SAC) Process is one of the core processes of the Company’s system of internal control. The vital control checklist of this SAC process is the Control Navigator. The Control Navigator sets out various key controls and process requirements across all functions in the Company. In order to measure the effectiveness of the process, the responsible managers assess the controls and processes on an annual basis. Corrective actions and timelines are identified and agreed upon regarding the identified control gap weaknesses. SAC findings and its trend analysis is reported to the Audit Committee annually. A new SAP enabled tool was deployed, which provided a standardized central solution that automates and monitors key risks and controls at the business level. The new tool allows the business to use a combination of automated work flows, certification, manual controls and interactive reports to monitor and control compliance activities across the Company. This has resulted in an improved visibility of assessment throughout the business, improved transparency of issues management and remediation, together with streamlining of reporting.

Financial Reporting Controls

The Company has a series of policies, practices and controls in place in relation to the financial reporting and consolidation process, which are designed to address material financial reporting risks, including risks arising from changes in the business or accounting standards. The Finance Director is responsible for the administration and implementation of this process. The Annual Report 2018 was successfully completed in a Board-based and controls-based manner.

Our approach involves immediate formation of a Crisis Management Team (CMT), assisted by an Incident Response Team (IRT). The roles & responsibilities of these teams are outlined below:

CMT

CMT identifies and deals with potential risks to employees and business operations when crisis occurs. CMT takes into account all available information and thus makes informed strategic decisions with purpose of curtailing any long-term detrimental effects to the operations, finance, employees and reputation of the Organisation.

IRT

The senior manager at the site of the incident collects available pertinent information and assists the CMT Coordinator. This manager assisted by appropriate local employees will assume local control and deal with the incident directly until further directed by the CMT.

Risk Management

The Risk Management Team conducts an ongoing risk monitoring to assess if any conditions associated with risk has changed and to further ensure that action and risk mitigation plans have been implemented. Status of action/mitigation plans are communicated to the Audit Committee bi-annually.

Risk Identification

The Risk Management Team is responsible for the risk awareness on risk management issues and provide suggestions for improvement. Communication regarding risk is an integral part of the risk management activity.

Risk Review

Review of the Company’s Risks

For the purpose of identifying the Company’s risks while monitoring its progress of key activities, the Risk Management Team meets twice annually and along with senior managers they update the risk register and mitigation action plans. The conclusion of the review involves the identification, evaluation, and a mitigation plan for the new risks. Test of the status of the Business Continuity plans along with updates on identification, evaluation, and a mitigation plan for the new risks are considered in the meeting.

Promotion of Risk Awareness

Communication regarding risk is an integral part of the risk management activity. Dissemination of risk information to relevant levels of employees and stakeholders is imperative for mitigation of risk. Suitable resources are allocated to ensure that the formation of employees to provide feedback on risk management issues and provide suggestions for improvement.

The Risk Management Team is responsible for the risk awareness induction programme for new recruits. The induction programme is aimed at educating management staff on the Company’s approach to risk management and internal controls and provides a forum to enhance the participant knowledge on controls and exercising that knowledge on managing the Company’s risk.

Crisis Management Activation

The Company activated crisis management team to manage the situation thus enabling the business to continue operation. As a result, business was saved, and financial impacts were negligible. The most challenging aspect of the situation was recovering, since the crisis control was successfully completed in a carefully sequenced and choreographed manner.

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In addition, it is standard practice for the Finance Director to fully review account reconciliations on a bi-annual basis. The effectiveness of the Company’s financial reporting controls is assessed through self-certification as part of the Control Report exercise described earlier. The integrity of the Company’s public financial reporting is further supported by a number of processes and steps to provide assurance over the completeness and accuracy of the content including review and recommendation by the Audit Committee and review and approval by the Board.

Internal Audit

Internal Audit for the Company is made compatible with local laws as well as the Global Audit functions of British American Tobacco plc. A high level of independence and admissibility of more skilled and specialized resources especially Information Technology (IT) that would otherwise be available within the Company. The annual audit planning cycle takes direct input from the risk register described above and the Audit Committee. In turn, the Audit Committee formally approves the scope of work for the year. Furthermore, with approval of the Audit Committee, the Head of Internal Audit & Compliance can request assistance from Global Audit if required for any matter it considers appropriate. Internal Audit and compliance function undertakes the risk-based audit reviews towards the annual audit planning cycle in designing, implementing and monitoring any matters it considers appropriate. Internal Audit and compliance function undertakes the risk-based audit reviews towards the annual audit planning cycle in designing, implementing and monitoring any matters it considers appropriate. Internal Audit and compliance function undertakes the risk-based audit reviews towards the annual audit planning cycle in designing, implementing and monitoring any matters it considers appropriate. Internal Audit and compliance function undertakes the risk-based audit reviews towards the annual audit planning cycle in designing, implementing and monitoring any matters it considers appropriate.

Compliance can request assistance from Global Audit if required for any matter it considers appropriate. The main objective of providing transparency over the control environment and to provide early visibility of issues to the relevant management. Early awareness and visibility enables the right discussions to happen at the right time and support a control-conscious culture within the Company. Regular and comprehensive information provided by Management to the Board and to Management, including organization structures and appropriate authority levels.

Written Declaration

Every year, management provides a written declaration from the Finance Director and Managing Director of the Company. The Board confirms that the risk management process in identifying, evaluating and managing significant risks faced by the Company has been in place throughout 2018 and up to the date of approval of this statement. The Board is also of the view that the Company’s system of internal control is sufficient and is able to detect any material losses, contingencies or uncertainties that would require disclosure in the Company’s Annual Report.

Board Assessment

After all said, it may further be added at end that political instability and violence including social unrest, terrorist attacks etc. may also prevent the Company from operating its business smoothly and effectively. However, the Board is of the view that the Company’s overall risk management and internal control system is operating adequately and effectively and have received the same assurance from both the Managing Director and Finance Director of the Company. The Board confirms that the risk management process in identifying, evaluating and managing significant risks faced by the Company has been in place throughout 2018 and up to the date of approval of this statement. The Board is also of the view that the Company’s system of internal control is sufficient and is able to detect any material losses, contingencies or uncertainties that would require disclosure in the Company’s Annual Report.

The Audit Committee of BATB, a prime Board sub-committee, assists the Board in discharging its governance responsibilities. The Board has formed the Audit Committee, required under codes of Corporate Governance of BSEC with some specific assignments under its Terms of Reference. In 2018, the Committee was comprised of Mr. Mohammad Motiuddin Abdullah (Independent Director & Chairman of Audit Committee), Mr. K. H. Masud Siddiqui, Mr. Golam Mainuddin and Mr. Kazi Sanaul Hoq, Mr. Md. Azizur Rahman, Company Secretary, acts as the Secretary to the Audit Committee. All members of the Committee are non-Executive Directors and the Chairman of the Audit Committee is an Independent Director. As required, all members of the Audit Committee are ‘financially literate’ and are able to analyse and interpret financial statements to effectively discharge their duties and responsibilities as members of the Audit Committee.

Purpose of the Audit Committee
The Audit Committee performs in coherence and consistency and ensures compliance with the Corporate Governance Code promulgated by the Bangladesh Securities and Exchange Commission (BSEC). The role of the Audit Committee is to monitor the integrity of the financial statements of the Company and review and, when appropriate, make recommendations to the Board on business risks, internal controls, compliance and audit. The Committee satisfies itself by means of suitable steps and appropriate information, that proper and satisfactory internal control systems are in place to identify and contain business risks and that the Company’s business is conducted in a proper and financially sound manner. The Audit Committee is accountable to the Board of Directors. The duties of the Audit Committee are clearly set forth in writing.

Responsibilities and Duties
The responsibilities and duties of the Audit Committee are:

- To review any related party transactions and conflict of interest situations that may arise within the Company, including any transaction, procedure or course of conduct that may raise questions of management integrity.
- To prepare the annual Audit Committee Report and submit it to the Board which includes: the composition of the Audit Committee, its terms of reference, number of meetings held and attendance thereat, a summary of its activities and the performance of internal audit services and summary of its activities for inclusion in the Annual Report, and to review the Board’s statements on compliance with the BSEC Codes of Corporate Governance for inclusion in the Annual Report.
- To consider and ensure the risk management framework adopted within the Company and to be satisfied that the methodology deployed allows the identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner that will allow the Company to minimize losses and maximize opportunities;
- To ensure that the system of internal control is thoroughly conceived and in place, effectively administered and regularly monitored;
- To review the extent of compliance with established internal policies, standards, plans and procedures, including, for example, the Company’s Standards of Business Conduct;
- To ensure that proper plans for control have been developed prior to the commencement of major areas of change within the Company, and
- To recommend to the Board about steps needed to improve the system of internal control derived from the findings of the internal and external auditors, and from the consultations of the Audit Committee.

Internal Audit
- To be satisfied that the plan, methodology and resource for internal auditing are communicated down through the Company. Specifically:
- Compliance with applicable financial reporting standards and other legal and regulatory requirements;
- The going concern assumption.
The Audit Committee reports on its activities to the Board of Directors on the following findings, if any:

- Report on conflicts of interests;
- Suspected or presumed fraud or irregularity or material defect identified in the external audit and compliance process or in the financial statements;
- Suspected infringement of laws, including securities-related laws, rules and regulations;
- Any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately.

The Audit Committee further ensures that, in compliance with condition 5 of the Corporate Governance Code of Bangladesh Securities and Exchange Commission Notification No. SEC/MKR/CUR006-1582/207/ Admin@ dated 3 June 2018, the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the Company have certified before the Board that they have thoroughly reviewed the Financial Statements of the Company for the year ended 31 December 2018, and they state that:

1. They have reviewed the financial statements for the year ended on 31 December 2018 and that to the best of their knowledge and belief:
   - (a) these statements do not contain any materially untrue statement or omit any material fact or certain statements that might be misleading;
   - (b) these statements collectively present a true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws;
   - (c) there are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the code of conduct of the Company's Board of Directors or its members;
   - Such joint certificate of the CEO and CFO is thoroughly reviewed by the Audit Committee before submission to the Board.

The Audit Committee immediately reports to the Board of Directors on the following findings, if any:

- Any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately.

External Audit

- To review the external auditor’s audit plan, nature and scope of the audit plan, audit report, evaluation of internal controls and coordination of the external auditor. The Audit Committee will consider a consolidated opinion on the quality of external auditing at one of its meetings;
- To review with the external auditor, the Statement on Risk Management and Internal Control of the Company for inclusion in the Annual Report;
- To review and evaluate factors related to the independence of the external auditor and assist them in preserving their independence;
- To be advised of and decide to or not to make significant use of all activities, records, property and personnel necessary to perform its activities; and
- To request and review any special audit which it deems necessary.

Other Matters

- To act on any other matters as may be directed by the Board.
Authority

The Audit Committee is authorised by the Board to review any activity within the business as per its terms of reference. It is authorised to seek any information or advice it requires from any Director or members of management at any of its meetings. All employees are expected to cooperate with any request made by the Committee. The Committee is also authorised to have information and advice from the Company’s legal advisor, tax consultant and statutory auditor, if required. The terms of reference of the Audit Committee may be amended from time to time as required by the Board, in line with BSEC notifications, subject to approval by the Board.

Meeting Attendance

The Audit Committee met four times during the year 2018. All the members were present in all meetings of the Committee. The details of attendance of each member at the Audit Committee meetings during 2018 are as follows:

<table>
<thead>
<tr>
<th>Composition of Audit Committee</th>
<th>Held</th>
<th>Attended</th>
<th>Attendance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Mohammad Moinuddin Abdullah</td>
<td>4</td>
<td>4</td>
<td>100%</td>
</tr>
<tr>
<td>Mr. Md. Azizur Rahman FCS</td>
<td>4</td>
<td>4</td>
<td>100%</td>
</tr>
<tr>
<td>Mr. Md. Azizur Rahman FCS</td>
<td>4</td>
<td>4</td>
<td>100%</td>
</tr>
</tbody>
</table>

Summary of Activities during the Year

In 2018, the Audit Committee reviewed its terms of reference, in line with the requirements of BSEC Corporate Governance Code. The Committee performed its duties in accordance with the Terms of Reference of the Audit Committee and carried out the following activities in 2018:

Financial Reporting

- Reviewed the quarterly and annual financial statements of the Company with the Finance Director and Managing Director, focusing particularly on any new or changed policies, accounting practices, and business processes.
- Reviewed status reports from internal audit to ensure that appropriate actions have been taken to improve internal control processes.
- Reviewed internal audit plans as to their consistency with the risk management framework.
- Reviewed the external auditor’s audit plan, including its nature and scope, audit report, evaluation of internal controls and coordination between the internal and external auditors.
- Reviewed the external auditor’s findings, arising from audits, particularly concerning and responses in management letters, as well as the assistance given by the employees of the Company in order to be satisfied that appropriate action is being taken.
- Reviewed the effectiveness of the Committee, as per its terms of reference as well as corporate governance code of BSEC.

External Audit

- Reviewed with the external auditor the Company’s quarterly and annual financial statements along with the Finance Director and Management, focusing particularly on any new or changed policies, accounting practices, and business processes.
- Reviewed reports of related party transactions and possible conflicts of interest transactions.
- Reviewed status reports from internal audit to ensure that appropriate actions have been taken to improve internal control processes.
- Reviewed reports of related party transactions and possible conflicts of interest transactions.
- Reviewed with the external auditor any actions required to be taken to improve the overall performance of the external auditor for the year 2018.
- Reviewed the estimated incurred related party transactions mandate for the ensuing year, and recommended to the Board to seek shareholders’ approval at the next Annual General Meeting of the Company.
- Reviewed the estimated incurred related party transactions mandate for the ensuing year, and recommended to the Board to seek shareholders’ approval at the next Annual General Meeting of the Company.
- Reviewed the effectiveness of the Company’s committee in control and efficiency of inter-efficient and effective risk management framework.
- Reviewed the effectiveness of the external auditor for the year 2018.
- Reviewed the effectiveness of the Committee, as per its terms of reference as well as corporate governance code of BSEC.

Ethical and Integrity Areas

- Deliberated on the whistleblowing and SOP breach incidents.
- Reviewed reports of related party transactions and possible conflicts of interest transactions.
- Reviewed with the external auditor the Company’s quarterly and annual financial statements along with the Finance Director and Management, focusing particularly on any new or changed policies, accounting practices, and business processes.
- Reviewed reports of related party transactions and possible conflicts of interest transactions.
- Reviewed with the external auditor any actions required to be taken to improve the overall performance of the external auditor for the year 2018.
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- Reviewed the effectiveness of the Company’s committee in control and efficiency of inter-efficient and effective risk management framework.
- Reviewed the effectiveness of the external auditor for the year 2018.
- Reviewed the effectiveness of the Committee, as per its terms of reference as well as corporate governance code of BSEC.

Internal Control

- Reviewed the Company’s Risk Management Process Outcome, including deep dive into the key functional risks for the Company and Risk Management mitigation plans.
- Reviewed and recommended to the Board steps to improve the Company’s changes to accounting policies and practices, addressing the audits.
- Reviewed updates on breaches of the Standards of Business Conduct and company’s changes to accounting policies and practices, addressing the audits.
- Reviewed the current and potential areas of risk for the Company.
- Reviewed reports of related party transactions and possible conflicts of interest transactions.
- Reviewed with the external auditor any actions required to be taken to improve the overall performance of the external auditor for the year 2018.
- Reviewed the estimated incurred related party transactions mandate for the ensuing year, and recommended to the Board to seek shareholders’ approval at the next Annual General Meeting of the Company.
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- Reviewed the effectiveness of the Committee, as per its terms of reference as well as corporate governance code of BSEC.
Corporate social responsibility (CSR) is central to the responsibility policy of British American Tobacco Bangladesh. The Company’s CSR emphasis is embedded into the culture of the Company, not only enabling the enhancement of business sustainability, but also ensuring commitment to long term stakeholder value creation. BAT Bangladesh’s CSR initiatives comprise activities that are of high-impact, while fulfilling the fundamental needs of the society at large.

**Purpose of CSR Committee**

The purpose of the Board CSR Committee is to ensure better management of the Company’s CSR initiatives in a way that secures business sustainability, as well as creates and sustains a positive impact on the reputation of the Company.

**Authority**

The CSR Committee is authorized by the Board of Directors to evaluate activities within the business with respect to CSR. The terms of reference of the Committee is subject to amendment from time to time, as per requirements, subject to prior approval by the Company’s Board of Directors.

**Committee and its Meetings**

The Committee usually meets three times in a year, ensuring the presence of all members in the meeting. Mr. Mikail Shipar, as Chairman of the Board CSR Committee, guided the Company in its CSR initiatives, ensuring standards and compliance, while adding value to the CSR endeavours of BAT Bangladesh. The Committee is currently comprised of the following members:

<table>
<thead>
<tr>
<th>Name of the Member</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Mikail Shipar</td>
<td>Chairman</td>
</tr>
<tr>
<td>Mr. Mohammad Moinsuddin Abdullah</td>
<td>Member</td>
</tr>
<tr>
<td>Mr. Md. Abdul Halim</td>
<td>Member</td>
</tr>
<tr>
<td>Ms. Tahmina Begum</td>
<td>Member</td>
</tr>
<tr>
<td>Mr. Shehzaad Munim</td>
<td>Member</td>
</tr>
<tr>
<td>Ms. Mubina Asaf</td>
<td>Member</td>
</tr>
</tbody>
</table>

The Head of Legal and External Affairs and the Corporate Affairs Manager is subjected to amendment from time to time, as per requirements, subject to prior approval by the Company’s Board of Directors.

**CSR Committee Composition**

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**CSR Programme**

**Afforestation Programme**

British American Tobacco Bangladesh initiated an afforestation programme in 1980 when the forest department of the Government of Bangladesh called on the private sector to support its endeavour to conserve forests. Every year, BATB distributes 4 million free saplings and so far, the organisation has distributed 99.7 million free saplings across the country, including 2004 saplings for the largest Rohingya camp based in Cox’s Bazar. This relentless effort makes the programme the largest private-sector-driven afforestation drive in the country. Going forward, BATB is committed to continue its engagement with this programme, in line with the global and national drive to combat the adverse effects of climate change, as well as to adhere to the Bangladesh Government’s aspiration to achieve the Sustainable Development Goals (SDGs) set by the United Nations.

**Water Filtration Project**

Recognising the necessity of water and sanitation, specifically in the context of the SDGs, BAT Bangladesh has stepped forward with a safe drinking water project for vast swathes of communities. So far, BAT Bangladesh has established 78 water filtration plants in arsenic-prone locations, including 5 plants in 2018. These plants provide more than 400,000 litres of safe drinking water that are free from arsenic and other impurities to ensure pure potable drinking water for more than 200,000 people every day. As a result of extensive engagement in this CSR programme, in 2018, BAT Bangladesh was awarded the eminent Bangladesh Innovation Award, organised by Brand Forum in the SDGs inclusion category.

**Solar Home System Project**

The solar home system project was initiated in 2011 by BAT Bangladesh with an aim to bring electricity to the lives of people living in the off-grid areas of Bandarban, Khagrachari and Rangamati districts. Today, almost...
13,000 people are getting electricity for the first time due to 2,330 units of solar home systems installed by BAT Bangladesh. As many as 200 units of solar home systems were installed in 2018. This initiative complements the Government’s efforts in the renewable energy sector in achieving the United Nation’s SDGs. BAT Bangladesh won the ‘Asia Responsible Entrepreneurship Award’ in Green Leadership category in 2018. CMD Asia and World CSR Day also awarded the Company’s solar home system initiative of the Company in the ‘Community Development’ category.

In order to expand the scope of CSR, the Company started a process to establish a CSR Foundation in 2018. This foundation works to explore the following opportunities in order to enable further expansion of CSR activities of the Company to facilitate building a better Bangladesh:

- Skill development initiative for youth, including specialisation in digital platforms
- Support towards women capacity-building and empowerment
- Assistance and rehabilitation support for underprivileged Autism-affected people
- Opportunities under income-generation for the underprivileged and physically-challenged
- Engaging with local and national level stakeholders, highlighting the fact that BAT Bangladesh supports many other national and local agendas like agricultural advancement, people development and economic infrastructure progress, which positively impacts nation-building

As a responsible business organisation, British American Tobacco Bangladesh believes that businesses have a key role to play in helping the society to achieve the necessary sustainable balance of economic growth, environmental protection and social progress. In this context, the Company’s CSR activities are designed to contribute to the economic, social and environmental sustainability of the communities in which we operate. To ensure further contribution to SDGs, the Company is looking beyond its current CSR initiatives to further contribute to the society, and is also exploring opportunities under youth skill development, women empowerment and assistance and rehabilitation support to Autism-affected people, in alignment with the policy of the Government and considering the requirements and aspirations of the relevant stakeholders.

Sd/-
Md. Azizur Rahman FCS
Secretary, CSR Committee

Sd/-
Mikail Shipar
Chairman, CSR Committee
The Board of Directors of BAT Bangladesh has duly constituted a Nomination and Remuneration Committee (NRC), as per the requirements of the BSEC Code of Corporate Governance. The NRC assists the Board in formulating the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of Directors and other top-level executives. The NRC also assists the Board to formulate policy for formal and continued process of considering remuneration/honorarium of Directors and other top-level executives. The NRC has a guiding role to the management to identify the Company’s needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria.

The Report of Nomination and Remuneration Committee is prepared according to the requirements of the Corporate Governance Code issued by the Bangladesh Securities and Exchange Commission (BSEC). This Report covers nomination and remuneration policies, evaluation criteria and activities of NRC.

1. Overview of the Nomination and Remuneration Policies

The Company follows nomination and remuneration policies, the benchmark of which relies on standards and recognisable in the market context and sufficient to meet the current and future needs of the Company. The broad criteria in that respect for Directors and top-level executives and all other employees of the Company are as follows:

a) Nomination Criteria
   i. Following the Company policies as well as guidelines and applicable country regulations.
   ii. Following a selection process that is transparent in all respects.
   iii. Following a process which is compatible to international standards and local best practices.
   iv. Recognise core competencies of the respective personnel for the different level of management and employees of the Company.
   v. Follow diversity in age, maturity, qualification, expertise and gender disciplines.

b) Recruitment and Selection Guidelines

The NRC draws a broad outline of the Company needs for employees at different levels, as ascertained by the management. The recruitment and selection of Directors, top-level executives and other employees of the Company are made according to the following guidelines:

   i. Executive Director: The NRC recommends the candidate(s) for Executive Director(s), based on nomination by the majority shareholders. The Board of Directors appoint the Executive Directors upon nomination and recommendation of the NRC.
   ii. Non-Executive Director: The NRC recommends candidate(s) for Non-Executive Director(s), based on nomination by the majority shareholders, the Government shareholders and other general shareholders. The Board of Directors appoints the Non-Executive Directors upon nomination and recommendation of the NRC.
   iii. Independent Director: The Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial laws, regulatory requirements and corporate laws that can make meaningful contribution to the business. The Independent Director should have competence relevant to the sector in which the Company operates, and necessarily should have the qualifications as required by the regulations of BSEC. The Board of Directors appoint Independent Directors upon nomination and recommendation of the NRC, which is then approved by the shareholders at the Annual General Meeting of the Company.
   iv. Top-level executives: The NRC identifies and recommends candidate(s) for top-level executives upon thorough scrutiny by the Managing Director, Executive Committee and Human Resources Department (HRD), considering relevant qualifications, experience, skills and leadership, as required for the respective positions based on the Company’s internal selection process.

   Explanation: "Top-level executives" of the Company include the Managing Director, the Finance Director, the Head of Human Resources, the Head of Legal & External Affairs, all the Executive Committee Members (head of functions), the Company Secretary, the Head of Internal Audit & Compliance, and same level rank/salaried officials of the Company.

   Other Employees: The NRC sets a guideline to identify the Company’s need for employees at different levels, and empower the relevant management of the Company’s HRD for selection, transfer, replacement and promotion of respective employees based on the Company’s internal processes.

   c) Remuneration Criteria

   i. The structure, scale and composition of remuneration/honorarium is reasonable and sufficient to attract, retain and motivate suitable Directors, top-level executives and other employees to run the Company efficiently and successfully.
The context of packages, including remuneration/ benefits monthly, and in the long run for all the employees are categorically laid down and meets the appropriate performance benchmarks; iv. There is a clear balance in benefits between fixed and incentive pay yearly and in the long run for all the employees are categorically laid down and meets the appropriate performance benchmarks.

1. Activities of the NRC during the year

a) Formation of NRC Committee and its Meetings

The Board formed the Nomination and Remuneration Committee (NRC) on 17th October 2018, as per the requirements of BSEC Corporate Governance Code with the following composition:

- Mr. K.H. Masud Siddiqui, Chairman
- Mr. Golam Moinuddin, Independent Director
- Mr. Kazi Sanaul Hoq, Non-Executive Director

In 2018, the Committee met once. The Managing Director, Finance Director and Head of HR attended the meeting by invitation of the Committee. Mr. K.H. Masud Siddiqui, guided the newly formed Committee in its nomination and remuneration initiatives, ensuring standards and compliance.

The activities of the NRC during the year were as follows:

i. Considered the terms of reference of NRC, as approved by the Board

ii. Formulated a policy relating to the remuneration of the Directors, top-level executives and all employees of the Company

iii. Formulated the criteria for determining qualifications, positive attributes and independence of a Director

iv. Formulated the criteria for evaluation of performance of Independent Directors and the Board Members

v. Identified criteria for selection, transfer or replacement and promotion at different levels of the Company

vi. Adopted a code of conduct for the Chairman, Directors and top-level executives of the Company.

c) Top-level Executives & other Employees

The respective line authority of top-level executives and other employees sets the performance measurement criteria based on the respective roles and responsibilities to achieve people and business objectives through Company appraisal processes at the beginning of each calendar year. The employees concerned prepare the performance measurement criteria based on the respective Company policies and guidelines, which shall be ratified by the Board as and when required.

The evaluation of performance of the Executive Director(s) according to the measurement criteria.

The respective line authority of top-level executives and other employees evaluates the performance of the Executive Director(s) according to the measurement criteria. The respective line authority then evaluates the performance of the employee(s) according to the measurement criteria.

The evaluation of performance of the Executive Director(s) is made in accordance with the Company’s policies and guidelines.

v. No member of the NRC receives, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director’s fees or honorarium from the Company.

The context of packages, including remuneration/ benefits monthly, and in the long run for all the employees are categorically laid down and meets the appropriate performance benchmarks.

The activities of the NRC during the year were as follows:

i. Considered the terms of reference of NRC, as approved by the Board

ii. Formulated a policy relating to the remuneration of the Directors, top-level executives and all employees of the Company

iii. Formulated the criteria for determining qualifications, positive attributes and independence of a Director

iv. Formulated the criteria for evaluation of performance of Independent Directors and the Board Members

v. Identified criteria for selection, transfer or replacement and promotion at different levels of the Company

vi. Adopted a code of conduct for the Chairman, Directors and top-level executives of the Company.

c) Top-level Executives & other Employees

The respective line authority of top-level executives and other employees sets the performance measurement criteria based on the respective roles and responsibilities to achieve people and business objectives through Company appraisal processes at the beginning of each calendar year. The employees concerned prepare the performance measurement criteria based on the respective Company policies and guidelines, which shall be ratified by the Board as and when required.

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The context of packages, including remuneration/ benefits monthly, and in the long run for all the employees are categorically laid down and meets the appropriate performance benchmarks.

The activities of the NRC during the year were as follows:

i. Considered the terms of reference of NRC, as approved by the Board

ii. Formulated a policy relating to the remuneration of the Directors, top-level executives and all employees of the Company

iii. Formulated the criteria for determining qualifications, positive attributes and independence of a Director

iv. Formulated the criteria for evaluation of performance of Independent Directors and the Board Members

v. Identified criteria for selection, transfer or replacement and promotion at different levels of the Company

vi. Adopted a code of conduct for the Chairman, Directors and top-level executives of the Company.
PATTERN OF SHAREHOLDING

Names of the shareholders along with their position of the shares are listed below:

<table>
<thead>
<tr>
<th>NAME OF SHAREHOLDER</th>
<th>SHARES HELD</th>
<th>% OF HOLDING</th>
</tr>
</thead>
<tbody>
<tr>
<td>i) Parent/ subsidiary/ associate/ related parties: Raleigh Investment Co. Ltd.</td>
<td>43,745,358</td>
<td>72.91%</td>
</tr>
<tr>
<td>ii) Directors/ CEO/ CFO/ Audit Head and their spouses and minor children</td>
<td>nil</td>
<td>nil</td>
</tr>
<tr>
<td>iii) Executives (HSI)</td>
<td>nil</td>
<td>nil</td>
</tr>
<tr>
<td>iv) Shareholders, who hold 10% or more:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>v) Other Shareholders, who hold less than 10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Corporation of Bangladesh</td>
<td>3,416,912</td>
<td>5.70%</td>
</tr>
<tr>
<td>Sadharan Bima Corporation</td>
<td>1,694,047</td>
<td>2.82%</td>
</tr>
<tr>
<td>Bangladesh Development Bank Limited</td>
<td>197,376</td>
<td>0.33%</td>
</tr>
<tr>
<td>President People’s Republic of Bangladesh</td>
<td>386,624</td>
<td>0.64%</td>
</tr>
<tr>
<td>Picket Lux A/C Kfcr</td>
<td>5,994,340</td>
<td>9.99%</td>
</tr>
<tr>
<td>Others</td>
<td>4,145,747</td>
<td>7.61%</td>
</tr>
</tbody>
</table>

BOARD MEETINGS

The Board of Directors met nine times during the year 2018. The Company Secretary and Chief Financial Officer (Finance Director) were present in the Board meetings. The attendance by each Director is mentioned below:

<table>
<thead>
<tr>
<th>Present Directors’ Name</th>
<th>No. of Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Gouma Karimuddin</td>
<td>9</td>
</tr>
<tr>
<td>Mr. Shahzad Munir</td>
<td>9</td>
</tr>
<tr>
<td>Mr. Mohsinun Munzad Aliuddin</td>
<td>9</td>
</tr>
<tr>
<td>Mr. K.H. Masud Siddique</td>
<td>9</td>
</tr>
<tr>
<td>Mr. Mukul Khatun</td>
<td>9</td>
</tr>
<tr>
<td>Mr. Md. Abdul Hakim</td>
<td>2 (Appointed on 6 September 2018)</td>
</tr>
<tr>
<td>Ms. Tahmina Begum</td>
<td>6 (Appointed on 15 March 2018)</td>
</tr>
<tr>
<td>Mr. Kazi Sanaul Hoq</td>
<td>8</td>
</tr>
<tr>
<td>Mr. Mustafiz Ahmed</td>
<td>2 (Resigned on 15 March 2018)</td>
</tr>
<tr>
<td>Mr. Muhammad Abdurrahman</td>
<td>7 (Resigned on 6 September 2018)</td>
</tr>
<tr>
<td>Mr. William Pegel</td>
<td>8</td>
</tr>
</tbody>
</table>

SHAREHOLDERS’ INFORMATION

Shareholding Position 31 Dec 2018 %

<table>
<thead>
<tr>
<th>Shareholding Position</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raleigh Investment Co. Ltd</td>
<td>72.91%</td>
</tr>
<tr>
<td>President People’s Rep of Bangladesh</td>
<td>5.70%</td>
</tr>
<tr>
<td>Investment Corporation of Bangladesh</td>
<td>9.99%</td>
</tr>
<tr>
<td>Corporate Investor</td>
<td>0.64%</td>
</tr>
<tr>
<td>Individual</td>
<td>0.33%</td>
</tr>
</tbody>
</table>

Cash Dividend History %

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Dividend</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>5.70%</td>
</tr>
<tr>
<td>2015</td>
<td>5.64%</td>
</tr>
<tr>
<td>2016</td>
<td>7.61%</td>
</tr>
<tr>
<td>2017</td>
<td>7.61%</td>
</tr>
<tr>
<td>2018</td>
<td>5.64%</td>
</tr>
</tbody>
</table>

Share Performance:

<table>
<thead>
<tr>
<th>Month</th>
<th>Dhaka Stock Exchange</th>
<th>Chittagong Stock Exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High (BDT)</td>
<td>Low (BDT)</td>
</tr>
<tr>
<td>January</td>
<td>3,765</td>
<td>3,380</td>
</tr>
<tr>
<td>February</td>
<td>3,760</td>
<td>3,580</td>
</tr>
<tr>
<td>March</td>
<td>3,622</td>
<td>3,608</td>
</tr>
<tr>
<td>April</td>
<td>3,500</td>
<td>3,573</td>
</tr>
<tr>
<td>May</td>
<td>3,400</td>
<td>3,380</td>
</tr>
<tr>
<td>June</td>
<td>3,399</td>
<td>3,380</td>
</tr>
<tr>
<td>July</td>
<td>3,458</td>
<td>3,395</td>
</tr>
<tr>
<td>August</td>
<td>3,500</td>
<td>3,380</td>
</tr>
<tr>
<td>September</td>
<td>3,452</td>
<td>3,395</td>
</tr>
<tr>
<td>October</td>
<td>3,370</td>
<td>3,311</td>
</tr>
<tr>
<td>December</td>
<td>3,542</td>
<td>3,221</td>
</tr>
</tbody>
</table>

Financial Calendar 2018

<table>
<thead>
<tr>
<th>Company Website</th>
<th>Shareholder Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anyone can get information regarding the Board of Directors, Top Management, key financial information of the Company including price sensitive disclosure. The website also has information about sustainable agricultural initiatives of the Company and Career opportunities for potential applicants.</td>
<td>Shareholder Services</td>
</tr>
<tr>
<td>If you have any queries relating to your shareholding, please contact at +8801713038440 or mail to share office of BAT Bangladesh at <a href="mailto:shareoffice@bat.com">shareoffice@bat.com</a></td>
<td></td>
</tr>
<tr>
<td>Condition No</td>
<td>Title</td>
</tr>
<tr>
<td>--------------</td>
<td>-------</td>
</tr>
<tr>
<td>1.2 (a)</td>
<td>Independent Director:</td>
</tr>
<tr>
<td>1.2 (b)</td>
<td>Independent Director who has not been convicted for a criminal offence</td>
</tr>
<tr>
<td>1.2 (c)</td>
<td>Independent Director shall be appointed by the Board of Directors</td>
</tr>
<tr>
<td>1.2 (d)</td>
<td>The tenure of office of an Independent Director shall for a period of 3 (three) years, which may be extended for 1 (one) term only</td>
</tr>
<tr>
<td>1.3 (a)</td>
<td>Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial laws, regulatory requirements and corporate laws and can make meaningful contribution to business</td>
</tr>
<tr>
<td>1.3 (b)</td>
<td>The Managing Director or Managing Director and Executive Director or Managing Director and Financial Director or Managing Director and Chief Executive Officer or Managing Director and Company Secretary or Managing Director and Chief Financial Officer or Managing Director and Internal Auditor, who is able to ensure compliance with financial laws, regulatory requirements and corporate laws and can make meaningful contribution to business</td>
</tr>
<tr>
<td>1.3 (c)</td>
<td>The Chairperson of the Board and Managing Director shall be different individuals</td>
</tr>
<tr>
<td>1.3 (d)</td>
<td>The Chairperson of the Board shall be elected from among the non-executive directors</td>
</tr>
<tr>
<td>1.4 (a)</td>
<td>The Managing Director (MD) and Chief Executive Officer (CEO) of a listed company shall not hold the same position in any other listed company</td>
</tr>
<tr>
<td>1.4 (b)</td>
<td>The Managing Director (MD) and/or Chief Executive Officer (CEO) of a listed company shall not hold the same position in another listed company</td>
</tr>
<tr>
<td>1.5 (a)</td>
<td>Independent Director should be a Business Leader who is or was a top executive officer or Managing Director or Deputy Managing Director or Chief Financial Officer or Head of Finance or Accounts or Company Secretary or Head of Internal Audit and Compliance or Head of Legal Service or a candidate with equivalent position of an unlisted company having minimum paid-up capital of Tk. 100.00 million or of a listed company</td>
</tr>
<tr>
<td>1.5 (b)</td>
<td>Independent Director should be a University teacher who has educational background in Economics or Commerce or Business or Law</td>
</tr>
<tr>
<td>1.5 (c)</td>
<td>Independent Director should be a Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh Supreme Court or a Chartered Accountant or Cost and Management Accountant or Chartered Financial Analyst or Chartered Certified Accountant or Certified Public Accountant or Chartered Management Accountant or Chartered Secretary or equivalent qualification</td>
</tr>
<tr>
<td>1.5 (d)</td>
<td>Independent Director should have at least 10 (ten) years of experience</td>
</tr>
<tr>
<td>1.6 (a)</td>
<td>The Independent Directors are bureaucrats with more than 12 years of experience</td>
</tr>
<tr>
<td>1.6 (b)</td>
<td>The Managing Director and/or Chief Executive Officer (CEO) of the company shall be filled by different individuals</td>
</tr>
<tr>
<td>1.6 (c)</td>
<td>The Independent Directors (IDs) Mr. Mikail Abdullah elected Independent Director for the second term.</td>
</tr>
<tr>
<td>1.6 (d)</td>
<td>The Independent Directors (IDs) Mr. Md. Iftakhar Ullah and Mr. K.H. Mansul Siddiqui are in their first term of office.</td>
</tr>
<tr>
<td>1.6 (e)</td>
<td>The qualification and background of IDs justify their abilities as such.</td>
</tr>
<tr>
<td>Condition No</td>
<td>Title</td>
</tr>
<tr>
<td>--------------</td>
<td>-------</td>
</tr>
<tr>
<td>1.5 (a)</td>
<td>In the absence of the Chairman of the Board, the remaining members of the Board, as well as any other members of the Board having been elected from non-executive directors as Chairman for that particular Board meeting, the absence of the regular Chairman shall be duly recorded in the minutes.</td>
</tr>
<tr>
<td>1.5 (b)</td>
<td>Industry outlook and possible future developments in the industry.</td>
</tr>
<tr>
<td>1.5 (c)</td>
<td>Segment-wise or product-wise performance.</td>
</tr>
<tr>
<td>1.5 (d)</td>
<td>Risks and concerns including internal and external risk factors, threat to sustainability and negative impact on environment, if any.</td>
</tr>
<tr>
<td>1.5 (e)</td>
<td>A discussion on the impact of GST on Profit Margin and Net Profit Margin, where applicable.</td>
</tr>
<tr>
<td>1.5 (f)</td>
<td>A discussion on any extraordinary activities and their implications (gain or loss).</td>
</tr>
<tr>
<td>1.5 (g)</td>
<td>A detailed discussion on related-party transactions along with a statement showing amount, nature of related party, nature of transactions and balance of transactions of all related party transactions.</td>
</tr>
<tr>
<td>1.5 (h)</td>
<td>A statement of utilization of proceeds raised through public issues, rights offers, tender offers, convertible debentures, rights issues and/or any other instruments.</td>
</tr>
<tr>
<td>1.5 (i)</td>
<td>An explanation if the financial results deteriorate after the company goes public.</td>
</tr>
<tr>
<td>1.5 (j)</td>
<td>A statement that there is no significant doubt upon the issuer company's ability to continue as a going concern, if the issuer company is not considered to be a going concern, the fact along with reasons thereof shall be disclosed.</td>
</tr>
<tr>
<td>1.5 (k)</td>
<td>An explanation on the reasons if the issuer company has not declared or shall not declare as interim dividend.</td>
</tr>
<tr>
<td>1.5 (l)</td>
<td>An explanation on the reasons if the issuer company has not declared as final dividend.</td>
</tr>
<tr>
<td>1.5 (m)</td>
<td>A statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress.</td>
</tr>
</tbody>
</table>

**GOVERNANCE**

1.5 (xxi) A statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend. | Compiled | Stated in Annexure - 1 of the Directors' Report. |
| 1.5 (xxii) The total number of Board meetings held during the year and attendance of each director. | Compiled | DO |
| 1.5 (xxiii) The percentage of independent directors present at each Board meeting. | Compiled | N/A No such case as yet |
| 1.5 (xxiv) A statement that the financial statements prepared by the management of the issuer company are in agreement with the membership of committees of the Board. | Compiled | Stated under section 'Directors' Declaration as to the Financial Statements' in the Directors Report. |
| 1.5 (xxv) A statement that proper books of account of the issuer company have been maintained. | Compiled | Stated under section 'Directors' Declaration as to the Financial Statements' in the Directors Report. |
| 1.5 (xxvi) A statement that appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment. | Compiled | Stated in the profile of Directors in the Annual Report. |
| 1.5 (xxvii) A statement that International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed. | Compiled | Stated in the profile of Directors in the Annual Report. |
| 1.5 (xxviii) A statement that the system of internal control is sound in design and has been effectively implemented and monitored. | Compiled | Stated under section 'System of Internal Control' in the Directors Report. |
| 1.5 (xxix) A statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress. | Compiled | Stated in the profile of Directors in the Annual Report. |
| 1.5 (xxx) An explanation that significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof shall be explained. | Compiled | Discussed in the Directors Report under section "Growth Pillar". |
| 1.5 (xxxi) An explanation on the reasons if the issuer company has not declared or shall not declare as interim dividend. | Compiled | Stated in the Directors' Report. |
| 1.5 (xxxii) An explanation on the reasons if the issuer company has not declared as final dividend. | Compiled | Stated in the Directors' Report. |
| 1.5 (xxxiii) A statement that the financial results deterioration after the company goes public. | Compiled | The Directors' report complies with the guideline. |
| 1.5 (xxxiv) An explanation on the reasons if the issuer company has not declared or shall not declare as interim dividend. | Compiled | Stated in the Directors' Report. |
| 1.5 (xxxv) An explanation on the reasons if the issuer company has not declared as final dividend. | Compiled | Stated in the Directors' Report. |
| 1.5 (xxxvi) An explanation if the financial results deteriorate after the company goes public. | Compiled | Mentioned at 'Other Regulatory Disclosures'. |
| 1.5 (xxxvii) A statement of utilization of proceeds raised through public issues, rights offers, tender offers, convertible debentures, rights issues and/or any other instruments. | Compiled | Mentioned at 'Other Regulatory Disclosures'. |
| 1.5 (xxxviii) An explanation on the reasons if the issuer company has not declared or shall not declare as interim dividend. | Compiled | Mentioned at 'Other Regulatory Disclosures'. |
| 1.5 (xxxix) An explanation on the reasons if the issuer company has not declared as final dividend. | Compiled | Mentioned at 'Other Regulatory Disclosures'. |
| 1.5 (x)     | A statement that the financial statements prepared by the management of the issuer company are in agreement with the membership of committees of the Board. | Compiled | Stated in Annexure - 1 of the Directors' Report. |
| 1.5 (xi)    | An explanation that significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof shall be explained. | Compiled | Discussed in the Directors Report under section "Growth Pillar". |
| 1.5 (xii)   | A statement that proper books of account of the issuer company have been maintained. | Compiled | Stated in Annexure - 1 of the Directors' Report. |
| 1.5 (xiii)  | An explanation on the reasons if the issuer company has not declared or shall not declare as interim dividend. | Compiled | Stated in the Directors' Report. |
| 1.5 (xiv)   | An explanation on the reasons if the issuer company has not declared as final dividend. | Compiled | Stated in the Directors' Report. |
| 1.5 (xv)   | An explanation if the financial results deteriorate after the company goes public. | Compiled | The Directors' report complies with the guideline. |
| 1.5 (xvi)   | A statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress. | Compiled | The Directors' report complies with the guideline. |

**Annual Report 2018**

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### Condition No

<table>
<thead>
<tr>
<th>Title</th>
<th>Status</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.6</td>
<td>The company shall conduct its Board meetings and record the minutes of the meetings as well as keep required books and records in line with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Code.</td>
<td>Complied</td>
</tr>
<tr>
<td>1.7</td>
<td>The Board shall lay down a code of conduct based on the recommendation of the Nomination and Remuneration Committee for the Chairman of the Board, other board members and Chief Executive Officer of the company.</td>
<td>Complied</td>
</tr>
<tr>
<td>1.7</td>
<td>The code of conduct shall be posted on the website of the company including, among others, prudent conduct and behavior; confidentiality; conflict of interest; compliance with laws, rules and regulations; prohibition of insider trading; relationship with environment, employees, suppliers, and customers, and independence.</td>
<td>Complied</td>
</tr>
<tr>
<td>2.6</td>
<td>The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.</td>
<td>Complied</td>
</tr>
<tr>
<td>3.1 (a)</td>
<td>The MD or CEO, CFO, CS and HIAC of a listed company shall not hold any executive position in any other company at the same time.</td>
<td>Complied</td>
</tr>
<tr>
<td>3.1 (a)</td>
<td>The Board shall clarify details of new positions, responsibilities and duties of the CFO, the HIAC and the CS.</td>
<td>Complied</td>
</tr>
<tr>
<td>3.1 (a)</td>
<td>The MD or CEO, CFO, CS and HIAC shall not be removed from their position without a proper reason.</td>
<td>Complied</td>
</tr>
<tr>
<td>3.2</td>
<td>The Audit Committee shall be clearly set forth in writing and the minutes shall be recorded in the meetings of the Board.</td>
<td>Complied</td>
</tr>
</tbody>
</table>

### Table

<table>
<thead>
<tr>
<th>Condition No</th>
<th>Title</th>
<th>Status</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 (a)</td>
<td>The Audit Committee shall be comprised of at least 3 (three) members</td>
<td>Complied</td>
<td></td>
</tr>
<tr>
<td>4.1 (b)</td>
<td>The members of the Audit Committee are ‘financially literate’ and they have ‘related financial management experience’ as per BSEC notification.</td>
<td>Complied</td>
<td></td>
</tr>
</tbody>
</table>

### Annexure

<table>
<thead>
<tr>
<th>Condition No</th>
<th>Title</th>
<th>Status</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 (c)</td>
<td>The MDA or CEO, CS, CFO and HIAC of a listed company shall not hold any executive position in any other company at the same time.</td>
<td>Complied</td>
<td></td>
</tr>
<tr>
<td>3.1 (d)</td>
<td>The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS.</td>
<td>Complied</td>
<td></td>
</tr>
<tr>
<td>3.1 (e)</td>
<td>The MD or CEO, CFO, CS and HIAC shall not be removed from their position without a proper reason.</td>
<td>Complied</td>
<td></td>
</tr>
<tr>
<td>3.2</td>
<td>The Audit Committee shall be clearly set forth in writing</td>
<td>Complied</td>
<td></td>
</tr>
<tr>
<td>4.1</td>
<td>The Audit Committee shall be comprised of at least 3 (three) members</td>
<td>Complied</td>
<td></td>
</tr>
<tr>
<td>4.1 (b)</td>
<td>The members of the Audit Committee are ‘financially literate’ and they have ‘related financial management experience’ as per BSEC notification.</td>
<td>Complied</td>
<td></td>
</tr>
</tbody>
</table>

### Annual Report

- **Board Meeting**: The Board Meeting was held on [date] and minutes were recorded. The topics discussed included [topic 1], [topic 2], and [topic 3].
- **Audit Committee**: The Audit Committee met [times] during the year and reviewed the financial statements, compliance with laws, and internal controls.
- **Corporate Governance**: The company adhered to the principles of corporate governance as outlined in the Bangladesh Company Act and the Institute of Chartered Secretaries of Bangladesh (ICSB).
5.2 (b) The company secretary shall act as the secretary of the Committee

5.2 (e) The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) Independent Director

5.3 (a) The Audit Committee shall conduct at least its four meetings in a financial year

5.3 (b) In the absence of the Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson for that particular meeting, in that case there shall be no problem of constituting a quorum as required under condition No. 5(4)(b) and the reason of absence of the regular Chairperson shall be duly recorded in the minutes.

5.3 (c) Chairman of the audit committee shall remain present in the Annual General Meeting (AGM)

5.4 (a) The quorum of the Audit Committee shall be Chairman of the Audit Committee, who shall be an Independent Director

5.4 (b) The quorum of the meetings of the Audit Committee shall be constituted as per the purposes stated in relevant offer document or prospectus or Repeat Public Offering (RPO) or Rights Share Offer have been utilized or as per the purposes stated in relevant offer document or prospectus approved by the Commission.

5.5 (a) Monitor the term of service of any Committee member expire or there is any circumstance causing any Committee member to be unable to hold office before expiration of the term of service, thus making the number of Committee members to be lower than the prescribed number of 3 (three) persons, the Board shall appoint the new Committee member within 30 (thirty) days of expiration of the term of service, or if any member determined to be incapacitated before expiration of the term of service, the Board shall appoint the successor Committee member within 30 (thirty) days of determination of incapacitation.

5.5 (b) The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) Independent Director

5.5 (c) Monitor Internal Audit and Compliance process to ensure that it is adequately resourced, including approval of the Internal Audit and Compliance Plan and review of the Internal Audit and Compliance Report.

5.5 (d) Oversee hiring and performance of external auditors

5.5 (e) Review the adequacy of internal audit function

5.5 (f) Review along with the management, the annual financial statements before submission to the Board for approval

5.5 (g) Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval

5.5 (h) Review along with the management, the annual financial statements before submission to the Board for approval

5.5 (i) Review the Management’s Discussion and Analysis before disclosing in the Annual Report

5.5 (j) Review the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit.

5.5 (k) Review Management Letters or Letter of Internal Control weakness issued by statutory auditors or other auditors to the extent performed through Initial Public Offering (IPOs) or Repeat Public Offering (RPOs) or Rights Share Offer have been utilized as per the purposes stated in relevant offer document or prospectus approved by the Commission.

5.5 (l) Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit.

5.5 (m) Oversee whether the proceeds raised through Initial Public Offering (IPO) or Repeat Public Offering (RPO) or Rights Share Offer have been utilized as per the purposes stated in relevant offer document or prospectus approved by the Commission.

5.6 (a) The Audit Committee shall report on its activities to the Board

5.6 (a) (i) Oversee the financial reporting process

5.6 (a) (ii) Make recommendations to the Board for formal process of considering remuneration of directors, top level executive and other senior management representatives

5.6 (a) (ii) (a) Stated in the Directors’ Report

5.6 (a) (ii) (b) Oversee the performance of external auditors

5.6 (a) (ii) (c) Suspected infringement of laws, regulatory compliances including securities related laws, rules and regulations

5.6 (a) (ii) (d) Any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately

5.6 (b) In the Audit Committee has received the Board about anything which has material impact on the financial condition and results of operation and has discussed with the Board and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board for three times or completion of a period of 6 (six) months from the date of first reporting to the Board, whichever is earlier.

5.6 (c) The Audit Committee shall report to the Board about anything which has material impact on the financial condition and results of operation and has discussed with the Board and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board for three times or completion of a period of 6 (six) months from the date of first reporting to the Board, whichever is earlier.

5.7 Report on activities carried out by the Audit Committee, including any report made to the Board under condition No. 5(6)(a) above during the year, shall be signed by the Chairperson of the Audit Committee and disclosed in the annual report of the issuer company.

6.1 (a) The company shall have a Nomination and Remuneration Committee (NRC) as a sub-committee of the Board

6.1 (b) The company shall have a Nomination and Remuneration Committee (NRC) as a sub-committee of the Board

6.2 (a) Members of the Committee shall be independent directors

6.2 (b) All members of the Committee shall be non-executive directors

6.2 (c) Members of the Committee shall be nominated and appointed by the Board

6.2 (d) The NRC duly discharged its responsibilities.
6.2 (e) In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancy, the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee.

6.2 (f) The Chairperson of the Committee may appoint or co-opt any external expert and/or member(s) of the staff of the Committee as advisor(s) who shall be non-voting member(s), if the Chairperson feels that advice or suggestion from such external expert and/or member(s) of the staff shall be required or valuable for the Committee.

6.2 (g) The company secretary shall act as the secretary of the Committee.

6.2 (h) The quorum of the NRC meeting shall not constitute without attendance of at least an independent director.

6.2 (i) No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director’s fees or honorarium from the company.

6.2 (j) The meetings of the Committee shall be held at least once in every quarter.

6.3 (a) The Board shall select 1 (one) member of the NRC to be Chairperson of the Committee, who shall be an independent director.

6.3 (b) In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairperson for that particular meeting.

6.3 (c) The quorum of the meeting of the NRC shall be constituted in presence of at least one independent director.

6.4 (a) The NRC shall adopt a policy on directors’ remuneration taking into consideration age, gender, experience, education background and nationality.

6.4 (b) The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC.

6.4 (c) The quorum of the meeting of the NRC shall be constituted in presence of at least two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must as required under condition No. 6.2(i).

6.4 (d) The proceedings of each meeting of the NRC shall be duly recorded in minutes and such minutes shall be confirmed in the next meeting of the NRC.

6.5 (a) The NRC shall be independent and responsible or accountable to the Board and to the shareholders.

6.5 (b) (i) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully.

6.5 (b) (ii) The criteria, policy and activities of NRC are disclosed in the Annual Report.

6.5 (b) (iii) Identifying persons who are qualified to become directors and who may be appointed to top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board.

6.5 (b) (iv) Formulating the criteria for evaluation of performance of independent directors and the Board.

6.5 (b) (v) Identifying the company’s needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria.

6.5 (b) (vi) Developing, recommending and reviewing annually the company’s human resources and training policies.

6.5 (c) The company shall disclose the remuneration and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report.

6.5 (d) No director’s remuneration to be engaged in the following services:

- appraisal or evaluation services or fairness opinions
- broker-dealer services
- book-keeping or other services related to the accounting records or financial statements
- actuarial services
- actuarial services
- external audit services or special audit services
- any service that the Audit Committee determines
- audit or certification services on compliance of corporate governance as required under condition No. 6.1(i)
- any other service that includes conflict of interest

7.1 Statutory auditor’s assignment of that company; his or her family members also shall not hold any shares in the said company:

7.2 No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company, his or her family members also shall not hold any shares in the said company.

7.3 No director, officer or anyone else who has access to the financial information of the company shall have non-executive director of another company as any director of the company.

7.4 The criteria, policy and activities of NRC are disclosed in the Annual Report.
**GOVERNANCE**

**Condition No** | **Title** | **Status** | **Remarks**
--- | --- | --- | ---
8.1 | The company shall have an official website linked with the website of the stock exchange | Complied | Website is there which is linked with those of the stock exchanges.
8.2 | The company shall keep the website functional from the date of listing | Complied | In practice.
8.3 | The company shall make available the detailed disclosures on its website as required under the listing regulations of the concerned stock exchange(s) | Complied | In practice.
8.4 | The company shall obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission and shall such certificate shall be disclosed in the Annual Report. | Complied | The company obtained the certificate from M/s. Al-Muqtadir Associates regarding compliance of conditions of Corporate Governance of the Commission and such certificate is disclosed in the Annual Report.
8.5 | The professional who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the annual general meeting | To be complied | Al-Muqtadir Associates to be appointed by the shareholders at the forthcoming AGM.
9.1 | The directors of the company shall state, in accordance with the Annexure-C attached, in the directors' report whether the company has complied with these conditions or not | Complied | Detailed status given at Annexure - C and published in the Report.

**ANNEXURE-03**

**CERTIFICATE OF DUE DILIGENCE BY CEO & CFO (AS REQUIRED UNDER THE BSEC GUIDELINES)**

To the Board of Directors of British American Tobacco Bangladesh Company Limited

Pursuant to the condition no. 1 (ix)(vi) imposed vide the Commission's Notification No BSEC/CMRRCD/2006-158/207/Admin/BD Dated 3 June 2018 under section 2CC of the Securities and Exchange Ordinance 1969, we do hereby declare that:

1. The Financial Statements of British American Tobacco Bangladesh Company Limited for the year ended on 31 December 2018 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in the Bangladesh and any departure there from has been adequately disclosed;
2. The estimates and judgments related to the financial statements were made on a prudent and reasonable basis, in order for the financial statements to reveal a true and fair view;
3. The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
4. To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
5. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed, and
6. The management’s use of the going concern basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

In this regard, we also certify that:

(i) We have reviewed the financial statements for the year ended on 31 December 2018 and that to the best of our knowledge and belief:
   (a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   (b) these statements collectively present true and fair view of the Company’s affairs and are in compliance with existing accounting standards and applicable laws.

(ii) There are, to the best of knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board of Directors or its members.

Shehzad Munim  
Chief Executive Officer  

William Pegel  
Chief Financial Officer  

Dhaka  
11 March 2019
We have examined the compliance status to the Corporate Governance Code by British American Tobacco Bangladesh Company Limited for the year ended on 31st December 2018. This code relates to the gazette notification no: DSE/CAMR/CDD/2006-18/A/2017/Advisory/80 dated the 3rd June 2018 of Bangladesh Securities and Exchange Commission (BSEC).

Such compliance with the Corporate Governance Code is the responsibility of the Company. Our examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the conditions of Corporate Governance Code. This is a scrutiny and verification and an independent audit on compliance of the conditions of Corporate Governance Code as well as provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of the Corporate Governance Code.

We state that we have obtained all the information and explanations or representations, which we have required, and after due scrutiny and verification thereof, we report that in our opinion and subject to the remarks and observations as reported in the connected Compliance Statement as follows:

(a) The Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Corporate Governance Code issued by the Commission;
(b) The Company has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code;
(c) Proper books and records have been kept by the Company as required under the Companies Act 1994, the securities laws and other relevant laws, and
(d) The standard of governance in the Company is satisfactory.

This report, however, is no endorsement about quality of contents in the Annual Report of the Company for the year 2018.

Above percentage represents the value addition of the Company.
Deepto – First access to electricity in off-grid areas
Balance for a brighter Bangladesh

At BAT Bangladesh, our Deepto project is an interesting case of ensuring electricity access to communities living in energy-starved regions of the country. Through solar home system installations, Deepto reaches a clean and pure source of power that has contributed to empowering lives.

- Increasing economic benefits
- Enhancing security because of lighted areas
- Empowering women as they take part in income generating activities
- Bringing positive impacts on education
- Improving livelihoods

Under Deepto, BAT Bangladesh has been engaged in providing 2,330 solar home systems in 25 far-flung off-grid areas, reaching electricity to 13,000 people!
# Key Performance Indicators

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Revenue (BDT Crore)</th>
<th>Gross Profit Ratio (%)</th>
<th>Earnings Per Share (BDT)</th>
<th>Price Earning Ratio</th>
</tr>
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<tbody>
<tr>
<td>2014</td>
<td>164.3</td>
<td>45%</td>
<td>97.9</td>
<td>19.1</td>
</tr>
<tr>
<td>2015</td>
<td>187.1</td>
<td>46%</td>
<td>104.7</td>
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<td>2016</td>
<td>201.6</td>
<td>48%</td>
<td>115.4</td>
<td>11.9</td>
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<tr>
<td>2017</td>
<td>219.6</td>
<td>48%</td>
<td>132.0</td>
<td>14.8</td>
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<tr>
<td>2018</td>
<td>257.6</td>
<td>45%</td>
<td>178.2</td>
<td>17.4</td>
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</table>

# Financial Performance

**Property, Plant and Equipment (BDT Crore)**

<table>
<thead>
<tr>
<th>Year</th>
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<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<td>2017</td>
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**Current Ratio**

<table>
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<tr>
<th>Year</th>
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<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<td>1.07</td>
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<td>2015</td>
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<tr>
<td>2018</td>
<td></td>
<td>1.31</td>
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**Debt Equity Ratio**

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<tr>
<td>2017</td>
<td>18</td>
<td></td>
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</tr>
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</table>

**Net Current Assets (BDT Crore)**

<table>
<thead>
<tr>
<th>Year</th>
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<th>2017</th>
<th>2018</th>
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<td>2017</td>
<td>714</td>
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**Return on Equity (%)**

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<th>Year</th>
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<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<td>2017</td>
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<tr>
<td>2018</td>
<td>10</td>
<td></td>
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</tr>
</tbody>
</table>
MARKETING AND BRANDS

At BAT Bangladesh, our portfolio of brands, supported by our decisive Trade Marketing and Development (TM&D) strategies, enable us to cater to a wide range of consumer preferences.

Overview

Considering the scale of operations and the size of the market, BAT Bangladesh has the largest TM&D operations globally. Considering the business landscape, the Bangladesh TM&D team embarked on a transformational journey to enhance its core competencies that supported the organisation in delivering on its objectives in a complex retail environment.

As one of the key components of the journey, the TM&D team reshaped the route-to-market strategy to roll out a forward-looking, future-fit and cost-effective model. This was done through active participation of all key stakeholders, including distributors, and also through cross-industry collaborations. This practice has also ensured job opportunity to 15,000+ people nationally.

2018 approach

The year 2018 represented a seminal one for the TM&D division as it embarked on digitalisation with a view to remain current with the external environment. Complementing the Government’s far-sighted vision of a digital Bangladesh, a series of initiatives were undertaken to digitise the core of the TM&D with respect to achieving automation of sales and distribution processes, enhancing performance monitoring and improving controls and the governance framework. These industry-leading practices have not only helped to augment capabilities, but also accelerated execution and sustain trade relationships, while also establishing foundational initiatives for capitalising on new possibilities in the years to come.

Results

The culmination of TM&D’s purposeful focus on transformation, digitalisation and inclusiveness has elevated the team as a global benchmark, which is reflected in the team being bestowed with the prestigious ‘Global TM&D X Factor’ award. Bangladesh’s TM&D has also won the prominent ‘STELLAR’ award for exceptional contribution to the business by embedding future-fit strategies, strengthening core competencies, engaging in exemplary engagement initiatives, achieving world-class digitisation and ensuring agility in execution.

With people at the heart of the business, BAT Bangladesh strives to nurture a culture of diversity and inclusiveness. Towards this extent, the TM&D team has been working relentlessly to set industry-leading examples of gender-inclusive and women-friendly policies in the corporate sector of Bangladesh. Holistic women-empowerment practices, accelerated talent management programs and capacity-building from day one play a key role in grooming future business leaders for the nation.
WINNING ORGANIZATION

‘We enable growth by nurturing a winning organization: by investing in our people; by attracting the best; and by enhancing the high performing leaders who inspire diverse teams of committed and engaged people in a fulfilling, rewarding and responsible working culture and environment.’

At British American Tobacco Bangladesh (BATB), our people are our strength. We create value for our employees whether they are a part of management or a non-management by investing in them and ensuring that there is growth for them at BATB employee in terms of remuneration, learning and promotions. We acknowledge the contribution of every employee in the outstanding performance of our Company over time. We make sure that our employees are provided with a work life balance so that they can create value for the Company. By investing in our people, we have been able to keep our market lead in the tobacco industry in Bangladesh, ensuring high quality products manufactured in a safe setting and unique branding and marketing of the products and innovation in sales to confirm a continued sales growth. As the organisation grows in size, we ensure that value creation remains the same across all levels of the company in all regions of the country.

Our People are Our Strength

At British American Tobacco Bangladesh (BATB), our people are our strength. We create value for our employees by investing in them and ensure that there is growth for them at BATB in terms of skill development and leadership. Respect in the workplace and gender equality are the core principles of the Company. We acknowledge the contribution of every employee for his or her outstanding performance in the Company over time. We ensure value for our employees who are provided with a work life balance and a safe working environment to ensure that they create value for the Company.

Growth through Diversity

Diversity matters to the Company and we are a diverse employer. We have female executives in different levels of our management. We are focused on initiatives that help our organization to drive ownership and accountability, build diverse talent pools and create enablers, supported by an inclusive culture. Our ‘Women in Leadership’ program helps support and accelerate career progression of female talent within the Company. Since 2013, the program has reached a good number of female managers representing all functions and major locations across the Company. We have also developed new ‘unconscious bias’ training, which is being rolled out to all management employees.

Human Resources Accounting

BATB is keen to measure the collective investment in human resources and consider its Rate of Return towards the organisational goals. In doing so, BATB has started to consider Human Resources Accounting (HRA), which is the process of identifying and reporting expenditures related to the human resources of an organisation that are presently unaccounted for in the conventional accounting practices. In addition to external financial reporting, HRA may be useful as a managerial tool to aid in making managerial decisions that will benefit the long-run strategic goals and profitability of the organisation. In the HRA approach, expenditures related to human resources are reported as assets on the balance sheet as opposed to the traditional accounting approach which treats costs related to the Company’s human resources as expenses on the income statement that reduce profit.

BATB is following conventional accounting practices as directed by the standards of regulatory bodies. As there are no specific accounting standards regarding HRA, valuing the human resources and measuring the direct impact of the cost of spending for employees is difficult. However, BATB is using the concepts of HRA in making important management decisions that will benefit the long-term strategic goals and objectives of the company.

Value Created by our employees

<table>
<thead>
<tr>
<th>Unit</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Time Employees</td>
<td>No.</td>
<td>1453</td>
<td>1459</td>
<td>1747</td>
<td>1400</td>
</tr>
<tr>
<td>Gross Turnover</td>
<td>BDT in Million per Employee</td>
<td>160.43</td>
<td>139.92</td>
<td>112.22</td>
<td>102.65</td>
</tr>
<tr>
<td>Operating Cost</td>
<td>BDT in Million per Employee</td>
<td>4.63</td>
<td>4.8</td>
<td>4.02</td>
<td>3.92</td>
</tr>
<tr>
<td>Training Cost</td>
<td>BDT in Million per Employee</td>
<td>0.19</td>
<td>0.17</td>
<td>0.11</td>
<td>0.17</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>BDT in Million per Employee</td>
<td>14.33</td>
<td>12.2</td>
<td>9.43</td>
<td>9.43</td>
</tr>
<tr>
<td>Profit Before Tax</td>
<td>BDT in Million per Employee</td>
<td>13.3</td>
<td>11.49</td>
<td>8.92</td>
<td>8.9</td>
</tr>
<tr>
<td>Profit After Tax</td>
<td>BDT in Million per Employee</td>
<td>6.89</td>
<td>5.37</td>
<td>5.14</td>
<td>4.2</td>
</tr>
</tbody>
</table>
15 years ago, Battle of Minds (BoM) was inceptioned as the country’s first corporate youth talent platform at a time when there was a dearth of opportunities for corporate graduates to prepare for the corporate world. Over the last 15 years, BoM has not only transformed into a widely renowned platform for thousands of talented minds across the country but has also enabled entire generations of youth to receive a first-hand exposure to the corporate world while enabling them to showcase their skills in innovation and strategy to solve complex real-world problems. As such, the tale of the competition, “What use you made of?” extends this challenge to the youth of the future, inviting students from all over the country to prove themselves to be a part of the legacy of leaders.

Following BAT Bangladesh’s phenomenal success with Battle of Minds over the past decade and a half, this time BAT Group adopted Battle of Minds as its first universal talent platform to be launched simultaneously across all three regions, engaging thousands of students worldwide. This meant that following the completion of one national chapter, each national champion would then proceed to face each other in a regional round wherein three regional champions would be announced. Consequently, the regional champions would fly to London to partake in the global final at BAT HQ. The stakes were higher than ever before and the competition, an encompassing global face off featuring the best of the best.

As the 15th Grand Anniversary of BoM kicked off with campus roadshows, records were made at the very onset of the launch. The online rounds received a whopping 3300+ registrations from 42 universities across the country, a scale of participation unimaginable even a few years ago. The submissions reflected the instructions of the first brief, a business pitch for a scalable, socially impactful entrepreneurial venture and included video rundowns of research analyses and business models of teams of three. After a meticulous assessment of the submissions, the top 150 candidates were invited to BAT Bangladesh HQ for Boot Camp, a series of daunting intensive exercises to select the semifinalists. The venue was themed in patriotic colors and ambiance celebrating a built-from-scratch Bangladeshi talent brand initiative reaching all corners of the globe. In extension of this very theme, the event started with a pour of Cryptic Fate’s “Cholo Bangladesh” by the legendary himself, as hundreds grooved to the rhythms that would set the tone of Bangladesh in the first global chapter of Battle of Minds. The day proceeded with mentorship sessions from senior managers across various functions in BAT and hosted three back to back rounds of challenges that tested the candidates’ cognitive and interpersonal skills.

Next week, the semifinalists featuring the top 12 teams were invited to a breakfast at the cozy backdrop of BioR E for an unveiling of the final case and a tête-à-tête with Ruma Rahman, our esteemed Head of HR herself, one of the pioneers in the rebranding and augmentation of BoM in Bangladesh. The final case required the participants to propose a plot of the business idea from the first round, turning their execution to meet the needs of a local Bangladesh target audience in context of the Sustainable Development Goals (SDGs) that would reflect the work of Bangladesh Government. Through interactive presentations involving numerous higher education invitees across the professional and academic spheres, triumphing out of the 6 finalist teams, was the team “Je Ne Sais Quoi” from the Institute of Business Administration, University of Dhaka, with their idea of modernizing the transport infrastructure of Bangladesh with algorithmically tuned CNC hiking apps, enabling digital negotiations and vast demographic access for the first time in the country. Runner up was the team from Bangladesh University of Professionals (BUP) proving the much-deserved acclaim that the talent of BAT Bangladesh has gone on to receive all over the world. On the other hand, the legacy of leaders established by a group of pioneers 15 years ago means on and proudly shaping the youth of Bangladesh.

Thus, Battle of Minds has marked its place in the pages of history with its remarkable journey of success. Not only did we by the platform adopted later by BAT go on to set the standard for the entire world, but Team Bangladesh vied the globe with its astounding pitch, once again proving the much-deserved acclaim that the talent of BAT Bangladesh has gone on to receive all over the world. On the other hand, the legacy of leaders established by a group of pioneers 15 years ago means on and proudly shaping the youth of Bangladesh.

As the first day of the final was filled with a series of intense research, teams having traveled far and wide to complete comprehensive feasibility checks of their proposed startups, finally the stage was set in the ballroom of Radisson, to discover the champion of this year’s Battle of Minds.

In a final grace by Barrister Nihad Kabir, President of the Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI), as the chief guest among a star studded ensemble of invitees across the professional and academic spheres, triumphing out of the 6 finalist teams, and 1500+ people in attendance, was the team ‘Tackling the climate change crisis’ from the National University, with their idea of micro green energy products, focusing on using a gas-powered plastic cruder to empower local industry in Bangladesh.

The story of the teams did not stop there. Both teams eventually went to represent Bangladesh in the Asia Pacific and Middle East (APME) round, where they impressed the judges with their innovative take on social business and ultimately BUP triumphed as regional champions, with BUP finishing as a close second. But the cherry on top was when Team Bangladesh eventually represented APME in the global final against star performers, Russia and South Africa, and won the hearts of the experts at the biggest platform of all, becoming the champion of the first ever global Battle of Minds.

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BAT BANGLADESH EMERGES AS A TOP EMPLOYER!

Continuing its legacy of delivering excellence across all domains, in 2018, BAT Bangladesh was certified as a ‘Top Employer’. This eminent recognition was awarded by the Top Employers Institute, which identifies and globally-certifies employers for delivering excellence in employee conditions, based on an HR best practices survey that covers numerous aspects, including:

- Talent strategy
- Policy implementation
- Monitoring and reporting
- Leadership development
- Career planning
- Succession management

BAT Bangladesh became the first-ever organisation in Bangladesh to receive this prestigious certification, which acts as a global recognition for all our best practices, policies and our continued efforts in pushing the envelope across all spheres.

MANUFACTURING REVIEW

IWS: BEST MANUFACTURING PRACTICES OF BAT BANGLADESH

Over the past few years, the manufacturing performance of BAT Bangladesh has been stellar, supporting the growth journey of the Company. The key enabler of our journey in manufacturing excellence has been a holistic approach reconciling all our key performance indicators (KPIs) and aggregated under IWS (Integrated Work System), which is a world-class new lean manufacturing practice that has been adopted by the Company. IWS represents a complete work platform that enables the build-up of capabilities organisation-wide to help achieve superior results on a consistent basis.

IWS is wired to two fundamental principles:

- **Zero loss mindset**
- **100% employee involvement**

IWS focuses on loss elimination through establishing standard work processes and applications, while emphasising on minimising rework. Furthermore, it promotes the culture of servant leadership, employee ownership and learn-do-teach techniques where all employees work together on loss identification, task prioritisation and loss elimination through effective decision-making and ownership.

IWS was first launched in our Dhaka factory back in 2015 in a pilot production line and, by the end of 2016, the facility demonstrated exemplary performance by ensuring accelerated IWS roll out across all production lines. Since the launch, overall equipment efficiency has improved with the outcome that the output has significantly increased from within the same number of production lines. Overall, IWS has enabled the upskilling of capabilities among the shopfloor employees which, in turn, has contributed to lowering machine stoppages and breakdowns, improved uptime, runnability and MTBF (mean time between failures), reduced wastages and, most importantly, improved product quality.
EHS – Balance for Environment, Health & Safety

At BAT Bangladesh, we are committed to nurturing a culture that accords the highest priority to EHS and OHS. Towards this extent, we launched several innovative initiatives around these, including a Virtual Reality-based game, EHS Go, that raises awareness through an engaging and immersive medium.

Under EHS, BAT Bangladesh organised a number of initiatives that promoted safe, healthy and environmentally-sustainable practices throughout the organisation. One such initiative was quick risk prediction (QRP) that provided training to as many as 900 employees!

- Water recycle process reduced consumption of 65,000,000 litres of water
- Solar Panel System saved 77,834 Kw/Hr of electricity
- Zero accidents in 2018
- Waste recycling efficiency of 97.82%

900 People trained in QRP
At BAT Bangladesh, the principal reason we believe gender equality is beneficial to the society as a whole is the economic gains that can be made as a result of the empowerment of women. In developing countries, a family’s standards of living could dramatically change as hence if women joined the workforce, and they have started contributing to the income pool. Specifically, at BAT Bangladesh, we believe that the diversity of our workforce is essential as Bangladesh is a young and youthful nation. With this belief, we have developed a number of initiatives and platforms that contribute to inclusivity and women empowerment. I feel that one of the best traits of the Company is that it provides its women members with a number of exciting and diverse workplace opportunities, which exposes them to a challenging environment. Once they are able to see through this, the Company considers to have achieved its objective of preparing them for the next level. This is the essence of the continuous cycle of growth and progression at the Company.

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At BAT Bangladesh, a platform christened ‘GenW’ commenced its journey back in 2009 to recruit women talent on a large-scale. The platform was immensely successful, enabling the development of a supportive and empathetic environment that catered to the needs of women employees. Under GenW, we were able to successfully achieve the objective of greater women recruitment and participation, even at the higher levels of the organisation. This platform significantly improved BAT Bangladesh’s position as an employer of choice among women.

Over the years, as the GenW platform matured, our strategy was required to evolve with a view to recruit new-gen female employees and leaders who joined the organisation. This was achieved by relooking at diversity through a different lens, while taking women empowerment of the Company to the next level. So in the beginning of 2015, a new platform, ‘Symmetry’, was launched with the underlying philosophy of ‘Inclusive co-existence’ to drive the right representation of women talent across all leadership roles. For the first time, men were enlisted as an integral part of the journey and a male SG member was appointed to chair the new diversity platform.

Over time, several dialogues were conducted involving cross-functional male and female employees, including Senior Leadership Team (SLT) and Steering Group (SG) members. We...
is in fact the need of the hour. Out of the total workforce of the organisation increasing to 83, which comprises almost 14% of the total workforce strength.

As a result, BAT Bangladesh was awarded as the ‘best employer’ for women in Trade and Management Development (TM&D), Bangladesh. This is the true spirit of women empowerment at BAT Bangladesh. There are many more such other stories of our women who have chosen to walk the path less taken. Their voices are different, at the difference to them and to our Company. Their efforts and achievements, documented in the pages of this annual report, have been recognised on a global scale as many of our women have walked on several prestigious platforms worldwide to be honored with esteemed awards and certifications.

Of course, these success stories would not have been possible without the active and enduring support of the senior management and all colleagues who thrive in an environment where the achievements of the other creates a wonderful reason to celebrate. I extend our special gratitude to Mr. Sayed Matlib Ali, Executive Director, and Ms. Rumana Rahman, Head of HR in BAT Bangladesh for their astute leadership paved the path for BAT to become the best employer brand in the country, winning a series of accolades locally and internationally, including the ‘Most Female Friendly Organization’, ‘Dream Company to Work For’ and more recently, the first Bangladeshi company to be certified by the “Top Employer” institute. Together with our leadership team, we can be a game-changer for our country.

I would like to assure our shareholders and stakeholders that we will continue to unlock the potential of the immensely powerful tools we have been given through the Code of Conduct and the Code of Business Ethics. Our convictions are to ensure that we serve the interests of the company, and our clients with the utmost care and integrity. Rumana first joined BAT Bangladesh as HEAD OF LEGAL AND EXTERNAL AFFAIRS

As the Regional Head of HR - Asia Pacific and Middle East, Rumana Rahman is responsible for the HR operations of 26 end markets across the BAT group and holds a position in the Group HR Leadership team of BAT group. In her previous role as Head of HR in BAT Bangladesh, her active leadership paved the path for BAT to become the best employer brand in the country, winning a series of accolades locally and internationally, including the “Most Female Friendly Organization”, “Dream Company to Work For” and more recently, the first Bangladeshi company to be certified by the “Top Employer” institute. Together with our leadership team, we can be a game-changer for our country.

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Farah Zabeen
Project Manager, Operations

Farah Zabeen strongly believes that to excel in career and personal success one must recognize one’s inner strength and passion and have a positive attitude. With this reflection, she has always taken every challenge as an opportunity and achieved breakthrough, while encouraging her colleagues to embrace challenges because it makes people grow stronger for their next move. After completing her graduation in Mechanical Engineering from BUET, she joined BAT Bangladesh as Team Leader in Primary Manufacturing Department (PMD) in 2009. From starting out as the first woman and team leader in BAT Bangladesh’s history, to becoming the first-ever female member of Bangladesh Operations Leadership Team, it has been quite a journey for her. With a career spanning several years, she led the critical departments of manufacturing as PMO Manager, Quality Senior Manager, Secondary Manufacturing Department (SMD) Manager and Head of Engineering and, along with her team, have ushered significant transformation in these departments.

As the first woman on the manufacturing floor, she had to establish herself among her peers as well as the management through having the right attitude, flexibility and determination. At the very beginning of her career, she had to lead teams with very experienced male colleagues who were not used to having women in the group. In several roles, she led various mission-change management projects. As head of PMD, she had to lead a large industrial relations team in the challenging aspects of BAT Bangladesh’s history. She marshaled her team to transform the day-to-day running of the department and also optimize resources to improve the overall efficiency of the department. As SMD, she also led the planning and implementation of a global project under Integrated Work System, which aimed at improving productivity by minimizing assignments away from the expensive support systems back home. However, despite her globally mobile career, Rumana’s commitment to her family remained steadfast, making sure that her family was always proximate to her warmth as a mother, wife and daughter, no matter where she was in the world.

For her trailblazing success and the countless interventions well above the standard industrial relations landscape. Her strategic interventions in change management were integral in ensuring that the business moved cross-functionally to achieve newer heights of success every passing year. Throughout this entire journey, Rumana also juggled the responsibility of having to give time to her two beautiful daughters and her family, even when it included having to manage a toddler through incredibly hectic international trips.

As a mother, Rumana is a collection of absolute strangers who transformed from colleagues to family and all the memories she left behind with them. It is no wonder then that today, that family remains eternally grateful for the love and compassion she has shared and is determined to continue her legacy in the years to come.

Adrita Datta
Senior HR Business Partner – Operations

Adrita Datta, Senior HR Business Partner – Operations, strongly believes that challenges are an integral opportunity to transform oneself. In a fast-paced world where change is the only constant, Adrita considers it a responsibility to rise above the status quo and embrace transformation with open arms.

As someone who is a firm believer of women empowerment, she feels fortunate to be a part of a Company that respects women and drives the women empowerment objective from the front. She was also happy to engage in the overall design and facility of the daycare center to make it more friendly and welcoming. She acknowledges with gratitude BAT Bangladesh’s efforts in setting exemplary policies and practices to drive sustainable gender diversity within the organization and in leading the way for the others.

For her contribution as a leader in the organization and in recognition of the courage she faces challenges, Bangladesh Brand forum has recognized her in the ‘Progressive Women Leader’ category in 2015, and in the ‘Inspiring Women’ category in 2019. This is an award that she has accepted on behalf of all the women who have the courage, passion and drive to meet those goals, despite all the hurdles along the way.

“Developing the right capabilities with a flexible attitude, I had to create an environment where my leadership was accepted for team deliveries to be ensured. I owe much of my success to BAT Bangladesh for believing in me and creating the right supportive environment to flourish and prosper.”

“Often tell my team members, especially women, to never say no to a challenge – because you never know what heights it can propel you to reach.”
roles across HR functions in Bangladesh, Japan and Sri Lanka. For her Rostishra career spanning contributions in work and beyond, she was recognized as a ‘Progressive Woman Leader’ by Bangladesh Brand Forum in 2017. Former computer science major-turned-MBA graduate from India’s prestigious business school, Symbiosis, Adrita left behind an influential academic career marked by a number of accolades and recognitions as a writer and a trained classical dancer to complete her tertiary education in India with a prestigious Indian government scholarship.

Adrita pushed boundaries from the very start of her career, becoming a business partner in key commercial functions by breaking into male-dominated leadership teams, shaping the space of Talent and Organizational Effectiveness, as well as managing diverse teams cutting across age, gender and professional backgrounds. In one of the major milestones of her career, she led the implementation of BAT Bangladesh’s Procurement unit to ensure a continuous acquisition stream to ensure a continuous investment and the longest running project globally till date. For her illustrious career marked by a number of accolades and recognitions as a writer and a trained classical dancer to complete her tertiary education in India with a prestigious Indian government scholarship.

Adrita sincerely thanks BAT Bangladesh for the opportunity to lead in Project TaO, BAT Group’s largest investment and the longest running project globally till date. She considered it as a fortune to be assigned as the Finance lead for BAT Bangladesh during the readiness and deployment of a new ERP system and processes in Project TaO. This was one of toughest challenges of her career. The task at hand was to balance the project’s delivery and success and in the care of her infant son, she was happy that the project’s successful delivery made her position in core Finance, since she was designated as the Corporate Finance Manager. Her family played a very supportive role in the care of her son.

After she went on her maternity leave for a second time, she came back with a promotion as Finance Business Partner on Project Auctus. As the project neared completion, she was offered the prominent role of Head of Procurement, to supporting the JPGL brand team as part of its business, but rather as an essential enterprise that does not treat women equally as in other parts of the world. She stood out by confidently taking up assignments in different countries and also in different social milieus.

Considering her deep faith in the abilities of her female peers, Adrita strongly feels women need to take on more challenging roles and grab more opportunities, which will eventually earn them respect and credibility. According to her, women can make a visible difference in the society as they are blessed with the unique talent of juggling multiple priorities. She feels that all they need is a little support, encouragement and, most importantly, confidence in themselves to move forward and make their mark.

Today, Adrita is a frontrunner in driving the diversity agenda at BAT Bangladesh. She takes keen interest in coaching, grooming and inspiring young women working in the organization. She also led the implementation of BAT Bangladesh’s progressive practices and policies to facilitate a conducive environment for women in the workplace. Angela’s Nest, BAT’s state-of-the-art children’s day care center, is also an initiative fostered by her to facilitate working women in business. Much of this effort was inspired by her own journey as a working mother since an early age of her life, where Adrita went beyond typical social norms and strove to succeed with her self-confidence, resilience, determination and support from her family as well as the organisation. She stood out by confidently taking up assignments in different countries and also in different social milieus.

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that working in BAT is pretty amazing. The culture is truly one of collaboration, growth and constant learning. Each day brings a new challenge and the need to perform well under pressure. However, through hard work, persistence and a relentless focus on execution, she can say with much certainty that she learns a lot every day.

Personally, the bigger challenge for her was moving from London to Bogura as an Area Manager where she was responsible for a five-member team, handling two distribution managers and a sales manager. As radical a shift as it was, looking back now, it was one of the best stints she had with respect to the cross-functional opportunity and one that not only helped her work on her business acumen, but also enabled her to have a more holistic perspective on leadership.

Finally, in yet another sweeping change, she moved from trade to become the Brand Manager of Derby, one of the largest brands in Bangladesh. She believes this represents the perfect amplification of how BAT Bangladesh develops its people. To her, BAT Bangladesh truly believes in women empowerment. To her, BAT Bangladesh truly believes in women empowerment. I started off as a raw graduate and am now leading a full-fledged team of employees with mere three-years of experience. BAT Bangladesh truly believes in women empowerment. She believes it is on behalf of all the power-women and am now leading a full-fledged team of employees with mere three-years of experience. BAT Bangladesh truly believes in women empowerment. To her, BAT Bangladesh truly believes in women empowerment. I started off as a raw graduate and am now leading a full-fledged team of employees with mere three-years of experience. BAT Bangladesh truly believes in women empowerment. To her, BAT Bangladesh truly believes in women empowerment. I started off as a raw graduate and am now leading a full-fledged team of employees with mere three-years of experience.

In summary, her story is one of deep transformation. BAT Bangladesh transformed a fresh graduate into a professional by throwing a discrimination-free and balanced work environment where everyone got their fair share of opportunity regardless of age and gender. Thus, as she keeps learning new things from her peers every day, an environment of mutual knowledge sharing has developed over time. Her learnings from all the training interventions helped her to contribute in achieving the highest-ever GLTP CE2 among the BAT Group. Her team was honored with the Shell award for being part of the journey of ‘Quantum Leap’. As a recognition of her hard work and dedication, she was bestowed with the prestigious Hall of Fame award for being the “Executive of the Year-GLT, 2018.”

On the journey of her first year of being a corporate executive, she saw herself being shaped as a professional and grew to be a more responsible, strong and independent woman. She aspires to keep delivering better and hold on to her grit, perseverance and passion in the days to come.

Narjis Mostofa
IWS Process Lead-GLTP

Back in 2017, as a final year student of BRAC University, Narjis stumbled upon a Facebook post for the BAT Xcelerate Internship program. She enrolled and successfully went through the assessment and was appointed in Secondary Manufacturing Department (SMD), as an intern. Her keen interest in exploring new avenues motivated her to begin her professional life outstation. As she keeps learning new things, she thrives on, yet longing for more challenges and the opportunity to play a part in even bigger challenges. The fantastic support that she received from her fellow colleagues is what kept her going, even as she thought, “Is this for real?”

Working under a Process Lead intrigued her to learn about GLT and the process of cigarette manufacturing. This experience guided her in choosing a career path and inspired her to apply for the role of an IWS Process Lead when she finished her engineering school. Her keen interest in exploring new avenues motivated her to begin her professional life outstation. As she keeps learning new things, she thrives on, yet longing for more challenges and the opportunity to play a part in even bigger challenges. The fantastic support that she received from her fellow colleagues is what kept her going, even as she thought, “Is this for real?”

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Sadia Zahir
Product Manager, Primary Manufacturing Department (PMD)

Sadia Zahir is leading the benchmark Primary Manufacturing Department (PMD), among the 48 factories of the BAT group, which is also the only primary establishment in the Asia-Pacific and Middle East regions, operating on a 24x7 basis.

In 2018, Sadia’s passion towards sustainable improvement enabled the team to achieve production efficiency of over 85% throughout the year, which is first of its kind in BAT’s history. Her initiatives to improve factory wastage led to cost savings worth 450 thousand GBP last year.
The beginning, she had the opportunity to learn and she joined BAT in a team of 16 non-unionized workers. Coming from a middle-class family of Narayanganj, she was ambitious about her career choice. Her family was strongly against her decision to choose to be an engineer, which was against the usual family wish of her being a doctor. With outstanding academic outcomes, when she completed her graduation, she chose to opt for a professional career rather pursuing a Ph.D. Convincing the interview boards of her capabilities wasn’t an easy task. But early signs of her high potential convinced Nestle first and then BAT, and she joined BAT in 2017. In her second role as Territory Officer in Chittagong North, she subsequently moved to the Business Development team as Brand Activation Manager. Here, she led the organisation’s marketing campaign execution in 2018 to effectively transform the Company’s strategy into market reality. Her team’s efforts and resilience were key to maintaining a steady performance of A&TMD in a uniquely challenging year. With a benchmark performance, Sadia was recently promoted to the role of Area Manager – Chittagong North. Here, her task is to lead the business in one of the most challenging markets of the country, representing an even bigger scope. But this is what BAT Bangladesh is all about. It exposes you to challenges, provides the right support framework to overcome these and then gives you exposure to even bigger challenges. This is how the Company builds you up. And yes, as far as work allocation is concerned or the exposure to the scale of the challenge, the Company never differentiates between gender. All it cares about is the will and the willingness to perform.

For BAT Bangladesh, what matters the most is your will to perform. If you showcase this will, the Company will go all out to support you. Then, it ceases to matter if you are a man or a woman.”

“"I've always believed in relishing challenges, and the support from BATB has been phenomenal in enabling women like me to achieve their professional ambitions.”
After taking the opportunity of working in an outstation role in a remote location of Kushtia, Rumana displayed deep levels of dedication, even willing to sacrifice her personal choices, especially when she had to run night shifts that were entrusted with high productivity targets. Continual guidance from her Line Manager were entrusted with high productivity targets. Continual guidance from her Line Manager and her open-minded approach to work and decision-making. Rumana, with her strategic vision, undertook three major improvement initiatives during the maintenance of Line-1, based on the learnings of the 2018 processing season. She is taking ownership to accomplish maximum utilisation of available resources and on-time completion of SKYLINE-III feeding and conditioning line installation, while ensuring proper governance and compliance.

With the firm belief of ‘never being satisfied with what you already know’, Rumana admires the challenging environment and acknowledges that it represents an excellent opportunity for her to flourish in a high-performing and women-friendly organisation like BAT.

For an organisation which identifies talent as its competitive advantage, BAT Bangladesh has always placed employees welfare and development at the core of its human resource strategy. Even since its inception, BAT Bangladesh has been at the forefront of progressive initiatives to ensure inclusivity and prosperity for all its employees. As an extension of its initiatives, BAT Bangladesh recently announced an upgraded suite of progressive maternity benefits for new parents in the organization, also extending full support to adoptive parents, under the banner of ‘ParentsB4BAT’.

The new policy enables working mothers to access 6 months of fully paid maternity leave with a return to work guarantee and flexible work opportunity in the form of fortnightly day off. Additionally, mothers in geographically dispersed roles and continuous shift operations can access 3 additional months of unpaid & optional leave, a pioneering move in the Bangladesh corporate landscape. These policies go above and beyond the Bangladesh labor law mandate. These benefits also extend to adoptive parents (primary caregiver only) – another landmark initiative denoting the progressive vision of the company, in enabling all new mothers to chase their ambitions of performing in commercially critical roles in business while ensuring adequate support for their families back home.

Mr. Shehzad Munim, Managing Director of BAT Bangladesh, made the announcement stating our vision of revolutionising best practices across all industries in the country with this landmark initiative, along with the introduction of online parental coaching and counseling support for both parent and line manager which is accessible for all its employees. Ms. Rumana Rahman, former Head of HR of BAT Bangladesh, and current Regional Head of HR – Asia Pacific and Middle East, proudly noted that this would usher in a new era of embracing diversity by inspiring other organisations to follow suit with progressive policies and enabling more and more women to take up important positions of leadership in the years to come.

New Maternity Benefits Summary:

- 6 months of fully paid leave with return to work guarantee
- Additional 3 months of unpaid leave opportunity for mothers in geographically dispersed roles and continuous shift operations
- Flexible work opportunity in the form of fortnightly day off
- Parental coaching support
- Extension of all policies for adoptive parents (primary caregiver only)

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CORPORATE SOCIAL RESPONSIBILITY

At BAT Bangladesh, we are at the forefront of being a socially-responsible and law-abiding organisation and, in this context, have introduced and implemented a number of industry-leading initiatives and practices.

Overview
At BAT Bangladesh, our approach to corporate social responsibility is directed by the BAT Group’s corporate social responsibility framework, which articulates how companies are expected to develop, deliver and monitor community investment programmes. As an organisation with an extensive rural reach and community outreach, we have fostered enduring relationships in the communities in which we operate, focusing on creating a meaningful and sustainable socio-economic impact. Towards this extent, all our CSR activities are managed at a local level to effectively cater to community-specific challenges and drive needs-based development.

Being a responsible business, BAT Bangladesh creates sustainable impact through its three major CSR initiatives – Bonayan, Probaho and Deepto, that holistically contribute to the economic, social and environmental stability in the communities in which we operate. BAT Bangladesh is committed to partner Bangladesh by complementing the Bangladesh Government’s efforts of aligning with the United Nation’s Sustainable Development Goals (SDGs).

At BAT Bangladesh, we are at the forefront of being a socially responsible and law-abiding organisation and, in this context, have introduced and implemented a number of industry-leading initiatives and practices.

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OUR THREE MAJOR CSR INTERVENTIONS

BONAYAN
Sustainable agriculture and environment
Focuses on the socio-economic and environmental sustainability of agriculture and also other environmental issues.

PROBAHO
Sustainable access to clean drinking water
Focuses on the impact of health and hygiene through making provisions for potable water in risk-prone zones.

DEEPTO
Sustainable energy solutions
Focuses on the impact of renewable energy in far-flung and off-grid locations across Bangladesh.

1. BONAYAN – ASSURANCE FOR A GREENER TOMORROW

Material association with: Bangladesh Government’s 2021 national goals:

**UN SDGs:**

- **#13 CLIMATE ACTION**
- **#15 LIFE ON LAND**
- **#1 NO POVERTY**
- **#2 ZERO HUNGER**
- **#11 SUSTAINABLE CITIES & COMMUNITIES**

**Environmental Protection**

Bonayan is a comprehensive afforestation program seeded by BAT Bangladesh in 1980, in collaboration with the Forest Department, Ministry of Forest and Environment, Government of Bangladesh, to conserve forests and to combat the adverse impacts of climate change. Since then, the Company has distributed approximately 100 million saplings free of cost in 16 locations throughout Bangladesh, distributing around 4.25 million saplings every year. This initiative is perhaps the largest private sector-driven afforestation program in the country.

Today, Bonayan has greatly assisted beneficiaries in sustainable income generation, with more than 80% beneficiaries earning their livelihood through engagement in commercial tree plantation activities and, 35% among these, deploying the funds generated out of this activity into other businesses, thereby strengthening self-sufficiency.

Importantly, Bonayon, as a substantive afforestation platform, not only helps to attain environmental sustainability and contribute to the welfare of those who require self-reliance in livelihood generation, but also supports the Government’s aim of achieving its national goals that envisages a ‘Hunger and Poverty Free Bangladesh’ by 2021.

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BANGLADESHI GOVERNMENT’S 2021 NATIONAL GOALS:

- **#13 CLIMATE ACTION**
- **#15 LIFE ON LAND**
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- **#2 ZERO HUNGER**
- **#11 SUSTAINABLE CITIES & COMMUNITIES**

**Material Association with:**

- **ENVIRONMENT PROTECTION**
- **UN SDGs:**
  - **#13 CLIMATE ACTION**
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2. PROBAHO – PROVIDING ACCESS TO SAFE DRINKING WATER

Material association with:
Bangladeshi Government’s 2021 national goals:

"SOCIAL SECURITY PROGRAMME"

UN SDGs:

#3 ‘GOOD HEALTH AND WELL-BEING’

#6 ‘CLEAN WATER AND SANITATION’

Probaho represents a water filtration project that was initiated by BAT Bangladesh in 2009. The primary aim of Probaho is to provide clean and safe drinking water to arsenic-prone rural communities in greater Kushtia, Rangpur and Manikganj areas. Importantly, Probaho is aligned with the Government’s aim to achieve the Sustainable Development Goals (SDGs) of ensuring Clean Water and Sanitation.

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Statistics indicate that more than 55% people in rural communities suffered from water-borne diseases before the Prohabo program was launched. Today, as many as 70% of the communities believe that water-borne diseases have declined after the launch of Probaho.

Under this project, 78 water filtration plants have been installed till date, enabling the purification of more than 400,000 litres of drinking water every day, bringing clean, safe and potable water to as many as 200,000 people every day.

The impact of this project has been enormous and our efforts under this were recognised through the bestowal of the prestigious ‘Asia Responsible Entrepreneurship Award (AREA)’ in 2015 and Bangladesh Innovation Award by Bangladesh Brand Forum and Mastercard under the ‘SDG Inclusion’ Category.

3. DEEPTO – BRINGING SOLAR POWER TO ENERGY-DEFICIENT AREAS

Material association with:
Bangladeshi Government’s 2021 national goals:

ELECTRICITY FOR ALL

UN SDGs:

#7 ‘AFFORDABLE AND CLEAN ENERGY’ AND

#13 CLIMATE ACTION

# 1 NO POVERTY

#4 QUALITY EDUCATION

# 8 DECENT WORK & ECONOMIC GROWTH

In 2011, BAT Bangladesh initiated Deeto, a solar home system project that provides free electricity to off-grid areas of the Chittagong Hill Tracts. This location, though with its pristine landscape, suffers because of under-development.

Before Deeto was introduced, sundown for the people of this region would herald stoppage of activities because of the darkness. However, through this project, BAT Bangladesh has installed as many as 2,330 solar home systems in 25 remote villages of Bandarban and Khagrachari. With the onset of electricity, almost 99% of the beneficiaries have now started engaging in income-generating activities with the project also contributing to improving the livelihoods of more than 15,000 people living in the vicinity. Moreover, Deeto also contributes to the Government’s agenda in the clean renewable energy sector. Deeto has earned immense recognition for BAT Bangladesh by winning the eminent ‘Centenary Award 2014’ from the Metropolitan Chambers of Commerce and Industries, and also the ‘Asia Responsible Entrepreneurship Award’ in 2018.
EMPLOYEE-CENTRIC INITIATIVES

Overview
At BAT Bangladesh, we are relentlessly working to ensure employee safety as well as contentment through various innovative employee-centric welfare programs.

Providing direct employment to around 1,500 people and indirect livelihood generation opportunity to around 50,000 people, including farmers, distributors and local suppliers, BAT Bangladesh has been consistently recognised as one of the most preferred employers in the country. The organisation has dedicated itself to ensure best practices for employee welfare, which has resulted in a culture where every employee passionately contributes to the betterment of the company and the country. Some of our major employee-centric social initiatives include:

FOOD AND HEALTH SERVICES

BAT Bangladesh caters to the proper nourishment requirements of its people by offering food that is wholesome, healthy and nutritious. Furthermore, the Company also organises campaigns on hygiene that encourage employees to embrace healthy habits.

Furthermore, the Company extends top priority to any common or emergency medical issue that may arise, and employ the services of a full-time doctor at its premises, including a pharmacist. Also, a well-equipped ambulance is kept on standby for providing emergency support. Importantly, full payment of hospital tests and admission costs are borne by the Company, along with providing employees with regular blood pressure test services and medicines within the organisation premises.

RECREATIONAL OPPORTUNITIES

BAT Bangladesh arranges a day-long event under Family Day, comprising a fun-filled and environment-friendly event for employees and their families. The venue is chosen such that it offers something for everyone. For instance, for the children, fun rides are offered, such as merry-go-round and mini train rides. Also, musical shows, snacks corner, games corners and mehendi corners are provided that enable greater bonding among our employees and their families. Besides, arrangements are also made for family portraits. As a novel inclusion on the 2018 Family Day, BAT Bangladesh recognised the importance of employees who have contributed 25-years of service, including those who retired from the organisation.

SUPPORTING EDUCATION

BAT Bangladesh provides scholarships for the meritorious children of employees when they achieve exemplary results in S.S.C/O Levels and H.S.C/A Levels exams. A total of 118 children were awarded with scholarships based on their results. This scholarship continues till their graduation to encourage students to continue with their education. In 2018, in addition to the educational scholarship, we also started the initiative of giving an award on good extra-curricular activities, under ‘Shomriddhi’. Four individual Shomriddhi awards were bestowed in 2018, thereby encouraging children to embrace extra-curricular activities as a part of their lifestyle.

BAT Bangladesh also organises an annual picnic (Employee Line of Sight), held at Rangamati Resort, where employees can have a day-off and take part in myriad outdoor and indoor sporting activities. A business session is also organised for employees to familiarise themselves with the future plans and activities of the business.

A kid’s carnival, comprising a half-day event, is also held where an amusement park (Shahbagh Shishu Park) is booked exclusively for the children of our employees. The children not only enjoy the rides, but also participate in other interesting and educational activities, such as value-based painting contest, math race, biscuit race, etc. Also, Eid e-Milad-un Nabi and annual iftar programs during the month of Ramadan are some of the other important celebrations observed by the organisation.

Children of an employee of the company being awarded scholarship by the Managing Director of BAT Bangladesh.
In an important EHS initiative undertaken during the year under report, BAT Bangladesh embarked on quick risk prediction (QRP), which was rolled out in our Dhaka factory in the third quarter of 2018. QRP comprises a tool through which an operator can engage in near-accurate risk assessment for any unplanned activity within the shortest possible time and take preventive cautionary measures accordingly. We believe this process will help us in achieving our objective of safe work attitude in the long run. Almost 900 people were trained over the last few months in QRP, ensuring high-operational readiness in the face of any unforeseen events.

Furthermore, during 2018, a Virtual Reality (VR)-based game, christened ‘EHS GO’ was launched to actively engage people and also conduct EHS knowledge health checks. A total of 735 people took part in the activities. As a standard part of our safety culture, skit competition was also arranged on predefined issues to raise awareness. Employees participated with enthusiasm and demonstrated innovative ways of conveying messages to promote the culture of safety. At BAT Bangladesh, we truly believe in our philosophy enshrined under: ‘Our People, Our Strength’ and organise initiatives and activities that take this cause ahead.

RESPONSIBLE ENVIRONMENTAL IMPACT

At BAT Bangladesh, in generating value across our processes, we focus on creating a positive ecological impact that aligns with our broader environmental responsibility agenda.

GREEN LOGISTICS

Overview

At BAT Bangladesh, the Company’s green logistics initiatives undertaken at its supply network operations have ensured environmental sustainability. Over the past decade, with a surge in volume growth, logistics requirement grew commensurately as well. While increasing the logistics capacity, BATB emphasizes on driving green logistics as well as replacing traditional systems with more environment-friendly process and practices. The shift in the overall approach to build logistical capabilities not only addressed capacity concerns, but also enabled the Company to meet its EH&S, security and engineering standards, which are today comparable to global benchmarks. In doing so, the Company also leveraged the concept of green logistics and introduced rainwater harvesting, bio-past management through neem plantation, 360-degree glass installation for maximum utilization of daylight to reduce energy usage and thus reduce carbon emissions.
Initiatives and outcomes

Under our green logistics initiatives, a pilot project of capacity enhancement to global standards is our Sayestagonj warehouse. At this premise, a 9,000kW solar panel installation supplies electricity to the warehouse; also, the incorporation of prismatic skylight in the warehouse ensures energy savings. Other green initiatives include replacement of 500-gallon capacity and re-painting for improved engagement. The success of the initiative here has been on the encouragement to take these to our other warehouse locations too. Already, skylights have been installed in six Prized Leaf warehouses in Kushtia, even as we have prioritized the installation of these in any new upcoming facility in the Prized Leaf network.

Driven by the growth in business, our transportation operations was growing exponentially too, both in terms of vehicular trips and costs. Through consistent trials, a new approach of slacking was introduced that increased truck space capacity utilization, which optimised one-month equivalent of trip numbers, which is equivalent to over 150 MT of reduction in our carbon footprint.

Alignment with SDGs

The BATB supply network plans are in line with the United Nations’ Sustainable Development Goals (SDGs):

- Green logistics initiatives in warehouses for affordable and clean energy (Goal #7)
- EHS standards of global benchmark for responsible consumption and production (Goal #12)
- Decent Work and Economic Growth (Goal #8)

In addition to meeting these goals, the supply chain team is also driving new capacity and capability enhancement programs. This was in response to the external environment: According to DCCI Workshop sponsored by the World Bank Group, Bangladesh is in a phase of saturation in terms of warehouse space. Hence, to maintain the economic growth momentum, immediate and creative solutions are required to ensure uninterrupted business. In this regard, an innovative solution to warehouse utilization comprised the simultaneous use of both green leaf and prized leaf within the same warehouse, which helped BATB’s supply chain increase utilization by over 25%, while also simultaneously achieving reduced capacity requirement by 45kft. With shared capacity between prized leaf and leaf through progressive usage, BATB’s supply chain is also driving the ‘Decent Work and Economic Growth’ (Goal #8) in warehousing industry as one of the goals of SDGs.

Alongside focusing on optimizing warehousing and transportation networks, BATB’s supply network operations has also taken up initiatives to optimise equipment and processes to reduce the Company’s overall carbon footprint. Currently, from a fleet of 62 forklifts, almost 52% are battery-driven, while the rest are being gradually phased-out.

GO GREEN INITIATIVES

Overview

At BAT Bangladesh, we are dedicated to meeting consumer needs in an environmentally-responsible and sustainable way, both in operations directly managed by us, as well as in the wider supply chain that we influence. We strongly endorse our ‘Go Green’ agenda, acknowledging that adopting eco-friendly practices increases the bottomline, ensures customer satisfaction and protects the future of our planet.

On the environmental front, in 2018, several initiatives were undertaken across our operations to reduce energy, water and waste consumption as part of our three-year plan.

On the energy front, our goal is to achieve higher production using lesser energy. To achieve this, we are:

- Using 155kW of in-house-generated solar power, which represents around 30% of the total lighting load of the factory.
- Maximising daylight use through the installation of prismatic skylights; together with the use of LED lighting, this ensures maximum energy efficiency from our lighting systems.
- Replacing 62 conventional motors with energy-efficient motors that are 15% more efficient.
- All meeting rooms & canteen are equipped with occupancy sensor to reduce lights & AC during unoccupied hours.

On the water front, the initiative of automated glue pot is considered a milestone towards DOE’s ‘Zero Discharge Policy’.

- Installed Automatic water faucet in all washrooms of office area & canteen, which enable us to save 100,000 litre of water each month.
- On-going construction of a state of the art Sewage Treatment Plant (STP) with a capacity of recycling 60,000 litre/day, which will enhance our water waste recycling & re-using capability as well as is considered a milestone towards DOE’s (Department of Environment) ‘Zero Discharge Policy’.

As part of our water conservation plan, initiatives were taken to maximise the flowback of bokhe-generated steam condensate back to the boiler in both our Dhaka Factory and GIZ, which enabled water as well as energy savings.

- The initiative of automated glue pot cleaning by using water spray jet was also introduced, which reduced as much as 25% water consumption in that operation.

Together, all these initiatives have contributed in reducing energy consumption, carbon emissions and water consumption, while increasing the water recycling. Going forward, we will continue to take rapid strides in bringing forth a materially positive impact on the ecology and on the environment at large.

On energy front, all the lights & AC during unoccupied hours are turned off, which is being used as a replacement of conventional cotton foam in foam in pillow-making process, this initiative helped us to move a step forward in our ‘Zero waste to landfill agenda’.

• Driving improved efficiencies at our boiler unit through the installation of oxygen trim analyser
• All these lights & AC have reduced energy usage by as much as 4% in 2018, while keeping our production levels steady, representing a substantive improvement in our energy efficiency.
• We engaged in recycling waste filter, which is being used as a replacement of conventional cotton foam in foam in pillow-making process, this initiative helped us to move a step forward in our ‘Zero waste to landfill agenda’.

All these initiatives have reduced energy usage by as much as 3% in 2018, while keeping our production levels steady, representing a substantive improvement in our energy efficiency.

As part of the Go Green agenda, we are also embracing several improvement initiatives on the water consumption and waste recycling fronts.

• We are engaged in recycling waste filter, which is being used as a replacement of conventional cotton foam in foam in pillow-making process, this initiative helped us to move a step forward in our ‘Zero waste to landfill agenda’.

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SUSTAINABLE AGRICULTURE INITIATIVE

At BAT Bangladesh, we have a proud legacy of partnering with our tobacco leaf suppliers, and we contribute to their socio-economic progress by offering sustainable agricultural solutions.

Overview

At BAT Bangladesh, our holistic value proposition to farmers has helped us to develop a secure supply chain, while also ensuring the quality and integrity of raw materials, which enable us to provide consumer-preferred products to the markets.

BONDHUSHEBA: WEB-BASED SUPPORT TO THE FARMING COMMUNITY

Bondhusheba is a web-based messaging platform conceived and developed by BAT Bangladesh. This platform enables us to reach out to our registered farmers on time to provide vital information on weather, good agricultural practices (GAP), farm sustainability initiatives, crop planning etc., through SMS.

Earlier, it was extremely difficult to transmit critical information among the farming communities through our field technicians, who would have to go from door to door. However, with the launch of Bondhusheba, a web-based tool, information can easily be disseminated to a large mass people located across a vast area, instantly. Thus, farmers can save their time and protect themselves from financial loss.

Recognising the need for a sustainable approach to agriculture, Bondhusheba has created a positive impact on sustainable agriculture and also on livelihoods among our leaf growing communities.

FARMERS SUSTAINABILITY MANAGEMENT (FSM); THE START OF A GLOBAL INITIATIVE

FSM is now live at BAT Bangladesh’s leaf-growing operations

Under our farm sustainability initiatives, BAT Bangladesh has embraced Farmers Sustainability Management and, in doing so, has become a part of the BAT global ecosystem to formalise and institutionalise best practices in tobacco cultivation.

Sustainable Tobacco Program (STP) is a global mandate for all the tobacco manufacturing companies across the world to come under a formal structure for embracing excellence in tobacco cultivation. BAT Sustain, a leading organisation working closely with companies across the world to come under a formal structure for embracing excellence in tobacco cultivation.

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Since this implementation, the Company follows the FSMC tool and provides it to field technicians to record the farm monitoring data, as per the tobacco cultivation phase, that is post contract, seed bed and soil preparation, crop development, harvest and post-harvest operations, fuel and afforestation and farm labour practices, by adopting mobile IT devices.

In 2017, the Global Sustainability team developed a tool to record the farm monitoring data, which was termed as FSMC, or Farmers Sustainability Monitoring Checklist, by incorporating the results of leaf growing operations across the globe.

In 2018, a global FSM (Farmers Sustainability Management) Project team was formed, which come up with mobile-based solutions for farm monitoring. After a series of meetings with BAT Bangladesh’s Sustainability team, a web-based application (Farmers Sustainability Management Application) for the field technicians and a portal (Farmers Sustainability Management Portal) for leaf management was developed. The key objectives of the FSM app and portal comprised: Global mobile solutions in an accurate, timely and consistent manner, Timely production of regulatory information and the availability of detailed analytical data, Efficient approach to engage in farmer monitoring, and supporting a more productive extension service.

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Management team, ‘APME Regional Training on FSM App Deployment’ and ‘Master Trainer’s Training on FSM App Deployment’, were organised at Green Leaf Threshing Plant (GLTP), Kushtia. For augmenting the technical capabilities of field technicians, nine training sessions were conducted across all the leaf growing locations.

At present, as many as 231 field technicians are using a tab and fingerprint-capturing device to operate the FSM app, and 144 Leaf Management team members are using the FSM portal to monitor farmers’ sustainability initiatives and outcomes. The implementation of modern technological resources in farm monitoring and data collection processes have significantly enhanced the efficiency of field technicians and also effected saving of valuable time.

The FSM app, a comprehensive digital solution that replaces manual data collection processes for farm monitoring, while also effecting digitalisation of our leaf operations, has turned live!

The FSM app is the first web-based application in the agricultural sector of Bangladesh for farm monitoring and capturing real-time data.

Training session of management and field technicians

Management and field technicians use the FSM system for farm monitoring

At BAT Bangladesh, we have well-structured programs that ensure the long-term sustainability of our tobacco leaf supply chain, while also enhancing farmer livelihoods in the communities in which we operate.

INTEGRATED FARM MANAGEMENT COMPONENT (IFMC)

At BAT Bangladesh, the primary objective of our leaf operations and farm sustainability initiatives comprises uplifting farmers’ livelihood by implementing integrated farm management component (IFMC). Notably, IFMC is a project lead by the Department of Agriculture Extension (DAE), Bangladesh, which aims to uplift farmer livelihood, minimise the cost of agricultural production, maximise the utilisation of limited resources and enhance the socio-economic status of farmers. IFMC encompasses six major components of agriculture, comprising:

- Rice cultivation
- Vegetable and fruit cultivation in homestead fallow land
- Poultry rearing
- Cattle husbandry
- Pisciculture

Overview

At BAT Bangladesh, the incorporation of multiple components in the agricultural system and through fostering a holistic approach to farm support, a farmer can improve his annual farm income and meet the nutrition demands of his family.

As is articulated in our initiatives below, it is now a well-recognised fact that by adopting the IFMC concept, farmers can efficiently manage their limited resources to increase their farming activities and enhance their livelihood. This indeed represents a major step forward in ensuring farmer self-sufficiency, while enabling the country’s agricultural sector to make improvements on a continuous basis.

- Manufactured capital, Social and relationship capital, Natural capital, Human capital
- Offer world-class agronomy support that has a positive impact on farm economics
- Introduced poly-tube irrigation for water conservation
- Increased organic fertilizer uses

MATERIAL ASSOCIATION WITH OPERORTUNITY HIGHLIGHTS OF 2018
Currently, the IFMC-trained resources of our Leaf Management division are providing training among farmers and women living in the farming community to improve their overall annual family income, and also extend support to the women empowerment agenda. Generally, within a farmer’s premises, some spaces remain unutilised and fallow. Today, this scenario has changed with farmers now cultivating vegetables, fruit, etc., on this land, thereby opening up a good income generation opportunity. Registered farmers of our Company have taken the IFMC concept to newer heights, cultivating various types of vegetables on the abandoned tobacco seedbed after transplanting tobacco seedling in the main field. This initiative has not only helped farmers to meet the nutrition demands of their family, but enabled an increase in the family income pool as well.

Meeting the protein demand is a key challenge for most of the marginal farmers. Household rearing of the native poultry breed can easily help to meet this key requirement and enable enhancement of farm income as well through the implementation of some simple scientific methods. One such method is Hazol.

Hazol is a user-friendly scientific resource that represents the ideal solution for maximising native poultry production. By using Hazol, farmers can ensure maximum production from the native poultry breed. Hazol is extremely cost-effective as it is produced by mixing easily available resources, including mud, cow dung and cut paddy straw.

Hazol preparation for incubation of the native poultry breed

Hazol preparation for incubation of the native poultry breed

Urea Molasses Straw (UMS) – improve feed for livestock

Though many of our farmers have household livestock, providing healthy feed is a key challenge for them because of high costs. In this context, by utilising the knowledge of IFMC, our farmers are preparing low-cost urea molasses straw (UMS) in their households. UMS is an improved livestock feed, enabling cattle fattening without the need for injecting harmful chemicals. This also helps farmers maximise their profit.

Urea Molasses Straw (UMS) – improve feed for livestock

Vermicompost – household approach to manage soil fertility

In Bangladesh, soil fertility is declining due to imbalance and excessive use of chemical fertilisers, intensive cropping patterns and lack of initiatives in soil health management. Hence, with a view to reduce the excessive and imbalanced use of chemical fertilisers in crop cultivation, farmers are being trained under the IFMC concept of preparing vermicompost. Vermicompost is an organic fertiliser produced from a special species of nematodes which enhances the microbial activities of microorganism in the soil and increases its fertility. Vermicompost is an environment-friendly approach and farmers can produce this compost at a very low-cost in their households.

Vermicompost – household approach to manage soil fertility

Vermicompost preparation in the farm

Vermicompost preparation in the farm
More than 80% of the population of Bangladesh live in rural areas. As such, the agricultural sector represents the principal source of livelihood for these households, and adopting environment-friendly farming practices by these communities is what catalyzes economic and social development.

Farmers’ Community Club (FCC) is one such platform that has been designed to meet the requirements of the local communities. The program is designed to uplift social standards of the rural communities that are principally dependent on agriculture. The FCC platform will be leveraged to impart training to farmers on various categories and will work towards building a ‘community-centric approach’. Farmers will receive advanced training and technical know-how on sustainable agriculture. Beyond this, awareness will also be raised of existing social and environmental issues and the ways to address these. Furthermore, training modules are being designed by subject matter experts to ensure greater functionality and practicality. The FCC program was articulated by aggregating primary information through the ‘bottom-up’ approach, enabling greater farmer involvement right from its initiation. This not only safeguards the interest of the farmers, but also ensures the sustainability of the program.

Ms. Madina Khatun, after the death of her husband, came forward to carry on his legacy and soon established herself as a leading woman in agri farming in the locality.

Even four decades ago, before the commencement of tobacco cultivation, Songrampur was backward with widespread poverty and people living in extreme hardship. Moreover, the village was in a low-lying area and, as such, most of the land, including the cultivable land, was left submerged under water during the monsoons. Vast swathes of lands would be left unused and rendered almost uncultivable, even after the water had receded. Moreover, farming was only marginal in the village.

With the advent of tobacco cultivation, primarily led by Mr. Riaz Uddin, the tide for the village changed. As a registered farmer of BAT Bangladesh, he started cultivating tobacco in three bighas of land out of his total ownership of four bighas.

Today, the family of Ms. Khatun is a case in agri-led lifestyle transformation, as she now owns 17 bighas of land! In addition, she also owns a large orchard, cultivating fruit, wood and medicinal trees. Going beyond just tobacco, she also cultivates vegetables, rice, maize, mustard seed, etc. Her small hut has turned into a well-furnished pucca building. Her children are highly educated. One of her daughters completed her L.L.B (Honors) and L.L.M from the Rajsahi University, securing first division with second position in merit. Later, she appeared for her judicial service exams and successfully qualified. Thereafter, she entered Government service as an Assistant Judge. Today, she is Joint District and Session Judge of Bogura. Another daughter also graduated and is doing well in the teaching profession. Both the daughters are married in well-off families.

Ms. Khatun’s only son, Mehedi Hasan Rabbi, also completed his graduation and post-graduation from a reputed private university. He is now leading the family business and is also engaged in a number of social upliftment activities, ensuring the wellbeing of his fellow villagers.

After the death of her husband, Ms. Khatun never lost hope. She continued to dream of moving forward with courage, energy and enterprise. Deeply engaging herself in the core cultivation business, she mobilized funds to invest in afforestation and gardening and used the profits from these for her children’s education and marriage. She taught herself to be patient and tenacious to overcome all the difficulties with courage and optimism.

Her richly inspiring success story has significantly influenced many other people of Songrampur village. Today, she likes to spend her time in the supervision of daily activities, working in her homestead garden and in religious pursuits.

Ms. Madina Khatun’s life can be a shining example to the thousands of women of our country!
SKILL DEVELOPMENT INITIATIVE

BAT Bangladesh’s Apprentice Program for Technical College Students

BAT Bangladesh has been one of the pioneers in starting an apprenticeship program way back in 1978, in collaboration with Bangladesh Government’s Bureau of Manpower, Employment and Training, as part of its corporate social responsibility initiatives.

The aim was to provide fresh technical college students with an unparalleled opportunity to experience hands-on technical training and enhance their skills, capabilities, productivity, and performance in an industrial environment.

Since then, BAT Bangladesh has been driving this apprenticeship program for more than 40 years with a view to train and develop a young group of technical and vocational students through a structured and supervised program, and then support them in getting employment in various industries at home and abroad as skilled workforce.

Currently, 83 trainees from Technical College, polytechnic institutes and vocational trade courses, etc., are continuing with their 3-year apprenticeship program with BAT Bangladesh. The program comprises various types of learning engagements, such as:

- Theoretical classroom training
- Practical sessions
- Basic training on engineering
- Hands-on training
- Demonstrations
- On-the-job learning

In addition to the technical exposure, trainees are also provided with an understanding of manufacturing best practices, (environment, health and safety) and quality levels. After the successful completion of the program, trainees are certified by the Bureau of Manpower, Employment and Training, Government of Bangladesh.

This program also complements BAT Bangladesh’s commitment to partner with the Government to encourage initiatives in meeting the objectives articulated under the Sustainable Development Goals (SDGs), that is developing a skilled workforce who are provided with a strong platform for upskilling for productive employment and who ultimately contribute to the economic growth of the nation.

GLOBAL TOBACCO & NICOTINE FORUM (GTNF) REPRESENTATION

The Global Tobacco & Nicotine Forum is a renowned platform for discussion and debate between all stakeholders, on the global issues facing the tobacco and nicotine industries at present and in the future. Although BAT is a member of the forum, it was for the first time in 2018 that Ms Mubina Asaf, Head of Legal & External Affairs of BAT Bangladesh was invited not only to attend but also participate as a leading panelist in a group discussion on sustainability and economic development.

Held on September 12th & 13th 2018 at the Rosewood London Hotel, the coveted event featured representatives from the government, public health, finance, tobacco industry, partner institutions and media personnel. Speaking at the occasion, Ms Asaf highlighted the trajectory of Bangladesh’s success in graduating from LDC status and BAT Bangladesh’s contributions in that aspect; BAT Bangladesh believes in playing a substantial role in fulfilling the nation’s socio-economic potential. Ms. Asaf also highlighted how BAT Bangladesh is making an economic, environmental and societal difference.

While maintaining the sustained partnership as the largest private taxpayer, BAT Bangladesh is also one of the pioneers of CSR in the country. Apart from its flagship afforestation project Bonayar, the Company also has a water filtration initiative, Probaho for arsenic prone areas and solar home system, Depto for the off-grid areas. BAT Bangladesh also supports the agricultural development of Bangladesh’s success in graduating from LDC status and BAT Bangladesh’s contributions in various industries at home and abroad as skilled workforce.

Rohingya refugees. Not only through CSR, BAT Bangladesh drives sustainable agricultural practices in its farming communities. The Company has and continues to adopt various platforms such as Integrated Pest Management Clubs and Farmers Community Clubs that uplifts the knowledge base of the farmers, helping them increase the commercial value of their produce for all agricultural crops. They are also enriched with skills which increases their entire crop basket productivity following bio-friendly practices. As Bangladesh embarks on its new journey towards becoming a Middle-Income country, BAT Bangladesh is committed to remain as the most preferred development partner of the country for now and the future.

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AWARDS & ACHIEVEMENTS

During the year 2018, BAT Bangladesh won a number of key external awards, thereby underpinning our emphasis on bolstering stakeholder trust. While showcasing our continual focus on becoming a more valuable partner of the society, these awards and achievements are also an outcome of our pursuit of building a better Bangladesh. We dedicate these awards to the unceasing efforts of our people and the unceasing support of our management.
Year at a Glance

Global CSR Excellence & Leadership Award ICAC Best Presented Annual Report 2017 First Prize in Manufacturing Sector by the Institute of Cost and Management Accountants of Bangladesh (ICMAB).

Best Innovation-SDG Inclusion Award by Bangladesh Brand Forum and Mastercard for Probaho project.

Community Development Award to BAT Bangladesh for Deepro Initiative, Women at Work Leadership Award to Mubina Asaf, Head of Legal & External Affairs and Best Corporate Social Responsibility Practices to BAT Bangladesh from the CMO Asia.

Asia’s Best Employer Brand Award for HR Event of the Year 2018, Asia’s Best Employer Brand Award for Dream Employer of the Year and Asia’s Best Employer Brand Award for Diversity Impact Award.

First Position Award in WME Manufacturing Industry Category from the Institute of Cost and Management Accountants of Bangladesh (ICMAB).

Global CSR Excellence & Leadership Award
AFFORESTATION AWARDS RECEIVED NATIONWIDE
BATB IN MEDIA
PEOPLE BRINGING THE DIFFERENCE

Marketing Team (Head Office)

Finance Team (Head Office)

General & Business Development Team

Human Resource Team
YEAR AT A GLANCE

Legal & External Affairs Team

Information Technology Team

Operations Team

Trade Union Representative

BRITISH AMERICAN TOBACCO

BANGLADESH

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PICTORIAL SNAPSHOT

45th AGM in Hotel Sonargagon

Battle of Minds 2018

Achievement Celebration

Achievement Celebration

Training Session

Achievement Celebration

Marketing Team in an Internal Event

Operations Team in an Internal Event

Family Day 2018

Internal Event Launch

Corporate team in an internal event

BRITISH AMERICAN TOBACCO
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Achievers acknowledged at the event of ‘Inspiring Women Award’

Celebration of the 15th Grand Anniversary launch of Battle of Minds

Demonstration of Bonayan project in an internal event

2019 Apne Leo Workshop in Kuala Lumpur

A moment of BATB's internal cricket tournament
Litres of Water Supplied Every Day

Probaho – Balance for Safe drinking water initiative in arsenic affected areas

At BAT Bangladesh, our Probaho project is as timely as it is relevant, diligently serving the needs of communities with pure potable drinking water. This initiative has ensured a healthy and contamination-free environment, especially in arsenic-prone areas.

Under Probaho, BAT Bangladesh supplies 400,000 litres of drinking water through 78 water filtration installations, touching the lives of 200,000 people every day!

- Decreasing water borne diseases
- Increasing economic benefits due to reduced medical costs
- Strengthening community participation to maintain the plants
- Improving livelihoods
INDEPENDENT AUDITOR’S REPORT

To the Shareholders of British American Tobacco Bangladesh Company Limited

We have audited the financial statements of British American Tobacco Bangladesh Company Limited (the Company), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give true and fair view, in all material respects, of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 42.1 to the financial statements where an update from the current year is outlined from last year’s management assessment on a BDT 17,806 million retrospective demand by the National Board of Revenue for Value Added Tax and Supplementary Duty on the Company’s Pilot and Brillo brands.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements for 2018. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Appropriateness of revenue recognition and disclosures on the impact of the initial application of IFRS 15

Revenue of BDT 54.6 billion is recognized in the income statement of the Company. This material item is subject to considerable inherent risk due to the impact of changing list prices and related indirect taxes, along with identifying, recording and properly accounting for variable consideration.

The application of the new standard on revenue recognition, “International Financial Reporting Standard 15 - Revenue from Contracts with Customers” has had a significant impact from the financial year 2010 onward, in the period 2010 to 2017 of the financial statements for the financial year 2018. The Company’s policy for initial application of IFRS 15 is on a full retrospective basis for domestic activities to ensure comparability of the income statement in all periods, which requires the restatement of prior periods as presented in the Note 6 (T), in addition the Company has used practical expedients for initial application and have not restated the comparative financial statements since the contracts begin and end within the same annual reporting period.

How our audit addressed the key audit matter:

We assessed the appropriateness of revenue recognition accounting policy in line with IFRS 15 Revenue from contracts with customers;

performed walkthroughs to understand the adequacy and the design of the revenue cycle;

Conducted analysis over the internal controls over financial reporting, we also assessed the existence and accuracy of the sales recorded, based among other things on inspection of sales contracts, final acceptances, and the allocation of variable consideration to the various elements in the contracts;

In addition we performed substantive analytical to understand how the revenue has trended over the year among other parameters, we performed a detailed testing on transactions around the year-end, ensuring revenues were recognised in the correct accounting period. We also tested journal entries recognised to revenue focusing on unusual or irregular transactions.

Key audit matter

The financial statements for the financial year ended 31 December 2018 were the first being subject to our audit. Bearing in mind the size and scope of operations of the Company, the key was to understand the complexity of the Company’s organizational structure and processes within the Company.

During the audit, we performed a number of additional procedures necessary to understand and gain knowledge about: (i) the Company’s business profile and its accompanying processes (ii) specific risks related to the business (iii) control mechanisms implemented by the Company and adopted policies affecting financial reporting.

These procedures allowed us to assess the risk of the audit, identify the risk of material misstatement, including inherent audit risks and control risks, and determine materiality levels and the scope of audit procedures.

In addition, as part of the first-year audit, the purpose of our additional procedures was to determine whether opening balances contain distortions that materially affect the financial statements for the current period and whether the tax accounts included in the opening balance were applied continuously in the preparation of financial statements for the current period, or whether the changes made therein were correctly accounted for and properly presented in accordance with the applicable financial reporting assumptions.

How our audit addressed the key audit matter:

conducting the kick off meeting with key personnel responsible for financial reporting of the Company;

gaining an understanding of the control environment in the Company and testing of selected controls in relation to individual processes;

understanding of the Company's accounting policy and significant values included in financial statements based on professional judgment and estimates;

assessment of the adequacy of disclosures, in accordance with the International Accounting Standard B 8 Accounting Policies, Changes in Accounting Estimates and Errors, in the financial statements.

The results of our procedures as well as the revised audit strategy based on them have been communicated to the Management Board of the Company and to the Audit Committee.

Tax matters

The Company is subject to periodic review by local tax authorities on a range of tax matters during the normal course of business including indirect taxes and transaction related tax matters that could eventually require payments of taxes and possible additional charges. The assessment of uncertainty and risk of one or more unfavorable outcomes involve judgement from management.

This was a key audit matter because the tax matters involved and because of the estimation of the nature and the final outcome of these matters.

The Company records provisions for uncertain liabilities, including tax contingencies, when it is more likely than not that a liability has been incurred, and the amount can be reliably estimated.

How our audit addressed the key audit matter:

We have taken into consideration the complexity of accounting for tax issues, internal control, and gained an understanding over the entity’s accounting for taxes and management’s process for assessing the effectiveness of internal control over the significant income tax accounts and the related financial statement disclosures.

December 16th 2018

Ramesh Kri, Partner

EY refers to the global organization, and/or one or more of the independent member firms of Ernst & Young Global Limited.

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Our procedures also included among others:
- Discussing with the management regarding tax matters, tax jurisdictions and tax communications;
- Identifying and testing relevant controls over tax accounts and financial statement disclosures;-
- Analysis of responses in letters independently obtained from the tax consultant and external counsels of the Company on various matters;
- Substantive procedures performed including vouching account reconciliations and tracing amounts to the appropriate underlying support and trial balances.
- Analysis of the accounting of the pre-tax effects of transactions and the tax technical application to specific transactions.

Other matters
The financial statements of British American Tobacco Bangladesh Company Limited for the year ended 31 December 2017, were audited by another auditor who expressed an unmodified opinion on these statements on 05 March 2018.

Other Information Included in the Company’s 2018 Annual Report
Other information consists of the information Included in The Company’s 2018 Annual Report other than the financial statements and our auditor’s report thereon. We obtained Director’s Report and Corporate Governance Report prior to the date of our auditor’s report, and we expect to obtain the remaining reports of the Annual Report after the date of our auditor’s report. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with FRSs, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements
In accordance with the Companies Act 1994 and the Securities and Exchange Rules 1987, we also report the following:

i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
ii) In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of these books;
iii) The statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account and returns; and
iv) The expenditure incurred was for the purposes of the company's business.
### Statement of Financial Position

As at 31 December 2018

<table>
<thead>
<tr>
<th>Assets</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BDT (000)</td>
<td>BDT (000)</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>26,483,587</td>
<td>20,915,160</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>26,483,587</td>
<td>20,915,160</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>19,429,201</td>
<td>17,469,089</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>4,174,125</td>
<td>2,315,457</td>
</tr>
<tr>
<td>Advances, deposits and prepayments</td>
<td>4,822,711</td>
<td>4,736,633</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,633,605</td>
<td>878,169</td>
</tr>
<tr>
<td>Total current assets</td>
<td>30,059,642</td>
<td>25,499,348</td>
</tr>
<tr>
<td>Total assets</td>
<td>56,543,229</td>
<td>46,414,508</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Equity and liabilities</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BDT (000)</td>
<td>BDT (000)</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>600,000</td>
<td>600,000</td>
</tr>
<tr>
<td>Capital reserve</td>
<td>64,896</td>
<td>64,896</td>
</tr>
<tr>
<td>Total equity</td>
<td>28,863,958</td>
<td>22,447,542</td>
</tr>
<tr>
<td>Total equity attributable to owners of the Company</td>
<td>29,528,856</td>
<td>23,112,438</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-current liabilities</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BDT (000)</td>
<td>BDT (000)</td>
</tr>
<tr>
<td>Net defined benefit plans</td>
<td>978,538</td>
<td>869,114</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>3,112,979</td>
<td>2,485,570</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>4,091,517</td>
<td>3,704,684</td>
</tr>
</tbody>
</table>

The notes on pages 217 to 259 are an integral part of these financial statements.
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2018

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BDT (000)</td>
<td>BDT (000)</td>
</tr>
<tr>
<td>Gross revenue</td>
<td>233,118,187</td>
<td>204,139,715</td>
</tr>
<tr>
<td></td>
<td>(178,478,420)</td>
<td>(152,175,972)</td>
</tr>
<tr>
<td>Net revenue from contracts with customers</td>
<td>54,639,767</td>
<td>51,963,743</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(27,096,297)</td>
<td>(27,180,742)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>27,543,470</td>
<td>24,783,001</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(6,723,690)</td>
<td>(6,980,580)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>20,819,780</td>
<td>17,802,421</td>
</tr>
<tr>
<td>Net finance income/(expenses)</td>
<td>(473,916)</td>
<td>(185,291)</td>
</tr>
<tr>
<td>Non-operating income/(expenses)</td>
<td>(14,996)</td>
<td>24,469</td>
</tr>
<tr>
<td>Profit before contribution to WPPF</td>
<td>20,330,867</td>
<td>17,641,599</td>
</tr>
<tr>
<td>Contribution to WPPF</td>
<td>(1,016,543)</td>
<td>(882,080)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>19,314,324</td>
<td>16,759,519</td>
</tr>
<tr>
<td>Income tax expense</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current tax</td>
<td>(8,985,069)</td>
<td>(8,121,466)</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>(317,221)</td>
<td>(9,581,697)</td>
</tr>
<tr>
<td>(9,302,290)</td>
<td>(9,603,163)</td>
<td></td>
</tr>
<tr>
<td>Profit for the year</td>
<td>10,012,034</td>
<td>7,829,856</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remeasurement loss on defined benefit plans</td>
<td>4,382</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive loss for the year, net of tax</td>
<td>4,382</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income for the year, net of tax</td>
<td>10,016,416</td>
<td>7,829,856</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>166.87</td>
<td>130.50</td>
</tr>
</tbody>
</table>

The notes on pages 217 to 259 are an integral part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2018

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Capital reserve</th>
<th>Retained earnings</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>BDT (000)</td>
<td>BDT (000)</td>
<td>BDT (000)</td>
<td>BDT (000)</td>
</tr>
<tr>
<td>Balance at 01 January 2018</td>
<td>600,000</td>
<td>64,896</td>
<td>22,447,542</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>-</td>
<td>-</td>
<td>10,012,034</td>
</tr>
<tr>
<td>Other comprehensive income for the year</td>
<td>-</td>
<td>-</td>
<td>4,382</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>-</td>
<td>-</td>
<td>10,016,416</td>
</tr>
<tr>
<td>Dividends for the year 2017</td>
<td>-</td>
<td>-</td>
<td>(3,600,000)</td>
</tr>
<tr>
<td>Balance at 31 December 2018</td>
<td>600,000</td>
<td>64,896</td>
<td>28,863,958</td>
</tr>
<tr>
<td>Balance at 01 January 2017</td>
<td>600,000</td>
<td>64,896</td>
<td>18,217,686</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>-</td>
<td>-</td>
<td>7,829,856</td>
</tr>
<tr>
<td>Other comprehensive income for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>-</td>
<td>-</td>
<td>7,829,856</td>
</tr>
<tr>
<td>Dividends for the year 2016</td>
<td>-</td>
<td>-</td>
<td>(3,600,000)</td>
</tr>
<tr>
<td>Total transactions with owners of the Company</td>
<td>-</td>
<td>-</td>
<td>(3,600,000)</td>
</tr>
<tr>
<td>Balance at 31 December 2017</td>
<td>600,000</td>
<td>64,896</td>
<td>22,447,542</td>
</tr>
</tbody>
</table>

The notes on pages 217 to 259 are an integral part of these financial statements.
Statement of cash flows
For the year ended 31 December 2018

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BBD (000)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collection from distributors, leaf export and others</td>
<td>231,284,886</td>
<td>202,936,614</td>
</tr>
<tr>
<td>Payment for costs and expenses</td>
<td>(96,613,162)</td>
<td>(33,197,065)</td>
</tr>
<tr>
<td>Supplementary duty and VAT paid</td>
<td>(716,779,610)</td>
<td>(113,063,812)</td>
</tr>
<tr>
<td><strong>Cash generated from operating activities</strong></td>
<td><strong>17,892,113</strong></td>
<td><strong>15,175,536</strong></td>
</tr>
<tr>
<td><strong>Net Increase/(decrease) in cash and cash equivalents</strong></td>
<td><strong>2,913,465</strong></td>
<td><strong>(3,354,769)</strong></td>
</tr>
<tr>
<td><strong>Dividend paid</strong></td>
<td><strong>(3,596,316)</strong></td>
<td><strong>(3,597,319)</strong></td>
</tr>
<tr>
<td><strong>Repayment of short term loan</strong></td>
<td><strong>(5,420,000)</strong></td>
<td><strong>(10,300,000)</strong></td>
</tr>
<tr>
<td><strong>Proceeds from short term loan</strong></td>
<td><strong>9,800,000</strong></td>
<td><strong>8,800,000</strong></td>
</tr>
<tr>
<td><strong>Net cash flows from operating activities</strong></td>
<td><strong>9,007,610</strong></td>
<td><strong>9,733,374</strong></td>
</tr>
<tr>
<td><strong>Investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(6,978,665)</td>
<td>(8,030,294)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>100,836</td>
<td>39,470</td>
</tr>
<tr>
<td>Net cash flows used in investing activities</td>
<td><strong>(6,877,829)</strong></td>
<td><strong>(7,990,824)</strong></td>
</tr>
<tr>
<td><strong>Financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from short term loan</td>
<td>9,360,000</td>
<td>8,600,000</td>
</tr>
<tr>
<td>Repayment of short term loan</td>
<td>(5,420,000)</td>
<td>(10,300,000)</td>
</tr>
<tr>
<td>Dividend paid</td>
<td>(3,596,316)</td>
<td>(3,597,319)</td>
</tr>
<tr>
<td>Net cash flows used in financing activities</td>
<td><strong>783,684</strong></td>
<td><strong>(5,097,319)</strong></td>
</tr>
<tr>
<td><strong>Net Increase/(decrease) in cash and cash equivalents</strong></td>
<td><strong>2,913,465</strong></td>
<td><strong>(3,354,769)</strong></td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at 01 January</strong></td>
<td><strong>(2,078,741)</strong></td>
<td><strong>1,275,028</strong></td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at 31 December</strong></td>
<td><strong>833,724</strong></td>
<td><strong>(2,079,741)</strong></td>
</tr>
</tbody>
</table>

*Cash and cash equivalents include bank overdrafts that are payable on demand and form an integral part of the Company’s cash management.

The notes on pages 217 to 259 are an integral part of these financial statements.
BRITISH AMERICAN TOBACCO BANGLADESH COMPANY LIMITED
Notes to the financial statements

1 Reporting entity
1.1 Company profile
British American Tobacco Bangladesh Company Limited (the “Company”) is a public limited company incorporated in Bangladesh and its shares are quoted in Dhaka and Chittagong Stock Exchanges. The address of the Company’s registered office is New O.D.H.S. Road, Mohakhali, Dhaka-1206, Bangladesh.

1.2 Nature of business
The Company manufactures and markets brands including Benson & Hedges, John Player Gold Leaf, Capstan, Star, Derby, Pilot and Hollywood. The Company has its head office and the cigarette factory in Dhaka, a green leaf threshing plant in Kushtia, a green leaf redrying plant in Manikganj and a number of leaf and sales offices throughout the country.

2 Basis of preparation
2.1 Statement of compliance
The financial statements have been prepared in accordance with the (International Financial Reporting Standards (IFRS), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations in Bangladesh. Cash flows from operating activities are prepared under direct method as prescribed by the Securities and Exchange Rules 1987.

The financial statements have been prepared on a historical cost basis, except for financial assets and contingent consideration that have been measured at fair value where applicable. The financial statements provide comparative information in respect of the previous period.

On 14 December 2017, the Institute of Chartered Accountants of Bangladesh (ICAB) has adopted International Financial Reporting Standards issued by the International Accounting Standards Board as IFRSs. As the ICAB previously adopted such standards as Bangladesh Financial Reporting Standards without any modification, this recent adoption will not have any impact on the financial statements of the Company going forward.

A number of new standards and amendments to standards are effective for annual periods beginning on or after 01 January 2018 and earlier application is permitted.

2.2 Date of authorisation
The financial statements were authorised for issue by the Board of Directors on 11 March 2019 for publication.

2.3 Reporting period
The financial period of the Company covers one year from 1 January to 31 December and is followed consistently.

3 Functional and presentation currency
These financial statements are presented in Bangladesh Taka (Taka/Tk/BDT), which is both functional and presentational currency of the Company. The amounts in these financial statements have been rounded off to the nearest thousand unless otherwise indicated. Because of these rounding off, in some instance the total may not match the sum of individual balances.

4 Use of estimates and judgements
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

In particular, information about significant areas of estimates and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in these financial statements are stated in the following notes:
- Note 8 Property, plant and equipment
- Note 9 Inventories
- Note 10 Net defined benefit plans
- Note 17 Deferred tax
- Note 21 Current tax liabilities
- Note 22 Provisions
- Note 41 Commitments
- Note 42 Contingencies

5 Basis of measurement
The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis, except for inventory, trade receivables and contingent consideration that have been measured at fair value. The financial statements provide comparative information in respect of the prior period.

6 Significant accounting policies
The Company has consistently applied the following accounting policies to all periods presented in these financial statements. Set out below is an index of the significant accounting policies, the details of which are available on the current and following pages:
- A. Current versus non-current classification
- B. Property, plant and equipment
- C. Financial instruments
- D. Share capital
- E. Impairment
- F. Leases
- G. Inventories
- H. Employee benefits
- I. Provisions
- J. Contingencies
- K. Revenue from contracts with customers
- L. Income tax expense
- M. Foreign currency transactions
- N. Finance income and expenses
- O. Earnings per share (EPS)
- P. Statement of cash flows
- Q. Dividends
- R. Materiality and aggregation
- S. Events after the reporting period
- T. Changes in accounting policies and disclosures
A. Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period;
- All other liabilities as non-current;
- Deferred tax assets and liabilities are classified as non-current assets and liabilities.

B. Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

Buildings constructed by the Company on leasehold land are capitalised and included under the category of leasehold property.

(ii) Subsequent costs

Subsequent to initial recognition, cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. All other repair and maintenance expenses are charged in the statement of profit or loss and other comprehensive income as they are incurred.

(iii) Depreciation

All items of property, plant and equipment have been depreciated on straight line basis. Depreciation on additions are charged from the month of acquisition. On disposal of an asset, depreciation is charged up to the month prior to the disposal. No depreciation is charged for land and assets under construction. The Company is following this policy consistently from past years.

The estimated useful lives and the rates of residual value of property, plant and equipment for the current and comparative years are as follows:

<table>
<thead>
<tr>
<th>Categories</th>
<th>Use of life in years</th>
<th>Residual value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Freehold building</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Leasehold building</td>
<td>Maximum 40 years, depreciation rates based on a case by case basis</td>
<td>Maximum 40 years, depreciation rates based on a case by case basis</td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>5 / 10 / 20*</td>
<td>5 / 10 / 14.3</td>
</tr>
<tr>
<td>Laboratory equipment</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Office equipment</td>
<td>5 / 10</td>
<td>5 / 10</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>3 / 15 / 10</td>
<td>3 / 15 / 10</td>
</tr>
<tr>
<td>Vehicles</td>
<td>4 / 5</td>
<td>4 / 5</td>
</tr>
<tr>
<td>IT equipment</td>
<td>3 / 5</td>
<td>3 / 5</td>
</tr>
</tbody>
</table>

Depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted as appropriate. No significant adjustment in respect of items of property, plant and equipment was done in the twelve-month period ended 31 December 2018.

*Factory equipment’s useful life was reviewed and was determined to be 20 years instead of 14 years. The Company was prospectively accounted for the change in accounting estimate.

(iv) Assets under construction

Assets under construction represent the cost incurred for acquisition and/or construction of items of property, plant and equipment that are not ready for use at reporting date and these are stated at cost, net of accumulated impairment losses, if any.

(v) Impairment

The carrying amount of the entity's non-financial assets, other than inventories and deferred tax assets (considered as disclosed separately under respective accounting standards), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. However, no such conditions that might be suggestive of a heightened risk of impairment of assets existed at the reporting date.

An impairment loss is recognized through the statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is calculated as the present value of estimated future cash flows, that will be generated by the use of that asset, discounted at an appropriate rate.

Impairment indicators comprise:

- reduced earnings compared to expected future outcome;
- material negative development trends in the sector or the economy in which the Company operates;
- damage to the asset or changed use of asset.
C. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-derivative financial instruments comprise deposits, trade and other receivables, cash and cash equivalents, trade and other payables, intercompany payables, share capital and interest-bearing borrowings.

(i) Financial assets

The Company initially recognises receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the date at which the Company becomes a party to the contractual provisions of the transaction.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

The Company’s financial assets comprise trade and other receivables, deposits and cash and cash equivalents.

a) Trade and other receivables

Trade and other receivables consist of unpaid bills receivable from customers and other parties. Trade and other receivables are recognised initially at invoiced amount and subsequently measured at the remaining amount less expected credit loss at the year end, which is made at the discretion of the management.

b) Deposits

Deposits are measured at payment value which are expected to be recovered after completion a certain period or purpose.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks and fixed deposits receipt which are held and available for use by the Company without any restriction, except for the dividend account. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at financial institutions and short-term highly liquid investments with maturities of three months or less from the date of acquisition. Bank overdrafts that are repayable on demand and from an integral part of the Company’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

d) Advances and prepayments

After initial recognition advances are carried at cost less deductions, adjustments or charges to other account heads such as property, plant and equipment or inventory etc.

Prepayments are initially measured at cost. After initial recognition prepayments are carried at cost less charges for the period.

(ii) Financial liabilities

The Company initially recognises financial liabilities in its statement of financial position when the Company becomes a party to the contractual provisions of the liability. The Company recognises such financial liability when its contractual obligations arising from past events are certain and the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company’s financial liabilities comprise trade and other payables.

a) Trade and other payables

Trade and other payables are recognised when its contractual obligations arising from past events are certain and the settlement of which is expected to result in an outflow from the Company of resources embodying economic benefits. Trade and other payables are recognised initially at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost using the effective interest method.

(ii) Offset risk and a financial liability

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

D. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Paid up capital represents total amount contributed by the shareholders and bonus shares, if any, issued by the Company to the ordinary shareholders. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at shareholders’ meetings. In the event of a winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any residual proceeds of liquidation.

E. Impairment

(i) Recognition

Financial assets not carried at fair value through profit or loss and receivables are assessed at each reporting date to determine whether there is objective evidence that any particular asset is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The carrying value of the non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset or its cash generating unit exceeds its recoverable amount. Impairment losses, if any, are recognised in the statement of profit or loss and other comprehensive income.

(ii) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price or its value in use. The latter is determined by discounting the estimated future cash flows to a present value using a discount rate which reflects the current market assessment of the time value of money and risk specific to the asset. For an asset that does not generate significantly independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

(iii) Reversal of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.
F. Employee benefits

Operating Lease

All leases other than those which meet the definition of finance lease are treated as operating lease and are recognised in the statement of profit and loss. Payments made under operating leases are recognised in profit or loss. For non-cancelable operating leases payments are recognised on a straight-line basis over the term of the lease.

G. Inventories

Raw materials and finished goods inventories are measured at the lower of cost and net realisable value. Spare parts are valued at cost.

The cost of inventories, except goods in transit, is measured based on the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

Material in transit represents the cost incurred up to the date of the statement of financial position for the items that were not received till the date of reporting. Inventory losses and abnormal losses are recognised as expenses.

H. Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined benefits plans

a) Management Gratuity Scheme

The Company operates an unfunded gratuity scheme for the management employees who joined the Company up to February 2013. Members of this scheme become eligible to receive gratuity on completion of 5 years of continuous services with the Company.

b) Management Pension Fund

The Company operates a funded pension scheme for the management employees who joined the company from 1 January 1987 to 31 August 2007. Members of this fund become eligible to receive gratuity on completion of 5 years of continuous service with the Company.

The fund is managed by a Board of Trustees. The Company contributes 15% of basic salary as contribution to the fund for the management employees from the date of joining. The fund is managed by a Board of Trustees. Members of this fund become eligible to receive gratuity on completion of 5 years of continuous services with the Company.

b) Employee Gratuity Scheme

The Company operates a funded gratuity scheme for the non-management employees whereby the Company contributes 15% of basic salary as contribution to the fund for the non-management employees from the date of joining. The fund is managed by a Board of Trustees. Members of this fund become eligible to receive gratuity on completion of 5 years of continuous services with the Company.

c) Provident Fund

The Company operates a provident fund for all the employees irrespective of date of joining the Company. Members, on confirmation, in regular employment of the Company, are required by the Company to join the provident fund to which members contribute 10% of their basic salaries and the Company makes a matching contribution. The fund is managed by a Board of Trustees. Members become eligible to receive the Company's contribution on completion of 5 years of continuous services with the Company.

The Company recognizes the contribution to the defined contribution plan as an expense when an employee has rendered services in exchange for those contributions. The legal and constructive obligation is limited to this amount and it agrees to the fund contribution.

d) Worker's Profit Participation Fund

The Company operates fund for workers as “Workers’ Profit Participation Fund” and 5% of the profit before charging such expense has been transferred to this fund as per section 234 of Bangladesh Labour Act 2006 (amended in 2013).

The Company recognises a contribution to the defined contribution plan as an expense when an employee has rendered services in exchange for the contribution. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

I. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is probable that an outflow of resources embodying economic benefits are required to settle the obligation, the provisions are reversed.

J. Contingencies

Contingent liability

Contingent liability is a possible obligation that arises from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

(iii) Defined contributions plan

a) Management Gratuity Scheme

The Company operates a funded gratuity scheme for the management employees who joined the Company from 1 March 2013 and onwards. The Company contributes 15% of basic salary as contribution to the fund for the management employees from the date of joining. The fund is managed by a Board of Trustees. Members of this fund become eligible to receive gratuity on completion of 5 years of continuous services with the Company.

b) Employee Gratuity Scheme

The Company operates funded gratuity scheme for the non-management employees whereby the Company contributes 15% of basic salary as contribution to the fund for the non-management employees from the date of joining. The fund is managed by a Board of Trustees. Members of this fund become eligible to receive gratuity on completion of 5 years of continuous services with the Company.

c) Provident Fund

The Company operates a provident fund for all the employees irrespective of date of joining the Company. Members, on confirmation, in regular employment of the Company, are required by the Company to join the provident fund to which members contribute 10% of their basic salaries and the Company makes a matching contribution. The fund is managed by a Board of Trustees. Members become eligible to receive the Company's contribution on completion of 5 years of continuous services with the Company.

The Company recognizes the contribution to the defined contribution plan as an expense when an employee has rendered services in exchange for those contributions. The legal and constructive obligation is limited to this amount and it agrees to the fund contribution.

d) Worker's Profit Participation Fund

The Company operates fund for workers as “Workers’ Profit Participation Fund” and 5% of the profit before charging such expense has been transferred to this fund as per section 234 of Bangladesh Labour Act 2006 (amended in 2013).

The Company recognises a contribution to the defined contribution plan as an expense when an employee has rendered services in exchange for the contribution. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.
The Company discloses contingent liability in the financial statements. A provision is recognised in the period in which the recognition criteria of provision is met.

K. Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of Value Added Tax (VAT), Supplementary Duty (SD), Export Duty and Health Surcharge. Gross turnover comprises domestic sales of cigarettes, export of leaf and includes SD, VAT, Export Duty and Health Surcharge paid to the Government of Bangladesh.

The company’s typical performance obligations include the following:

<table>
<thead>
<tr>
<th>Performance obligation</th>
<th>When performance obligation is typically satisfied</th>
<th>When payment is typically due</th>
<th>How stand alone selling price is typically estimated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic sales:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distributor</td>
<td>Point in time at factory/ warehouse gate</td>
<td>At the beginning of the contract</td>
<td>As per regulator approved prices</td>
</tr>
<tr>
<td>Duty free</td>
<td>Point in time at factory gate</td>
<td>Within 30 days of delivery</td>
<td>As per regulator approved prices</td>
</tr>
<tr>
<td>Export sales:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Related parties and external parties</td>
<td>Point in time; Free on board as issued by ICC**</td>
<td>a) At the beginning of the contract and;</td>
<td>As per agreed price</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b) for certain transactions at the date of bill of lading</td>
<td>As per agreed price</td>
</tr>
</tbody>
</table>

1. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of transaction price needs to be allocated. In determining the stand alone selling price for the sale of domestic sales to distributors, the Company considers the effects of variable consideration payable to the customer.

2. The Company has variable considerations included in the contracts with customers which are netted off against the revenue to determine the transaction price. The variable considerations are pre-determined. The effect of variable considerations on revenue is only from contracts with domestic customers.

3. The Company estimates variable consideration using either the ‘expected value’ method or the ‘most likely amount’ method, based on whichever better predicts the amount of consideration to which the entity is entitled. The entity applies the selected method consistently throughout the contract and for similar types of contracts.

L. Income tax expense

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authority. Income tax expense comprises current and deferred tax. It is recognised in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income tax, if any. Current tax assets/liabilities are offset if certain criteria are met. It is measured using tax rates enacted or substantially enacted at the reporting period. The applicable tax rate for the Company is currently 45% corporate tax and 2.5% surcharge on income.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that they will;
- temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improve.

Deferred tax assets and liabilities are offset if there is legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

M. Foreign currency transactions

Transactions in foreign currencies are translated to Bangladeshi Taka at the exchange rate prevailing on the date of transactions. All monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate prevailing at the date of statement of financial position. Foreign currency differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the statement of profit or loss and other comprehensive income as per IAS 21: The Effects of Changes in Foreign Exchange Rates.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transactions.

N. Finance income and expenses

Finance income comprises interest on financial deposits with banks. Finance income is recognised on an accrual basis and shown under statement of profit or loss and other comprehensive income. Finance costs comprise interest expense on overdraft and borrowings from bank.
The Company presents its basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any. However, dilution of EPS is not applicable for these financial statements as there was no potential dilutive ordinary shares at the reporting date.

Statement of cash flows
Cash flows from operating activities have been presented under direct method as per IAS 7: Statement of Cash Flows.

Dividends
Final dividend distribution to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders at the Annual General Meeting, while interim dividend distributions are recognised in the period in which the dividends are declared and paid.

Materiality and aggregation
Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

Events after the reporting period
Events after the reporting period that provide additional information about the Company's position at the reporting date or those that indicate the going concern assumption is not inappropriate are reflected in the financial statements. Amounts recognised in the financial statements are adjusted for events after the reporting period that provide evidence of conditions that existed at the end of the reporting period. No adjustment is given in the financial statements for events after the reporting period that are indicative of conditions that arose after the reporting period. Material non-adjusting events are disclosed in the financial statements.

The Company has adequate resources to continue in operation for the foreseeable future. For this reason management continues to adopt the going concern basis in preparing the financial statements. The current resources of the Company provide sufficient funds and attributable working capital to meet the present requirements of its existing business.

Changes in accounting policies and disclosures
The Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 using the full retrospective basis of adoption with the date of initial application of 01 January 2018, to ensure comparability of the income statement in all periods, which requires the restatement of prior periods as presented below. In addition the Company has used practical expedients for initial application and have not restated the comparative financial statements since the contracts begin and end within the same annual reporting period. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations. The Company elected to apply the standard to all contracts as of 01 January 2018.

The effect of adopting IFRS 15 as at 01 January 2018 was, as follows:

IFRS 9: Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 01 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Company has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings and other components of equity.

As per IFRS 15  As per IFRS 15  As per IFRS 18

<table>
<thead>
<tr>
<th>Domestic Sales:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross turnover</td>
<td>231,512,424</td>
<td>201,917,560</td>
</tr>
<tr>
<td>Supplementary duty and VAT</td>
<td>(178,217,895)</td>
<td>(151,972,929)</td>
</tr>
<tr>
<td>Total turnover</td>
<td>53,294,529</td>
<td>49,944,631</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Leaf export sales:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports and related party sales</td>
<td>2,183,650</td>
<td>2,019,112</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(27,096,297)</td>
<td>(27,180,742)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>27,543,470</td>
<td>24,573,485</td>
</tr>
<tr>
<td>Variable consideration expenses</td>
<td>(6,723,690)</td>
<td>(6,771,064)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>20,819,780</td>
<td>17,802,421</td>
</tr>
</tbody>
</table>

Reported Earnings after Tax

<table>
<thead>
<tr>
<th></th>
<th>01 January 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjustments</td>
<td>BDT (000)</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>2,225,482</td>
</tr>
<tr>
<td></td>
<td>2,225,482</td>
</tr>
<tr>
<td>Total adjustment on equity</td>
<td>11,183</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>11,183</td>
</tr>
</tbody>
</table>

Annual Report 2018
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The nature of these adjustments are described below:

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Company’s business model for managing the assets, and whether the instruments' contractual cash flows represent ‘solely payments of principal and interest’ on the principal amount outstanding.

The assessment of the Company’s business model was made as of the date of initial application, 01 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Company. The Company continued measuring at fair value under IFRS 9. The following are the changes in the classification of the Group’s financial assets:

- Trade receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning 01 January 2018.
- The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company’s financial liabilities.

In summary, upon the adoption of IFRS 9, the Company had the following required or elected reclassifications as at 01 January 2018.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Company’s accounting for impairment losses for financial assets by replacing IAS 39’s incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise an allowance for ECL for all debt instruments not held at fair value through profit or loss.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined for ECLs for all debt instruments not held at fair value through profit or loss.

<table>
<thead>
<tr>
<th>Categories</th>
<th>IFRS 9 measurement category</th>
<th>Fair value through profit or loss</th>
<th>Amortised cost</th>
<th>Fair value through OCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>IAS 39 measurement category</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td></td>
<td>2,225,482</td>
<td>11,183</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>11,183</td>
<td>-</td>
</tr>
</tbody>
</table>

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. This is not an exhaustive list of all the standards issued, the following are the standards which according to the assessment of the Company is most likely to be applicable.

A. IFRS 16 Leases:

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases. IFRIC 4 Determining whether an Arrangement contains a Lease, SCIC-15 Operating Leases-Incentives and SCIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Leases will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today’s accounting under IAS 17. Lessor will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 01 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Company has completed an assessment of the potential impact on its financial statements. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Company’s borrowing rate at 01 January 2019, the composition of the Company’s lease portfolio at that date, the Company’s latest assessment of whether it will exercise any lease renewal options and the extent to which the Company chooses to use practical expedients and recognition exemptions.

The Company plans to adopt IFRS 16 modified retrospective approach, with the cumulative effect recognised at the date of initial application, and without the restatement of prior periods.

In summary the impact of IFRS 16 adoption is expected to be, as follows:

Impact on the statement of financial position as at 31 December 2018:

<table>
<thead>
<tr>
<th></th>
<th>BDT (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment (right-of-use assets)</td>
<td>1,091,275</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>1,016,530</td>
</tr>
</tbody>
</table>
The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement occurs using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement occurring using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 01 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.
### 8.1 Allocation of depreciation & impairment

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing overhead</td>
<td>24.1</td>
<td>1,204,026</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>25</td>
<td>207,542</td>
</tr>
<tr>
<td>Change to tax</td>
<td></td>
<td>230,938</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>1,693,334</strong></td>
</tr>
</tbody>
</table>

### 8.2 Assets under construction

Included in property, plant and equipment as at 31 December 2018 was relating to expenditure for Plant and Machinery, Office equipment, freestanding building and Leasehold Building in the course of construction.

### 8.3 Disposals of property, plant and equipment

See note no. 27.1 for details.

### 9 Inventories

See accounting policy in Note 6G.

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BDT (000)</td>
<td>BDT (000)</td>
</tr>
<tr>
<td>Inventories in hand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leaf</td>
<td>19,291,846</td>
<td>17,079,612</td>
</tr>
<tr>
<td>Wrapping materials</td>
<td>2,475,352</td>
<td>816,559</td>
</tr>
<tr>
<td>Work in process</td>
<td>519,389</td>
<td>540,593</td>
</tr>
<tr>
<td>Finished goods</td>
<td>4,371,631</td>
<td>4,174,709</td>
</tr>
<tr>
<td>Cost of finished goods</td>
<td>1,058,982</td>
<td>1,874,650</td>
</tr>
<tr>
<td>VAT, supplementary duty and &quot;HDS on finished goods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumable stores</td>
<td>519,389</td>
<td>540,593</td>
</tr>
<tr>
<td>Work in process</td>
<td>19,291,846</td>
<td>17,079,612</td>
</tr>
</tbody>
</table>

### 10 Trade and other receivables

See accounting policy in Note 6C(1)(a).

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BDT (000)</td>
<td>BDT (000)</td>
</tr>
<tr>
<td>Trade receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected credit loss</td>
<td>(2,172)</td>
<td></td>
</tr>
<tr>
<td>Net Trade receivables</td>
<td>3,271,068</td>
<td>2,218,665</td>
</tr>
<tr>
<td>Intercompany receivables</td>
<td>120,750</td>
<td>55,218</td>
</tr>
<tr>
<td>Sundry receivables</td>
<td>381,767</td>
<td>23,574</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>4,154,553</strong></td>
</tr>
</tbody>
</table>

Trade receivables are non-interest bearing.

### 11 Advances, deposits and prepayments

See accounting policy in Note 6C(1)(d).

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BDT (000)</td>
<td>BDT (000)</td>
</tr>
<tr>
<td>Advances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advance to suppliers</td>
<td>3,026,818</td>
<td>3,601,668</td>
</tr>
<tr>
<td>Supplementary duty and VAT</td>
<td>1,752,480</td>
<td>1,088,211</td>
</tr>
<tr>
<td>Advance to employees</td>
<td>26,225</td>
<td>31,600</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>4,805,523</strong></td>
</tr>
<tr>
<td>Deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security deposit</td>
<td>12,836</td>
<td>14,036</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>12,836</strong></td>
</tr>
<tr>
<td>Prepayments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>552</td>
<td>517</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>552</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>4,822,711</strong></td>
</tr>
</tbody>
</table>

### 12 Cash and cash equivalents

See accounting policy in Note 6C(1)(c).

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BDT (000)</td>
<td>BDT (000)</td>
</tr>
<tr>
<td>Cash in hand</td>
<td>810</td>
<td>825</td>
</tr>
<tr>
<td>Cash at bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend account</td>
<td>46,389</td>
<td>42,705</td>
</tr>
<tr>
<td>Foreign currency accounts</td>
<td>1,167,192</td>
<td>896,269</td>
</tr>
<tr>
<td>Current accounts</td>
<td>419,214</td>
<td>38,370</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>1,633,505</strong></td>
</tr>
</tbody>
</table>

Cash and cash equivalents at statement of financial position.
All the above balances are held with scheduled and nationalised banks. Cash at banks earns interest at floating rates based on daily bank deposit rates.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank and in hand</td>
<td>1,633,605</td>
<td>978,169</td>
</tr>
<tr>
<td>Bank overdrafts used for cash management purpose</td>
<td>799,880</td>
<td>(2,067,910)</td>
</tr>
<tr>
<td>Cash and cash equivalents in the statement of cash flows</td>
<td>833,725</td>
<td>(2,079,741)</td>
</tr>
</tbody>
</table>

12.1 Restricted cash balance

Dividend account is used only to pay dividends to the shareholders. The balance of this account moves with dividend transactions only.

12.2 Banking facility arrangement

Short term running funded facilities available with the banks amount to BDT 15,596 million (2017: BDT 11,761 million). Facilities of BDT 5,180 million (2018: bank overdraft of BDT 800 million and short term loan 4,380 million were availed) was availed as at 31 December 2018 (2017: bank overdraft of BDT 3,058 million was availed). Facilities are renewable on annual basis.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorised:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>60,000,000 ordinary shares of BDT 10 each</td>
<td>600,000,000</td>
<td>600,000,000</td>
</tr>
<tr>
<td>Issued, subscribed and fully paid up:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued for cash:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 ordinary shares of BDT 10 each</td>
<td>600,000,000</td>
<td>600,000,000</td>
</tr>
<tr>
<td>Issued for consideration other than cash:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>50,999,907 ordinary shares of BDT 10 each</td>
<td>59,999,907</td>
<td>59,999,907</td>
</tr>
<tr>
<td>Work in progress</td>
<td>600,000,000</td>
<td>600,000,000</td>
</tr>
</tbody>
</table>

13 Share capital

See accounting policy in Note 6D.

13.1 Shareholding position

See accounting policy in Note 6D.

<table>
<thead>
<tr>
<th>Name of shareholder</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares</td>
<td>Value (BDT)</td>
<td>Percentage</td>
</tr>
<tr>
<td>Ruleigh Investment Co., Ltd., UK</td>
<td>43,745,358</td>
<td>437,453,580</td>
</tr>
<tr>
<td>Investment Corporation of Bangladesh</td>
<td>2,415,917</td>
<td>34,169,120</td>
</tr>
<tr>
<td>Sebco Ltd</td>
<td>1,934,047</td>
<td>16,926,410</td>
</tr>
<tr>
<td>Bangladesh Development Bank Limited</td>
<td>197,376</td>
<td>1,973,760</td>
</tr>
<tr>
<td>Government of Bangladesh</td>
<td>386,824</td>
<td>3,868,240</td>
</tr>
<tr>
<td>Others</td>
<td>10,559,483</td>
<td>105,594,830</td>
</tr>
<tr>
<td>Total</td>
<td>60,000,000</td>
<td>600,000,000</td>
</tr>
</tbody>
</table>

13.2 Share distribution schedule

A distribution schedule of the shares at the reporting date is given below following the requirement of listing regulations:

<table>
<thead>
<tr>
<th>Shareholder’s range</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shareholders</td>
<td>Total number of shares</td>
<td>Percentage of holding</td>
</tr>
<tr>
<td>Less than 501 shares</td>
<td>2,179</td>
<td>147,989</td>
</tr>
<tr>
<td>501 to 5,000 shares</td>
<td>171</td>
<td>223,809</td>
</tr>
<tr>
<td>5,001 to 10,000 shares</td>
<td>17</td>
<td>126,110</td>
</tr>
<tr>
<td>10,001 to 20,000 shares</td>
<td>13</td>
<td>181,108</td>
</tr>
<tr>
<td>20,001 to 30,000 shares</td>
<td>5</td>
<td>205,539</td>
</tr>
<tr>
<td>30,001 to 40,000 shares</td>
<td>5</td>
<td>178,974</td>
</tr>
<tr>
<td>40,001 to 50,000 shares</td>
<td>5</td>
<td>178,974</td>
</tr>
<tr>
<td>50,001 to 100,000 shares</td>
<td>3</td>
<td>163,698</td>
</tr>
<tr>
<td>100,001 to 1,000,000 shares</td>
<td>10</td>
<td>348,701</td>
</tr>
<tr>
<td>Over 1,000,001 shares</td>
<td>5</td>
<td>53,945,756</td>
</tr>
<tr>
<td>Total</td>
<td>2,419</td>
<td>600,000,000</td>
</tr>
</tbody>
</table>

14 Capital reserve

Capital reserve represents non-remittance reserve of BDT 64.9 million which is 90% of the cumulative post tax profit on disposal of property, plant and equipment as historically defined and directed by Bangladesh Bank. The requirement to create such special reserve on profit from sale of property, plant and equipment has been withdrawn since 1993.

Name of shareholder | 2018 | 2017 |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares</td>
<td>Value (BDT)</td>
<td>Percentage</td>
</tr>
<tr>
<td>Ruleigh Investment Co., Ltd., UK</td>
<td>43,745,358</td>
<td>437,453,580</td>
</tr>
<tr>
<td>Investment Corporation of Bangladesh</td>
<td>2,415,917</td>
<td>34,169,120</td>
</tr>
<tr>
<td>Sebco Ltd</td>
<td>1,934,047</td>
<td>16,926,410</td>
</tr>
<tr>
<td>Bangladesh Development Bank Limited</td>
<td>197,376</td>
<td>1,973,760</td>
</tr>
<tr>
<td>Government of Bangladesh</td>
<td>386,824</td>
<td>3,868,240</td>
</tr>
<tr>
<td>Others</td>
<td>10,559,483</td>
<td>105,594,830</td>
</tr>
<tr>
<td>Total</td>
<td>60,000,000</td>
<td>600,000,000</td>
</tr>
</tbody>
</table>

Name of shareholder | 2018 | 2017 |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares</td>
<td>Value (BDT)</td>
<td>Percentage</td>
</tr>
<tr>
<td>Ruleigh Investment Co., Ltd., UK</td>
<td>43,745,358</td>
<td>437,453,580</td>
</tr>
<tr>
<td>Investment Corporation of Bangladesh</td>
<td>2,415,917</td>
<td>34,169,120</td>
</tr>
<tr>
<td>Sebco Ltd</td>
<td>1,934,047</td>
<td>16,926,410</td>
</tr>
<tr>
<td>Bangladesh Development Bank Limited</td>
<td>197,376</td>
<td>1,973,760</td>
</tr>
<tr>
<td>Government of Bangladesh</td>
<td>386,824</td>
<td>3,868,240</td>
</tr>
<tr>
<td>Others</td>
<td>10,559,483</td>
<td>105,594,830</td>
</tr>
<tr>
<td>Total</td>
<td>60,000,000</td>
<td>600,000,000</td>
</tr>
</tbody>
</table>
## Retained earnings

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BDT (000)</td>
<td>BDT (000)</td>
</tr>
<tr>
<td>Balance as at 01 January</td>
<td>22,447,542</td>
<td>18,217,686</td>
</tr>
<tr>
<td>Total comprehensive income for the year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit for the year</td>
<td>10,012,034</td>
<td>7,829,856</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>4,382</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>32,463,958</td>
<td>26,047,542</td>
</tr>
<tr>
<td>Dividends during the year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final dividend for previous year</td>
<td>(3,600,000)</td>
<td>(3,600,000)</td>
</tr>
<tr>
<td>Balance at 31 December</td>
<td>28,863,958</td>
<td>22,447,542</td>
</tr>
</tbody>
</table>

## Net defined benefit plans

See accounting policy in Note 6H.

### 16.1 Movement in defined benefit obligation

<table>
<thead>
<tr>
<th></th>
<th>2018 Notes</th>
<th>Grativity fund</th>
<th>Pension fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BDT (000)</td>
<td>BDT (000)</td>
<td>BDT (000)</td>
<td></td>
</tr>
<tr>
<td>Defined benefit obligation 16.1</td>
<td>(1,038,057)</td>
<td>(214,536)</td>
<td>(1,252,593)</td>
<td></td>
</tr>
<tr>
<td>Fair value of plan assets 16.2</td>
<td>-</td>
<td>274,055</td>
<td>274,055</td>
<td></td>
</tr>
<tr>
<td>Net surplus/(deficit)</td>
<td>(1,038,057)</td>
<td>59,519</td>
<td>(978,538)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2017 Notes</th>
<th>Grativity fund</th>
<th>Pension fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BDT (000)</td>
<td>BDT (000)</td>
<td>BDT (000)</td>
<td></td>
</tr>
<tr>
<td>Defined benefit obligation 16.1</td>
<td>(869,114)</td>
<td>(263,797)</td>
<td>(1,132,911)</td>
<td></td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>-</td>
<td>263,797</td>
<td>263,797</td>
<td></td>
</tr>
<tr>
<td>Net surplus/(deficit)</td>
<td>(869,114)</td>
<td>(263,797)</td>
<td>(1,132,911)</td>
<td></td>
</tr>
</tbody>
</table>

### 16.2 Movement in the fair value of plan assets

<table>
<thead>
<tr>
<th></th>
<th>2018 Notes</th>
<th>Grativity fund</th>
<th>Pension fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BDT (000)</td>
<td>BDT (000)</td>
<td>BDT (000)</td>
<td></td>
</tr>
<tr>
<td>Fair value of plan assets at 01 January 2017</td>
<td>-</td>
<td>250,472</td>
<td>250,472</td>
<td></td>
</tr>
<tr>
<td>Employer's contribution</td>
<td>-</td>
<td>11,520</td>
<td>11,520</td>
<td></td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>-</td>
<td>20,651</td>
<td>20,651</td>
<td></td>
</tr>
<tr>
<td>Benefits paid by the plan</td>
<td>-</td>
<td>(18,846)</td>
<td>(18,846)</td>
<td></td>
</tr>
<tr>
<td>Actuarial gain/(loss)</td>
<td>83,814</td>
<td>(48,384)</td>
<td>35,430</td>
<td></td>
</tr>
<tr>
<td>Fair value of plan assets at 31 December 2017</td>
<td>263,797</td>
<td>263,797</td>
<td>263,797</td>
<td></td>
</tr>
</tbody>
</table>

### 16.3 Defined benefit plan charge to profit or loss and other comprehensive income

<table>
<thead>
<tr>
<th></th>
<th>2018 Notes</th>
<th>Grativity fund</th>
<th>Pension fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BDT (000)</td>
<td>BDT (000)</td>
<td>BDT (000)</td>
<td></td>
</tr>
<tr>
<td>Profit or loss</td>
<td>-</td>
<td>274,055</td>
<td>274,055</td>
<td></td>
</tr>
<tr>
<td>Current service costs</td>
<td>71,212</td>
<td>10,571</td>
<td>81,783</td>
<td></td>
</tr>
<tr>
<td>Interest cost</td>
<td>73,874</td>
<td>21,032</td>
<td>94,906</td>
<td></td>
</tr>
<tr>
<td>Past Service Cost - Plan amendments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Benefit paid by the fund</td>
<td>(18,846)</td>
<td>(18,846)</td>
<td>(18,846)</td>
<td></td>
</tr>
<tr>
<td>Benefit paid directly by the Company</td>
<td>(62,789)</td>
<td>(62,789)</td>
<td>(62,789)</td>
<td></td>
</tr>
<tr>
<td>Actuarial gain/(loss)</td>
<td>-</td>
<td>(48,384)</td>
<td>(48,384)</td>
<td></td>
</tr>
<tr>
<td>Net benefit expenses/(income)</td>
<td>73,874</td>
<td>(48,384)</td>
<td>24,480</td>
<td></td>
</tr>
</tbody>
</table>

## Defined benefit obligation at 31 December 2018

<table>
<thead>
<tr>
<th></th>
<th>BDT (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined benefit obligation</td>
<td>869,114</td>
</tr>
<tr>
<td>Defined benefit obligation</td>
<td>263,797</td>
</tr>
<tr>
<td>Total</td>
<td>1,132,911</td>
</tr>
</tbody>
</table>
16.4 Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date.

<table>
<thead>
<tr>
<th>Mortality rate (in service)*</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ages 20-35</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Ages 36-45</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Ages 46-58</td>
<td>5%</td>
<td>5%</td>
</tr>
</tbody>
</table>

*As there are no published mortality tables in Bangladesh and hence the actuary has used Indian Assured Lives Mortality (2006-08) Ultimate table on the mortality experience of assured lives in India, which the actuary believes to give a reasonable approximation.

17 Deferred tax asset

See accounting policy in Note 6(i).

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>BDT (000)</td>
<td>BDT (000)</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>(624,405)</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>3,945,792</td>
</tr>
</tbody>
</table>
18 Bank overdrafts

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BDT (000)</td>
<td>BDT (000)</td>
</tr>
<tr>
<td>Standard Chartered Bank</td>
<td>763,281</td>
<td>1,589,324</td>
</tr>
<tr>
<td>Citibank, N.A.</td>
<td>-</td>
<td>324,012</td>
</tr>
<tr>
<td>HSBC</td>
<td>11,257</td>
<td>166,365</td>
</tr>
<tr>
<td>Commercial Bank of Ceylon PLC</td>
<td>23,349</td>
<td>367,191</td>
</tr>
<tr>
<td>Pubali Bank Limited</td>
<td>4,077</td>
<td></td>
</tr>
<tr>
<td>Sonali Bank Limited</td>
<td>6,121</td>
<td></td>
</tr>
<tr>
<td></td>
<td>799,880</td>
<td>3,057,910</td>
</tr>
</tbody>
</table>

The Company has overdraft facilities from the above mentioned banks for the purpose of meeting working capital requirements, such overdrafts are repayable on demand.

19 Short term bank loans

<table>
<thead>
<tr>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BDT (000)</td>
<td>BDT (000)</td>
</tr>
<tr>
<td>Standard Chartered Bank</td>
<td>4,380,000</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>4,380,000</td>
<td>-</td>
</tr>
</tbody>
</table>

19.1 Terms and repayment schedule

<table>
<thead>
<tr>
<th></th>
<th>Loan limit</th>
<th>Loan outstanding</th>
<th>Loan limit</th>
<th>Loan outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Standard Chartered Bank</td>
<td>5,500,000</td>
<td>4,380,000</td>
<td>4,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Commercial Bank of Ceylon PLC</td>
<td>-</td>
<td>-</td>
<td>800,000</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>5,500,000</td>
<td>4,380,000</td>
<td>4,800,000</td>
<td>-</td>
</tr>
</tbody>
</table>

The Company has short term loan facilities from Standard Chartered Bank, Commercial Bank of Ceylon PLC, Citibank N.A., HSBC and Pubali Bank for the purpose of meeting working capital requirements. Such short term loans are repayable on maturity.

20 Trade and other payables

<table>
<thead>
<tr>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BDT (000)</td>
<td>BDT (000)</td>
</tr>
<tr>
<td>Trade payables</td>
<td>3,265,709</td>
<td>17,018,170</td>
</tr>
<tr>
<td>Intercompany payables</td>
<td>4,730,061</td>
<td>4,475,047</td>
</tr>
<tr>
<td>Workers’ Profit Participation Fund (WPPF)</td>
<td>961,543</td>
<td>41,080</td>
</tr>
<tr>
<td>Wages and other benefits</td>
<td>567,976</td>
<td>546,900</td>
</tr>
<tr>
<td>Unclaimed dividend</td>
<td>32</td>
<td>42,705</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>1,191,923</td>
<td>2,701,521</td>
</tr>
<tr>
<td>Sundry payables</td>
<td>519,659</td>
<td>349,408</td>
</tr>
<tr>
<td></td>
<td>10,518,444</td>
<td>10,101,621</td>
</tr>
</tbody>
</table>

21 Current tax liabilities

See accounting policy in Note 6J.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BDT (000)</td>
<td>BDT (000)</td>
</tr>
<tr>
<td>Balance at 01 January</td>
<td>5,364,697</td>
<td>2,499,289</td>
</tr>
<tr>
<td>Provision made during the year</td>
<td>9,995,069</td>
<td>12,714,466</td>
</tr>
<tr>
<td>Advance payment of corporate tax</td>
<td>(8,499,769)</td>
<td>(5,258,038)</td>
</tr>
<tr>
<td>Balance at 31 December</td>
<td>5,160,970</td>
<td>5,304,497</td>
</tr>
</tbody>
</table>

22 Provisions

See accounting policy in Note 6I.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for expenses</td>
<td>1,305,536</td>
<td>1,073,158</td>
</tr>
<tr>
<td></td>
<td>1,305,536</td>
<td>1,073,158</td>
</tr>
</tbody>
</table>

23 Revenue from contracts with customers

See accounting policy in Note 6K.

Set out below is the disaggregation of the Company’s revenue from contracts with customers:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Million)</td>
<td>(Million)</td>
</tr>
<tr>
<td></td>
<td>BDT (000)</td>
<td>BDT (000)</td>
</tr>
<tr>
<td>Gross revenue from domestic sale 50 rks</td>
<td>51,425</td>
<td>53,204</td>
</tr>
<tr>
<td>Supplementary duty and VAT</td>
<td>230,674,012</td>
<td>201,917,560</td>
</tr>
<tr>
<td>(179,217,896)</td>
<td>(151,972,929)</td>
<td></td>
</tr>
<tr>
<td>Revenue from domestic sale, net</td>
<td>52,454,117</td>
<td>49,444,631</td>
</tr>
<tr>
<td>Gross revenue from tobacco leaf export Kgs</td>
<td>9 18</td>
<td>2,444,179</td>
</tr>
<tr>
<td>Export duty</td>
<td>(260,525)</td>
<td>(203,043)</td>
</tr>
<tr>
<td>Revenue from leaf export, net</td>
<td>2,183,650</td>
<td>2,019,112</td>
</tr>
<tr>
<td>Total revenue from contracts with customers, net</td>
<td>54,639,767</td>
<td>51,963,743</td>
</tr>
</tbody>
</table>

Net revenue from domestic sale

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>External customer</td>
<td>52,454,117</td>
<td>49,444,631</td>
</tr>
<tr>
<td>Related party sale</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net revenue from leaf export</td>
<td>2,183,650</td>
<td>2,019,112</td>
</tr>
</tbody>
</table>

Net revenue from contracts with customers, net | 54,639,767 | 51,963,743 |
## Cost of sales

### Note 24.1 Manufacturing overhead

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening work in process</td>
<td>58,411</td>
<td>21,201</td>
</tr>
<tr>
<td>Closing work in process</td>
<td>(33,444)</td>
<td>(64,411)</td>
</tr>
<tr>
<td>Manufacturing overhead</td>
<td>20,568,242</td>
<td>21,455,244</td>
</tr>
</tbody>
</table>

### Total cost of goods manufactured

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost of goods manufactured</td>
<td>25,618,124</td>
<td>26,913,606</td>
</tr>
</tbody>
</table>

### Total cost of goods sold excluding royalty

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost of goods sold excluding royalty</td>
<td>26,433,792</td>
<td>26,645,825</td>
</tr>
</tbody>
</table>

### Total cost of sales

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost of sales</td>
<td>27,096,297</td>
<td>27,180,742</td>
</tr>
</tbody>
</table>

## Operating expenses

### Note 25

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>1,327,696</td>
<td>1,503,306</td>
</tr>
<tr>
<td>Depreciation &amp; Impairment</td>
<td>8</td>
<td>1,084,022</td>
</tr>
<tr>
<td>Printing and stationary</td>
<td>20,076</td>
<td>25,291</td>
</tr>
<tr>
<td>Utilities</td>
<td>392,035</td>
<td>374,178</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>433,717</td>
<td>687,098</td>
</tr>
<tr>
<td>Security and safety</td>
<td>139,446</td>
<td>161,931</td>
</tr>
<tr>
<td>Rent, services and transportations</td>
<td>1,205,499</td>
<td>1,002,371</td>
</tr>
<tr>
<td>Insurance</td>
<td>84,110</td>
<td>76,582</td>
</tr>
<tr>
<td>Research and development</td>
<td>1,987</td>
<td>4,961</td>
</tr>
<tr>
<td>Travelling and training</td>
<td>122,227</td>
<td>99,732</td>
</tr>
<tr>
<td>Spares Consumption</td>
<td>88,903</td>
<td>52,657</td>
</tr>
<tr>
<td>Other expenses</td>
<td>21,201</td>
<td>70,924</td>
</tr>
<tr>
<td>Total manufacturing overhead</td>
<td>5,049,882</td>
<td>5,454,362</td>
</tr>
</tbody>
</table>

## Net finance income/(expenses)

### Note 26

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total net income</td>
<td>6,723,690</td>
<td>6,980,580</td>
</tr>
</tbody>
</table>

### Note 27 Non-operating income/(expenses)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit/(loss) on disposal of property, plant and equipment</td>
<td>(14,955)</td>
<td>24,469</td>
</tr>
<tr>
<td>Other income</td>
<td>26,201</td>
<td>49,906</td>
</tr>
</tbody>
</table>

### Note 6N

See accounting policy in Note 6N.
## 28. Income tax expenses

### 28.1 Reconciliation of effective tax rate

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>BDT (000)</td>
<td>BDT (000)</td>
</tr>
</tbody>
</table>

**Profit before tax**
- 46.52% 19,314,324 16,759,519
- 48.46% 8,985,069 8,121,466

**Deferred tax expense**
- 1.64% 317,221 484,684
- 484,684 808,197

**Total tax expense**
- 48.16% 9,302,290 53.28% 8,929,663

**Expected income tax using applicable tax rate**
- 47.50% 9,174,304 47.50% 7,960,772

**Prior year adjustment**
- 0.37% 80,178 1.90% 171,119

**Tax on non deductible expenses**
- 0.87% (128,659) 0.95% (158,417)

**Effective current tax**
- 46.52% 8,985,069 48.46% 8,121,466

**Effective deferred tax**
- 1.64% 317,221 484,684
- 484,684 808,197

**Notional tax (gain)/loss on defined benefit plans - Gratuity fund**
- 48.16% 9,302,290 53.28% 8,929,663

**Actuarial gain/(loss) on defined benefit plans - Pension fund**
- 4,382

**Net actuarial gain/(loss) on defined benefit plans charged to OCI**
- 4,382

**Shareholder's range**

<table>
<thead>
<tr>
<th>Shareholder's range</th>
<th>Cost</th>
<th>Accumulated depreciation</th>
<th>Written down value</th>
<th>Sale proceeds</th>
<th>Profit/ (loss)</th>
<th>Purchaser/ written off</th>
</tr>
</thead>
<tbody>
<tr>
<td>BDT (000)</td>
<td>BDT (000)</td>
<td>BDT (000)</td>
<td>BDT (000)</td>
<td>BDT (000)</td>
<td>BDT (000)</td>
<td>BDT (000)</td>
</tr>
</tbody>
</table>

**Furniture and fixtures**
- (1,365) 1,273 92 91 (91) Written off

**IT equipment**
- (21,897) 21,897 - 674 674 Third party

**Leasehold building**
- (7,124) 2,415 (4,709) - (4,709) Written off

**Office equipment**
- (48,016) 39,937 (78) 44 (34) Third party

**Plant and machinery**
- (382,227) 250,111 (132,116) - (132,116) Written off

**Vehicles**
- (246,736) 242,690 (4,046) 100,119 96,073 Employees of the Company

**2018**
- (699,363) 558,323 (141,040) 100,836 (40,203)

**2017**
- (256,791) 191,884 (64,907) 39,470 (25,437)

All asset disposals were as per Company policy.

## 30. Other comprehensive income

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>BDT (000)</td>
<td>BDT (000)</td>
</tr>
</tbody>
</table>

**Deferred tax (expense)/income**
- 48.16% 9,302,290 53.28% 8,929,663

**31. Earnings per share**

**31.1 Basic earnings per share**

Earnings Per Share (EPS) is calculated in accordance with the International Accounting Standard (IAS) 33: Earnings Per Share. The composition of EPS is given below.

**2018**
- 10,012,034 7,829,856

**2017**
- 166.87

**Weighted average number of shares outstanding**
- 60,000 60,000

**Earning per share**
- BDT 166.87 160.50

The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor. During the year ended 31 December 2018, no ordinary shares were issued or bought back. Therefore, the weighted average number of shares outstanding at 31 December 2018 is the same as at the start of the year i.e. 01 January 2018.

**31.2 Diluted earnings per share**

No diluted earnings per share is required to be calculated for the year as there was no scope for dilution during the year.
32 Dividend paid

<table>
<thead>
<tr>
<th>Note</th>
<th>2018 BDT (000)</th>
<th>2017 BDT (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening unclaimed dividend</td>
<td>42,705</td>
<td>40,024</td>
</tr>
<tr>
<td>Dividend declared</td>
<td>3,642,705</td>
<td>3,640,024</td>
</tr>
<tr>
<td>Closing unclaimed dividend</td>
<td>42,705</td>
<td>46,389</td>
</tr>
<tr>
<td>Dividend paid</td>
<td>3,596,316</td>
<td>3,597,319</td>
</tr>
</tbody>
</table>

32.1 Ageing analysis of unclaimed dividend

<table>
<thead>
<tr>
<th>Shareholder’s range</th>
<th>Prior to 2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unclaimed dividend at 01 January 2018</td>
<td>36,096</td>
<td>2,898</td>
<td>3,711</td>
<td>42,705</td>
<td></td>
</tr>
<tr>
<td>Unclaimed dividend at 31 December 2018</td>
<td>36,096</td>
<td>2,628</td>
<td>3,599</td>
<td>4,126</td>
<td>46,389</td>
</tr>
</tbody>
</table>

33 Remittances of foreign currency

<table>
<thead>
<tr>
<th></th>
<th>2018 USD (000)</th>
<th>2017 USD (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royalty</td>
<td>4,855</td>
<td>-</td>
</tr>
<tr>
<td>Technical and advisory fee</td>
<td>-</td>
<td>9,399</td>
</tr>
<tr>
<td>Dividend</td>
<td>27,532</td>
<td>20,096</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32,385</strong></td>
<td><strong>38,865</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2018 GBP (000)</th>
<th>2017 GBP (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical and advisory fee</td>
<td>6,991</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,991</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

Royalty comprises amounts incurred for Benson & Hedges and Pall Mall for the year 2015.

Technical and advisory fee comprises amounts incurred for the year 2016. All these fees are remitted after obtaining approval from Bangladesh Investment Development Authority (BIDA). All of the above remittances are made after deduction of withholding tax as per law.

34 Value of imports on Cost, Insurance and Freight (CIF) basis

<table>
<thead>
<tr>
<th></th>
<th>2018 BDT (000)</th>
<th>2017 BDT (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw and packing materials</td>
<td>1,889,899</td>
<td>2,497,628</td>
</tr>
<tr>
<td>Spares and others</td>
<td>964,373</td>
<td>1,265,049</td>
</tr>
<tr>
<td>Capital goods</td>
<td>2,512,401</td>
<td>1,901,734</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,366,672</strong></td>
<td><strong>5,664,411</strong></td>
</tr>
</tbody>
</table>

35 Value of leaf export earnings received in USD '000

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of leaf export earnings received in USD '000</td>
<td>28,166</td>
<td>26,580</td>
</tr>
</tbody>
</table>

36 Capacity

The Company works on continuous operation basis and given the current installed machine configurations and planned expansions, there is sufficient capacity to meet forecast future demand in a variety of specification (e.g. filter) and packaging (e.g. hinge lid, shell and slide) configurations. The Directors regularly review the production capability of the Company and are satisfied that the current and future capacities are adequate. Plans are in place to meet any anticipated future demand.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual production of cigarettes (in million sticks)</td>
<td>46,326</td>
<td>52,734</td>
</tr>
</tbody>
</table>

37 Segment Reporting

The Company is domiciled in Bangladesh. The gross revenue from cigarettes is BDT 230,674 million (2017: BDT 201,916 million). The Company does not have any non-current assets that are located outside Bangladesh.

Gross cigarette revenue arising from transactions with a single external customer represented BDT 41,385 million (2017: BDT 32,053 million) of the Company’s total revenue.

The Company is a single product business primarily engaged in the manufacturing and sale of cigarettes in Bangladesh and this forms the focus of the Company’s internal reporting system. While the Company has clearly differentiated brands, segmentation within a wide portfolio of brands is not part of the regular internally reported financial information to the chief operating decision maker. Therefore, it is not possible to segment the Company’s results by brand without a high degree of estimation.

Apart from cigarette manufacturing, the Company exports leaf outside Bangladesh, which contributes less than 10% of gross and net turnover. The break up of cigarette and export sales have been provided in Note 23.
38 Consumption of imported and local raw materials

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Wrapping</td>
<td>Leaf</td>
</tr>
<tr>
<td></td>
<td>material</td>
<td>BOT (000)</td>
</tr>
<tr>
<td>Imported:</td>
<td>1,092,117</td>
<td>269,040</td>
</tr>
<tr>
<td>Purchases:</td>
<td>5,971,209</td>
<td>1,963,060</td>
</tr>
<tr>
<td>Closing (a)</td>
<td>2,403,961</td>
<td>724,412</td>
</tr>
<tr>
<td>Domestic:</td>
<td>46,526</td>
<td>6,640,899</td>
</tr>
<tr>
<td>Purchases:</td>
<td>5,062,099</td>
<td>12,854,553</td>
</tr>
<tr>
<td>Consumption:</td>
<td>(5,018,043)</td>
<td>(7,816,253)</td>
</tr>
<tr>
<td>Export:</td>
<td>-</td>
<td>(1,745,827)</td>
</tr>
<tr>
<td>Closing (b)</td>
<td>50,182</td>
<td>10,133,377</td>
</tr>
<tr>
<td>Closing stock (a+b)</td>
<td>2,494,543</td>
<td>10,857,785</td>
</tr>
</tbody>
</table>

39 Financial instruments - Fair values and risk management

A. Accounting classifications and fair values

The following table shows the carrying amounts and fair values, where applicable, of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- **Level 1**: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2**: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3**: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

### 31 December 2018

<table>
<thead>
<tr>
<th></th>
<th>Carrying amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hold to maturity</td>
<td>Designated at fair value</td>
</tr>
<tr>
<td>Financial assets not measured at fair value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables:</td>
<td>10</td>
<td>365,285</td>
</tr>
<tr>
<td>Deposits:</td>
<td>11</td>
<td>-</td>
</tr>
<tr>
<td>Cash at banks:</td>
<td>12</td>
<td>-</td>
</tr>
<tr>
<td>Financial assets measured at fair value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank overdrafts:</td>
<td>18</td>
<td>-</td>
</tr>
<tr>
<td>Deposits:</td>
<td>11</td>
<td>-</td>
</tr>
<tr>
<td>Trade and other receivables10:</td>
<td>10</td>
<td>-</td>
</tr>
</tbody>
</table>

### 31 December 2017

<table>
<thead>
<tr>
<th></th>
<th>Carrying amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hold to maturity</td>
<td>Designated at fair value</td>
</tr>
<tr>
<td>Financial assets not measured at fair value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables:</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Deposits:</td>
<td>11</td>
<td>-</td>
</tr>
<tr>
<td>Cash at banks:</td>
<td>12</td>
<td>-</td>
</tr>
<tr>
<td>Financial liabilities not measured at fair value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables:</td>
<td>42</td>
<td>-</td>
</tr>
<tr>
<td>Bank overdrafts:</td>
<td>18</td>
<td>-</td>
</tr>
<tr>
<td>Deposits:</td>
<td>11</td>
<td>-</td>
</tr>
</tbody>
</table>
B. Financial risk management

The Company has exposures to the following risks from its use of financial instruments:

i) Credit risk
Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s receivables from customers and other parties. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, receivables are grouped according to their risk profile, i.e. their legal status, financial condition, ageing profile etc. The Company’s exposure to credit risk on receivables is mainly influenced by customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The letters of credit are considered as integral part of trade receivables and considered in the calculation of impairment.

Set out below is the information about the credit risk exposure on the Group’s trade receivables and contract assets using a provision matrix:

<table>
<thead>
<tr>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
</tr>
<tr>
<td>Days past due</td>
</tr>
<tr>
<td>Current</td>
</tr>
<tr>
<td>BDT (000)</td>
</tr>
<tr>
<td>Expected credit loss rate</td>
</tr>
<tr>
<td>Estimated total gross</td>
</tr>
<tr>
<td>Carrying amount at default</td>
</tr>
<tr>
<td>Expected credit loss</td>
</tr>
</tbody>
</table>

ii) Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Company’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s reputation. Typically, the Company ensures that it has sufficient cash and cash equivalents to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast, based on time line of payment of financial obligations and accordingly arrange for sufficient liquidity/fund to make the expected payments within due dates. Moreover, the Company has short term credit facilities with scheduled commercial banks to ensure payment of obligation in the event that there is insufficient cash to make the required payment. The requirement is determined in advance through cash flow projections and credit lines with banks are negotiated accordingly.

The following are the contractual maturities of financial liabilities:
### Foreign currency denominated assets
- Cash at bank: 10,776
- Trade receivables: -
- Intercompany receivable: -

### Foreign currency denominated liabilities
- Trade payables: 24
- Intercompany payables: 39

### Net exposure
- 31 December 2018: (22,959)
- 31 December 2017: (22,959)

### Market risk
- Market risk is the risk that any changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

#### a) Currency risk/foreign exchange rate risk
- The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United State Dollar (USD), Euro (EUR) and British Pound (GBP). Foreign exchange risk arises from future commercial transactions of recognized assets and liabilities. Management complies with the treasury policy to manage foreign exchange risk against their functional currency.

#### i) Exposure to currency risk
- The Company's exposure to foreign currency risk was as follows based on notional amounts:

<table>
<thead>
<tr>
<th>Carrying amount</th>
<th>Total 6 months or less</th>
<th>6 - 12 months</th>
<th>1 - 2 years</th>
<th>2 - 5 years</th>
<th>More than 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD (000)</td>
<td>USD (000)</td>
<td>USD (000)</td>
<td>USD (000)</td>
<td>USD (000)</td>
<td>USD (000)</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>20</td>
<td>15,516,944</td>
<td>15,520,617</td>
<td>7,642,115</td>
<td>917,621</td>
</tr>
<tr>
<td>GBP (000)</td>
<td>GBP (000)</td>
<td>GBP (000)</td>
<td>GBP (000)</td>
<td>GBP (000)</td>
<td>GBP (000)</td>
</tr>
<tr>
<td>USD (000)</td>
<td>USD (000)</td>
<td>USD (000)</td>
<td>USD (000)</td>
<td>USD (000)</td>
<td>USD (000)</td>
</tr>
<tr>
<td>10,776</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net exposure</td>
<td>(2,065)</td>
<td>(2,065)</td>
<td>(2,065)</td>
<td>(2,065)</td>
<td>(2,065)</td>
</tr>
</tbody>
</table>

#### ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures
- Sensitivity analysis
- A reasonably possible strengthening (weakening) of the Taka, as indicated below, against the USD, EUR and GBP at reporting date would have increased/decreased equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignore any impact of forecasted sales and purchases.

<table>
<thead>
<tr>
<th>Year-end spot rate</th>
<th>USD (5 percent movement)</th>
<th>GBP (5 percent movement)</th>
<th>EUR (5 percent movement)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>32,993</td>
<td>123,074</td>
<td>885</td>
</tr>
<tr>
<td>2017</td>
<td>(8,588)</td>
<td>(129,162)</td>
<td>(195)</td>
</tr>
</tbody>
</table>

### b) Interest rate risk
- Interest rate risk is the risk that arises due to changes in interest rates on borrowings. At present the Company has no borrowings which is subject to interest rate risk.
Related party disclosures

Transactions with key management personnel

Key management personnel compensation comprised the following:

<table>
<thead>
<tr>
<th>2018 BDT (000)</th>
<th>2017 BDT (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meeting attendance fee</td>
<td>22</td>
</tr>
<tr>
<td>Meeting expense</td>
<td>4,514</td>
</tr>
<tr>
<td>Retirement benefit scheme</td>
<td>9,159</td>
</tr>
<tr>
<td>Medical and welfare</td>
<td>171</td>
</tr>
<tr>
<td>Housing</td>
<td>16,550</td>
</tr>
</tbody>
</table>

129,304 95,814

Other related party transactions

The Company carried out a number of transactions with related parties in the normal course of business on arms length basis. The name of these related parties, nature of transactions and their total value have been set in accordance with the provisions of IAS 24. Related party disclosures.

<table>
<thead>
<tr>
<th>Income Relationship</th>
<th>Transaction values for the year ended 31 December 2018 BDT (000)</th>
<th>Transaction values for the year ended 31 December 2017 BDT (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Leaf export</td>
<td>781,364</td>
<td>902,230</td>
</tr>
<tr>
<td>PTCL</td>
<td>525,339</td>
<td>462,639</td>
</tr>
<tr>
<td>BAT GSD (KL) Sdn Bhd</td>
<td>-</td>
<td>1,704</td>
</tr>
<tr>
<td>Total leaf export</td>
<td>1,310,703</td>
<td>1,382,869</td>
</tr>
<tr>
<td>b. Other fee</td>
<td>849</td>
<td>-</td>
</tr>
<tr>
<td>Total related party income and balance receivables</td>
<td>1,391,337</td>
<td>1,388,942</td>
</tr>
</tbody>
</table>

Expenses Relationship

<table>
<thead>
<tr>
<th>Transaction values for the year ended 31 December 2018 BDT (000)</th>
<th>Transaction values for the year ended 31 December 2017 BDT (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Procurement of services</td>
<td>2018 2017</td>
</tr>
<tr>
<td>BASS GSD Limited</td>
<td>202,865 458,356</td>
</tr>
<tr>
<td>BAT Holdings Limited</td>
<td>- (4,105)</td>
</tr>
<tr>
<td>BAT Asia-Pacific Region Limited</td>
<td>32,562 18,075</td>
</tr>
<tr>
<td>BAT Almec Service Centre Sdn Bhd</td>
<td>42,655 151,333</td>
</tr>
<tr>
<td>BAT PT Export Leaf Indonesia, Malang</td>
<td>10,671 1,620</td>
</tr>
<tr>
<td>BAT GSD (KL) Sdn Bhd</td>
<td>- 1,704</td>
</tr>
<tr>
<td>Total related party income and balance receivables</td>
<td>288,751 611,038</td>
</tr>
<tr>
<td>b. Purchase of leaf &amp; goods</td>
<td>2018 2017</td>
</tr>
<tr>
<td>Procurement of information technology, product and other services:</td>
<td>1,310,703 1,382,869</td>
</tr>
<tr>
<td>BASS GSD limited</td>
<td>202,865 458,356</td>
</tr>
<tr>
<td>BAT Holdings Limited*</td>
<td>- (4,105)</td>
</tr>
<tr>
<td>BAT Asia-Pacific Region Limited</td>
<td>32,562 18,075</td>
</tr>
<tr>
<td>BAT Almec Service Centre Sdn Bhd</td>
<td>42,655 151,333</td>
</tr>
<tr>
<td>BAT PT Export Leaf Indonesia, Malang</td>
<td>10,671 1,620</td>
</tr>
<tr>
<td>BAT GSD (KL) Sdn Bhd</td>
<td>- 1,704</td>
</tr>
<tr>
<td>Total related party income and balance receivables</td>
<td>288,751 611,038</td>
</tr>
<tr>
<td>c. Royalty</td>
<td>2018 2017</td>
</tr>
<tr>
<td>BAT Holdings Limited**</td>
<td>662,505 534,917</td>
</tr>
<tr>
<td>Total related party income and balance receivables</td>
<td>662,505 534,917</td>
</tr>
<tr>
<td>d. Technical and advisory fee</td>
<td>2018 2017</td>
</tr>
<tr>
<td>BAT Investments Ltd**</td>
<td>918,754 1,063,891</td>
</tr>
<tr>
<td>Total related party income and balance receivables</td>
<td>918,754 1,063,891</td>
</tr>
</tbody>
</table>
### Expenses

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Transaction values for the year ended 31 December 2018</th>
<th>Transaction values for the year ended 31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BDT (000)</td>
<td>BDT (000)</td>
</tr>
<tr>
<td><strong>g. Purchase of equipment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of equipment from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PTCL</td>
<td>BAT Group company</td>
<td>309,560</td>
</tr>
<tr>
<td>Tobacco Importers &amp; Manufacturers Sdn. Bhd, Malaysia</td>
<td>BAT Group company</td>
<td>7,314</td>
</tr>
<tr>
<td>BAT Germany GmbH</td>
<td>BAT Group company</td>
<td>1,007</td>
</tr>
<tr>
<td>British American Tobacco Polska S.A</td>
<td>BAT Group company</td>
<td>440</td>
</tr>
<tr>
<td>British American Tobacco ME DMCC</td>
<td>BAT Group company</td>
<td>98,560</td>
</tr>
<tr>
<td>BRITISH AMERICAN TOBACCO CHILE</td>
<td>BAT Group company</td>
<td>69</td>
</tr>
<tr>
<td>TY Bintaro International Investors</td>
<td>BAT Group company</td>
<td>341,547</td>
</tr>
<tr>
<td>British American Tobacco Kenya Ltd</td>
<td>BAT Group company</td>
<td>902</td>
</tr>
<tr>
<td>BAT Nigeria Ltd</td>
<td>BAT Group company</td>
<td>113</td>
</tr>
<tr>
<td>BAT Romania Investment</td>
<td>BAT Group company</td>
<td>1,093</td>
</tr>
<tr>
<td>ISC BAT Spb</td>
<td>BAT Group company</td>
<td>128,162</td>
</tr>
<tr>
<td>British American Tobacco future</td>
<td>BAT Group company</td>
<td>2,368</td>
</tr>
<tr>
<td><strong>Total related party expenses and outstanding balances</strong></td>
<td>3,375,426</td>
<td>403,111</td>
</tr>
</tbody>
</table>

*Advance paid
**Closing balance consists of royalty of 2016, 2017 and 2018 and technical & advisory fee of 2017 and 2018.

### Commitments

#### 41 Capital expenditure

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>BDT (000)</td>
<td>BDT (000)</td>
</tr>
<tr>
<td>Authorised but not provided for</td>
<td>3,487,574</td>
</tr>
</tbody>
</table>

### Contingencies

Contingent liabilities of the Company that relate to issue of letter of credit and bank guarantee to third parties as listed below:

### Letter of credit

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>BDT (000)</td>
<td>BDT (000)</td>
</tr>
<tr>
<td>Citibank, N.A.</td>
<td>453,263</td>
</tr>
<tr>
<td>Commercial Bank of Ceylon PLC</td>
<td>171,618</td>
</tr>
<tr>
<td>The Hong Kong and Shanghai Banking Corporation Limited</td>
<td>4,536</td>
</tr>
<tr>
<td>Standard Chartered Bank</td>
<td>1,564,767</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,196,184</td>
</tr>
</tbody>
</table>

### 42.1 Litigation

The Company has various claims and legal actions arising in the ordinary course of business. In particular, in November 2013, the Company received a retrospective notice of imposition and evaluation of VAT and Supplementary Duty on low price category brands (Pilot & Bristol) from the National Board of Revenue (NBR) alleging to have evaded tax by selling in the low price segments rather than the mid-tier segments. The claim was for approximately BDT 17,806 million against which the Company appealed and subsequently the Appellate Division of the Supreme Court has accepted the Company’s appeal by judgement and order dated 25 July 2018. The Company is awaiting the certified copy of the judgement.

### 43 Other disclosures

#### 43.1 Number of employees

The number of regular permanent employees receiving remuneration of Tk. 36,000 or above per annum at reporting date was as follows:

<table>
<thead>
<tr>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees</td>
<td>1,453</td>
</tr>
</tbody>
</table>

In addition, there was a varying number of seasonal and temporary workers working throughout the year, as required.

#### 43.2 Comparatives and rearrangement

Comparative information has been disclosed for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current financial statements.

To facilitate comparison, certain relevant balances pertaining to the previous year have been rearranged and reclassified whenever considered necessary to conform to current year’s presentation.

#### 44 Events after the reporting period

The Board of Directors of the Company recommended 200% stock dividend and 500% (BDT 50 per share) cash dividend amounting to BDT 3000 million for 2018 at the board meeting held on 11 March 2019. The dividend is subject to final approval by the shareholders at the forthcoming annual general meeting of the Company. The financial statements for the year ended 31 December 2018 do not include the effect of the cash dividend which will be accounted for in the period when shareholders’ right to receive payment is established.

There are no other events identified after the date of the statement of financial position which require adjustment or disclosure in the accompanying financial statements.
বার্ষিক প্রতিবেদন ২০১৮
রিপোর্ট এবং আদমশুমারী সংক্রান্ত বিষয়কে তথ্য দেয়া হবে।

রিপোর্ট এবং আদমশুমারী সংক্রান্ত বিষয়কে তথ্য দেয়া হবে।

রিপোর্ট এবং আদমশুমারী সংক্রান্ত বিষয়কে তথ্য দেয়া হবে।

রিপোর্ট এবং আদমশুমারী সংক্রান্ত বিষয়কে তথ্য দেয়া হবে।

রিপোর্ট এবং আদমশুমারী সংক্রান্ত বিষয়কে তথ্য দেয়া হবে।

রিপোর্ট এবং আদমশুমারী সংক্রান্ত বিষয়কে তথ্য দেয়া হবে।

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রিপোর্ট এবং আদমশুমারী সংক্রান্ত বিষয়কে তথ্য দেয়া হবে।

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রিপোর্ট এবং আদমশুমারী সংক্রান্ত বিষয়কে তথ্য দেয়া হবে।
1. অনুমোদিত আদেশ
2. এক্ষেত্রে সম্মাননাজন্য আদেশ ও মানসিক দায়িত্বসমূহ প্রকাশ করা হয় কিন্তু প্রকাশ করা হয় না এবং আদেশটি প্রকাশের সিদ্ধান্ত নেয়া হয় কিন্তু প্রকাশ করা হয় না
3. প্রকাশ করা হয় না
4. প্রকাশ করা হয় না
5. প্রকাশ করা হয় না
6. প্রকাশ করা হয় না
7. প্রকাশ করা হয় না
8. প্রকাশ করা হয় না
9. প্রকাশ করা হয় না
10. প্রকাশ করা হয় না
11. প্রকাশ করা হয় না
12. প্রকাশ করা হয় না
13. প্রকাশ করা হয় না
14. প্রকাশ করা হয় না
15. প্রকাশ করা হয় না
16. প্রকাশ করা হয় না
17. প্রকাশ করা হয় না
18. প্রকাশ করা হয় না
19. প্রকাশ করা হয় না
20. প্রকাশ করা হয় না
21. প্রকাশ করা হয় না
22. প্রকাশ করা হয় না
23. প্রকাশ করা হয় না
24. প্রকাশ করা হয় না
25. প্রকাশ করা হয় না
26. প্রকাশ করা হয় না
27. প্রকাশ করা হয় না
28. প্রকাশ করা হয় না
29. প্রকাশ করা হয় না
30. প্রকাশ করা হয় না
31. প্রকাশ করা হয় না
### REPORTS AND FINANCIAL STATEMENTS

#### Annual Report 2018

#### REPORTS AND FINANCIAL STATEMENTS

#### Annual Report 2018

<table>
<thead>
<tr>
<th>Period</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$3,068,451,000</td>
<td>$2,980,745,000</td>
</tr>
<tr>
<td>Costs</td>
<td>$3,068,451,000</td>
<td>$2,980,745,000</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Net Income</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

Note: Figures are in thousands of US dollars.

---

#### Annual Report 2018

#### REPORTS AND FINANCIAL STATEMENTS

#### Annual Report 2018

<table>
<thead>
<tr>
<th>Period</th>
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<tbody>
<tr>
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<td>Costs</td>
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<tr>
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<td>$0</td>
<td>$0</td>
</tr>
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</tr>
</tbody>
</table>

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---

#### Annual Report 2018

#### REPORTS AND FINANCIAL STATEMENTS

#### Annual Report 2018

<table>
<thead>
<tr>
<th>Period</th>
<th>2018</th>
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<tbody>
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<td>Costs</td>
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<tr>
<td>Operating Income</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Net Income</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

Note: Figures are in thousands of US dollars.
## Reports and Financial Statements

### Annual Report 2018

#### Reports and Financial Statements

- **Report Date:** 31st December 2018
- **Board of Directors:**
  - **Chairman:**
  - **Managing Director:**
- **Independent Directors:**
  - **Chairman of the Independent Directors:**
  - **Managing Director of the Independent Directors:**
- **Auditors:**
  - **Auditor:**
  - **Managing Auditor:**
- **Shareholders:**
  - **Chairman:**
  - **Managing Director:**
- **Other:**
  - **Chairman:**
  - **Managing Director:**

#### Key Financial Figures

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$X,000</td>
<td>$Y,000</td>
</tr>
<tr>
<td>Earnings</td>
<td>$Z,000</td>
<td>$A,000</td>
</tr>
<tr>
<td>Net Income</td>
<td>$B,000</td>
<td>$C,000</td>
</tr>
</tbody>
</table>

#### Notes

- This report includes the financial statements for the fiscal year ended 31st December 2018.
- The company achieved a net income of $B,000, an increase of $C,000 compared to $A,000 in the previous year.
- Key performance indicators show a positive trend.

### Other Financial Information

- **Cash Flow:**
  - **Operating Activities:**
  - **Investing Activities:**
  - **Financing Activities:**
- **Balance Sheet:**
  - **Assets:**
    - **Current Assets:**
    - **Non-Current Assets:**
  - **Liabilities:**
    - **Current Liabilities:**
    - **Non-Current Liabilities:**
- **Shareholders' Equity:**
  - **Contributed Capital:**
  - **Reserves:**

#### Directors' Report

- The board of directors has reviewed the financial statements and the directors' report.
- The company has maintained a strong financial position.

### Auditor's Report

- The audit report confirms that the financial statements are prepared in accordance with generally accepted accounting principles.
- The financial statements give a true and fair view of the financial position of the company.

### Shareholders' Report

- The board of directors has recommended a dividend of $D,000 per share.
- The company has paid dividends of $E,000 in the previous year.

### Other Notes

- **Glossary:**
  - **Definitions:**
  - **Acronyms:**
- **Appendices:**
  - **Appendix A:**
  - **Appendix B:**

---

*British American Tobacco Bangladesh Limited*
<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (€)</td>
<td>2,225,482</td>
<td>2,262,546</td>
</tr>
<tr>
<td>Net profit (€)</td>
<td>792,512</td>
<td>719,376</td>
</tr>
<tr>
<td>EBITDA (€)</td>
<td>1,018,530</td>
<td>1,013,284</td>
</tr>
</tbody>
</table>

**Notes:**

1. The net profit for 2018 includes a one-off exceptional item of €792,512.

2. The net profit for 2017 includes a one-off exceptional item of €719,376.

3. The EBITDA for 2018 includes a one-off exceptional item of €1,018,530.

4. The EBITDA for 2017 includes a one-off exceptional item of €1,013,284.

**Audit opinion:**

The audit of the financial statements of the company for the financial year ended 31 December 2018 has been conducted by the following auditors:

- **KPMG LLP**
- **Ernst & Young LLP**

The audit was conducted in accordance with the requirements of the Companies Acts.

**Change of auditor:**

The company changed its auditor from **Deloitte LLP** to **Ernst & Young LLP** on 1 January 2017.

**Additional information:**

- The company's financial results for the year ended 31 December 2018 are consistent with the principles and policies set out in the financial statements for the year ended 31 December 2017.

**Review and approval:**

The financial statements for the year ended 31 December 2018 have been reviewed by the company's board of directors and are approved for publication.

**Board of directors:**

The board of directors of the company is composed of the following members:

- **Chairman:**
- **Executive Director:**
- **Non-executive Director:**

**Management:**

The management of the company is responsible for the preparation of the financial statements and the conclusions drawn from them.

**Risk management:**

The company has a risk management policy in place that is reviewed annually by the board of directors.

**Capital structure:**

The company's capital structure for the year ended 31 December 2018 is as follows:

- **Shareholders’ equity:**
- **Long-term debt:**

**Dividends:**

The company declared a dividend of €0.40 per share for the year ended 31 December 2018.

**Share buy-backs:**

The company did not buy back any shares during the year ended 31 December 2018.

**Share capital:**

The company's share capital is divided into 100 million ordinary shares of €0.20 each.

**Shareholders:**

The company has the following shareholders as at 31 December 2018:

- **Major shareholder:**
- **Minor shareholders:**

**Debtors:**

The company’s main debtors for the year ended 31 December 2018 are as follows:

- **Top five debtors:**

**Creditors:**

The company’s main creditors for the year ended 31 December 2018 are as follows:

- **Top five creditors:**

**Other significant transactions:**

- **Acquisitions:**
- **Disposals:**

**Other significant events:**

- **Litigation:**
- **Regulatory compliance:**

**Financial ratios:**

- **Gross profit margin:**
- **Net profit margin:**
- **Return on equity:**

**Financial highlights:**

- **Revenue growth:**
- **Profitability:**
- **Cash flow:**

**Operating activities:**

- **Cash flows from operating activities:**

**Investing activities:**

- **Cash flows from investing activities:**

**Financing activities:**

- **Cash flows from financing activities:**

**Other financial highlights:**

- **Foreign currency translation:**
- **Exchange rate effect:**

**Notes to the financial statements:**

- **Accounting policies:**
- **Revenue recognition:**
- **Operating segments:**

**Supplementary information:**

- **Key performance indicators:**
- **Earnings per share:**
- **Dividend cover ratio:**

**Risk factors:**

The company identifies and assesses the following key risks:

- **Market risk:**
- **Credit risk:**
- **Liquidity risk:**

**Corporate governance:**

The company has implemented a robust corporate governance framework that is reviewed annually by the board of directors.

**Environmental, social, and governance (ESG) initiatives:**

The company has implemented the following ESG initiatives:

- **Environmental initiatives:**
- **Social initiatives:**
- **Governance initiatives:**

**Strategic review and forward-looking statements:**

The company reviews its strategic objectives and forward-looking statements on an annual basis.

**Board of directors' report:**

The board of directors' report contains the following sections:

- **Corporate overview:**
- **Strategic review:**
- **Operational performance:**
- **Financial performance:**
- **Risk management and control systems:**
- **Corporate governance:**
- **Environmental, social, and governance (ESG) initiatives:**
- **Corporate social responsibility (CSR) initiatives:**
- **Future plans and strategies:**
- **Important notices:**

**Auditor’s report:**

The auditor’s report contains the following sections:

- **Auditor’s responsibilities:**
- **Opinions on financial statements:**
- **Auditor’s responsibilities on non-financial information:**
- **Auditor’s responsibilities on other information:**
- **Additional information:**

**Additional information:**

- **Company’s website:**
- **Contact details:**
### REPORTS AND FINANCIAL STATEMENTS

#### 8.1 Historical Cost Basis

<table>
<thead>
<tr>
<th>Year</th>
<th>Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td><em>Sales</em></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Sales</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Sales</strong></td>
</tr>
</tbody>
</table>

#### 8.2 Historical Cost Basis

<table>
<thead>
<tr>
<th>Year</th>
<th>Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td><em>Sales</em></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Sales</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Sales</strong></td>
</tr>
</tbody>
</table>

### 8.3 Significant Accounting Policies

- **1** Historical Cost Basis

```sql
SELECT * FROM table_name WHERE year = '2018' OR year = '2017'
```
### 2018 Financial Statements

#### Comparative Statement of Income

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Revenue (000)</th>
<th>Cost of Sales (000)</th>
<th>Gross Profit (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>50,000</td>
<td>20,000</td>
<td>30,000</td>
</tr>
<tr>
<td>2017</td>
<td>40,000</td>
<td>20,000</td>
<td>20,000</td>
</tr>
</tbody>
</table>

#### Comparative Statement of Changes in Equity

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital (000)</th>
<th>Accumulated Reserves (000)</th>
<th>Total Equity (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>10,000</td>
<td>20,000</td>
<td>30,000</td>
</tr>
<tr>
<td>2017</td>
<td>10,000</td>
<td>20,000</td>
<td>30,000</td>
</tr>
</tbody>
</table>

#### Notes to the Financial Statements

- **Note 1**: Description of Notes
- **Note 2**: Description of Notes
- **Note 3**: Description of Notes
## REPORTS AND FINANCIAL STATEMENTS

### Annual Report 2018

### 16.1 Financial Statements

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>Sales (000)</th>
<th>Earnings before Interest and Taxes (EBIT) (000)</th>
<th>Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>-869,114</td>
<td>-263,797</td>
<td>-1,132,911</td>
</tr>
<tr>
<td>2018</td>
<td>-1,038,057</td>
<td>-214,536</td>
<td>-1,252,593</td>
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</table>

### 16.2 Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>Sales (000)</th>
<th>Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>-250,472</td>
<td>-250,472</td>
</tr>
<tr>
<td>2018</td>
<td>-274,055</td>
<td>-274,055</td>
</tr>
</tbody>
</table>

### 16.3 Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>Sales (000)</th>
<th>Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>-11,520</td>
<td>-11,520</td>
</tr>
<tr>
<td>2018</td>
<td>-20,820</td>
<td>-20,820</td>
</tr>
</tbody>
</table>

### 16.4 Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>Sales (000)</th>
<th>Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>20,651</td>
<td>-20,651</td>
</tr>
<tr>
<td>2018</td>
<td>21,917</td>
<td>-21,917</td>
</tr>
</tbody>
</table>

### 16.5 Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>Sales (000)</th>
<th>Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>-18,846</td>
<td>-18,846</td>
</tr>
<tr>
<td>2018</td>
<td>-32,479</td>
<td>-32,479</td>
</tr>
</tbody>
</table>

### 16.6 Key Performance Indicators (KPIs)

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>Sales (000)</th>
<th>Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>-18,846</td>
<td>-18,846</td>
</tr>
<tr>
<td>2018</td>
<td>-32,479</td>
<td>-32,479</td>
</tr>
</tbody>
</table>

### 16.7 Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>Sales (000)</th>
<th>Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>-18,846</td>
<td>-18,846</td>
</tr>
<tr>
<td>2018</td>
<td>-32,479</td>
<td>-32,479</td>
</tr>
</tbody>
</table>

### 16.8 Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>Sales (000)</th>
<th>Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>-18,846</td>
<td>-18,846</td>
</tr>
<tr>
<td>2018</td>
<td>-32,479</td>
<td>-32,479</td>
</tr>
</tbody>
</table>

### 16.9 Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>Sales (000)</th>
<th>Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>-18,846</td>
<td>-18,846</td>
</tr>
<tr>
<td>2018</td>
<td>-32,479</td>
<td>-32,479</td>
</tr>
</tbody>
</table>
### Annual Report 2018

#### REPORTS AND FINANCIAL STATEMENTS

**17.1 wejw¤^Z Ki `vqmg~n wnmve iÿY bxwZi UxKv 6V (2) †`Lyb**

**2018**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (000)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>17,160,801</td>
<td></td>
</tr>
<tr>
<td>Operating Costs</td>
<td>7,292,624</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>7,868,177</td>
<td></td>
</tr>
<tr>
<td>Tax</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Profit after tax</td>
<td>7,868,177</td>
<td></td>
</tr>
</tbody>
</table>

**17.2 wejw¤^Z Ki m¤ú`**

**2017**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (000)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>13,740,299</td>
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<tr>
<td>Operating Costs</td>
<td>6,694,421</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>7,045,878</td>
<td></td>
</tr>
<tr>
<td>Tax</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Profit after tax</td>
<td>7,045,878</td>
<td></td>
</tr>
</tbody>
</table>

**18 e¨vsK RgvwZwi³ ÷¨vÛvW© PvU©vW© e¨vsK 5,500,000 4,380,000**

**19.1 kZ©vejx Ges cwi‡kv‡ai mgqmxgv 4,380,000 4,000,000**

**20 evwYR¨ Ges Ab¨vb¨ cÖ‡`q wnmveiÿY bxwZi UxKv 6M (2) (A) †`Lyb**

**2018**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (000)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>3,200,709</td>
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</tr>
<tr>
<td>Operating Costs</td>
<td>4,730,835</td>
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<tr>
<td>Profit before tax</td>
<td>1,956,760</td>
<td></td>
</tr>
<tr>
<td>Tax</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Profit after tax</td>
<td>1,956,760</td>
<td></td>
</tr>
</tbody>
</table>

**21 PjwZ AvqKi `vq**

**2018**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (000)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>5,364,697</td>
<td></td>
</tr>
<tr>
<td>Operating Costs</td>
<td>2,499,269</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>2,865,428</td>
<td></td>
</tr>
<tr>
<td>Tax</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Profit after tax</td>
<td>2,865,428</td>
<td></td>
</tr>
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</table>

**22 PjwZ g~ja‡bi Pvwn`v c~i‡Yi Rb¨ †Kv¤úvbxi Dc‡i e¨vsK mg~n n‡Z e¨vsK RgvwZwi³ myweav MÖnY K‡i _v‡K, D³ RgvwZwi³mg~n `vwe mv‡c‡ÿ cwi‡kva Kiv nq|**

**23 PjwZ AvqKi `vq**

**2017**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (000)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>5,918,997</td>
<td></td>
</tr>
<tr>
<td>Operating Costs</td>
<td>5,364,697</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>554,300</td>
<td></td>
</tr>
<tr>
<td>Tax</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Profit after tax</td>
<td>554,300</td>
<td></td>
</tr>
</tbody>
</table>

**24 PjwZ g~ja‡bi Pvwn`v c~i‡Yi Rb¨ †Kv¤úvbxi Dc‡i e¨vsK mg~n n‡Z e¨vsK RgvwZwi³ myweav MÖnY K‡i _v‡K, D³ RgvwZwi³mg~n `vwe mv‡c‡ÿ cwi‡kva Kiv nq|**

**25 PjwZ AvqKi `vq**

**2016**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (000)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>5,185,801</td>
<td></td>
</tr>
<tr>
<td>Operating Costs</td>
<td>4,630,801</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>554,000</td>
<td></td>
</tr>
<tr>
<td>Tax</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Profit after tax</td>
<td>554,000</td>
<td></td>
</tr>
</tbody>
</table>

**26 PjwZ g~ja‡bi Pvwn`v c~i‡Yi Rb¨ †Kv¤úvbxi Dc‡i e¨vsK mg~n n‡Z e¨vsK RgvwZwi³ myweav MÖnY K‡i _v‡K, D³ RgvwZwi³mg~n `vwe mv‡c‡ÿ cwi‡kva Kiv nq|**

**27 PjwZ AvqKi `vq**

**2015**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (000)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>4,485,801</td>
<td></td>
</tr>
<tr>
<td>Operating Costs</td>
<td>3,920,801</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>565,000</td>
<td></td>
</tr>
<tr>
<td>Tax</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Profit after tax</td>
<td>565,000</td>
<td></td>
</tr>
</tbody>
</table>
### Annual Report 2018

#### REPORTS AND FINANCIAL STATEMENTS

#### 1. Key Financial Information

<table>
<thead>
<tr>
<th>Period</th>
<th>Revenue (US$)</th>
<th>Profit (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>5,049,882</td>
<td>5,454,362</td>
</tr>
</tbody>
</table>

#### 2. Balance Sheet

<table>
<thead>
<tr>
<th>Category</th>
<th>2018 (US$)</th>
<th>2017 (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Current Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Current Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, Plant, and Equip</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-Term Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-Term Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders' Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Liabilities</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 3. Income Statement

<table>
<thead>
<tr>
<th>Category</th>
<th>2018 (US$)</th>
<th>2017 (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>5,049,882</td>
<td>5,454,362</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
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<td></td>
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<tr>
<td>Operating Expenses</td>
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<td></td>
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<tr>
<td>Income Before Taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Additional Notes

- The company has experienced steady growth in revenue over the past year.
- Liabilities have remained consistent with the previous year.
- The company is preparing for expansion into new markets.

---

**Reported by [Company Name]**

Annual Report 2018
<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(000)</td>
<td>(000)</td>
</tr>
<tr>
<td></td>
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</tbody>
</table>

## Financial Statements

### Income Statement

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(000)</td>
<td>(000)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit after tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Profit</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(000)</td>
<td>(000)</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Cash Flow Statement

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(000)</td>
<td>(000)</td>
</tr>
<tr>
<td></td>
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<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Notes to Financial Statements

- **Note 1:** Detailed information on the accounting policies, significant accounting estimates, and changes in accounting policies.
- **Note 2:** Details of the significant transactions and events that occurred after the reporting date.
- **Note 3:** Details of the significant events that occurred during the reporting period.

---

### Additional Information

- **Auditor’s Report:** Details of the auditor’s report and the auditor’s independence statement.
- **Management’s Discussion and Analysis:** Analysis of the financial performance and position during the reporting period.

---

### Contact Information

For more information, please contact the company’s investor relations department at info@company.com or +123-456-7890.
<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Profit</strong></td>
<td>1,645,430</td>
<td>1,293,728</td>
</tr>
<tr>
<td><strong>Earnings per Share</strong></td>
<td>4.174,124.65</td>
<td>3,307,437</td>
</tr>
<tr>
<td><strong>Dividends (A)</strong></td>
<td>1,645,430</td>
<td></td>
</tr>
<tr>
<td><strong>Reversal of Provision (B)</strong></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Net Profit after Tax</strong></td>
<td>4,174,124.65</td>
<td>3,307,437</td>
</tr>
<tr>
<td><strong>Net Profit after Interest</strong></td>
<td>4,174,124.65</td>
<td>3,307,437</td>
</tr>
<tr>
<td><strong>Earnings per Share (B)</strong></td>
<td>4.174,124.65</td>
<td>3,307,437</td>
</tr>
<tr>
<td><strong>Dividends (B)</strong></td>
<td>1,645,430</td>
<td></td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>4,174,125</td>
<td>3,307,437</td>
</tr>
<tr>
<td><strong>Earnings per Share (C)</strong></td>
<td>4.174,124.65</td>
<td>3,307,437</td>
</tr>
</tbody>
</table>

**Notes**:
- **Earnings per Share** = Net Profit / Number of Shares
- **Dividends** = Net Profit after Tax - Earnings per Share
- **Reversal of Provision** = - Provision
- **Net Profit after Interest** = Net Profit after Tax + Provisions
- **Earnings per Share (B)** = Net Profit after Interest / Number of Shares
- **Dividends (B)** = Net Profit after Interest - Earnings per Share
- **Net Income** = Net Profit after Interest + Dividends
- **Earnings per Share (C)** = Net Income / Number of Shares

**Annual Report 2018**

**REPORTS AND FINANCIAL STATEMENTS**
### Reports and Financial Statements

#### Annual Report 2018

<table>
<thead>
<tr>
<th>Financial Statements</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Profit</td>
<td>10,518,444</td>
<td>10,520,617</td>
</tr>
<tr>
<td>Gross Profit (%)</td>
<td>7,942,115</td>
<td>917,621</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>1,644,121</td>
<td>16,760</td>
</tr>
<tr>
<td>Operating Profit (%)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Earnings Before Tax</td>
<td>10,518,444</td>
<td>10,520,617</td>
</tr>
<tr>
<td>Earnings Before Tax (%)</td>
<td>7,942,115</td>
<td>917,621</td>
</tr>
<tr>
<td>Net Profit</td>
<td>1,644,121</td>
<td>16,760</td>
</tr>
<tr>
<td>Net Profit (%)</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

#### Notes to Financial Statements

1. **General**

   - **Gross Profit**
   - **Operating Profit**
   - **Earnings Before Tax**
   - **Net Profit**

2. **Notes on Accounts**

   - **Notes on Accounts 2018**
   - **Notes on Accounts 2017**

3. **Auditor’s Report**

   - **Auditor’s Report 2018**
   - **Auditor’s Report 2017**

4. **Board of Directors’ Report**

   - **Board of Directors’ Report 2018**
   - **Board of Directors’ Report 2017**

5. **Independent Directors’ Report**

   - **Independent Directors’ Report 2018**
   - **Independent Directors’ Report 2017**

6. **Corporate Governance**

   - **Corporate Governance 2018**
   - **Corporate Governance 2017**

7. **Risk Management**

   - **Risk Management 2018**
   - **Risk Management 2017**

8. **Corporate Social Responsibility**

   - **Corporate Social Responsibility 2018**
   - **Corporate Social Responsibility 2017**

9. **Corporate Information**

   - **Corporate Information 2018**
   - **Corporate Information 2017**

10. **Appendix**

    - **Appendix 2018**
    - **Appendix 2017**
## Reports and Financial Statements

### Annual Report 2018

**REPORTS AND FINANCIAL STATEMENTS**

<table>
<thead>
<tr>
<th></th>
<th>31st March 2018</th>
<th>30th June 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBITDA</strong></td>
<td>10,776</td>
<td>-</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td>10,776</td>
<td>-</td>
</tr>
</tbody>
</table>

### Key Financial Indicators

<table>
<thead>
<tr>
<th></th>
<th>31st March 2018</th>
<th>30th June 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Revenue</strong></td>
<td>28,140</td>
<td>24,575</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>8,683</td>
<td>22,945</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td>8,683</td>
<td>22,959</td>
</tr>
</tbody>
</table>

### Notes

1. The financial statements have been prepared in accordance with the generally accepted accounting principles.

2. The notes to the financial statements form an integral part of these financial statements.

### Balance Sheets

<table>
<thead>
<tr>
<th></th>
<th>31st March 2018</th>
<th>30th June 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td>129,304</td>
<td>120,769</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td>138,751</td>
<td>131,946</td>
</tr>
</tbody>
</table>

### Other Financial Information

- The financial statements have been approved by the Board of Directors.
- The auditors’ report on these financial statements is included in the annual report.

### Reporting Period

The financial statements cover the period from 1st April 2018 to 31st March 2019.
<table>
<thead>
<tr>
<th></th>
<th>2018 (in CHF)</th>
<th>2017 (in CHF)</th>
<th>2016 (in CHF)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>1,093,000</td>
<td>1,093,000</td>
<td>1,093,000</td>
</tr>
<tr>
<td><strong>Cost of Sales</strong></td>
<td>810,300</td>
<td>810,300</td>
<td>810,300</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>282,700</td>
<td>282,700</td>
<td>282,700</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td>194,300</td>
<td>194,300</td>
<td>194,300</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>88,400</td>
<td>88,400</td>
<td>88,400</td>
</tr>
<tr>
<td><strong>Interest Income</strong></td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>Interest Expense</strong></td>
<td>300</td>
<td>300</td>
<td>300</td>
</tr>
<tr>
<td><strong>Income before Tax</strong></td>
<td>86,100</td>
<td>86,100</td>
<td>86,100</td>
</tr>
<tr>
<td><strong>Pretax Income</strong></td>
<td>86,100</td>
<td>86,100</td>
<td>86,100</td>
</tr>
<tr>
<td><strong>Income Tax Expense</strong></td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>85,100</td>
<td>85,100</td>
<td>85,100</td>
</tr>
</tbody>
</table>

**Notes:**
1. Adjusted for extraordinary items.
2. Adjusted for non-recurring items.
## CORPORATE GOVERNANCE CHECKLIST

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particulars</th>
<th>BAT Page Ref.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong></td>
<td>BOARD OF DIRECTORS, CHAIRMAN AND CEO</td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Company’s policy on appointment of directors disclosed</td>
<td>94</td>
</tr>
<tr>
<td>1.2</td>
<td>Adequate representation of non-executive directors i.e. one third of the board, subject to a minimum of two</td>
<td>95</td>
</tr>
<tr>
<td>1.3</td>
<td>At least one independent director on the board and disclosure/affirmation of the board on such director’s independence</td>
<td>95</td>
</tr>
<tr>
<td>1.4</td>
<td>Chairman to be independent of CEO</td>
<td>94</td>
</tr>
<tr>
<td>1.5</td>
<td>Responsibilities of the Chairman of the board appropriately defined and disclosed. Disclosure of independence of Non-Executive Directors</td>
<td>98</td>
</tr>
<tr>
<td>1.6</td>
<td>Existence of a scheme for annual appraisal of the board’s performance and disclosure of the same</td>
<td>98</td>
</tr>
<tr>
<td>1.7</td>
<td>Disclosure of policy on annual evaluation of the CEO by the Board</td>
<td>98</td>
</tr>
<tr>
<td>1.8</td>
<td>Disclosure of policy on training (including details of the counting training program) of directors and type and nature of training courses organized for directors during the year existence of a scheme for annual appraisal of the board’s performance</td>
<td>98</td>
</tr>
<tr>
<td>1.9</td>
<td>At least one director having through knowledge and expertise finance and accounting to provide guidance in the matters applicable to accounting and auditing standards to ensure reliable financial reporting</td>
<td>142</td>
</tr>
<tr>
<td>1.10</td>
<td>Directors issue a report on compliance with best practices on corporate governance that is reviewed by external auditors</td>
<td>142</td>
</tr>
<tr>
<td><strong>2</strong></td>
<td>VISION/MISSION AND STRATEGY</td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Company’s vision/mission statements are approved by the board and disclosed in the annual report</td>
<td>22</td>
</tr>
<tr>
<td>2.2</td>
<td>Identification of business objectives and areas of business focus disclosed</td>
<td>24</td>
</tr>
<tr>
<td>2.3</td>
<td>General description of strategies to achieve the company’s business objectives</td>
<td>24</td>
</tr>
<tr>
<td><strong>3</strong></td>
<td>AUDIT COMMITTEES</td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Appointment and Composition</td>
<td>111</td>
</tr>
<tr>
<td>3.1.1</td>
<td>Whether the audit committee chairman is an independent Non-executive Director and Professionally Qualified</td>
<td>117</td>
</tr>
<tr>
<td>3.1.2</td>
<td>Whether it has specific terms of reference and whether it is empowered to investigate/question employees and retain external counsel</td>
<td>96</td>
</tr>
<tr>
<td>3.1.3</td>
<td>More than two thirds of the members are to be Non-Executive Directors</td>
<td>111</td>
</tr>
<tr>
<td><strong>4</strong></td>
<td>INTERNAL CONTROL &amp; RISK MANAGEMENT</td>
<td></td>
</tr>
<tr>
<td>4.1</td>
<td>Statement of director’s responsibility to establish appropriate system of internal control</td>
<td>104</td>
</tr>
<tr>
<td>4.2</td>
<td>Narrative description of key features of the internal control system and the manner in which the system is monitored by the board, audit committee or senior management</td>
<td>105-106</td>
</tr>
<tr>
<td>4.3</td>
<td>Statement that the directors have reviewed the adequacy of the system of internal controls</td>
<td>114</td>
</tr>
<tr>
<td>4.4</td>
<td>Disclosure of the identification of risk the company is exposed to both internally and externally</td>
<td>107</td>
</tr>
<tr>
<td>4.5</td>
<td>Disclosure of the strategies adopted to manage and mitigate the risks</td>
<td>111</td>
</tr>
</tbody>
</table>
## ANNUAL REPORT 2018 CHECKLIST

<table>
<thead>
<tr>
<th>SL. No.</th>
<th>Particulars</th>
<th>BAT Page Ref.</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>ETHICS AND COMPLIANCE</td>
<td></td>
</tr>
<tr>
<td>5.1</td>
<td>Disclosure of statement of ethics and values, covering basic principles such as integrity, conflict of interest, compliance with laws and regulation etc.</td>
<td>125</td>
</tr>
<tr>
<td>5.2</td>
<td>Disclosure of communication of the statement of ethics &amp; business practices to all directors and employees and their acknowledgement of the same</td>
<td>109, 125</td>
</tr>
<tr>
<td>5.3</td>
<td>Board's statement on its commitment to establishing high level of ethics and compliance within the organization</td>
<td>95, 125</td>
</tr>
<tr>
<td>5.4</td>
<td>Establishing effective anti-fraud programs and controls, including effective protection of whistle blowers, establishing a hot line reporting of irregularities etc.</td>
<td>102, 125</td>
</tr>
<tr>
<td>6</td>
<td>REMUNERATION COMMITTEE</td>
<td></td>
</tr>
<tr>
<td>6.1</td>
<td>Disclosure of the charter (role and responsibilities) of the committee</td>
<td>96</td>
</tr>
<tr>
<td>6.2</td>
<td>Disclosure of the composition of the committee (majority of the committee should be nonexecutive directors, but should also include some executive directors)</td>
<td>96</td>
</tr>
<tr>
<td>6.3</td>
<td>Disclosure of key policies with regard to remuneration of directors, senior management and employees</td>
<td>102</td>
</tr>
<tr>
<td>6.4</td>
<td>Disclosure of number of meetings and work performed</td>
<td>99</td>
</tr>
<tr>
<td>6.5</td>
<td>Disclosure of remuneration of directors, chairman, chief executive and senior executives</td>
<td>95</td>
</tr>
<tr>
<td>7</td>
<td>HUMAN CAPITAL</td>
<td></td>
</tr>
<tr>
<td>7.1</td>
<td>Disclosure of general description of the policies and practices codified and adopted by the company with respect Human Resource Development and Management, including succession planning, merit based recruitment, performance appraisal system, promotion and reward and motivation, training and development, grievance management and counseling</td>
<td>67-68, 101-102</td>
</tr>
<tr>
<td>7.2</td>
<td>Organizational Chart</td>
<td>67</td>
</tr>
<tr>
<td>8</td>
<td>COMMUNICATION TO SHAREHOLDERS AND STAKEHOLDERS</td>
<td></td>
</tr>
<tr>
<td>8.1</td>
<td>Disclosure of the company's policy/strategy to facilitate effective communication with shareholders and other stakeholders</td>
<td>104, 105</td>
</tr>
<tr>
<td>8.2</td>
<td>Disclosure of company's policy on ensuring participation of shareholders in the Annual General Meeting and providing reasonable opportunity for the shareholder participation in the AGM</td>
<td>104</td>
</tr>
<tr>
<td>9</td>
<td>ENVIRONMENTAL AND SOCIAL OBLIGATIONS</td>
<td></td>
</tr>
<tr>
<td>9.1</td>
<td>Disclosure of general description of the company's policies and practices relating to social and environmental responsibility of the entity</td>
<td>177-180, 184-187</td>
</tr>
<tr>
<td>9.2</td>
<td>Disclosure of specific activities undertaken by the entity in pursuance of these policies and practices</td>
<td>177-180, 184-187</td>
</tr>
</tbody>
</table>

### Itemised Checklist

#### Corporate Objectives, Values & Structure
- Vision and Mission
- Overall strategic objectives
- Core values and code of conduct/ethical principles
- Profile of the Company
- Director's profiles and their representation on Board of other companies & Organization Chart

#### Management Report/ Commentary and analysis including Director's Report / Chairman's Review/CEO's Review etc.
- A general review of the performance of the company
- Description of the performance of the various activities / products / segments of the company and its group companies during the period under review. (Weightage to be given for pictorial / graphical / tabular presentations used for this purpose)
- A brief summary of the Business and other Risks facing the organization and steps taken to effectively manage such risks
- A general review of the future prospects/outlook.
- Information on how the company contributed to its responsibilities towards the staff (including health & safety)
- Information on company's contribution to the national exchequer & to the economy

#### Sustainability Reporting
- Social Responsibility Initiatives (CSR)
- Environment related Initiatives
- Environmental & Social Obligations
- Integrated Reporting

#### Appropriateness of Disclosure of Accounting policies and General Disclosure
- Disclosure of adequate and properly worded accounting policies relevant to assets, liabilities, income and expenditure in line with best reporting standards.
- Any Specific accounting policies
- Changes in accounting policies/changes in accounting estimates

#### Segment Information
- Comprehensive segment related information bifurcating Segment revenue, segment results and segment capital employed
- Availability of information regarding different segments and units of the entity as well as non-segmental entities/units
- Segment analysis of:
  - Segment Revenue
  - Segment Results
  - Turnover
  - Operating profit
  - Carrying amount of Net Segment assets

#### Clarity and presentation:
- Vision and Mission
- Overall strategic objectives
- Core values and code of conduct/ethical principles
- Profile of the Company
- Director's profiles and their representation on Board of other companies & Organization Chart

#### Appropriateness of Disclosure of Accounting policies and General Disclosure
- Disclosure of adequate and properly worded accounting policies relevant to assets, liabilities, income and expenditure in line with best reporting standards.
- Any Specific accounting policies
- Changes in accounting policies/changes in accounting estimates
### ANNUAL REPORT REVIEW CHECKLIST

<table>
<thead>
<tr>
<th>Items</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Statements (Including Formats)</td>
<td></td>
</tr>
<tr>
<td>Disclosures of all contingencies and commitments</td>
<td>257</td>
</tr>
<tr>
<td>Comprehensive related party disclosures</td>
<td>254</td>
</tr>
<tr>
<td>Disclosures of Remuneration &amp; Facilities provided to Directors &amp; CEO</td>
<td>254</td>
</tr>
<tr>
<td>Statement of Financial Position / Balance Sheet and relevant schedules</td>
<td>212</td>
</tr>
<tr>
<td>Income Statement / Profit and Loss Account and relevant schedules</td>
<td>214</td>
</tr>
<tr>
<td>Statement of Changes in Equity / Reserves &amp; Surplus Schedule</td>
<td>215</td>
</tr>
<tr>
<td>Disclosure of Types of Share Capital</td>
<td>236</td>
</tr>
<tr>
<td>Statement of Cash Flow</td>
<td>216</td>
</tr>
<tr>
<td>Consolidated Financial Statement (CFI)</td>
<td>212-216</td>
</tr>
<tr>
<td>Extent of compliance with the core IAS/IFRS or equivalent National Standards</td>
<td>218</td>
</tr>
<tr>
<td>Disclosures / Contents of Notes to Accounts</td>
<td>217</td>
</tr>
<tr>
<td>Information about Corporate Governance</td>
<td></td>
</tr>
<tr>
<td>Board Of Directors, Chairman And CEO</td>
<td>84,85</td>
</tr>
<tr>
<td>Audit Committee (Composition, role, meetings, attendance, etc) Internal Control &amp; Risk Management</td>
<td>113-114</td>
</tr>
<tr>
<td>Ethics And Compliance</td>
<td>125</td>
</tr>
<tr>
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<td>An integrated report should disclose the main activities of the organization and the environment of which it operates.</td>
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<td>An integrated report should identify the organization’s mission and vision, and provides essential context by identifying matters such as:</td>
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<td>The organization’s culture, ethics and values</td>
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<td>Ownership and operating structure including size of the organization, location of its operations</td>
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<td>Operating Environment Analysis, Directors Report</td>
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<td>Position within the value chain</td>
<td>Business Model</td>
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<td></td>
<td>Ex. The number of employees, revenue and number of countries in which the organization operates highlighting, in particular, significant changes from prior periods</td>
<td>Business Model, Directors Report</td>
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<td>Significant factors affecting the external environment and the organization’s response</td>
<td>Operating Env Analysis</td>
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<td>The legitimate needs and interests of key stakeholders</td>
<td>Operating Environment Analysis</td>
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<td>Macro and micro economic conditions, such as economic stability, globalization, and industry trends</td>
<td>Operating Environment Analysis</td>
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<td></td>
<td>Market forces, such as the relative strengths and weaknesses of competitors and customer demand</td>
<td>Operating Environment Analysis</td>
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<td>Operating Environment Analysis - Technological</td>
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<td>Societal issues, such as population and demographic changes, human rights, health, poverty, collective values and educational systems</td>
<td>Operating Environment Analysis - Social</td>
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<td>The legislative and regulatory environment in which the organization operates</td>
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<td>The political environment in which the organization operates and other countries that may affect the ability of the organization to implement its strategy</td>
<td>Operating Environment Analysis - Political</td>
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### ANNUAL REPORT REVIEW CHECKLIST

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<td>An integrated report should show how does the organization’s governance structure support its ability to create value in the short, medium and long term.</td>
<td>Corporate Governance</td>
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<td></td>
<td>An integrated report needs to provide an insight about how such matters as the following are linked to its ability to create value:</td>
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<td></td>
<td>The organization’s leadership structure, including the skills and diversity (e.g. range of background, gender, competence and experience) of those charged with governance and whether regulatory requirement influence the design of the governance structure</td>
<td>Exco, Board</td>
<td>42-51,85</td>
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<td>Mandatory and voluntary code of corporate governance adopted by the company</td>
<td>Report of Nomination and Remuneration Committee</td>
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<td>Code of ethical conduct adopted by the Company in relation to ethical business</td>
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<td>Specific processes used to make strategic decisions and to establish and monitor the culture of the organization, including its attitude to risk and mechanisms for addressing integrity and ethical issues</td>
<td>Annual Report 2018, 20, 108</td>
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<td>Particular actions those charged with governance have taken to influence and monitor the strategic direction of the organization and its approach to risk management</td>
<td>Risk Management</td>
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<td>How the organization’s culture, ethics and values are reflected in its use of and effects on the capitals, including its relationships with key stakeholders</td>
<td>Our Value Creation Process, Capital</td>
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<td>Whether the organization is implementing governance practices that exceed legal requirement/ Key Policies</td>
<td>Ethics and Compliance</td>
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<td>The responsibility those charged with governance take for promoting and enabling innovation</td>
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<td></td>
<td>How remuneration and incentives are linked to value creation in the short, medium and long term, including how they are linked to the organization’s use of and effects on the capitals</td>
<td>Our Value Creation</td>
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<td>Stakeholder Identification/ relationships</td>
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<td></td>
<td>An integrated report should identify its key stakeholders and provide insight into the nature and quality of the organization’s relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interest. Stakeholders are the groups or individuals that can reasonably be expected to be significantly affected by an organization’s business activities, outputs or outcomes or whose actions can reasonably be expected to significantly affect the ability of the organization to create value.</td>
<td>Social and Relationship Capital</td>
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<td></td>
<td>How the company has identified its stakeholders</td>
<td>Social and Relationship Capital</td>
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<td>An integrated report should describe the organization’s business model</td>
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<td>How the company has applied such matters</td>
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<td>How the stakeholders are engaged in assessing impacts, implications and outlooks of Company’s business model</td>
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<td>An integrated report needs to provide insight about the resources and the relationships used and affected by the organization, which are referred to as the capitals and how the organization interacts with the capitals to create value over the short, medium and long term</td>
<td>Integrated Reporting, Our Value Creation Process, Capitals</td>
<td>60-79</td>
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<td>An integrated report need to identify the various forms of capitals which are essential for the success of its business operations.</td>
<td>Integrated Reporting, Value Creation Process</td>
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<td>E.g. Financial Capital - The pool of funds that is available to the organization for use in the production and services</td>
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<td>Manufacturing Capital - Manufactured physical objects that are available to the organization for use in the production of goods and provision of services</td>
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<td>Intellectual Capital - Organizational Knowledge based intangibles</td>
<td>Intellectual Capital</td>
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<td></td>
<td>Human Capital - People’s competencies, capabilities and experience, and their institutions innovate</td>
<td>Human Capital</td>
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<tr>
<td></td>
<td>Social and Relationship Capital - The institutions and the relationships within and between communities, groups of stakeholders and other networks and the ability to share information to enhance individual and collective wellbeing</td>
<td>Social and Relationship Capital</td>
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<td></td>
<td>Natural Capital - All renewable and non-renewable environment resources and processes that provide goods and services that support the past, current and future prosperity of the organization</td>
<td>Natural Capital</td>
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<tr>
<td>Note:</td>
<td>However an entity can do its own classification of capitals based on its business activities. An entity needs to ensure that it does not overlook a capital that is uses or affects.</td>
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<td>1.4 Business model</td>
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<td>An integrated report should describe the organization’s business model</td>
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<td>An integrated report need to describe the business model, including key inputs, business activities, outputs and outcomes</td>
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<td>Our Value Creation Process</td>
<td>Overview Business Model</td>
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<td>Explicit identification of the key elements of the business model</td>
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<td>A simple diagram highlighting key element, supported by clear explanation of the relevance of those elements to the organization</td>
<td>Our Value Creation Process</td>
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<td>Narrative flow that is logical given the particular circumstances of the organization</td>
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<td>Identification of critical stakeholder and other inputs</td>
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<td>Connection to information covered by other Content Elements, such as strategy, risks and opportunities, and performance (including KPIs and financial considerations, like cost containment and revenue)</td>
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<td>An integrated report shows how key inputs relate to the capitals on which the organization depends, or that provide a source of differentiation for the organization, to the extent they are material to understanding the robustness and resilience of the business model.</td>
<td>Value Creation Process</td>
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<td>An integrated report describes key business activities. This can include:</td>
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<td>How the organization differentiates itself in the market place (e.g., through product differentiation, market segmentation, delivery channels and marketing)</td>
<td>Business Model</td>
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<td>The extent to which the business model relies on revenue generation after the initial point of sale (e.g., extended warranty arrangements or network usage charges)</td>
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<td>How the business model has been designed to adapt to change</td>
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<td>When material and integrated report discusses the contribution made to the organization’s long term success by initiatives such as process improvement, employee training and relationships management</td>
<td>Value Creation Process</td>
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<td>31</td>
<td>An integrated report identifies an organization’s key products and services. There might be other outputs, such as by-products and waste (including emissions), that need to be discussed within the business model disclosure depending on their materiality.</td>
<td>Overview</td>
<td>20</td>
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<td>An integrated report describes key outcomes, including:</td>
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<td>Both internal outcomes (e.g. employee morale, organizational reputation, revenue and cash flows) and external outcomes (e.g., customer satisfaction, tax payments, brand loyalty, and social and environmental effects).</td>
<td>Value Creation Process</td>
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<tr>
<td></td>
<td>Both positive outcomes, (i.e., those that result in a net increase in the capitals and thereby create value) and negative outcomes, (i.e., those that result in a net decrease in the capitals and thereby diminish value)</td>
<td>Value Creation Process</td>
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</table>
An integrated report needs to explain the extent to which the organization has achieved its strategic objectives for the period and what and how its outcomes in terms of effects on the capital.

An integrated report should contain qualitative and quantitative information about performance that may include matters such as:

- Financial indicators and performance on targets and risks and opportunities.
- Explaining its significance, implications, and the methods and assumptions used in compiling them.
- The organization’s effects both positive and negative on the capitals, including material effects on capitals up and down the value chain.
- The state of key stakeholder relationships and how the organization has responded to key stakeholders’ legitimate needs and interests.
- The linkages between past and current performance and between current performance and the organization’s outlook.
- KPIs that combine financial measures with other components or narrative that explains the financial implications of significant effects on other capitals and other causal relationships may be used to demonstrate the connectivity of financial performance with performance regarding other capitals. In some cases, this may also include monetizing certain effects on the capitals.

Include instances where regulations have a significant effect on performance (e.g., a constraint on revenues as a result of regulatory rate setting) or the organization’s performance and the organization's outlook. The organization’s effects both positive and negative on the capitals, including material effects on capitals up and down the value chain.

The organization’s assessment of the likelihood that the risk or opportunity will come to fruition and the magnitude of its effect if it does.

The specific source of risks and opportunities, which can be internal, external or, depending on the case, a mix of the two.

The organization’s assessment of the likelihood that the risk or opportunity will come to fruition and the magnitude of its effect if it does.

The specific steps being taken to mitigate or manage key risks or to create value from key opportunities, including the identification of the associated strategic objectives, strategies, policies, targets, and KPIs.

Risk Management Report (which includes detailed analysis and recommendations on the effectiveness of the internal control systems and the board’s responsibilities for the disclosure on internal controls to safeguard stakeholders’ interests).

An integrated report should describe its strategic direction (Where does the organization want to go and how does it intend to get there?)

An integrated report needs to identify:

- The linkage between the organization’s strategy and resource allocation plans, and the information covered by other Content Elements, including how its strategy and resource allocation plans:

- Will affect the organization. The organization’s expectations about the external environment the organization is likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?

- The state of key stakeholder relationships and how the organization has responded to key stakeholders’ legitimate needs and interests.

- The linkages between past and current performance and between current performance and the organization’s outlook.

- KPIs that combine financial measures with other components or narrative that explains the financial implications of significant effects on other capitals and other causal relationships may be used to demonstrate the connectivity of financial performance with performance regarding other capitals. In some cases, this may also include monetizing certain effects on the capitals.

Include instances where regulations have a significant effect on performance (e.g., a constraint on revenues as a result of regulatory rate setting) or the organization’s performance and the organization's outlook. The organization’s effects both positive and negative on the capitals, including material effects on capitals up and down the value chain.

The organization’s assessment of the likelihood that the risk or opportunity will come to fruition and the magnitude of its effect if it does.

The specific source of risks and opportunities, which can be internal, external or, depending on the case, a mix of the two.

The organization’s assessment of the likelihood that the risk or opportunity will come to fruition and the magnitude of its effect if it does.

The specific steps being taken to mitigate or manage key risks or to create value from key opportunities, including the identification of the associated strategic objectives, strategies, policies, targets, and KPIs.

Risk Management Report (which includes detailed analysis and recommendations on the effectiveness of the internal control systems and the board’s responsibilities for the disclosure on internal controls to safeguard stakeholders’ interests). 

Response on the effectiveness of the internal controls and the board’s responsibilities for the disclosure on internal controls to safeguard stakeholders’ interests.

Financial Capital

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Financial Capital

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Financial Capital, Key Financial Metrics, Year highlights

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Statement on Risk Management & Internal Control

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Statement of Risk Management & Internal Control

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Statement on Risk Management & Internal Control

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<td>1.9</td>
<td>Basis of preparation and presentation</td>
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An integrated report should describe the basis of preparation and presentation, including how key relationships are managed and why they are important to the organization's ability to create value over time. | Material Features 12 |

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<td>Reliability and completeness</td>
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An integrated report should include all material matters, both positive and negative, in a balanced way and without material error. | Operating Environment Analysis 75-79 |

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<td>3.3</td>
<td>Consistency and comparability</td>
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The information in an integrated report should be presented in a balanced way and without material error. | Operating Environment Analysis 75-79 |

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<tr>
<th>Sl. No.</th>
<th>Particulars</th>
<th>Content Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Responsibility for an integrated report</td>
<td></td>
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</tbody>
</table>
An integrated report should describe the basis of preparation and presentation, including how key relationships are managed and why they are important to the organization's ability to create value over time. | Material Features 12 |

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<thead>
<tr>
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<tbody>
<tr>
<td>3</td>
<td>Other Qualitative Characteristics of an Integrated Report</td>
<td></td>
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</tbody>
</table>
An integrated report should include all material matters, both positive and negative, in a balanced way and without material error. | Material Features 12 |
An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization’s ability to create value over time.

Our Value Creation Process 60

Eg: Connectivity between

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>3.4</td>
<td>Connectivity of information</td>
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<tr>
<td></td>
<td>An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization’s ability to create value over time.</td>
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<tr>
<td>3.5</td>
<td>Materiality</td>
<td>Integrated Reporting</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>An integrated report should disclose information about matters that substantively affect the organization’s ability to create value over the short, medium and long term.</td>
<td></td>
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<tr>
<td>3.6</td>
<td>Assurance on the Report</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>The policy and practice relating to seeking assurance on the report.</td>
<td>Integrated Reporting</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>The nature and scope of assurance provided for this particular report.</td>
<td>Integrated Reporting</td>
<td>13</td>
</tr>
</tbody>
</table>
Proxy Form

I/We...................................................................................................................... ... ..........................................................................................................................

being a Member of British American Tobacco Bangladesh Company Limited, do hereby appoint

a) ..........................................................................................................................

b) ..........................................................................................................................

either of them may, in writing, appoint anyone to act as my proxy at the 46th Annual General Meeting of the Company to be held on Sunday, 28 April 2019 and at any adjournment thereof

As witness my/our hand this ........................................................................................................................................................... day of ................................................. 2019.

Revenue
Stamp
Tk. 20

Notes:
1. A member entitled to attend and vote in the AGM may appoint a Proxy to attend and vote on his/her behalf.
2. The Proxy Form, duly filled and stamped must be deposited at the Registered Office of the Company, by 10.30 a.m of 28 April 2019.
3. Signature of the Member(s) must be in accordance with the Specimen Signature recorded with the Company.

I/We do hereby record my/our attendance at the 46th Annual General Meeting (AGM) of the Company being held on Sunday, 28 April 2019 at 10.30 a.m at Pan Paci/f/ic Sonargaon, 107 Kazi Nazrul Islam Avenue, Dhaka 1215, Bangladesh

Name of the Shareholders/Proxy

Revenue Stamp
 Tk. 20

Notes:
1. Please present this attendance slip at the registration counter on or before 10.30 a.m on the AGM date.
ব্রিটিশ অ্যামেরিকান টাকসহ মানেন্ডেন কোম্পানী নির্মিত

চূড়ান্ত পত্র নিয়মিত উপস্থাপনা করতে হলে তবে সম্পর্কিত বিষয়ের সংক্রান্ত তথ্য

লোগো ও ব্র্যান্ডিং অ্যাক্ট, ২০১৬, এবং ব্র্যান্ড অ্যাক্ট, ২০১৭, যা ব্রিটিশ অ্যামেরিকান টাকের জন্য সম্প্রসারিত করা হয়েছে।

প্রতিষ্ঠান

আধিকারিক

ব্রিটিশ অ্যামেরিকান টাকের পরিচালনায় কোম্পানী নির্মিত

শ্রেণী ১: অনুশীলন, বিবেচনা ও অনুষ্ঠানবিবেচনা করার জন্য লোগো ও ব্র্যান্ডিং অ্যাক্ট, ২০১৬

শ্রেণী ২: প্রতিষ্ঠানের প্রতিশৃঙ্খলা ও প্রতিষ্ঠানের সংক্রান্ত তথ্য সংগ্রহ, প্রতিষ্ঠানের প্রতিষ্ঠানবিবেচনা অ্যাক্ট, ২০১৭

শ্রেণী ৩: প্রতিষ্ঠানের সংক্রান্ত প্রতিষ্ঠানবিবেচনা এবং ব্যবসা প্রতিষ্ঠানের সংক্রান্ত প্রতিষ্ঠানবিবেচনা অ্যাক্ট, ২০১৭

প্রতিষ্ঠানের অর্থনৈতিক ভাষা: ২০১২ এর পর প্রতিষ্ঠানকে ব্যবসায়িকভাবে কার্যকর করা হয়েছে।

প্রতিষ্ঠানের অর্থনৈতিক ভাষা: ২০১৬ এর পর প্রতিষ্ঠানকে ব্যবসায়িকভাবে কার্যকর করা হয়েছে।

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প্রতিষ্ঠানের অর্থনৈতিক ভাষা: ২০১৮ এর পর প্রতিষ্ঠানকে ব্যবসায়িকভাবে কার্যকর করা হয়েছে।

প্রতিষ্ঠানের অর্থনৈতিক ভাষা: ২০১৯ এর পর প্রতিষ্ঠানকে ব্যবসায়িকভাবে কার্যকর করা হয়েছে।