

DIRECTORS' REPORT

Dear Shareholders,

The Board of Directors wishes to express its sincere gratitude and acknowledges the privilege of presenting the Directors' Report, Audited Financial Statements, and the Independent Auditor's Report for the year ended on 31st December 2023. In adherence to our commitment to transparent and precise investor communication, this report serves as a meticulous resource for our esteemed shareholders and stakeholders, offering a comprehensive insight into our business operations, performance for the year 2023, and our strategic outlook for the future.

STRATEGIC PILLARS OF OUR BUSINESS

In 2023, BAT Bangladesh has achieved its volume ambition and anticipated financial results amidst highly adverse business environment. The business landscape became highly challenging as currency devaluation and foreign currency issues affected cost of sales severely. Furthermore, inflationary pressures limited the discretionary buying power of consumers. In the face of adversity, we exercised our grit and strengths to pave way for another successful year for our business. Agile portfolio interventions, meticulous sales along with distribution initiatives and operations capability deployments were the core pillars for our sound results in 2023 which resulted in enhanced value for our stakeholders as well as the national exchequer.

COMPANY PERFORMANCE

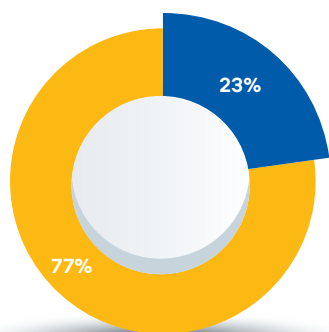
The Company (BAT Bangladesh or BATB) registered 9% volume growth despite immense macro-economic headwinds, by virtue of focused sales as well as distribution drives in growth markets and capitalizing on emerging consumer needs through benchmark consumer centric innovations.

The top two segments (High and Premium) struggled to sustain their position in 2023 owing to enduring year on year price increase for six consecutive years. On the other hand, the low segment has grown by 9% in 2023 vs 2022, facilitated by accelerated downtrading from top three segments. This was fueled mainly by convenient price points and tightened consumer spending power. As a result, low segment contribution has been increasing within the portfolio. This downtrading trend might affect the business dynamics in the future as well as impact government revenue contribution from the cigarette industry.

It is significant to note that, based on past years' experiences, price increases in the high and medium segments invariably cause customers to shift to cheaper duty-evaded illicit cigarettes. In 2023, illicit cigarette could be kept under control, due to Government and our strong vigilance..

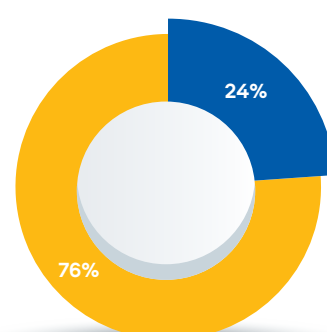
BAT'S SEGMENT-WISE VOLUME CONTRIBUTION IN 2023

2023 [Jan-Dec Volume Contribution]



● Top 3 ● Low

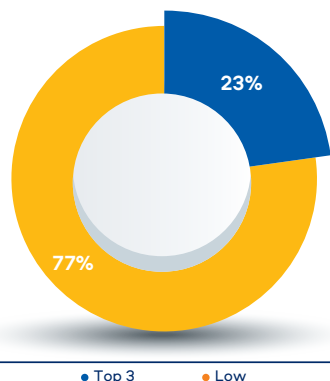
2022 [Jan-Dec Volume Contribution]



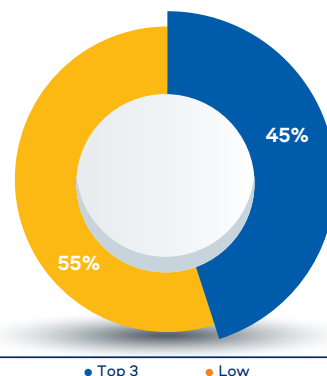
● Top 3 ● Low

THE FOLLOWING CHART ALSO SHOWS BAT'S SEGMENT-WISE VOLUME CONTRIBUTION AND CORRESPONDING REVENUE CONTRIBUTIONS IN 2023

2023 [Jan-Dec Volume Contribution]



2023 [Jan-Dec Govt Revenue Contribution]



Like the previous year, BATB continued its strong revenue contribution to the government exchequer in 2023. In the full year 2023, revenue contributions from the top three segments and that of Low segments were similar to 2022.

BAT's segment-wise performance overview is provided below:

- ▶ **Benson & Hedges:** Declined 9% in 2023 vs 2022, driven by downtrading & consumption contraction resulting from consecutive price increases. Multiple purpose-led initiatives and consumer-focused activations were introduced to arrest the decline & prevent further vulnerability.
- ▶ **John Player Gold Leaf:** Declined by 12% in 2023 bracing the shock from govt. price increase in June 2023 fiscal budget. BATB addressed the price increase impact by introducing consumer-relevant innovations in the top 3 segments to prevent from being further vulnerable.
- ▶ **Star:** Since the price increase in June 2023 fiscal budget, Star has been experiencing volume growth due to consumer switch-out from John Player Gold Leaf and Royals. As a result, Star has experienced 18% volume growth in 2023 vs. 2022.
- ▶ **Low brands segment:** The majority of BATB's volume is contributed by Low segment brands (Royals of London, Derby, Hollywood, and Pilot) and the Company is committed to maintaining consumers' preferred quality and progressive needs across the segment. Continued focus over the right product quality along with wider sales & distribution across all channels despite the challenging business environment has been a key attribute for the overall growth of 9% in 2023 vs 2022.

BATB's Contribution to the Govt. National Exchequer

In 2023, the Company contributed BDT 32,802 crore to the Government exchequer as Value Added Tax

(VAT), Supplementary Duty (SD), Health Development Surcharge (HDSC), Corporate Tax and Custom Duty. This represents an increase of BDT 3,272 crores over the last year. Going forward, the Company aims to support the Government's proposals that enables the establishment of a sustainable level of tax contribution to the national exchequer, while ensuring sustainable growth for the industry and promoting a level playing field among market players. Since this is a matured industry, it must not be stretched too far without considering the market dynamics and its ability to absorb price elasticity, avoid growth of illicit as well as smuggled cigarettes and not to encourage downtrading.

The Company recognizes 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.

While listed companies in all other sectors enjoy a preferential corporate tax rate, there is a higher tax rate applicable for cigarette companies. We strongly feel that by targeting the corporate tax structure of a listed manufacturer, it will appear to be disincentive for the other cigarette manufacturers to join in the capital market. The Company believes that the Government will remove the disproportionate corporate tax rates applicable on cigarettes in the upcoming National Budget. Cigarette is already highly taxed (in the form of Supplementary Duty, VAT and Corporate Tax), and there is no instance of discriminatory corporate tax rates anywhere in the world for listed tobacco companies. We continue to appeal to the NBR for reducing the Corporate Tax in the upcoming National Budget.

MANUFACTURING FOOTPRINT OPTIMISATION

In our relentless pursuit of a sustainable future, BAT Bangladesh proudly presents the transformative highlights of our 2023 journey. Our commitment to achieving carbon neutrality by 2030 is not just a vision;

it's a reality shaped by strategic initiatives undertaken throughout the year.

To fortify our environmental stewardship, we've 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've 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.

The tangible outcomes of these efforts are reflected in the low energy and water usage indexes recorded by both the Dhaka and Savar factories in 2023. 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 achieved Phase-2 maturity which has been a testament to the sustainable progress we have made in terms of people's capability and process maturity. The significant improvement happened in wrapping material and tobacco wastage reduction throughout Phase 2 journey and both factories achieved ever lowest tobacco wastage and wrapping material wastage in 2023 which helped further reducing our impact on 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 ground-breaking achievement obtained in 2023, 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 & Profit Margins:

The overall cost of goods sold increased during the year mainly due to higher cost of imports for currency devaluation, higher inflation, and increased volume.

However, despite the increase in costs we managed to contain the year-on-year growth by taking various efficiency measures and cost savings initiatives across a wide array of spectrums.

SUSTAINABILITY

For BAT Bangladesh, sustainability is not just a commitment; it is a journey ingrained in our Company culture for decades. As a responsible entity, we have consistently upheld the belief that every business is a catalyst for societal advancement, contributing to economic growth, environmental preservation, and social development.

From its very beginning, the Company has stood as a dedicated ally in the nation's path towards sustainable development. Presently, we are propelling advancement in our environmental, social, and governance (ESG) priorities, steering toward the creation of a sustainable enterprise of the future.

Our commitment to sustainability is woven into BAT Group's broader strategy, which BAT Bangladesh has not only embraced but is actively working towards. Through our initiatives, the company aligns with the Government's objectives, contributing significantly to 8 out of the 17 UN Sustainable Development Goals (SDGs).

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

- ▶ Achieving carbon neutrality
 - ▶ Scope 1 and 2: 100% by 2030
 - ▶ Scope 3: 100% by 2050
- ▶ 50% renewable energy use by 2030
- ▶ 90% recycling rate of waste generated by 2025
- ▶ 35% reduction in water withdrawn vs 2017 baseline by 2025
- ▶ 100% manufacturing sites to be Alliance for Water Stewardship certified by 2025
- ▶ Waste to Landfill <1% by 2025
- ▶ Increase the proportion of women in management roles to 45%

2023 ACHIEVEMENTS

BAT Bangladesh consistently invests in capital expenditures to advance its journey towards carbon neutrality and renewable energy aspirations. Noteworthy initiatives such as Digi-Chill (smart energy management system) and the installation of an On-line UPS system have been undertaken to decrease energy intensity and overall consumption. The on-site installation of 1596 kWp solar power generation capacity enhances the usage of renewable energy at our operation sites. To further reduce our carbon footprint, we have introduced Hybrid Electric Vehicles into TM&D fleet.

Additionally, in 2023 itself, we ensured 35.8% of water recycling ratio. Multifaceted energy-efficient critical projects like automation and digitization in water consumption tracking were also implemented. The Company also achieved 99.2% waste-recycling ratio and has succeeded in eliminating unnecessary single-use plastics from its Head Office.

Flagship ESG Initiatives:

BAT Bangladesh stands as a trailblazer in the ESG landscape, embarking on its journey over four decades ago. The initiation of its afforestation programme, 'Bonayan,' in the 1980s, in collaboration with the Forest Department of the Bangladesh Government, marked the inception 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 125 million saplings to date. Currently, BAT Bangladesh's afforestation platform stands as the country's largest private sector-driven program of its kind. In 2023, 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 venture, 'Probaho,' (pure drinking water initiatives) extends its reach across approximately 23 districts. Originating as a response to the severe scarcity of safe drinking water caused by excessive arsenic contamination, Probaho has evolved into a lifeline for around 300,000 beneficiaries annually, providing a daily supply of approximately 600,000 liters of safe drinking water. In a significant expansion move in 2023, four new plants were established, amplifying the total count of Probaho plants to 121. A notable concentration of these newly established facilities in Satkhira addresses the challenges posed by salinity in those areas.

Introducing a self-sustaining model in Satkhira, Probaho aims not only to cover operational costs independently but also to enhance beneficiaries' ownership and create employment opportunities. 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 brought light to remote communities in Chattogram hill tracts with its solar home system project (Deepto). So far, the Company has installed 2,591 free solar-powered home systems in 25 villages in the off-grid areas in the country. The real success is seen in how these people's lives have improved.

Good Agricultural Practices:

Beyond our flagship ESG projects, BAT Bangladesh has forged a robust partnership with farmers, prioritizing agricultural sustainability by implementing national and global standards of good agricultural practices. Our Leaf Department works tirelessly with approximately 52,000 contracted farmers throughout the year in rural areas, aiming to ensure their sustainability and uplift livelihoods. The success of our contract farming system stands as a proven model, with the company consistently setting high standards in agricultural best practices that benefit communities in diverse ways.

The Leaf Department at BAT Bangladesh drives various initiatives for agricultural sustainability, including green manuring, Integrated Pest Management (IPM), Alternate Furrow Irrigation (AFI), riverine buffer protection, and affordable farm mechanization. As a responsible corporate entity, we have acted on the opportunity to uplift farmers' livelihoods, aligning with the agricultural sustainability agenda through collaboration with the Integrated Farm Management Components (IFMC) project of Department of Agricultural Extension (DAE).

Farmers' Productivity improvement in Sugarcane cultivation:

Other projects include farmer productivity improvement in sugarcane cultivation in the farmers' fields, which were implemented at the request of the Ministry of Industries. The Company established demonstration plots in several sugar mill zones and was able to increase sugarcane cultivation production from approximately 19 metric tonnes (mt) per acre to roughly 60 mt in the first year of 2022, and then to over 80 mt in the second year of 2023. This produced productivity improvement had generated huge enthusiasm within the agricultural community, resulting in increased sugarcane cultivation to support the government's programme, job creation, the profitability of sugar mills, and reduced sugar imports, resulting in significant foreign currency savings. The government has further requested the Company to continue the demonstration plots also in 2024 to generate more exposure and interest in the farming community.

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

GREAT PLACE TO BELONG

In 2023, BAT Bangladesh experienced a remarkable year, propelled by the steadfast dedication of our dynamic team. Our employees, considered our foremost asset, played a pivotal role in advancing sustainable business growth. Demonstrating unwavering commitment, we consistently pursued excellence, contributing to the company's unprecedented success and elevation to new heights.

BAT Bangladesh's employee value proposition, 'Be The Change' reflects our core message & purpose for our people. Furthermore, the transfer of knowledge and sharing of our expertise freely within BAT Group companies globally have become an intrinsic reflection of our culture and indicative of the quality of our resources.

In 2023, nineteen of our high performing managers have joined to other Companies in the BAT group. Currently, we have 62 such employees working across the globe representing our talent export strength.

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 with our ambassador program- XCEED, welcomed talented XCELERATE interns & inaugurated our exclusive platform – Supernova, to pave the path for females.

2023 was a milestone year for the pioneering business case competition Battle of Minds (BoM). We celebrated the legacy of the competition with the theme "Lead the Legacy". 3800+ Participants from 22 universities across the country battled for the title of Bangladesh winner, who would go on to represent the area in the global Battle of Minds rounds. The teams submitted their brilliant ideas in 4 themes; Energy, Bio, Tech and Inclusion. We continued to hold impactful campus engagements including STEM Connect where participants from STEM universities came under one roof. The top 300 participants were invited to a daylong bootcamp where the participants went to the market for researching on real products and brainstormed ideas. Top five teams competed in the grand finale and team IBA-DU was crowned the winner from Bangladesh. The team competed with 5 other teams in the global round and they went on to become the global runners-up holding the Bangladesh flag high.

BAT Bangladesh also spearheaded the APMEA campaign for battle of minds leading 16 markets through several cross-market events. Leaders' Symposium: a live online panel session with 5 panels consisting of industry experts, BAT managers and BoM alumni to guide participants through the four challenges. The symposium drew over 650 participants from 14 different markets. LinkedIn was also coloured orange for a week for a consolidated campaign from BoM alumni and 2023 participants. All of these efforts helped to achieve 1100+ pitch submissions from all of APMEA.

In 2023, overall, we welcomed 116 new recruits. Beyond the campus, we also focused on injecting future-fit capabilities by welcoming 13 cross-industry professionals.

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

and can graduate from the academy as a recruit in BATB or as a qualified resource in other factories. Till now we have 3 batches of apprentices in the academy with 450+ apprentices. Of them, 180 have graduated the academy 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 shows steadfast devotion to people practices across all domains of HR practices. This has led to BAT Bangladesh achieve 'Top Employer' certification for the fifth time in a row in 2023, as certified by the Top Employer Institute. 2023 was also the year in which we achieved strides in our overall Diversity & Inclusion agenda by a remarkable leap of 9% increase of female managers inside the organization.

To summarise 2023 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 is one of the pioneers of driving sustainability practices in the country and the organization is keen to maintain a safe working environment, foster safe behaviours, and ensure a positive impact on the environment throughout its business.

BAT Bangladesh is fully committed to ensuring the safety of the people who are associated with our overall operation, as well as minimizing impact on the environment; air, water, waste, soil, and natural resources to ensure a sustainable business. Being a responsible organization, major initiatives such as digital chiller operation, Online UPS, Automatic Voltage Controllers installation, water-efficient HVAC (Heating Ventilation, and Air Conditioning systems) energy efficient motors usage, condensate-free steam supply system installation, generator run-hour reduction, Reverse Osmosis plant installation, on-site solar power generation, and ensuring zero waste to landfill have been done for reducing energy consumption, increasing water recycling and proper disposal and recycling of waste materials which are vital to ensure sustainable operations. For developing a proper cultural mindset, communications and awareness programs based on environment and sustainability for managers, employees, and contractors are done throughout the year. Also, by integrating a world-class way of working all the relevant personnel are aligned and fully involved in the process of continuous improvement in a zero-loss mindset. Moreover, health and safety focused various training are arranged based on safe work practices on the production floor, in warehouses, in transportation management, and in offices. BAT Bangladesh is actively tracking all the local laws and regulations via a robust legal register to be compliant in Environment, Health, and Safety requirements.

In its effort to build A Better Tomorrow, BATB has maximized its contributions to Sustainable Development Goals. The Goals are often aligned with many of BAT's ESG agendas. For instance, Climate Action is being addressed by the Company's efforts to achieve carbon neutrality, improve processes for farmers to ensure better yield and less impact on the environment, water, and waste recycling efforts, water stewardship, adopting sources of renewable energy for electricity, and so on. These efforts address BAT's ESG agendas on climate change, biodiversity, afforestation, and water stewardship.

Similarly, clean water and sanitation, have always been the priority and BATB Bangladesh is addressing the need for clean water and sanitation, catchment good water governances internally and externally through the Alliance of Water Stewardship (AWS) program. BATB's Dhaka Factory and Green Leaf Threshing Plant became the first in Bangladesh to achieve AWS core certification. BATB Savar Factory, newest integration of BATB family has been designed keeping all the best practices of H&S and Sustainability. Thus, Savar Factory recently marked as compliant in sustainability audit along with the AWS core certification.

BATB has always put the well-being of all life on the land top priority which makes the Company perfectly aligned with Sustainability Development Goals. BATB also developed and maintaining the strong sustainability strategy to support the acceleration in line with 1.5 C Trajectory. By ensuring responsible use of terrestrial land, big efforts to stop and reverse the effects of deforestation with projects like BONAYAN, eliminating waste-to-landfill, and so on, BATB fulfils the ESG goals on Water and Biodiversity & Afforestation.

THE BOARD OF DIRECTORS

The Board of Directors at BAT Bangladesh is constituted by a diverse group of fifteen professionals, which includes ten Non-Executive Directors, three Independent Directors and two Executive Directors that helped to bring valuable experience from senior government officials and individual from the corporate world. This collective expertise is instrumental in guiding the company's strategic direction and ensuring the protection of stakeholder interests. Mr. Md. Azizur Rahman FCS, in his capacity as the Company Secretary, plays a pivotal role as the Secretary to the Board and oversees the functioning of its three crucial sub-committees: Audit, NRC (Nomination and Remuneration Committee), and CSR (Corporate Social Responsibility) Committee. This governance structure exemplifies a robust framework that aligns with industry best practices and regulatory standards.

We believe that the Company's Board is constituted with individuals possessing core competencies deemed relevant within the framework of BAT Bangladesh. All Directors have meticulously observed and complied with all regulatory requirements inherent to their Directorship,

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

- ▶ **Mr. Golam Mainuddin**
Chairman, (Non-Executive) Board of Directors
- ▶ **Mr. Shehzad Munim**
Managing Director & CEO
- ▶ **Ms. Zakia Sultana**
Non-Executive Director
- ▶ **Mr. Mohammad Salahuddin**
(Appointed on 25th January 2023)
Non-Executive Director
- ▶ **Mr. Shirajun Noor Chowdhury**
Non-Executive Director
- ▶ **Mr. A.K.M Aftab UI Islam FCA**
Non-Executive Independent Director
- ▶ **Mr. K. H. Masud Siddiqui**
Non-Executive Independent Director
- ▶ **Mr. Prof. M Harunur Rashid PhD**
(Appointed on 29th March 2023)
Non-Executive Independent Director
- ▶ **Mr. Md. Abul Hossain**
Non-Executive Director
- ▶ **Mr. Stuart Kidd**
Non-Executive Director
- ▶ **Mr. Gary Tarrant**
(Appointed on 29th March 2023)
Non-Executive Director
- ▶ **Mr. Wael Sabra**
(Appointed on 29th March 2023)
Non-Executive Director
- ▶ **Mr. Francisco Javier Toso Canepa**
(Appointed on 29th March 2023)
Non-Executive Director
- ▶ **Ms. Monisha Abraham**
(Appointed on 29th March 2023)
Non-Executive Director
- ▶ **Ms. Nirala Nandini Singh**
(Appointed on 6th May 2023)
Finance Director (CFO)

DIRECTORS PROPOSED FOR RE-ELECTION

Out of the 15 (fifteen) directors on the Board, Mr. K.H. Masud Siddiqui and Mr. A.K.M. Aftab UI Islam FCA were appointed as Independent Directors and their appointment already confirmed at the 50th Annual General Meeting (AGM). Prof. M Harunur Rashid PhD was appointed as Independent Director on 29th March 2023, whose appointment would be confirmed at the 51st AGM. Being the Independent Directors of the Company, they would not retire by rotation.

Mr. Gary Tarrant, Mr. Wael Sabra, Mr. Francisco Javier Toso Canepa, Ms. Monisha Abraham who were appointed to the Board as Non-Executive Directors and Ms. Nirala Singh who was appointed as Executive Director, after the last Annual General Meeting will retire at the upcoming AGM. Mr. Shirajun Noor Chowdhury, Non-Executive Director, will retire by rotation at the ensuing AGM. All the retiring Directors, being eligible, offer themselves for re-election at the 51st AGM. The Board recommends their re-appointment.

In accordance with Article 99A of the Articles of Association of the Company, Mr. Golam Mainuddin, having reached the age above 65 years, shall retire at the 51st AGM. However, being eligible, he is also proposed for re-election at the meeting for one year, i.e., until the conclusion of the 52nd AGM to be held in 2025.

BOARD COMMITTEES:

There are currently three sub-Committees of the Board, namely: Board Audit Committee; Board Nomination & 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 codes of corporate governance (CG) of BSEC. As required, the Report of the Audit Committee is included in this Annual Report. In 2023, the Committee comprised of Mr. A.K.M Aftab UI Islam FCA, (Chairman of the Committee), Mr. KH Masud Siddiqui, Ms. Zakia Sultana, Mr. Shirajun Noor Chowdhury. All the members of the Committee are Non-Executive Directors except the Chairman of the Audit Committee is an Independent Director. The Audit Committee met four times during the year 2023. Mr. Md. Azizur Rahman FCS, Company Secretary, served as the Secretary to the Audit Committee. The CFO and Internal Audit Manager, Tamzeed Ahmed attend the meetings by invitation.

The key activities and performance of the Audit Committee have been shown in the Audit Committee Report on page 141 of this annual report.

Board Nomination & Remuneration Committee

The Board has constituted a Nomination & Remuneration Committee (NRC) pursuant to code 6.1(a) of the codes of corporate governance of Bangladesh Securities & Exchange Commission (BSEC). As required, the Report of the Nomination & Remuneration Committee is included in this Annual Report. Mr. K. H. Masud Siddiqui served as the Chairman of the Committee during 2023. Other members of NRC are Mr. Golam Mainuddin and Mr. A.K.M Aftab UI Islam FCA. All members of the Committee are Non-Executive Directors, out of which two are Independent Directors. The Nomination & Remuneration Committee met Six times during the year 2023. Mr. Md.

Azizur Rahman FCS, Company Secretary, served as the Secretary to the Nomination & 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, Mr. Shehzad Munim, Mr. Mohammad Salahuddin, Dr. M Harunur Rashid 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 four times in 2023. The initiatives are aligned with the SDGs, and we are contributing to fulfilling the government's commitment. Moreover, in 2023 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 8th February 2024 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.

Based on the detailed discussion, the Board of Directors recommends a final cash dividend of 100% (BDT 10 per share, total BDT 540 crore) for 2023, to be approved at the ensuing 51st Annual General Meeting.

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 cash dividend shall be paid directly to the bank account within 15 days and not more 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 (thirty) 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 BSEC or other regulatory authority from time to time.

Tax on Dividend:

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

Principles of MI and PSI

As per the 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) has been formulated by the Board and uploaded to the company's website accordingly.

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 & SYSTEM OF INTERNAL CONTROL

As with other co-existing entities, the BATB business is also exposed to diverse risks that arise both from internal as well as external fronts. And because there is always a degree of uncertainty in our operations, the Board of Directors assures its shareholders that the Company has a competent risk management process to ensure that the system of internal control is sound in design and has been effectively implemented and monitored. Although it is possible that all risks to the business are not known at present, the Company takes reasonable steps to identify all material and financial risks that may hamper business results. The Company then systematically reviews those risks considering the changing internal and external environment to assess that controls that are in place are adequate to address those risks that are likely to hit the Company's business activities, operations, liquidity, and financial position for future performances.

Looking ahead, in view of the economic uncertainties, BATB may also adjust its business strategies in the future to adapt to global realities. This report further encloses a detailed discussion of the internal control framework under the Statement of Internal Control (page 156).

In light of the global economic crisis caused by the Russia-Ukraine war and other challenges, the Company adjusted its business strategies to adapt to global realities. The Company maintains a function-specific Company Risks Register in order to assess and mitigate internal and external risk factors affecting business operations. The cross-functional senior managers with the responsibilities of the process owners, as well as the Company's head of functions, identified and stringently reviewed the Risks Register. The Finance Director presented the Risks Register to the Audit Committee at its quarterly meeting for review and approval. The matters also discussed under the section on the internal control framework as outlined in the Statement on Risk Management and Internal Control of this Annual Report. Furthermore, in order to maintain a sustainable business, the Company tests the Business Continuity Plan (BCP) on a regular basis.

RELATED PARTY TRANSACTIONS

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 43 of

the Financial Statements on page no. 310 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 2023 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 IFRS as applicable in Bangladesh, have been followed in the preparation of the Financial Statements and any departure therefrom 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 CEO and CFO have certified to the Board that they have reviewed the financial statements and affirmed that these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
- ▶ The CEO and 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 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 is fraudulent, illegal, or in violation of the Company's code of conduct.

MATERIAL INFORMATION:

Writ Petition on Low Segment Price Tk 27/35

In January 2019, a competitor filed a writ petition against the Government and NBR by which it initially challenged the failure of the Government to implement the closing budget speech of the Hon'ble Finance Minister dated 27 June 2018 and reserving low segments for local brands. Thereafter, the competitor instead challenged the exclusion of protection given to local brands of cigarettes 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 the addition of party application. Upon hearing on multiple occasions, the High Court (HC) passed judgment on the matter on 21 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 & 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 the High Court judgment is stayed, the LTU proceeding shall also be deemed to have been stayed.

OTHER REGULATORY DISCLOSURES

Pursuant to the BSEC Notification on 'Code of Corporate Governance' (CG) 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 42 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 279 of the Annual Report;
- ▶ No significant variations have occurred between quarterly and final financial results of the Company during 2023;
- ▶ During the year, the Company has paid a total amount of BDT 0.69 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 2023;
- ▶ During 2023, a total of 8 (eight) 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;
- ▶ 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 2023 are shown in Annexure-1 to this report; and
- ▶ Directors' profiles have been included in the Annual Report (page 34-49) as per BSEC Guidelines.
- ▶ Declaration or Certification by the CEO and the CFO as required BSEC Code (condition No. 3(3) & Annexure-A) disclosed under 'Certificate of Due Diligence' on page 97 in the Annual Report.

- ▶ The report as well as certificate regarding compliance conditions of the BSEC Code as required (condition No.9, Annexure-B & C) disclosed on page 84 in the annual report.

CORPORATE GOVERNANCE COMPLIANCE STATEMENT

The Board of Directors of BAT Bangladesh acknowledges that the Company, being a listed business entity, it has a role to play in upholding the interests of all its stakeholders. Improved and advanced governance practices are indispensable ingredients for an accomplished performance. The Company believes that a nurtured governance regime is essential to success and sustainability. Accordingly, the Board of Directors and Management are pledge-bound to continue the implementation of the highest standards of governance of the Company through a culture of accountability, transparency, ethical business conduct and well-understood policies and procedures. The Board of Directors of BAT Bangladesh has always played a pivotal role in meeting all stakeholders' interests and is committed to upholding the same in the future as well. It is the responsibility of the Company Secretary, being the highest governance official in the Company, to ensure effective compliance with rules and regulations and proper timely disclosures in this respect.

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

In this respect, we have the pleasure to confirm that the Company has complied with all the necessary directives under BSEC CG Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated the 3rd June 2018. Few provisions on the responsibilities and obligations of Independent Directors of the Company inclusion to the Code. The Compliance Report along with the necessary remarks and disclosures is appended in this Annual Report for the year 2023. Further, a Certificate of Compliance is required under the said CG codes, as provided by Mohammad Sanaulah & Associates, Chartered Secretaries, is also annexed to this report.

A comprehensive Corporate Governance Compliance Statement of the Company is included on page 85-96 of this annual report.

FINANCIAL STATEMENTS

The Board of Directors of British American Tobacco Bangladesh Company Limited would like to inform that the Financial Statements containing the audited accounts for the year ended 31st December 2023 are in conformity with the requirements of the Companies Act, 1994, IAS and IFRS as adopted and applicable, Securities & 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, KPMG Rahman Rahman Huq, Chartered Accountants, shall retire at the 50th Annual General Meeting.

As per the BSEC's Order, dated 27 July 2011 that the Company shall not appoint a statutory auditor(s) for a consecutive period exceeding three financial years. KPMG Rahman Rahman Huq has been working with the Company as the Statutory Auditor for three consecutive years. Therefore, the Audit Committee considered on 7th February 2024 regarding the appointment of new statutory auditor A. Qasem & Co, Chartered Accountants, of the Company for 2024.

Based on suggestions of the Audit Committee, the Board recommends the appointment of A. Qasem & Co, Chartered Accountants, as the statutory auditors of the Company for the year 2024 at a remuneration of Tk. 1,550,000 (Taka fifteen lac and fifty thousand) plus VAT and requests shareholders to approve the appointment.

COMPLIANCE AUDITOR

Pursuant to code 9.2 of the codes of corporate governance issued by BSEC, the shareholders at the 50th Annual General Meeting (AGM) had appointed Mohammad Sanaullah & Associates, Chartered Secretaries as the Compliance Auditor of the Company for the year 2023.

The Board of Directors, based on an audit committee review, recommended to the shareholders in the 51st AGM the appointment of Mohammad Sanaullah & Associates, Chartered Secretaries, as the Company's Compliance Auditor for the year 2024.

INDUSTRY OUTLOOK & FUTURE PROSPECTS

The tobacco industry in Bangladesh has a vital role in the nation's economic landscape, serving as a substantial

source of employment, particularly in rural areas, encompassing tobacco cultivation, production, trade, and distribution. Annually, the government institutes adjustments to tobacco prices and taxes through the national budget, thereby augmenting its economic significance. Notwithstanding a general decline in tobacco consumption due to health warnings, there is a discernible shift among smokers towards alternative products, such as vaping and Biri to filter cigarettes, as a proactive measure to mitigate health risks. Paradoxically, amidst an overall reduction in the number of smokers, the instances of female smokers are exhibiting an upward trajectory in Bangladesh.

Furthermore, Bangladesh is strategically positioned to harness significant export opportunities in the industry of tobacco, including leaf, cut rag and cigarettes capitalising on its inherent cost competitiveness and commitment to high product quality. Following the success of the ready-made garments industry, the tobacco sector holds substantial potential to carve out a formidable position in the global export market, contributing significantly to the nation's foreign currency earnings. This confluence of cost-effectiveness and quality positions the country favorably to meet international demand, thereby diversifying its export portfolio and fortifying economic growth in line with the government initiatives through the worldwide trade of tobacco-related products.

Within the Bangladeshi context, an emergent niche market is discernible, propelled by the burgeoning demand for innovative tobacco products, notably in vaping. This trend mirrors evolving consumer preferences and presents fertile ground for innovation within the tobacco industry. Additionally, the prospect of 100% export-oriented tobacco factories expanding underscores the escalating export opportunities for cigarettes. This strategic emphasis on export-oriented development aligns seamlessly with the evolving dynamics of the global tobacco market, positioning Bangladesh strategically to harness its inherent strengths in meeting the increasing international demand for a diverse array of tobacco-related products.

BUSINESS COMMITMENTS FOR SUSTAINABLE GROWTH

BAT Bangladesh, a legally established corporate entity and a cornerstone of Bangladesh's corporate landscape, holds a prominent status as the largest contributor to government tax revenue. Its substantial contributions to the rural economy underscore its unequivocal socio-economic impact, a legacy cultivated over 113 years wherein the company has played a transformative role in advancing the nation's economic trajectory. BAT Bangladesh as a corporate citizen has always has the hold of on goodwill and remains steadfast in preserving its esteemed connections with the Government of Bangladesh, shareholders, and other stakeholders.

During the year 2023, BAT Bangladesh made a noteworthy contribution of BDT 32,802 crore to the Government treasury through tax, including Supplemental Duty, Value-Added Tax, Income Tax, Customs Duty, and other levies. This exemplifies the company's augmented role in bolstering gross exchequer collections. Concurrently, BATB has consistently demonstrated a commitment to excellence in shareholder value creation, maintaining a robust financial position that serves as a prudent buffer against potential challenges in the evolving operational landscape.

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.

BATB's comprehensive sustainability strategy delineates meticulous action plans to curtail the environmental footprint, complete with distinct reduction targets for Scope 1, 2, and 3 emissions. The overarching objective is to achieve carbon neutrality by 2030, showcasing the company's unwavering commitment to environmental stewardship, community support, and adherence to industry-leading corporate governance standards. Upholding ethical standards is intrinsic to the company's ethos, with an unwavering commitment to these principles underpinning its corporate conduct.

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 & Digital Technology Specialist Team.

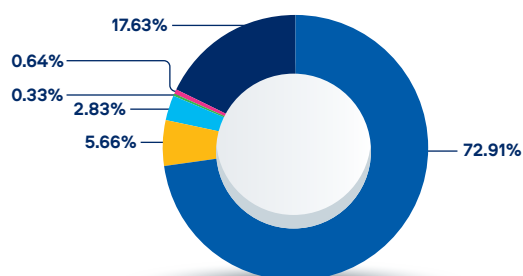
CREDIT RATING STATUS

The Board considered the Credit Rating Result 2023 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 2023:

Long Term	Short Term	Outlook
AAA	ST-1	Stable

SHAREHOLDERS INFORMATION & RIGHTS

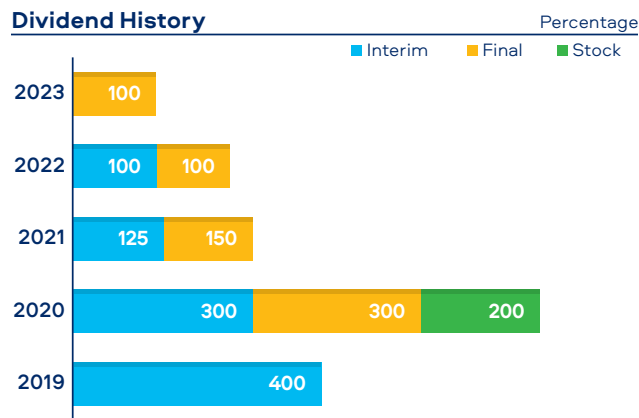
Shareholding Pattern as on 31st Dec 2023



Raleigh Investment Co. Ltd., UK Investment Corporation of Bangladesh
 Sadharan Bima Corporation Bangladesh Development Bank Limited
 President People's Republic of Bangladesh Others

NB: Further detailed information of the shareholders is given on page 164-165 of this annual report.

Dividend History



GOOD GOVERNANCE FOR SHAREHOLDERS' RIGHTS

Good governance is about separating ownership and control. Shareholders own the company's shares, but its directors are responsible for the company's business, which is operated by the management according to

delegations of authority, ensuring the best interests of shareholders and other stakeholders.

The common shareholders' rights are attending shareholder meetings, voting power, ownership of their shares & transferring shares, a claim to dividends, inspecting the financial statements along with the

auditor's report, having minutes of shareholders' meetings, requesting an annual report, and protecting wrongful acts as per the Companies Act 1994.

EXTRA ORDINARY EVENTS

- ▶ An Extraordinary General Meeting (EGM) of the Company held on 29th March 2023 to amend Article 77 of the Articles of Association of the Company and to pass a Special Resolution "Article 77: Unless and until otherwise determined by the Company in General Meeting the number of Directors shall not be less than five nor more than fifteen."
- ▶ According to the BSEC CMSF Rules 2021, Capital Market Stabilization Fund (CMSF) it its letter dated 26th October 2023 appointed ACNABIN, Chartered Accountants as an auditor (s) for conducting audit with regard to cash or stock dividend or rights shares or public offering subscription money lying unclaimed or undistributed or un-allotted held with British American Tobacco Bangladesh Company Limited for 5 years (i.e. for the period 2008, 2009, 2010, 2019 and 2020). The outcome of the audit was satisfactory and compliant.
- ▶ In accordance with BSEC CMSF Rule 2021, the Unclaimed Stock Dividend (173,824 shares) and Unclaimed Cash Dividend (BDT 6.87 crore) of the shareholders have been transferred to the CMSF. Nonetheless, the unclaimed dividends may be reclaimed by the respective shareholders. The list of unclaimed dividend has been uploaded to the company's website.

AWARDS & RECOGNITION

In 2023, our commitment to responsible corporate stewardship, value creation, and governance excellence garnered widespread recognition from esteemed institutions, both domestically and internationally. Among the accolades bestowed upon our company are the following prestigious awards and recognitions: [Here, you could list the specific awards received, providing details of each honor and its significance.] These achievements underscore our unwavering dedication to excellence across all facets of our operations and serve as a testament to the collective efforts of our team in driving sustainable growth and fostering trust among stakeholders. We remain steadfast in our pursuit of excellence and look forward to continuing to deliver exceptional value while upholding the highest standards of governance and compliance. The following honors were bestowed to the Company in 2023:

- ▶ Top Employer Award from Top Employers Institute for consecutive five years
- ▶ Highest Taxpayer Recognition by National Board of Revenue (NBR)

- ▶ ICAB National Awards for Best Presented Annual Report
- ▶ ICAB National Awards for Corporate Governance
- ▶ SAFA Award for Best Presented Annual Report
- ▶ SAFA Award for Corporate Governance
- ▶ ICMAB Best Corporate Award
- ▶ SDG Brand Champion Award in Climate and Environment
- ▶ SDG Brand Champion Award for Decent Work & Economic Growth

EXPECTATIONS IN 2024 AND BEYOND

Our unwavering confidence of the capacity to achieve results in challenging circumstances has been substantiated by the exceptional operational and financial success attained in 2023.

Throughout the year, the Company accorded utmost priority to safeguarding the health and well-being of its employees, concurrently ensuring the organization's steadfastness in meeting strategic objectives. Despite prevailing macroeconomic challenges, we maintain unshakeable faith in the team's resilience and competence to overcome obstacles, upholding our commitment to all stakeholders. Our optimism extends to the enduring prospects of Bangladesh, anticipating sustained growth over the medium and long term.

BAT Bangladesh has consistently operated as a people-centric and socially responsible organization. Positioned closely to the market, the Company aspires to deliver preferred quality products to consumers. With a robust innovation capacity and an adeptness in meeting the choices and tastes of adult consumers, the Company remains unwavering in its commitment to sustainable growth.

Integral to our organizational values is a commitment to sound Environmental, Social, and Governance (ESG) practices. Sustainability has been foundational to our principles, underscored by the comprehensive launch of an ESG strategy in 2023.

By 2027, the company aims to achieve a 90% water recycling rate across its sites. Additionally, it strives to achieve zero waste-to-landfill at all manufacturing sites, eliminate the use of all unnecessary single-use plastic, and obtain Alliance for Water Stewardship certification for all manufacturing locations.

The 2027 targets also include a 55% reduction in water withdrawn (based on the 2017 baseline) and a 60% reduction in carbon emissions for Scope 1 and 2 (based on the 2020 baseline). Looking ahead to 2030, BATB aspires to attain carbon neutrality for Scope 1 and 2 emissions

and ensure that 50% of the energy used at its sites comes from renewable sources. These targets reflect the company's dedication to advancing environmental sustainability and reducing its ecological impact.

We commend the Government's proactive measures to curtail the growth of the illicit cigarettes market, foreseeing positive impacts on future Government revenue. As one of Bangladesh's most valuable listed companies, we remain resolute in emulating global best practices in governance, sustainability, corporate citizenship, and value creation.

Looking ahead into 2024 and beyond, BAT Bangladesh is committed to sustaining the same level of enthusiasm that has characterized our journey over the past 113 years. Our focus remains on fundamental aspects, including maintaining our status as the foremost locally listed Company in terms of turnover, collaborating with the national exchequer for enhanced value creation, and operating as a socially aware enterprise intricately connected to our communities.

ACKNOWLEDGEMENTS

BAT Bangladesh's 2023 end-of-year performance showcases a steadfast commitment to resilience and sustainable value creation in the face of challenges. The

achievement is a testament to the dedication of the Board, Management, and employees.

This success goes beyond customer acknowledgment, recognizing the diligent efforts of employees, business partners, contracted farmers, and other stakeholders ensuring operational excellence.

As the year concludes, the Board expresses sincere gratitude to the Government of Bangladesh, specifically acknowledging key ministries and regulatory bodies that includes the Ministry of Finance, Ministry of Industries, Ministry of Commerce, Ministry of Agriculture, Ministry of Labour and Employment, and Ministry of Forest & Environment etc.

The Board warmly appreciates the management and employees, acknowledging them as the backbone of BATB. Their unwavering commitment and diligence were instrumental in achieving a solid all-round performance in 2023, leaving a lasting impact.

We take pride in these collective achievements and express gratitude to all contributors, anticipating continued support as we propel BATB forward to solidify its position as a leading company in Bangladesh.

On behalf of the Board of Directors



Golam Mainuddin
Chairman



Shehzad Munim
Managing Director



Md. Azizur Rahman FCS
Company Secretary

8th February 2024