

DIRECTORS' REPORT

DEAR SHAREHOLDERS,

The Board of Directors of BAT Bangladesh expresses its sincere gratitude to present the Directors' Report, Audited Financial Statements, and the Independent Auditor's Report for the year ending 31st December 2024. This report underscores our commitment to transparent and precise investor communication, providing our esteemed shareholders and stakeholders with a detailed overview of our 2024 business operations, performance, and strategic outlook for the future.

STRATEGIC PILLARS OF THE BUSINESS

BAT Bangladesh remains steadfast in its commitment to creating "A Better Tomorrow" by delivering value to its consumers, stakeholders, and society at large. Guided by our mission and vision, we have continued to prioritize sustainability, operational excellence, and innovation. Our business operations in 2024 were firmly anchored in these strategic pillars, enabling us to navigate complex challenges and deliver outstanding results.

2024 was a very challenging year consisting of total government regime change and also changing business landscape impacting the overall business. However our focus on consumer-centric portfolio innovation and resilient distribution operations underpinned by a robust business continuity and crisis management plans enabled us to address evolving consumer needs and withstand challenges in the face of all adversity, thus ending the year on a successful note. By introducing innovative products, ensuring availability of our products and competitive pricing, we strengthened our market position. Operational agility remained critical in overcoming supply chain disruptions and ensuring seamless distribution across all channels. Furthermore, sustainability has been at the heart of our operations, with initiatives aimed at reducing our environmental footprint and advancing our Environmental, Social, and Governance (ESG) agenda. These strategic pillars reflect our unwavering commitment to driving sustainable growth and creating long-term value for all stakeholders.

COMPANY PERFORMANCE

The year 2024 presented a challenging socio-economic and geopolitical landscape, marked by inflationary pressures, currency devaluation, and constrained consumer purchasing power. The global economic slowdown and rising costs of raw materials added further complexities to the operating environment. Throughout the year, the Company placed the highest priority on protecting the health and well-being of its employees while maintaining a firm focus on achieving its strategic objectives. Additionally, during the political turmoil in the country, the Company managed to drive transformation innovation which mitigated operational losses. Overall, BAT Bangladesh demonstrated remarkable resilience and achieved significant milestones across its portfolio.

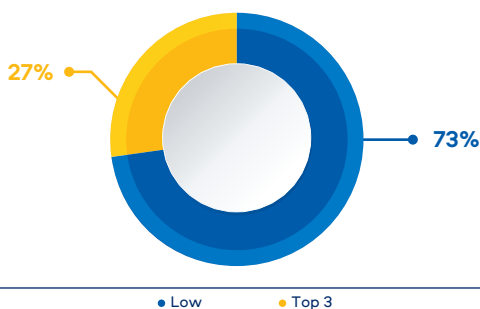
The top two segments (High and Premium) struggled to sustain their position in 2024 owing to enduring year on year price increase for consecutive years. However, BATB leveraged its strengths to deliver impressive 12% growth in Top 3 segments in total which translated into a 4 percentage point increase from 2023. Meanwhile, the Low segment exhibited resilience and provided key learning opportunities as we adapted to shifts in consumer preferences, even as it saw a percentage drop of 4% in 2024 vs 2023.

It is important to highlight that, based on previous trends, price increases in the high and medium-tier segments have consistently led to a consumer shift towards more affordable, duty-evaded illicit tobacco products. However, in 2024, the illicit cigarette market could have been effectively managed through strengthened governmental initiatives and the implementation of comprehensive monitoring and enforcement measures.

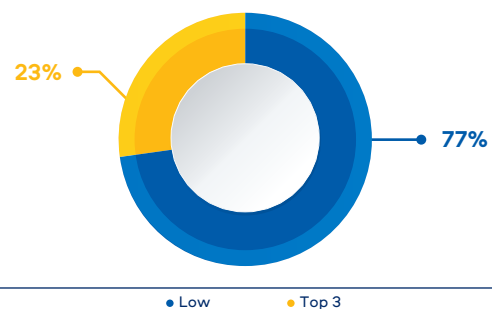
BAT BANGLADESH'S SEGMENT-WISE VOLUME CONTRIBUTION IN 2024

In 2024, despite notable shifts in segment-wise performance driven by changing consumer preferences and evolving market dynamics, the combined performance of the top three segments surpassed that of the previous year. This demonstrates the Company's ability to adapt and succeed despite these economic challenges.

2024 [Jan-Dec Volume Contribution]

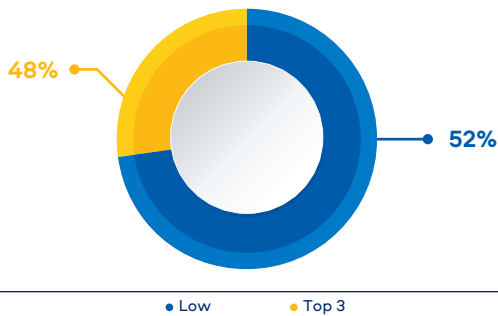


2023 [Jan-Dec Volume Contribution]



This year, BAT Bangladesh exceeded its revenue contribution to the government exchequer, with revenue generating from the top 3 segments exceeding that of the low segments in 2023.

2024 [Jan-Dec Govt Revenue Contribution]



BAT BANGLADESH'S SEGMENT-WISE PERFORMANCE OVERVIEW

- ▶ **Benson and Hedges:** This brand witnessed a 16% decline in 2024 vs 2023, primarily due to further downtrading and a contraction in consumption resulting from consecutive price increases. To counteract this decline and mitigate further vulnerability, several purpose-driven initiatives and consumer-focused activations were implemented.
- ▶ **John Player Gold Leaf:** The brand experienced a 23% decline in 2024, largely due to the impact of the government's price increase during 2024 fiscal budget. However, introduction and expansion of other consumer-focused innovations within the top 3 segments helped to address and mitigate the impact faced across the market.
- ▶ **Lucky Strike:** Lucky Strike emerged as a significant growth driver, with a remarkable 205% increase in volume in 2024 vs 2023. The segment's success can be attributed to strategic pricing, along with an expanded sales and distribution network, which effectively attracted cost-conscious consumers from both low and premium Segments, contributing substantially to its growth.
- ▶ **Star:** Following the price increase in June 2024 fiscal budget, this segment experienced stagnant volume growth, resulting in sustaining similar volume performance in 2024 vs 2023.
- ▶ **Low Brands Segment:** The low brands segment, comprising Royals, Derby, Hollywood and Pilot, remains the largest contributor to BATB's overall volume. However, this segment faced challenges in 2024, experiencing a 10% decline in 2024 vs 2023 due to consecutive price increases and reduced discretionary spending. Despite these challenges, targeted consumer-focused initiatives helped mitigate further declines in the segment.

Our organization's strategy encompasses our commitment to innovation and quality across all segments, which has been instrumental in maintaining consumer trust and loyalty, along with ensuring constant market and product development. These initiatives not only helped reduce further declines amid external macroeconomic challenges but also enhanced our revenue contribution to the national exchequer, reinforcing our role as a responsible corporate citizen.

BAT Bangladesh is proud to have achieved remarkable milestones in 2024, achieving against the Key performance indicators (KPIs), i.e. Business KPI (Volume), Campaign KPI (Awareness and Imagery) and Distribution KPI (Availability) despite the challenges posed by the external environment. Our strategic focus on innovation, sustainability, and operational excellence has positioned us well for the future. We are committed to creating lasting value for all stakeholders and contributing to the nation's progress as a socially responsible and forward-looking organization.

BATB'S CONTRIBUTION TO THE GOVT. NATIONAL EXCHEQUER

In 2024, the Company contributed BDT 34,173 crore to the government exchequer through various tax channels, including Value Added Tax (VAT), Supplementary Duty (SD), Health Development Surcharge (HDSC), Corporate Tax, and Customs Duty. This represents an increase of BDT 1,371 crore compared to the previous year. The Company is dedicated to supporting the government's initiatives aimed at establishing a sustainable tax framework that ensures balanced growth in the industry while fostering a level playing field among market participants.

As a mature industry, it is crucial to consider market dynamics, price elasticity, and the industry's capacity for adaptation. This approach aims to prevent the proliferation of illicit and smuggled cigarettes and discourage downtrading. The Company recognizes the government's objectives for revenue growth and has consistently collaborated with the National Board of Revenue (NBR) over the years to secure sustainable revenue from the cigarette industry.

The commitment to reforming the tax structure is underscored by ongoing discussions about adjusting tax rates to better align with public health goals while maximizing revenue. Advocates for tobacco control have emphasized the need for a more effective taxation system that could significantly reduce smoking prevalence and generate additional revenue for health initiatives.

While listed companies in all sectors benefit from preferential corporate tax rates, cigarette manufacturers face a higher tax burden. This disparity may discourage other cigarette producers from entering the capital market, as the current corporate tax structure appears to disincentivize participation. The Company is optimistic that the government will address this imbalance by removing the disproportionate corporate tax rates on cigarettes in

the upcoming National Budget. Given that the cigarette industry is already subject to significant taxation through Supplementary Duty, VAT, and Corporate Tax, a reduction in corporate tax is essential for fostering a more equitable business environment.

The Company is actively engaging with the National Board of Revenue (NBR) to advocate for a reduction in corporate tax in the forthcoming budget. BAT is committed to driving changes in taxation policy that benefit the entire industry. They aim to reduce taxes while gradually increasing prices to avoid negatively impacting consumer engagement. This balanced approach seeks to ensure that any price adjustments do not deter consumers while still contributing to government revenue and public health objectives. As discussions around taxation continue, it is crucial for stakeholders to collaborate effectively to create a sustainable framework that supports both revenue generation and industry growth.

MANUFACTURING FOOTPRINT OPTIMISATION

In our relentless pursuit of a sustainable future, BAT Bangladesh proudly presents the transformative highlights of our 2024 journey. Our commitment to achieving carbon neutrality by 2030 is not just a vision; it is a reality shaped by strategic initiatives undertaken throughout the year.

To fortify our environmental stewardship, we have implemented cutting-edge technologies, including online UPS systems with microgrid control, solar power enhancement, and a digital HVAC management system. These advancements not only reduce our reliance on fossil fuels but also propel us into a future powered by renewable energy while enhancing our digital capabilities to predict and prevent equipment failures.

Our dedication extends beyond operational upgrades. Collaborating with the Rural Electrification Board (REB) and DESCO, we have fortified our resilience against power disruptions. Our commitment to environmental responsibility also extends to water conservation, with a remarkable achievement of over 30% water recycling, ensuring minimal impact on precious water resources. In 2024, BATB Savar Factory site has been equipped with 3.2MW equivalent rooftop solar panels which is effectively contributing to integration of renewable energy to the site. We are not only committed to upgrade our own infrastructure to support the ultimate ESG agendas, but also our major key suppliers have also joined us in this journey of clean and renewable energy by installing solar panels.

The tangible outcomes of these efforts are reflected in the low energy and water usage indexes recorded by both the Dhaka and Savar factories. All our key manufacturing sites are AWS Certified, accrediting our industry standard for water usage utilization and recycling. These metrics are not just numbers; they signify the tangible impact of our commitment to sustainable practices. BAT Bangladesh is more than a corporate entity; we are architects of positive

change, demonstrating our unwavering dedication to a future where sustainability is not just a goal but a way of life.

This serves as a testament to our progress, achievements, and the strides we continue to make towards a greener, more sustainable tomorrow. BAT Bangladesh remains steadfast in our commitment to creating long-term value, not just for our stakeholders but for the planet we all call home.

In addition, the two-site optimisation and integration has been completed and Savar Factory is now established as the crown jewel factory of BAT Group. Both factories have achieved IWS Phase-2 maturity which has been a testament to the sustainable progress we have made in terms of people's capability and process maturity. Significant improvement happened in wrapping material and tobacco wastage reduction throughout the journey and both factories achieved ever lowest tobacco wastage and wrapping material wastage in 2024 which helped further reducing our impact on the environment. During all these transformations, BAT Bangladesh demonstrated the highest-ever OEE delivery in history with the best-ever quality product to consumers. This is a groundbreaking achievement obtained in 2024, which will be a key milestone for BAT Bangladesh for years to come to ensure sustainability at the core of delivery.

COST OF GOODS SOLD AND PROFIT MARGINS

The overall cost of goods sold increased during the year mainly due to higher cost of imports as a result of currency devaluation and higher inflation. However, despite the increase in costs we managed to maintain the year-on-year profit margin growth by taking various efficiency measures and cost saving initiatives across a wide array of spectrum.

From 2021 to 2024, BATB has seen a declining FX reserve from 48 billion dollars to currently standing at 19 billion dollars. In 2024, the International Monetary Fund (IMF) continued its engagement with Bangladesh, following the approval of a \$4.7 billion loan in January 2023 to address a foreign reserves crisis. The country received a third installment of \$1.15 billion in December 2024 as part of this arrangement, contingent on the implementation of essential economic reforms, including realigning the exchange rate and enhancing fiscal consolidation. Additionally, Bangladesh sought an extra \$3 billion from the IMF to support its budget and new projects amid ongoing economic challenges. Despite these difficulties, projections suggest a potential rebound in GDP growth to 6.7% by fiscal year 2026 as the government works towards stabilizing its economy and ensuring sustainable growth. Since 2023, inflation has escalated, reaching an average of 9.73% for the fiscal year 2023-24, with November 2024 witnessing a peak of 11.38%, primarily driven by surging food prices and other essential goods. Concurrently, the Bangladeshi taka has depreciated markedly, losing approximately 12.72% of its value against the US dollar in 2024 due to adjustments towards a market-determined exchange rate.

The recent surge in import costs and letters of credit (LC) has created significant challenges for BAT Bangladesh, directly affecting its operational expenses. As global supply chain disruptions and inflationary pressures have intensified, the cost of importing essential raw materials, packaging, and machinery has risen sharply. This increase is compounded by the overall inflation rate, which reached an average of 9.73% for the fiscal year 2023-24, with food prices and other essential goods driving much of this inflation. As a result, BAT Bangladesh faces higher production costs, which can strain profit margins and necessitate careful pricing strategies to remain competitive in the market.

BAT Bangladesh has faced significant challenges due to the recent downgrade of Bangladesh's sovereign credit rating and the reduced creditworthiness of local banks. Moody's downgraded the country's long-term rating to B2 from B1, reflecting heightened political risks and lower growth prospects, which have led to increased borrowing costs for both the government and private sector. This situation has created difficulties in managing working capital and securing favourable financing terms, ultimately affecting BAT's operational flexibility. Additionally, the decline in the stock market has further impacted BATB shareholders, as the market has been ranked among the worst-performing Asian frontier markets in 2024. The Bangladesh stock market experienced a negative return of over 24%, primarily due to political uncertainties and faulty market mechanisms. This decline in stock value has eroded shareholder confidence and investment potential. Compounding these issues is the ongoing problem of non-performing loans (NPLs) within the banking sector. With NPLs reaching an all-time high of Tk 2.11 trillion, securing funds and foreign exchange has become increasingly difficult for BAT Bangladesh. The rising NPL ratio not only reflects systemic weaknesses in credit management but also constrains the availability of financing options for businesses, further exacerbating the challenges faced by BAT in navigating this complex economic landscape.

SUSTAINABILITY

At BAT Bangladesh, sustainability is not merely a commitment; it is a fundamental value that has been ingrained in our Company culture for many years. We strongly believe that every business plays a crucial role in advancing societal progress through promoting economic growth, preserving the environment, and fostering social development.

Since our establishment, BAT Bangladesh has been a committed partner in the nation's pursuit of sustainable development. We are currently making significant strides in advancing our environmental, social, and governance (ESG) priorities to lay the foundation for a sustainable enterprise of the future.

Our commitment to sustainability is a fundamental component of BAT Group's overarching strategy, a principle that BAT Bangladesh has fully embraced and is

actively pursuing. Through a range of initiatives, we align with the government's objectives and make substantial contributions to 8 of the 17 UN Sustainable Development Goals (SDGs).

Some of the key ESG targets pursued by BAT Bangladesh are as follows:

- ▶ Carbon neutral in direct operations by 2030
- ▶ Net Zero across our value chain by 2050
- ▶ 50% renewable energy use by 2030
- ▶ 30% of water recycled by 2025
- ▶ 90% recycling rate of waste generated by 2025
- ▶ 35% reduction in water withdrawn by 2025 vs 2017 baseline
- ▶ 100% manufacturing sites to be Alliance for Water Stewardship (AWS) certified by 2025
- ▶ Waste to Landfill <1% by 2025
- ▶ Increase the proportion of women in management roles to 45%

FLAGSHIP SUSTAINABILITY INITIATIVES

BAT Bangladesh has been a pioneer in the Sustainability landscape, embarking on its journey over four decades ago. The initiation of its afforestation program, Bonayan, in the 1980s, in collaboration with the Forest Department of the Bangladesh Government, marked the beginning of this commendable effort. Witnessing a progressive year-on-year expansion in distribution, Bonayan now contributes approximately 5 million saplings annually, surpassing a remarkable milestone of distributing over 130 million saplings to date. Currently, BAT Bangladesh's afforestation platform stands as the country's largest private sector-driven program of its kind. In 2024, the program's impact expanded into two new districts, broadening its coverage to around 24 districts nationwide. The Company remains steadfast in its commitment to sustain this initiative, aligning with the government's national targets of augmenting forest coverage and expanding the tree-covered area with medicinal, fruits, and forest trees.

The Company's water filtration project, Probaho, which focuses on providing safe drinking water, now spans across approximately 25 districts. Originally created in response to the severe shortage of safe drinking water due to high levels of arsenic contamination, Probaho has become a vital resource for around 310,000 individuals each year, delivering approximately 620,000 liters of safe drinking water daily.

In a significant expansion effort in 2024, five new filtration plants were established, bringing the total number of Probaho plants to 126. A notable concentration of these new facilities can be found in Satkhira, where they are specifically addressing the challenges posed by salinity in the region.

Introducing a self-sustaining model in Satkhira, Probaho aims to not only cover operational costs independently but also to enhance beneficiaries' ownership. This innovative approach reflects Probaho's commitment to effectively tackle water scarcity challenges and make a positive impact on the communities it serves.

In 2011, BAT Bangladesh illuminated remote communities in Chattogram hill tracts with its solar home system project, Deepto. To date, the Company has installed 2,591 free solar-powered home systems in 25 villages in off-grid areas across the country. The true measure of success lies in the tangible improvements seen in the lives of these individuals.

GOOD AGRICULTURAL PRACTICES

In addition to our flagship Sustainability projects, BAT Bangladesh has forged a robust partnership with farmers, placing a strong emphasis on agricultural sustainability by adhering to both national and global standards of good agricultural practices. Our dedicated Leaf Department collaborates closely with around 50,500 contracted farmers in rural areas year-round, with the primary objective of ensuring their sustainability and enhancing their livelihoods. The efficacy of our contract farming system stands as a validated model, with our Company consistently establishing and upholding high standards in agricultural best practices that yield positive impacts for communities in diverse ways.

The Leaf function at BAT Bangladesh leads various initiatives to promote agricultural sustainability. These initiatives include green manuring with Sesbania, Integrated Pest Management (IPM), Alternate Furrow Irrigation (AFI), Riverine buffer protection, and Affordable farm mechanization etc. As a responsible corporate entity, we have taken the opportunity to improve farmers' livelihoods by collaborating with the Integrated Farm Management Components (IFMC) project of the Department of Agricultural Extension (DAE). This collaboration aligns with our commitment to advancing agricultural sustainability.

ENHANCING FARMERS' PRODUCTIVITY IN SUGARCANE CULTIVATION

One of our ongoing projects involves enhancing farmer productivity in sugarcane cultivation within their fields, as per the Ministry of Industries' request. Our Company has established demonstration plots in various sugar mill zones, resulting in a significant increase in sugarcane production. In the first year of 2022, production rose from approximately 19 metric tonnes (MT) per acre to around 34 MT, and further increased to over 42 MT in the second year of 2023. Despite late plantation and different challenges, higher yield was achieved compared to both 2022 and 2023 in the year 2024, which is 38 MT. This boost in productivity has sparked great enthusiasm within the agricultural community, leading to increased sugarcane cultivation to support government initiatives, create jobs, improve sugar

mill profitability, and reduce sugar imports, resulting in substantial foreign currency savings.

In essence, our dedication to leading with purpose extends to transforming our business, envisioning, and actively working towards A Better Tomorrow.

GREAT PLACE TO BELONG

In 2024, BAT Bangladesh experienced an exceptional year, propelled by the steadfast dedication of our dynamic team. Our employee who are considered our prime asset played a pivotal role in advancing sustainable business growth. Demonstrating unwavering commitment, we consistently pursued excellence, contributing to the Company's success and elevation to new levels.

BAT Bangladesh's employee value proposition, 'Tomorrow Can't Wait' reflects our core message and purpose for our people. Furthermore, the transfer of knowledge and sharing of expertise freely within BAT Group have become an intrinsic reflection of our culture and indicative of the quality of our resources. In 2024, 28 of our high performing managers have been expatriated to other companies in the BAT group.

Human capital is the major tool in our growth and success; thus, we sustained our efforts in attracting the best talent pool. We continued campus engagement efforts with our ambassador program Xceed, welcomed talented Xcelerate interns, continued to pave the path for females in STEM through Supernova, and groomed brilliant minds from agricultural background through Elevate.

2024 witnessed the 21st year of the pioneering business competition Battle of Minds, with the theme being "Disrupt with Purpose" – a testament to the purposeful initiatives that participants initiate and execute. 3700+ participants from 70+ universities across the country competed for the title of the local winner. The teams submitted their brilliant ideas under the umbrella of driving innovation in the wellbeing and simulation industry either through product or AI revolution. We conducted impactful campus engagement upholding the valuable contribution of our brilliant youth, reaching thousands of students. The top 240 participants were invited to a daylong bootcamp where they engaged in meaningful group activities and discussions. Finally, the top five teams competed in the grand finale and team "Pardon Us, Coming Through" from BUP was crowned the winner from Bangladesh. The team competed in the global round and went on to become the second global runners-up holding the Bangladesh flag high.

In 2024, we welcomed 151 new recruits. Beyond the campus, we also focused on injecting future-fit capabilities by welcoming 15 cross-industry professionals.

To develop our shop floor workforce, we have created Apprentice Academy, a unique technical skill building academy where we recruit technical background graduates (mostly diploma engineers) in a 2-year intensive program. Here they learn in depth about the industry best practices

and can graduate from the program as a recruit in BATB or as a qualified resource for other factories.

Till now we have had 3 batches of apprentices in the program developing over 450 individuals. Of them, 180 have graduated from the program, with 150 joining our organization. Apprentice Academy has been noted as a best practice by International Labor Organization (ILO) in Bangladesh as well.

BAT Bangladesh demonstrates steadfast devotion to people practices across all domains of HR practices. This has led to BAT Bangladesh achieving the 'Top Employer' certification for the fifth time, as certified by the Top Employer Institute. 2024 was also the year in which we achieved strides in our overall Diversity and Inclusion agenda by concluding the year with 35% of our managers being female.

To summarize, 2024 was a remarkable year for BAT Bangladesh in terms of celebrating our people, who are the key driving factor for our exemplary performance.

ENVIRONMENT, HEALTH AND SAFETY

BAT Bangladesh stands out as a pioneer in driving sustainability practices within the country. The organization is dedicated to maintaining a safe working environment, promoting safe behaviors, and ensuring positive environmental impacts across its business operations.

Fully committed to the safety of everyone involved in its operations, BAT Bangladesh also focuses on minimizing environmental impacts on air, water, waste, soil, and natural resources to ensure sustainable business practices. As a responsible organization, BAT Bangladesh has implemented major initiatives such as online UPS, Automatic Voltage Controllers, water-efficient HVAC systems, energy-efficient motors, condensate-free steam supply systems, generator run-hour reduction, etc. to maximize energy efficiency and minimize emissions.

BAT Bangladesh is also demonstrating substantial efforts to increase the renewable energy inclusion by installing 5.9 MW on site solar panels covering its usable roof areas and planning to explore more in that line. Also, installation of Reverse Osmosis and other wastewater treatment plants at BAT Bangladesh has increased water recycling significantly as well as reduced the dependency on underground freshwater usage. To achieve zero waste to landfill, ensuring proper disposal and recycling of waste materials is a key initiative as well. These efforts are crucial for maintaining a sustainable business operation keeping the limitation of the current planetary boundary in mind.

To cultivate a proper cultural mindset, BAT Bangladesh conducts communications and awareness programs on environmental and sustainability issues for managers, employees, and contractors throughout the year. By integrating a world-class way of working, all relevant personnel are aligned and fully engaged in the process of continuous improvement with a zero-loss mindset.

Additionally, various in house and external training sessions on health and safety are arranged based on safe work practices for production floors, warehouses, transportation management, and offices. BAT Bangladesh actively monitors compliance with local laws and regulations through a robust legal register, ensuring adherence to Environment, Health, and Safety requirements.

In its quest to build A Better Tomorrow, BAT Bangladesh maximizes its contributions to Sustainable Development Goals, which align with many of its ESG agendas. For instance, Climate Action is addressed through efforts to achieve carbon neutrality, improve farming processes for better yields and reduced environmental impact, and enhance water and waste recycling efforts, water stewardship, and renewable energy adoption. These initiatives reflect BAT's ESG commitments to climate change, biodiversity, afforestation, and water stewardship.

Clean water and sanitation have always been priorities for BAT Bangladesh. The Company addresses these needs and promotes good water governance through the Alliance for Water Stewardship (AWS) program. BAT Bangladesh's Dhaka Factory and Green Leaf Threshing Plant are the first in Bangladesh to achieve AWS core certification. The new Savar Factory, designed with the best practices in health, safety, and sustainability, also marked as compliant in the last global sustainability audit and received AWS core certification as well.

BAT Bangladesh prioritizes the well-being of all life on land, aligning perfectly with the Sustainable Development Goals. The Company has developed and maintains a strong sustainability strategy to support acceleration in line with the 1.5°C trajectory. By ensuring responsible use of terrestrial land and taking significant steps to stop and reverse deforestation through projects like Bonayan and eliminating waste-to-landfill, BAT Bangladesh fulfills its ESG goals related to water, biodiversity, and afforestation.

THE BOARD OF DIRECTORS

The Board of Directors at BAT Bangladesh comprises thirteen professionals, including seven Non-Executive Directors, three Independent Directors, and three Executive Directors. This diverse group brings valuable experience from senior government officials and the corporate world, guiding the Company's strategic direction and protecting stakeholder interests.

Mr. Syed Afzal Hossain, as the Company Secretary, plays a pivotal role as the Secretary to the Board. He oversees the functioning of three crucial sub-committees: Audit, NRC (Nomination and Remuneration Committee), and CSR (Corporate Social Responsibility) Committee. This governance structure aligns with industry best practices and regulatory standards.

We believe that the Board is composed of individuals with core competencies relevant to BAT Bangladesh. All Directors have complied with regulatory requirements,

substantiating their eligibility for Board membership. The detailed composition of BAT Bangladesh's Board is as follows:

- ▶ **Mr. Wael Sabra**
Chairman of the Board,
(Nominated by Raleigh Investments Co. Ltd.)
- ▶ **Ms. Monisha Abraham**
Managing Director
(Nominated by Raleigh Investments Co. Ltd.)
- ▶ **Mr. A.K.M. Aftab UI Islam FCA**
Independent Director,
- ▶ **Mr. Masud Khan**
Independent Director,
(Appointed on 29th October 2024)
- ▶ **Professor Dr. Melita Mehjabeen**
Independent Director
(Appointed on 12th November 2024)
- ▶ **Ms. Zakia Sultana**
Non-Executive Director
(Representing Government's shareholding)
- ▶ **Mr. Shirajun Noor Chowdhury**
Non-Executive Director
(Representing Government's shareholding)
- ▶ **Mr. Md. Abul Hossain**
Non-Executive Director,
(Representing Investment Corporation of Bangladesh)
- ▶ **Mr. Gary Tarrant**
Non-Executive Director
(Nominated by Raleigh Investments Co. Ltd.)
- ▶ **Mr. Stuart Kidd**
Non-Executive Director
(Nominated by Raleigh Investments Co. Ltd.)
- ▶ **Mr. Francisco Javier Toso Canepa**
Non-Executive Director
(Nominated by Raleigh Investments Co. Ltd.)
- ▶ **Ms. Nirala Nandini Singh**
Finance Director
(Nominated by Raleigh Investments Co. Ltd.)
- ▶ **Mr. Numayer Alam**
Commercial Director
(Nominated by Raleigh Investments Co. Ltd.)
(Appointed on 25th September 2024)
- ▶ **Syed Afzal Hossain**
Company Secretary
(Appointed on 1st April 2024)

DIRECTORS PROPOSED FOR RE-ELECTION

Out of the 13 directors in the Board, Mr. A. K. M. Aftab UI Islam FCA, Mr. Masud Khan and Professor Dr. Melita Mehjabeen were appointed as Independent Directors, and their appointment consent received from the Bangladesh Securities and Exchange Commission. Mr. Masud Khan and Professor Dr. Melita Mehjabeen were appointed as Independent Directors on 29th October 2024 and 12th November 2024 respectively, whose appointment would be confirmed at the 52nd AGM. Being the Independent Directors of the Company, they would not retire by rotation.

Mr. Numayer Alam who was appointed to the Board as Executive Director after the last Annual General Meeting will retire at the upcoming AGM. Ms. Zakia Sultana, Non-Executive Director, Mr. Md. Abul Hossain, Non-Executive Director and Mr. Stuart Kidd, Non-Executive Director will retire by rotation at the ensuing AGM. All the retiring Directors, being eligible, expressed their interest for re-election at the 52nd AGM. The Board recommends their re-appointment.

BOARD COMMITTEES

There are currently three sub-Committees to the Board, namely: Board Audit Committee; Board Nomination and Remuneration Committee; and Board CSR Committee; the details of which are as follows:

BOARD AUDIT COMMITTEE

The Company has established an Audit Committee as per code 5.1(a) of the corporate governance code of BSEC. As required, the Report of the Audit Committee is included in this Annual Report. In 2024, the Committee comprised of Mr. A.K.M Aftab UI Islam FCA, (Chairman of the Committee), Mr. Masud Khan, Ms. Zakia Sultana, and Mr. Shirajun Noor Chowdhury. The committee comprises of two Independent and two Non-Executive Directors including the Chairman of the Committee. The Audit Committee met four times during the year 2024. Mr. Syed Afzal Hossain, Company Secretary, served as the Secretary to the Audit Committee. The Finance Director (CFO) and Senior Manager Internal Audit (Head of Internal Audit and Compliance) Mr. Tamzeed Ahmed attended the meetings by invitation.

The key activities and performance of the Audit Committee have been shown in the Audit Committee Report on page 139 of this annual report.

BOARD NOMINATION and REMUNERATION COMMITTEE

The Board has constituted a Nomination and Remuneration Committee (NRC) pursuant to code 6.1(a) of the corporate governance code of Bangladesh Securities and Exchange Commission (BSEC). As required, the Report of the

Nomination and Remuneration Committee is included in this Annual Report. Mr. K. H. Masud Siddiqui served as the Chairman of the Committee till September 2024 and Mr. Masud Khan chaired the committee afterwards. Other members of NRC are Mr. A.K.M Aftab UI Islam FCA, Mr. Shirajun Noor Chowdhury and Mr. Md. Abul Hossain. Members of the Committee comprises of two Non-Executive Directors and two Independent Directors. The Nomination and Remuneration Committee met seven times during the year 2024. Mr. Syed Afzal Hossain, Company Secretary, served as the Secretary to the Nomination and Remuneration Committee as per the BSEC Corporate Governance Code.

BOARD CSR COMMITTEE

The Board Corporate Social Responsibility (CSR) Committee comprises of five Directors, of which, a Non-Executive Director is the Chairman. The constituents of the Committee are Ms. Zakia Sultana, Ms. Monisha Abraham, and Mr. A.K.M Aftab UI Islam FCA, Mr. Shirajun Noor Chowdhury and Mr. Abul Hossain. The CSR initiatives are part of the sustainability agenda of the Company. The purpose of the Board CSR Committee is to ensure the long-term sustainability of the Company's aspirations and management of the Company's CSR creativities. The initiatives are managed in a way that secures business stability and sustains the positive image and reputation of the Company, while also establishing the Company's commitment to the nation at large. The CSR Committee met once in 2024. The initiatives are aligned with the SDGs, and we are contributing to fulfilling the government's commitment. Moreover, in 2024 the Committee took a number of sustainability initiatives focusing on Environment, Society and Governance (ESG) considering BAT Bangladesh's stakeholders' aspirations at large.

DIVIDEND

The Board of Directors had an elaborate discussion in its meeting dated 5th February 2025 on the financial performance as well as the current cash position of the Company. The Board considered the following issues for the business's suitability in short and medium terms while considering the proposed dividend:

- ▶ Liquidity crisis in the banking sector.
- ▶ Cash availability to support the business.
- ▶ Possible local currency devaluation.
- ▶ The highest cost of foreign exchange and its availability.
- ▶ Higher interest rate on the borrowing.
- ▶ ESRM guidelines by Bangladesh Bank SFD.

On the business performance of the Company and considering the current liquidity position, the Board of Directors has recommended the final cash dividend of 150% (BDT 15 per share, total BDT 810 crore) for 2024, to be approved at the ensuing 52nd Annual General Meeting. The Board of Directors also declared an interim dividend of 150% (BDT 15 per share, total BDT 810 crore) on 29th October 2024 based on the Un-Audited 3rd quarter financial statements as on 30th September 2024. As a result, the total cash dividend including interim dividend for 2024 would be 300% (BDT 1,620 crore).

DIVIDEND DISTRIBUTION POLICY

The dividend policy outlines the amount of cash and stock dividend. The cash dividend will be distributed to the shareholders every year as a dividend from the net profit (after-tax) of the Company. The dividend policy is based on two main factors. The first is whether to pay dividends to shareholders, and the second is whether to keep profits to reinvest them in the Company's further development.

The topline statement of the policy is that the Board of Directors proposes a cash pay-out of more than 50% of the Company's after-tax profit every year. The declaration of the stock dividend would take into account both the business and share capital requirements. Moreover, the dividend is to be recommended and approved as per applicable laws and regulatory directives issued from time to time by the Bangladesh Securities and Exchange Commission. The dividend policy has been reviewed from time to time by the Board of Directors and uploaded to the Company's website accordingly.

ENTITLEMENT OF DIVIDEND

Shareholders whose names shall appear in the Members Register of the Company or in the Depository Register of CDBL on the 'Record Date' of the respective year's AGM will receive the entitled dividend.

PROCESS OF DISTRIBUTION OF CASH DIVIDEND

The final cash dividend shall be paid directly to the bank account within 15 days and not later than 30 (thirty) days of the date of approval by the Shareholders (Members) in the AGM and the date of Board approval in the case of an interim dividend, subject to compliance with BSEC or Bangladesh Bank or other regulatory authority circulars/directives from time to time.

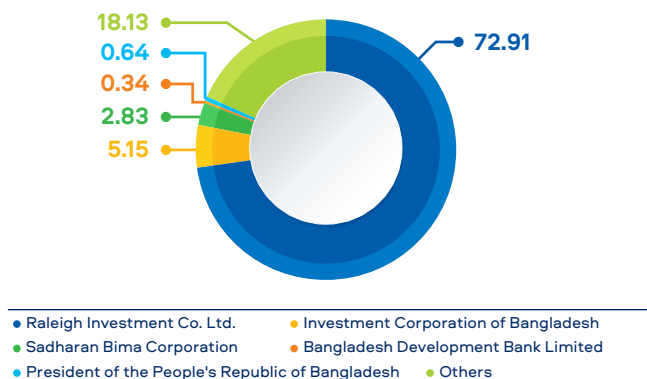
THE PROCEDURE OF STOCK DIVIDEND DISTRIBUTION

The stock dividend will be credited within 30 days of approval, subject to regulatory clearance.

PROCESS FOR SETTLING UNPAID DIVIDENDS

Unpaid or unclaimed cash dividends for less than three years from the declaration date shall be paid to shareholders upon application and disbursed within the time period specified. In case of the cash and stock dividend for more than three years of the declaration date shall be settled as per the instructions of the Bangladesh Securities and Exchange Commission and Capital Market Stabilization Fund or other regulatory authority from time to time.

Shareholding Pattern as on 31st December 2024



EXCELLENCE IN GOVERNANCE FOR SHAREHOLDERS' RIGHTS

Effective corporate governance necessitates open and reliable communication and collaboration between all parties associated with the business, including the shareholders. This includes excellence in governance and the distinction between ownership and control. Shareholders hold the Company's shares, while the directors oversee the business, with management executing operations. The Board of Directors at BATB, grounded in a strong historical background, demonstrates confidence in the Company's inherent capabilities, expertise, and resources. This belief empowers BAT Bangladesh to move forward with confidence, enhancing its influence and consistently reinforcing its commitment to value creation in alignment with the highest standards of corporate governance.

BAT Bangladesh is committed to maintaining open communication with its investors and safeguarding their rights including the minority shareholders. The Company promises to be transparent and accessible to all shareholders. Emphasis is placed on delivering both positive and negative feedback from shareholders to the Board.

GRIEVANCE REDRESSAL MECHANISM FOR SHAREHOLDERS

BAT Bangladesh is committed to ensuring fair treatment for all shareholders. We prioritize the resolution of complaints and are dedicated to implementing the appropriate mechanisms to address shareholder grievances within the established timeframe. To facilitate shareholders' rights and accountability, we have a complete process in place.

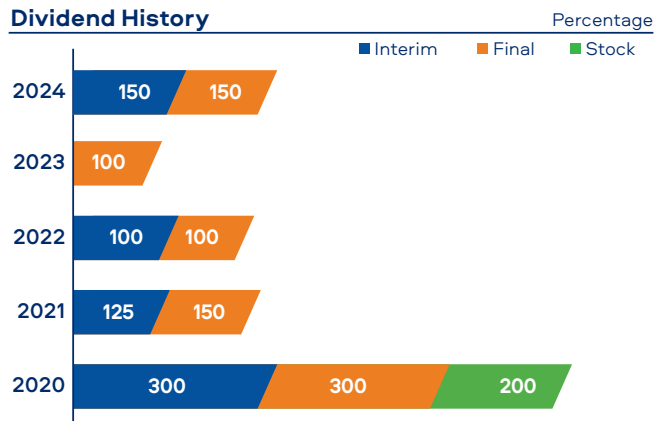
TAX ON DIVIDEND

Tax will be deducted at the source as per applicable tax laws.

PRINCIPLES OF MI AND PSI

As per section 3(2) of the Bangladesh Securities and Exchange Commission (Prohibition of Insider Trading) Rules, 2022 and Listing Regulation, the policy for determination and disclosure of Material Information (MI) and Price Sensitive Information (PSI) have been formulated by the Board and uploaded to the Company's website accordingly.

Dividend History



The Investor Relations division processes any concern or query within the timeframes below after making sure the matter is treated with adequate attention. To this end, the Investor Relations Division will work for the shareholders as best as they can.

- I. All queries emailed will be responded to as soon as possible within the day while those sent by post will be addressed within two working days.
- II. It is the objective of the Investor Relations team to deal with all complaints which can be resolved in ten (10) days subject to the shareholder's fulfilment of prerequisites of raising the concern.
- III. If the complaint is unlikely to be dealt with within that duration, extension is possible with notification being issued. Should the complaint prove impossible to resolve, the complainant will be handed over to a competent authority with the ability to assist in resolving the complaint.
- IV. The same communication channel will be used to provide responses to shareholders just like the one used for the initial inquiry unless something else is agreed upon.

GOING CONCERN

The Directors are of the opinion that the Company is a going concern. This is recognised through appropriate enquiries and analysis, which establish that the resources are adequate to support the operations and that sufficient business opportunities do exist to justify the Company as a going concern and the directors analyse the financial statements. Accordingly, the Financial Statements are

prepared on a going concern basis and there is no doubt, whatsoever, upon the Company's ability to continue as a going concern.

BUSINESS RISKS AND SYSTEM OF INTERNAL CONTROL

BAT Bangladesh, like its industry counterparts, faces various risks arising from both internal and external challenges. Since uncertainty is always a factor in operations, the Board of Directors assures shareholders that the Company has a strong risk management system in place. This system ensures that internal controls are well-structured, properly implemented, and consistently monitored.

While some risks may still be unknown, the Company actively identifies key financial and operational risks that could affect business performance. These risks are regularly reviewed in response to changing internal and external conditions, ensuring that the necessary controls remain effective in protecting the Company's operations, financial health, and long-term stability.

Looking ahead, given ongoing economic uncertainties, BAT Bangladesh may adjust its business strategies to stay aligned with macroeconomic developments. Further details on the internal control framework can be found in the Statement of Internal Control (page 154).

RELATED PARTY TRANSECTIONS

Transactions with related parties are made on commercial basis on the principle of arm's length and are done in the ordinary course of business. Details of related parties and related party transactions are described at note 42 of the Financial Statements on page no. 274 of this Annual Report as per requirements of relevant International Financial Reporting Standards (IFRS).

DIRECTORS' DECLARATION ON THE FINANCIAL STATEMENTS

The Directors are responsible for the governance of the Company and, as part of the preparation and presentation of the financial statements for the year ended 31st December 2024 of British American Tobacco Bangladesh Company Limited, the Directors confirm, to the best of their knowledge that:

- ▶ The financial statements, prepared by the Management of the Company, which was duly scrutinised by the external auditors, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- ▶ Proper books of account of the Company have been maintained;
- ▶ Appropriate accounting policies have been consistently applied in the preparation of the Financial Statements and the accounting estimates are based on reasonable and prudent judgments;

- ▶ The International Accounting Standards (IAS) and/or International Financial Reporting Standards (IFRS) as applicable in Bangladesh, have been followed in the preparation of the Financial Statements and any departure there from has been adequately disclosed;
- ▶ The system of internal control is sound in design and has been effectively implemented and monitored; and
- ▶ There is no doubt, whatsoever, upon the Company's ability to continue as a going concern.

As required under the BSEC CG Code, the Directors further confirm that:

- ▶ The Managing Director (CEO) and Finance Director (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 contain statements that might be misleading.
- ▶ The Managing Director (CEO) and Finance Director (CFO) have certified to the Board that they have reviewed the financial statements and affirmed that these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- ▶ The Managing Director (CEO) and Finance Director (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 is fraudulent, illegal, or in violation of the Company's code of conduct.

MATERIAL INFORMATION

Writ Petition on Low Segment Price Tk 27/35

- a. In January 2019, a competitor filed a writ petition against the Government and the National Board of Revenue (NBR) by which it initially challenged the failure of Government to implement the closing budget speech of the Hon'ble Finance Minister dated 27th June 2018 and reserving low segment for local brands. Thereafter, the competitor instead challenged the exclusion of protection given to local brands of cigarette manufactured by local manufacturers and sought a direction to continue the protection so granted to the local manufacturers of cigarettes in pursuance of a 2017 Special Order. The competitor further challenged the legality of a 2018 Special Order of NBR through which the said protection was revoked. BATB was initially not a party to the writ petition, subsequently it became a party through an addition of party application. Upon hearing on multiple occasions, the High Court (HC) passed judgment in the matter on 21st September 2020. By holding the prospective portion of the 2018 Special Order legal, the court did not allow the discriminatory regime to continue. However, by holding illegal the retrospective portion of the 2018

Special Order, the Court revived the discriminatory regime for only one year, that is from 01 June 2017 to 06 June 2018 and held that any shortfall of revenue under the 2017 Special Order may be recovered from any party or manufacturer during the period of 01 June 2017 to 06 June 2018. Subsequently, the LTU-VAT issued a Show Cause Notice dated 24 September 2020 following the High Court judgment claiming unpaid VAT and SD of BDT 24,371 million from 01 June 2017 to 06 June 2018. BATB appealed against the HC Judgment before the Appellate Division and obtained an order of stay. Since High Court judgment is stayed, the LTU proceeding shall also be deemed to have been stayed.

- b. LTU-VAT issued show-cause notice to BATB in March 2020 claiming BDT 2,054 crore as unpaid VAT and SD for allegedly producing 18 bn more cigarettes than declared, using an undisclosed purchase of local leaf based on a 2016 Annual Report and VAT – 1 discrepancy. BATB participated in the LTU-VAT hearing and claim was withdrawn post full inquiry on 19th August 2021. However, NBR started re-investigating the matter on 14th August 2023 and informed BATB to attend a hearing post the 2-year time bar. As per the law, NBR does not have the authority to examine the records of any proceedings after expiry of two years from the date of decision or order.

Instead of attending hearing, BATB filed a writ petition challenging re-investigation based on time bar. Rule was issued, which means, the HC found prime facie merit in BATB's position that NBR's decision to call BATB for re-investigation beyond time bar was illegal. Court, however, did not stay NBR proceedings but directed NBR not to call BATB for re-investigation. Thereafter, through a letter dated 21.09.2023, NBR cancelled the Order dated 19.08.2021 passed by LTU-VAT Commissioner (through which the claim was withdrawn) and directed LTU-VAT to recover BDT 2,054 crore as unpaid VAT and SD. Challenging the NBR's letter dated 21.09.2023, BATB filed another writ petition. The High Court, having found prima facie merit in our case, was pleased to issue a Rule, that is, a show cause as to why the NBR's letter dated 21.09.2023 shall not be declared to have been issued without lawful authority. Thereafter, LTU made a demand of BDT 2,054 crore as unpaid VAT and SD. In response, BATB filed an application before High Court to stay the demand. High Court mentioned that it will consider stay application during final hearing. The matter is currently pending before the High Court for final hearing.

- c. In the last reporting period, BAT Bangladesh received a show cause notice from the National Board of Revenue (NBR) alleging that the Company has avoided duty payment amounting to BDT 2,109 million. The notice claimed that this duty avoidance allegedly occurred due to the supply of cigarettes in BAT Bangladesh's warehouse before budget and then selling the same after declaration of budget at higher prices. BAT Bangladesh responded to the show cause notice, asserting that it has always acted within the law and hence the basis of the allegation and claim is unfounded. Thereafter a hearing was held before NBR and the NBR subsequently issued a demand of BDT 1,687 million. Challenging the demand, BAT Bangladesh filed a writ petition before High Court, which is currently pending.

REGULATORY DISCLOSURE

Pursuant to the BSEC Notification on 'Corporate Governance Code dated 3rd June 2018, the Directors of BAT Bangladesh also report that:

- ▶ The Company is aware of its various risks and concerns. The financial risk management has been disclosed under note 41 of the financial statements;
- ▶ All transactions with related parties have been made on a commercial basis and the details of the related party and transactions have been disclosed under note 38 of the financial statements;
- ▶ Proper books of account of the Company have been maintained;
- ▶ Appropriate accounting policies have been followed in the preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment;
- ▶ The financial statements are prepared in accordance with IAS/IFRS and any departure therefrom has been adequately disclosed;
- ▶ Following its Initial Public Offering (IPO), the Company has made no further public offerings, rights issues, or other instruments.
- ▶ The Company's IPO was made during inception. No further issue of any instrument was made during the year;
- ▶ From inception, the financial results of the Company have continued to grow as reflected in the yearly financial statements of the Company;
- ▶ Extraordinary gain or loss has been recognized in the financial statements of the Company in page 274 of the Annual Report;
- ▶ No significant variations have occurred between quarterly and final financial results of the Company during 2024;

- ▶ During the year, the Company has paid a total amount of BDT 0.78 crore as Board meeting attendance fees. The remuneration of Directors has been mentioned in Note 43 of the Financial Statements;
- ▶ All significant deviations from the previous year in the operating results of the Company have been highlighted and reasons thereof have been explained;
- ▶ The key operating and financial data for the last five years have been disclosed in the Directors' Report;
- ▶ The Company has proposed cash dividend for the year 2024;
- ▶ During 2024, a total of 13 (thirteen) Board meetings were held, which met the regulatory requirements in this respect. The attendance records of the Directors are shown in the page 123 of this report;
- ▶ Rights and interests of the minority shareholders have been duly protected by means of transparent operations and proper disclosure of material information of the Company;
- ▶ No bonus or stock dividend has been declared as interim dividend during the year;
- ▶ A statement of 'Management Discussion and Analysis' has been presented on page 79 of this Report;
- ▶ Shareholding pattern of the Company as on 31st December 2024 are shown in Annexure-1 to this report; and
- ▶ Directors' profiles have been included in the Annual Report (page 34) as per BSEC Guidelines.
- ▶ Declaration or Certification by the CEO and the CFO as required under BSEC Code (condition No. 3(3) and Annexure-A) are disclosed under 'Certificate of Due Diligence' on page 94 in the Annual Report.
- ▶ The report as well as certificate regarding compliance conditions of the BSEC Code as required (condition No.9, Annexure-B and C) are disclosed on page 84 in the annual report.

CORPORATE GOVERNANCE COMPLIANCE STATEMENT

As a public listed Company, the Board of Directors of BAT Bangladesh emphasize on ensuring the shareholders and stakeholders interest is always protected. The Company take the position that excellence in governance is essential to achieve strong corporate performance. It is convinced that governance as an asset is paramount to success and continuity. Thus, the Board and the Management ensure that excellence in governance principles are adhered to, and that always the highest standards along with accountability, transparency, ethical conduct, and clear policies and procedures are observed in the Company. The Board has always been in the forefront in dealing with

the interests of stakeholders and always will be. It is the Company Secretary's responsibility, being the principal governance officer, to guarantee following the rules and making disclosures on time.

The Corporate Governance framework aims to meet business objectives responsibly while adhering to high standards of honesty, reliability, transparency, and accountability. The Company places a strong emphasis on diligent business practices, promoting transparency in operations and encouraging broader stakeholder engagement. Key elements of effective corporate governance are detailed in the Corporate Governance Statement attached to this Annual Report, which elaborates on BAT Bangladesh's overall practices. All employees are expected to uphold these principles, which are communicated through various training and awareness initiatives.

In this context, we are pleased to confirm that the Company has adhered to all directives under BSEC CG Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018. This includes certain provisions regarding the responsibilities of Independent Directors included in the Code. The Compliance Report, along with necessary remarks and disclosures, is included in the 2024 Annual Report. Additionally, a Certificate of Compliance prepared by Mohammad Sanaullah and Associates, Chartered Secretaries, is also attached to this report.

A detailed Corporate Governance Compliance Statement for the Company can be found on page 104 of this annual report.

FINANCIAL STATEMENTS

The Board of Directors of British American Tobacco Bangladesh Company Limited would like to inform its shareholders and stakeholders that the Financial Statements containing the audited accounts for the year ended 31st December 2024 are in conformity with the requirements of the Companies Act, 1994, IAS and IFRS as adopted and applicable, Securities and Exchange Rules-1987 and the Listing Regulations of the Dhaka and Chittagong Stock Exchanges, and they believe that the Financial Statements reflect fairly the form and substance of all transactions carried out during the year under review and reasonably correctly present the Company's financial condition and results of its operations.

STATUTORY AUDITOR

As per the Companies Act 1994 and the Articles of Association of the Company, the statutory auditors of BATB, A. Qasem & Co., Chartered Accountants shall retire at the 52nd Annual General Meeting. They have expressed their willingness to be reappointed for the year 2025. Based on suggestions of the Audit Committee, the Board recommended the re- appointment of A. Qasem & Co., Chartered Accountants, as the statutory auditors of the Company for the year 2025 and continuation up to the next AGM at a fee of Tk. 15,50,000 (Taka Fifteen lacs and Fifty Thousands) plus VAT only and requests shareholders to approve the appointment.

COMPLIANCE AUDITOR

Pursuant to code 9.2 of the Corporate Governance Code 2018 issued by BSEC, the shareholders at the 51st Annual General Meeting (AGM) had appointed Mohammad Sanaulah & Associates, Chartered Secretaries as the Compliance Auditor of the Company for the year 2024.

The Board of Directors, recommended to the shareholders in the 52nd AGM the appointment of Mohammad Sanaulah & Associates, Chartered Secretaries, as the Company's Compliance Auditor for the year 2025.

BUSINESS COMMITMENTS FOR SUSTAINABLE GROWTH

BAT Bangladesh as a corporate citizen and a key player in the country's corporate sector, is recognized as the largest contributor to government tax revenue. Its significant investments in the rural economy highlight its undeniable socio-economic influence, a legacy built over 114 years during which the Company has played a vital role in enhancing the nation's economic development. As a responsible corporate citizen, BAT Bangladesh values its goodwill and is committed to maintaining its esteemed relationships with the Government of Bangladesh, shareholders, and other stakeholders.

In 2024 BAT Bangladesh deposited BDT 34,173 crore in taxes into the national exchequer which included income tax, customs duty, and other taxes. This shows how the Company is contributing to increasing tax collections. At the same time, BATB's financial performance indicates consistent value creation for shareholders as the Company remains in a strong position to offset any negative contingencies that may arise because of changes in the business environment.

The resilience of BATB is derived from key factors such as a highly skilled workforce, a diversified product portfolio, an extensive distribution network, and enduring partnerships with contracted tobacco farmers. Despite the inherent unpredictability and volatility of the contemporary operating environment, BATB's sound business fundamentals have been instrumental in realizing strategic objectives.

BAT Bangladesh consistently invests in capital expenditures to advance its journey towards sustainable growth, carbon neutrality and renewable energy aspirations. Noteworthy initiatives such as Digi-Chill (smart energy management system) and the installation of Online UPS systems have been undertaken to decrease energy intensity and overall consumption. The on-site installation of solar power generation capacity enhances the usage of renewable energy at our operations sites. To further reduce our carbon footprint, we have introduced Hybrid Electric Vehicles into TM&D fleet.

To strengthen our role as environmental stewards, we have embraced advanced technologies such as online UPS systems with microgrid control, solar energy optimization, and a digital HVAC management system. In 2024, BATB Savar Factory site has been equipped with 3.2MW equivalent rooftop solar panels which is effectively

contributing to 9% integration of renewable energy to the site. We are not only committed to upgrade our own infrastructure to support the ultimate ESG agendas, even our major key suppliers have also joined us in this journey of clean and renewable energy by installing solar panels. These innovations not only reduce dependence on fossil fuels but also accelerate our transition to renewable energy sources. Furthermore, our enhanced digital capabilities allow us to anticipate and prevent equipment failures, driving greater efficiency and reliability in our operations.

Additionally, in 2024 itself, we ensured 39.1% of water recycling ratio. Multifaceted energy-efficient critical projects like automation and digitization in water consumption tracking were also implemented. The Company also achieved 98% waste-recycling ratio and has succeeded in eliminating unnecessary single-use plastics from its Head Office.

Founded on a robust historical foundation, the Board of Directors at BATB asserts confidence in the Company's intrinsic capabilities, expertise, and resources. This conviction positions BATB to advance with assurance, amplifying its impact and steadfastly upholding its commitment to value creation in a manner consistent with the highest echelons of corporate governance.

MANAGEMENT DISCLAIMER FOR IT SECURITY

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

CREDIT RATING STATUS

The Board considered the Credit Rating Result 2024 as Price Sensitive Information (PSI) in accordance with BSEC Credit Rating Companies Rules 2022. The Company has been awarded the following credit rating by Credit Rating Information and Services Limited (CRISL) based on the audited financial statements for the year ended 31st December 2024:

LONG TERM
AAA
SHORT TERM
ST-1
OUTLOOK
Stable

AWARDS AND RECOGNITION

Our dedication to responsible corporate stewardship, value creation, and governance excellence has earned us widespread recognition from esteemed institutions both domestically and internationally. These achievements highlight our unwavering commitment to excellence in all aspects of our operations and reflect the collective efforts of our team in driving sustainable growth and building trust among stakeholders. We remain committed to delivering exceptional value while maintaining the highest standards of governance and compliance. The following honors were awarded to our Company in 2024:

- ▶ Top Employer Award from Top Employers Institute
- ▶ Highest Taxpayer Recognition by National Board of Revenue (NBR)
- ▶ ICAB Gold Award for Best Presented Annual Report
- ▶ SAFA Silver Award for Best Presented Annual Report
- ▶ ICMAB Best Corporate Award

EXPECTATIONS IN 2025 AND BEYOND

As we look to the future, BATB remains committed to sustaining its growth momentum and advancing its sustainability agenda. The economic outlook for 2025 suggests continued challenges, including potential shifts in consumer preferences, rising inflation, and regulatory changes. However, we are well-positioned to navigate these uncertainties through our robust strategies and operational resilience. Our unwavering confidence of the capacity to achieve results in challenging circumstances has been substantiated by the exceptional operational and financial success attained in 2024.

Our sustainability goals remain a cornerstone of our long-term vision. By 2025, we aim to achieve a 90% water recycling rate (based on 2017 baseline) across all sites, eliminate unnecessary single-use plastics, and attain zero waste-to-landfill at all manufacturing locations. Additionally, we are on track to achieve a 35% reduction in water withdrawal within 2025. By 2030, we aspire to attain carbon neutrality for Scope 1 and 2 emissions, attain a 50%

reduction in Scope 1, 2 and 3 carbon emissions (based on the 2020 baseline) and ensure that 50% of the energy used at our sites is derived from renewable sources.

Market expansion and innovation will continue to drive our growth strategy. We are committed to introducing consumer-relevant products that align with evolving preferences and regulatory frameworks. Expanding our market reach through digital transformation and enhanced consumer engagement remains a priority.

We applaud the Government's proactive efforts to curb the expansion of the illicit cigarette market, anticipating favourable effects on future Government revenue. As one of Bangladesh's most esteemed publicly listed companies, we remain committed to upholding global best practices in governance, sustainability, corporate responsibility, and value generation.

We remain optimistic about the long-term prospects of Bangladesh, supported by its robust consumer base and economic potential. Our focus will remain on delivering value to stakeholders, fostering innovation, and upholding our legacy as a leader in the tobacco industry. As we move forward, we extend our gratitude to the government, employees, partners, and consumers for their continued trust and support, which have been instrumental in our success.

ACKNOWLEDGMENTS

BAT Bangladesh's 2024 end-of-year performance highlights resilience and sustainable value creation despite challenges. This achievement reflects the dedication of the Board, Management, and employees. Beyond customer recognition, it acknowledges the efforts of employees, business partners, contracted farmers, and other stakeholders in ensuring operational excellence.

We take pride in these collective achievements and thank all contributors, looking forward to their continued support as we strengthen BATB's position as one of the leading companies in Bangladesh.

On behalf of the Board of Directors



Wael Sabra
Chairman



Monisha Abraham
Managing Director



Syed Afzal Hossain
Company Secretary

5th February 2025