

DIRECTORS' REPORT

It is a pleasure and privilege on the part of the Board of Directors to place herewith the Directors' Report and Auditors' Report together with the audited financial statements of British American Tobacco Bangladesh Company Limited (BAT Bangladesh) for the year ended 31 December 2014.

Key Strategic Pillars Of Business

2014 was a prolific business year for BAT Bangladesh. Despite stubborn competition and manifold other challenges, the Company continued to enhance the value for its shareholders' investments. During the year, as before, the Company was governed under the strategic pillars of Growth, Productivity, Sustainability and Winning Organisation as the main driving force for its outstanding attainments. The notable achievements of the business under each pillar, together with the salient features of such performance are described and depicted in the succeeding parts of this report.

Growth

Economic & Industry Outlook

The year 2014 witnessed a turn around and performance revival in most sectors. In spite of two sluggish years, Bangladesh has yet again staged a rapid response in her economic initiatives, registering a modest recovery. The business initiatives alongside also got the right prop up to rise. The overall cigarette industry came back to growth momentum in 2014 with a relatively stable macroeconomic country context. However, segment growth varied across the segments during the year. The Low segment came back to growth path after the stable 2013, the Medium and High segments experienced decline driven by the price increase in June 2014. However, both the segments took a sharp decline in the second half driven by the tax led price increase which could not cover-up the first half positive growth thrust. As a result the Company faced challenges in second half of 2014. The Premium segment also remained under pressure and experienced a gradual decline after the mid-year price increase. Looking ahead, we expect growth in the cigarette industry to be further subdued by the prevailing market dynamics.

Company Performance

Despite challenges from regulatory uncertainty, external environment and competition, your Company achieved share growth in 2014 which delivered excellent business results. This growth was achieved through a focused marketing strategy that was supported and implemented by our employees across all business functions. Our brand portfolio was strengthened through insights on the preferences of adult tobacco end-users. The focus throughout the year was to match consumer expectations with the right quality in the selected segments.

Like previous years, 2014 featured a stronger first half-year performance as the market recovered from the impact of the annual mid-year tax led price increase. Sales volume increased by 12% with higher growth in the low segment offsetting the decline in the upper three segments. The indexing gap between the low segment and other upper segments has widened further which is causing down trading in the cigarette industry. This trend continues to be a matter of concern as it negatively impacts not only BAT Bangladesh but also on Government revenue earning capacity from the cigarette industry. Therefore, we continue to engage with policy makers to ensure that balanced taxation policies are implemented and the down trading is stopped for the sustainability of the industry. A review on the performance of each of the cigarette segments follows:

Premium Segment: Once again Benson & Hedges faced tough challenges in the market with high price increases in 2012, 2013 and 2014 resulting in a gradual volume decline. Nevertheless, the Company continues to focus on building the equity of Benson & Hedges and has made consumer-centric investments which have enabled the brand to achieve the volume in this year. This segment is facing competition due to the increased availability of the smuggled cigarette in the market due to the price differentiation between local cigarettes and duty free foreign cigarettes.

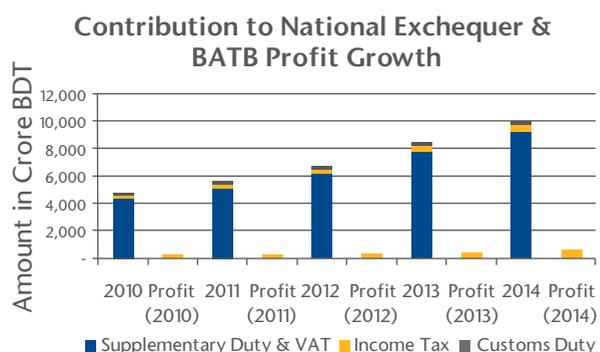
High Segment: John Player Gold Leaf sales volume was satisfactory in 2014 despite volume decline post price increases in June. Consistent investment and consumer-relevant innovation behind this brand have helped to reinforce its strong brand equity and to retain its leading brand status within this segment.

Medium Segment: While the Company share of this segment has strengthened, the segment has experienced a decline in 2014. As a result, our volume has also experienced decline. We have plans of regular market investment behind this segment's brands by consistently improving quality to meet consumer preference. We are engaging with National Board of Revenue to adopt fiscal measures in order to avoid further segment share reduction.

Low Segment: The low segment continues strong growth momentum. With the strong growth momentum, the Company now holds second biggest share of this segment. This segment is extremely competitive and your Company continues to implore for the establishment of a level playing field for all market players.

Contribution to National Exchequer

British American Tobacco Bangladesh continues to contribute 2/3rd of the total tax collection from the cigarette industry. In 2014, the Company contributed BDT 9,932 crores as Supplementary duty, Value added tax and other taxes and levies. This represents an increase of BDT 1,496 crores. The Company will continue to support Government proposals that help establish a sustainable level of tax contribution to the National Exchequer while ensuring a sustainable growth for the industry and promoting a level playing field among market players. Since this is a mature industry, it must not be stretched too far without considering the market segment dynamics and its ability to absorb price increases.



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 in the form of indirect tax. However, the Company strongly feels that by targeting the corporate tax structure of a listed cigarette manufacturer, it significantly impacts the shareholders' return (which includes the Government of Bangladesh as well as the local shareholders) and takes away the urge and interest of other tobacco companies to be listed with stock exchanges. BAT Bangladesh is the only public listed cigarette manufacturing company whereas competitors are operating as non-listed private limited companies. The Company firmly hopes that the Government will reinstate investment-friendly corporate tax rate structures while considering the upcoming National Budget.

Financial Performance

BATB enhanced its gross turnover to BDT 12,680 crore, up by BDT 1,722 crore from the previous year. This increase was driven by volume growth and tax-led price increase. Profit after tax improved by 28% from BDT 492 crores last year to BDT 628 crores in 2014. The higher profit after tax reflects higher volumes and increased prices, as well as cost savings and productivity initiatives driven across the Company. There is no significant variance between the quarterly and the annual financial performance of your Company for the year 2014. Also, there is no extra-ordinary gain or loss in revenue during 2014. However, we have adjusted provisions in this year which were provided due to various claims of the tax authorities in different years. The notes to the annual financial statements explain the variations against the previous year.

Productivity

In line with 12% growth in sales volume, the overall supply chain has been challenged to deliver on-time in full production. As a result manufacturing capacity scaled up and also modified to cater to different pack formats. This required significant investment and meticulous planning so that the growing diverse market demand could be met with minimum disruption in the manufacturing process. A series of productivity initiatives were undertaken not only to improve machine efficiency but compensating for the disruption in production while scaling up the factory. 2014 also marks the highest ever buying and processing of green leaf. Our leaf growing area was also revamped through various productivity initiatives to process this incremental leaf volume while ensuring the right quality.

Cost of Goods Sold and Profit Margins

Our supply chain faced serious challenges in the wake of volatility in the external environment. Normal logistic operations, including transportation and warehousing, were severely impacted. However, we activated our contingency plans which ensured that our ability to manufacture and supply cigarettes to the market would not be compromised. These contingency plans increased the costs of production and sales resulting, in an upward pressure on our cost base. However, your Company was able to mitigate this by delivering a number of initiatives that resulted in reduced cost of goods sold per unit in 2014. This contributed to the improvement of the profit margin over the year.

Furthermore, your Company continued its company-wide smart cost management program and analysed and explored all opportunities to reduce costs structures. This program has helped to optimise the operating expenses of the Company and focused resources on areas that were required to fuel growth and sustainability. As a result of all these efforts, the Company's operating margin has improved from 30% in 2013 to 32% in 2014.

Sustainability

Your Company believes that the business has a key role to play in helping society to achieve the necessary sustainable balance of economic growth, environmental protection and social progress in ways that will build value for all our stakeholders. The Company is conducting its activities in line with the amended Smoking and Tobacco Products Usage (Control) Act, 2013.

The flagship activity of the Company, the Afforestation Program, began in 1980. So far, your Company has distributed approximately 8.35 crores saplings in and around our operational areas, including 40 lakhs samplings alone in 2014. This relentless effort makes the program the largest private sector driven afforestation programs in the country. The Company is committed to continue this program to support the Government initiatives to combat the adverse effects of climate change. In 2014, the Company received a number of national and international awards and accolades for the afforestation drive across the country. Your company received Asia's top ranked business award '**Asia Responsible Entrepreneurship Award for Green Leadership**' for the largest afforestation project in the private sector of Bangladesh.

Millions of people in Bangladesh face scarcity of safe drinking water due to arsenic contamination. Responding to this need and urgency, British American Tobacco Bangladesh has taken up a project in this respect. The initiative provides 300,000 liters of safe drinking water free from arsenic and other impurities to arsenic-prone rural communities every day. This program is aligned with the Government's aim to achieve the Millennium Development Goals of securing sustainable access to safe drinking water. So far, 59 water filtration plants have been installed, using government approved community based water filtration technology in Jhenaidah, Chuadanga, Meherpur, Kushtia, Tangail, Manikganj, Satkhira, Gopalganj, Lalmonirhat, Kurigram, Jamalpur, Madaripur and Natore- ensuring pure drinking water for approximately 150,000 people every day.

To complement the Bangladesh Government's efforts in the renewable energy sector, British American Tobacco Bangladesh has undertaken a project to install solar home systems in village homes that are in remote, off-grid areas of the Chittagong Hill Tracts. The solar home system initiative of BAT Bangladesh installed 300 units of solar home systems in 2014, which totals to 1,666 units in four remote villages in Bandarban and Khagrachari districts, giving more than 10,000 rural people their first access to electricity at home.

BAT Bangladesh has had a fruitful partnership with farmers across the country through its various programs dedicated to improving agricultural practices and standards. The Company's supply chain starts with the hard work of around 33,600 registered farmers within the village community. The BAT Bangladesh contract farming model has been a proven and renowned model for years. The Company ensures that the sources are sustainable and responsible by proactively setting high standards of agricultural practices. The initiatives include green manuring with Dhaincha (*Sesbania Aculeata*) - an effective approach to enrich soil health and fertility. Dhaincha is also promoted as alternate fuel in leaf growing areas. In 2014, the Company has distributed more than 251 metric tons of free Dhaincha seeds amongst farmers, which ensured 75% coverage of our registered farmers. Moreover, Integrated Pest Management Clubs have also been expanded in collaboration with the Department of Agricultural Extension to educate farmers about the adoption of good agricultural practices. As a result of this continuous education program, farmers became more cautious and conscious about the use of chemicals as pesticide in farming.

Improving soil fertility and conserving water are integral elements of good agricultural practices. The Company provides the know-how and bears full costs to install compost pits in the homesteads of our registered farmers. This significantly reduces dependence on the use of chemical fertilizers and also reduces the cost of production. The Company plans to establish 80 compost pits in leaf cultivation areas every year and till 2014, BAT Bangladesh farmers have established 6,900 compost pits in leaf growing areas and in 2015 another 750 compost pits are expected to be established. As a water management program, proper irrigation systems have been introduced which ensures that only the required level of water is used and that there is no wastage. The Company acknowledges its impact as well as dependence on biodiversity, through the business operations and use of ecosystem services such as forest products, soil and water. So far, 48 biodiversity corners have been established with the help of the registered farmers in order to make farming communities aware about the importance of different elements in nature and their contribution to the ecosystem. The biodiversity corners are located in the Kushtia, Meherpur, Chuadanga, Jhenaidah, Rangpur, Manikganj, Bandarban, Khagrachari and Cox's Bazar districts.

The Company supports sensible tobacco regulations that balances the preferences of consumers with the interests of society and enables the business to continue to compete and prosper. All of the marketing activities are governed by the Smoking and Tobacco Usage (Control) Act, 2005 and Amendment Act, 2013 and their subsequent rules along with the BAT Group's own International Marketing Principles. A collaboration of the Tobacco Laws and International Marketing Principles combines the Company's Marketing Communications Guideline. These principles symbolise the commitment to marketing Company products appropriately and only to adult users, as well as compliance to local laws and regulations. Therefore, BAT Bangladesh is fully conscious of its standpoints and responsibilities and at the same time aware that the tobacco control groups are continuously agitating against the production and marketing of tobacco.

The tobacco industry has an economic impact both in terms of revenue generation for the Government and employment generation by employing 1,350 direct employees, and 52,000 indirect employees in the form of farmers, distributors and suppliers and over 1.3 million retailers. The Company therefore seeks that the

Government takes an inclusive and participative approach about tobacco regulations, so that the regulatory policies reflect the views of all relevant stakeholders and are practical and enforceable.

Winning Organisation

The outstanding performance of BAT Bangladesh is acutely held in the success of the great people and the great teams. Our people continuously drive business forward passionately and creating a sustainable position for themselves and the company in today's market. The progressive growth of the company is fuelled by being 'a great place to work' and by engaging more and more employees with what is happening around our business. Despite the unwavering challenges of the year 2014, our people have once again demonstrated incredible resilience to deliver remarkable results in a dynamic, ever challenging market. In our relentless promise to deliver, our people's effort transformed BAT Bangladesh into an energetic organisation geared towards continuous success.

The company continues to invest in driving the learning agenda to ensure the development of leadership capabilities to help our people realise their full potential. This is carried out by providing the right exposure, the opportunity to learn from others and by implementing our globally aligned learning and development portfolio while ensuring they work in an environment that hears their voices. We have trained over 180 managers in programs to help them deliver their best, irrespective of level or role – from growing functional skills linked to our business strategy and ambitions, to leadership skills for now and the future. With the outlook of maintaining our talent agenda, 87 employees were transferred to various roles with another 51 being promoted, while 14 managers were sent on international assignments to various countries such as UK, Hong Kong, Japan, Vietnam, Pakistan and Cambodia. In our unionized front as well, we have trained over 348 employees in 53 skill development sessions.

The remarkable performance of the company has been driven by the calibre of the talent that is coming into the ranks, through our robust assessment tools and techniques. This success has been exemplified by the quality of the management trainees and mid-career recruits injected into the pipeline. The Company's flagship talent promoting platform, "Battle of Minds", continued its journey by launching its 11th edition in universities all over Bangladesh. With renewed

vigour in terms of campus engagement and graduate engagement, Battle of Minds 2014 was able to deliver a phenomenal platform to showcase the upcoming talents of the country. Battle of Minds 2014 was bigger, better and more challenging than ever before, as the initiative went beyond the conventional methods in which the business chooses to engage its stakeholders. Our Talent brand was also launched alongside Battle of Minds this year, which celebrates the endeavours of our employees, pillars behind our success. Over 2000 students participated this year, with the Company determined in leaving its footprint in the nation-building process today through its flagship initiative and the success stories of its employees through the talent brand.

The success of any company depends on its employees, and the Company has strived towards creating and promoting a culture that inspires the people to be the best they can be. The Company undertook several initiatives in order to be a highly engaged workforce and to bring its people together. We put consistent effort into engaging with employees to find out whether they

understand the company's vision and their role within it, what their views about the company are, and what they believe will take us forward. For the unionized work force, an employee engagement initiative "Shop Talk" was launched with the participation of 100% of Dhaka Factory employees to ensure that the non-management workforce is in synchronization with the business and their voices are heard by our senior managers. In the factory front, 'Agrojatra' a value building workshop was launched with an objective to instil the winning BAT culture among the employees, particularly focusing on the new joiners into the system. In our constant effort to ensure that the organisation's winning values touches our employees' lives beyond work, we organised events such as Family Day, Kid's Carnival and encouraged them to participate in different sports and games.

All these initiatives ensured that all the employees were motivated and energised to overcome the significant challenges that came our way in 2014 and meet the objectives of the Company as one integrated team and delivered results for the shareholders.

Key Operating & Financial Information

The key operating and financial information for the year 2014 along with the preceding four years are presented below:

Financial & Operational Performance Summary	2014	2013	2012	2011	2010
Operational Results (financials in million BDT)					
Gross Turnover	126,805	109,582	90,174	75,357	65,987
Net Turnover	35,642	31,225	27,471	23,269	20,946
Profit before Tax	10,866	9,104	6,501	4,914	4,093
Profit after Tax	6,282	4,924	3,942	2,551	2,879
Share Capital	600	600	600	600	600
EPS in BDT	104.70	82.07	65.69	42.51	47.98
No of Employees	1,353	1,251	1,119	1,146	1,186
Total Contribution to National Exchequer in million BDT	99,317	84,357	64,194	54,660	46,278
Supplementary Duty & VAT as % of Turnover	72%	72%	70%	69%	68%

Dividend

An interim cash dividend of 100% i.e. BDT 10 per share amounting to BDT 600,000,000 was paid in November 2014. In view of the performance of the Company and the current liquidity position, the Board now recommends a final cash Dividend of BDT 45 per share i.e. amounting to BDT 2,700,000,000 for the year 2014, to be approved in the 42nd Annual General Meeting of the Company. Inclusive of the interim dividend of BDT 10 which has been paid already, the total Cash Dividend of the Company, would stand at BDT 55 per share for the year 2014.

After approval of the above mentioned proposed final dividend, the summary of the total dividend paid in 2014 is represented below:

Amount In Million BAT	2014	2013	2012	2011
Profit after Tax	6,281	4,924	3,942	2,551
Interim Cash Dividend @ Tk 10 per Share for 2014	600	600	600	300
Final Cash Dividend @ Tk 45 per Share for 2014	2,700	3,120	2,400	2,220
Retained Profit for Reinvestment	2,981	1,204	942	31

The Board of Directors

The Board of Directors of the Company consists of nine Directors. Out of the nine members in the Board, seven are Non-Executive Directors, including three Independent Directors, and two of them are also senior officials of the Bangladesh Government. The Board composition is as follows:

- **Mr. Golam Mainuddin**
Chairman, Board of Directors
- **Mr. Shehzad Munim**
Managing Director
- **Mr. Kamrul Hasan**
Non-Executive Director & Chairman, CSR Committee.
Former Secretary of the Government
- **Mr. Md. Mosharraf Hossain Bhuiyan** ^{ndc}
Independent Director & Chairman, Audit Committee
Secretary, Ministry of Industries
- **Mr. Mohammad Moinuddin Abdullah**
Independent Director
Secretary, Ministry of Housing & Public Works
- **Mr. K. H. Masud Siddiqui**
Independent Director
Former Secretary of the Government
- **Mr. Jalal Ahmed**
Non-Executive Director
Additional Secretary, Ministry of Finance
- **Mr. Md. Fayekuzzaman**
Non-Executive Director
Managing Director, ICB
- **Mr. William Francis Pegel**
Finance Director
- **Mr. Md. Azizur Rahman**
Company Secretary

Directors Proposed for Re-election

Mr. William Francis Pegel who was appointed to the Board after the last Annual General Meeting shall retire in the ensuing meeting. Mr. Md. Fayekuzzaman shall also retire from the Board by rotation at the 42nd Annual General Meeting. All the retiring Directors, being eligible, are proposed for re-election at the 42nd Annual General Meeting.

In accordance with the Articles of Association of the Company, Mr. Golam Mainuddin - having reached an age above 65 years - shall retire at the upcoming General Meeting. However, being eligible, he is also proposed for re-election at the Meeting for one year i.e. until the conclusion of the 43rd Annual General Meeting.

Appointment of Independent Directors

Mr. Md. Mosharraf Hossain Bhuiyan ^{ndc} was appointed as an Independent Director by the Board of Directors after the last Annual General Meeting. As per the notification of BSEC, the appointment of Mr. Bhuiyan would be approved in 42nd Annual General Meeting.

Audit Committee

As per guidelines of the Bangladesh Securities and Exchange Commission (BSEC), the Board has constituted an Audit Committee for the Company which is mentioned in the Compliance Report enclosed herewith. The Committee comprises of Mr. Md. Mosharraf Hossain Bhuiyan ^{ndc}, K. H. Masud Siddiqui (Independent Director)

and Mr. Golam Mainuddin, of whom Mr. Md. Mosharraf Hossain Bhuiyan ndc has been appointed as the Chairman of the Committee effective from 19 February 2015. All the members of the Committee are Non-Executives Directors, out of which two are Independent Directors. The Audit Committee met four times during the year 2014. All the members were present in all meetings of the Committee. Mr. Azizur Rahman, Company Secretary, served as the Secretary to the Audit Committee. The key performances of the Audit Committee during the year were as follows:

- Reviewed and recommended to the Board the quarterly and annual financial statements for the year 2014.
- Considered and recommended to the Board appointment and remuneration of the statutory auditors of the Company.
- Reviewed and appraised the performance of the internal control system.
- Reviewed and recommended to the Board the Internal Audit Plan and monitored its progress.
- Discussed the Internal Audit Report and findings therein with the auditors, members of Management and monitored the status of implementation of recommendations therein.
- Reviewed and considered the report on matters as required under the BSEC Guidelines.
- Reviewed the Loss and Writeoff report.

Board Compensation Committee

The Board Compensation Committee makes recommendations to the Board on terms of employment of the members of the Executive Committee, managers and employees. This Committee met two times in 2014, and are headed by a Non-Executive Director. The other members include the Managing Director and the Finance Director. The Head of Human Resources functions as the Secretary to the Committee.

Board CSR Committee

The Board Corporate Social Responsibility (CSR) Committee comprises three Directors among whom a Non-Executive Director is the Chairman. The purpose of the Board CSR Committee is to ensure long term sustainability of Company aspirations and management of the Company's CSR initiatives in a way that secures business

stability and creates positive impact on the image and reputation of the Company among the stakeholders and establish the Company's commitment to the nation at large. The CSR committee met four times in 2014.

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

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 all risks to the business are not known at present, the Company takes reasonable steps to identify material risks that may hamper business results and 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 encloses a detailed discussion on the internal control framework under the Statement of Internal Control.

Directors' Declaration as to 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, 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 preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgement;
- The International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure has been adequately disclosed;

- The system of internal control is sound in design and has been effectively implemented and monitored;
- There is no doubt, whatsoever, upon the Company's ability to continue as a going concern;
- The CEO and CFO have certified to the Board that they have reviewed the financial statements and affirm that these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
- The CEO and CFO have certified to the Board that they have reviewed the financial statements and affirm 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 CEO 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 the company's codes of conduct.

Concern Regarding Retrospective Tax Demand by LTU- NBR

On November 2013, the Large Taxpayers' Unit-Value Added Tax (LTU-VAT) authority of National Board of Revenue (NBR) claimed BDT 1,924 crores, as a retrospective tax demand from the Company on the sale of Company brands Bristol and Pilot during the years 2009 to 2013. The Company immediately protested the claim to the Commissioner LTU as well as NBR authority and engaged with the senior relevant officials of the Government. As the claim was made, the Company filed two writ petitions before the High Court challenging retrospective Tax demand by the NBR. Accordingly, the High Court issued a Stay Order along with a Rule upon the NBR. However, the VAT Authorities appealed against the stay orders and after several hearings at the Appellate Division as well as the High Court, the matter was sent back to the Commissioner, LTU-VAT for adjudicating the same on merit taking into consideration our objections raised in the writ petitions. Subsequently, the NBR authority, the Honourable Finance Minister and the Honourable Law Minister had meeting together to redress our grievances.

As an outcome of the meeting, the Law Ministry was entrusted to give their opinion within the purview of the VAT Law. The opinion has now been rendered where it has been opined that retrospective demand cannot be made as it is not within the purview of VAT laws. We are hopeful of getting a meaningful resolution on the claim. However, the Commissioner, LTU-VAT has already finalized the demands without considering the aforesaid opinion as well as a pending High Court order. As a result we have again challenged the matter before the High Court.

The Company always obtained price approvals of Bristol and Pilot from the LTU-VAT authority of NBR on the prescribed price declaration form every year. As such it is totally unjustified and against the principles of natural justice to put the blame of wrong declaration and demand of such huge claim on the Company and to ask to pay the said amount.

On the other hand, the Company sold Bristol and Pilot to millions of consumers in different parts of the country at the approved price of LTU-VAT and duly paid taxes to the Government Exchequer as per the rate of taxes in each respective year. Furthermore, the principle of VAT is to collect taxes from the consumers on the basis of consumption and it will now be impossible to realise the additional taxes from them. Moreover, LTU-VAT authority has not alleged or shown any evidence to the effect that the Company had collected price differential of Low and Medium segments from the customers. As such, the Company strongly believes that the demand to pay the taxes is devoid of logic and fairness.

Other Regulatory Disclosures

- The Company is aware of its various risks and concerns, mainly from the policy and regulatory fronts, and is prepared to meet those by systematic control. Financial risk management has been disclosed under note 34 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 30 of the financial statements.
- 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.
- As per IAS 1 Presentation of Financial Statements, no items of income and expense are to be presented as 'extraordinary gain or loss' in the financial statements. Accordingly, no extraordinary gain or loss has been recognised in the financial statements.
- No significant variations have occurred between quarterly and final financial results of the Company during 2014.
- During the year, the Company has paid a total amount of Tk. 79,000 as Board meeting attendance fees. The remuneration of Directors has been mentioned in Note 26 of the Financial Statements.
- All significant deviations from the previous year in 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 both interim and final dividends for the year 2014.
- During 2014, a total of 12 (twelve) Board meetings were held, which met the regulatory requirements in this respect. The attendance records of the Directors are shown in Annexure 1 to this report.
- Shareholding patterns of the Company as on 31 December 2014 are shown in Annexure-1 to this report.
- The Directors' profiles have been included in the Annual Report as per BSEC Guidelines.

Corporate Governance Compliance Statement

The Company and its Board of Directors is committed to continuously strive for the highest standards to ensure that the business and its affairs are in strict adherence to the doctrine and principles of proper governance such as integrity, transparency, accountability and responsible business conduct to safeguard the interests of its shareholders and stakeholders. It is the responsibility of the Company Secretary, being a governance

official in the Company, to ensure effective compliance of rules and regulations in this respect.

As part of its corporate policy, BAT Bangladesh always strives to maximise its shareholders' value and benefit. In doing so, the Company has always been committed to maintaining high standards of Corporate Governance. The Company's Corporate Governance framework is directed towards achieving its business objectives in a manner which is responsible and in accordance with its high standards of honesty, reliability, transparency and accountability. The essential elements that define effective corporate governance in the Company are outlined in the Corporate Governance Statement which is appended in the Annual Report. The contents in the statement further expand on the broad practices in BAT Bangladesh. All the employees are expected to live up to these principles and guidance 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 Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012. The Compliance Report along with the necessary remarks/disclosures is appended in this Annual Report for the year 2014. Furthermore, a Certificate of Compliance required under the said Guidelines, as provided by M/s. Al-Muqtadir Associates, Chartered Secretaries, is also annexed to this report.

Auditors

The existing Auditor of BAT Bangladesh will retire at the 42nd Annual General Meeting as per law. Pursuant to Bangladesh Securities and Exchange Commission's order dated 27th July, 2011, the Company cannot appoint any firm of chartered accountants as Statutory Auditors for a consecutive period exceeding three years. Hence, A. Qasem & Co., Chartered Accountants, who have completed their tenure of three years as Statutory Auditors of the Company, do not qualify for reappointment. Considering the available options and on the basis of suggestions of the Audit Committee, the Board recommends KPMG Rahman Rahman Haque, Chartered Accountants, for appointment as the new Statutory Auditor of the Company for the year 2015 at the 42nd Annual General Meeting.

Board Commitment

Tracing back to origin, it was more than 100 years ago, when the Company established itself on this land of opportunities and possibilities - Bangladesh. Since independence, BAT Bangladesh has demonstrated an unwavering dedication to the country and its people and this commitment is what sets the distinction that takes BAT Bangladesh apart from any other business entity. This uniqueness is reflected through the passion and dedication of its employees and business partners who have brought BAT Bangladesh across to its great stature. BAT Bangladesh is listed on both Dhaka and Chittagong Stock Exchanges and is currently ranked as number one amongst the listed companies in Bangladesh in terms of being the highest taxpayer. 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. In this year alone we have contributed Taka 9,932 crores to the Government Exchequer in the form of supplementary duty & value added tax and other levies. We aspire to continue to be the highest tax payer in Bangladesh in the coming years too.

Awards & Achievements

Our stupendous performance and management in the year 2014 has led us to achieve four prestigious awards from different credible organisations. These are: ICSB Award for best Corporate Governance Excellence, ICMAB Award for Best Multinational Corporate, MCCI Centenary Award for CSR and Asia Responsible Entrepreneurship Awards for Green Leadership. Details of these awards are mentioned in the achievements section of this Annual Report.

Acknowledgements

The outstanding performance of the year under review demonstrates the dedication and support to the Company by its employees at the front and by those numerous stakeholders and our brand users offstage. In this context, the Board of Directors

would like to extend its foremost regards and appreciation to the valued Shareholders and other Stakeholders of the Company for their continued patronage and guidance to the company that led to the achievements. The Board also recognises that its journey to accomplishments during the year was possible because of the cooperation, positive support, and guidance that it had received from the Government of Bangladesh, particularly the National Board of Revenue, Board of Investment, Registrar of Joint Stock Companies and Firms, Bangladesh Securities and Exchange Commission, Central Depository Bangladesh Limited, Dhaka Stock Exchange Limited, Chittagong Stock Exchange Limited, BATB's bankers, insurers & financial institutions, vendors, the Press and Media, business partners and all of our employees. Accordingly, the Board offers its utmost gratitude to them. The Board would also like to thank each and every customer for their continued support and for making Company brands their preferred choice. We also extend to the Management and Employees our warmest greetings and felicitation for being the essential part of BAT Bangladesh during the year. It was their unrelenting commitment, dedication and diligence throughout the year that led to the Company achieving the results, awards and accolades in 2014.

We are proud of you all and look forward to your continued support as we march ahead to take BAT Bangladesh further forward as a leading player within the Bangladesh business community.

On behalf of the Board of Directors,



Shehzad Munim
Managing Director



Golam Mainuddin
Chairman

19 February 2015