

ABOVE & BEYOND



AB BEY



Online references:

<http://www.ceylontobaccocompany.com>

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view this report online.



ABOVE & BEYOND

At Ceylon Tobacco Company PLC, our strategic focus is on fostering Environmental, Social and Governance initiatives. Our focus also goes beyond meeting sustainability expectations and has ensured consistent performance over the years.

Our commitment to the Company's ESG values sets us apart, driving superior performance and impact. This commitment initiates a ripple effect extending beyond our organisational boundaries - positively influencing livelihoods, cultivating robust partnerships, and significantly contributing to the national economy. This Report stands as a testament to our continuous commitment to go above and beyond for our stakeholders. It reflects our steadfast ambition to not just meet, but to also surpass expectations, setting elevated standards for sustainable value across our extensive stakeholder network.

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FOCUSED & COMPETENT

Our commitment lies in implementing a focused and competent value creation model that optimises our brands and products - extending to sustain our stakeholders, planet and communities.

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ABOUT OUR REPORT

WE PRESENT HERewith OUR ANNUAL REPORT OF 2023, A BALANCED AND CONCISE ASSESSMENT OF HOW WE CREATED VALUE DURING THE YEAR, OUR STRATEGIC IMPERATIVES AND OUR PERFORMANCE AGAINST FINANCIAL AND NON-FINANCIAL OBJECTIVES.

We are pleased to present herewith our Integrated Annual Report for 2023, which provides a balanced and concise assessment of our operations and performance during the year. In identifying matters to be reported, we have applied the concept of materiality, which focuses on aspects that are deemed to have the greatest impact on the economy, environment and our people. The process for determining materiality is described further on page 44 of this Report.

SCOPE AND BOUNDARY

This Report covers the operations of Ceylon Tobacco Company PLC (referred to as "CTC", "the Company", "we" or "our") for the period from 1 January 2023 to 31 December 2023, including material developments until the sign off date of 19 April 2024. The Company adopts an annual reporting cycle, and this Report builds on the Company's previous Report for the year ending 31 December 2022. There is no material restatement of information given in last year's Report nor any significant changes to the Company's organisational structure, operations and/or supply chain during the year.

REPORTING FRAMEWORKS

The Report has adopted the following statutory and voluntary reporting frameworks

- Integrated Reporting Framework of the International Integrated Reporting Council
- Sri Lanka Financial Reporting Standards
- Companies Act No. 7 of 2007
- Listing Rules of the Colombo Stock Exchange (CSE)
- Global Reporting Initiative (GRI) Standards
- United Nations Sustainable Development Goals (SDG)
- Sustainability Guide on ESG Reporting issued by the CSE
- Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2023)

ASSURANCE

We adopt a combined assurance model to ensure the integrity of the information provided in this Report. Assurance on the Company's financial statements has been provided by Messrs. KPMG. Non-financial information is reported in line with Board-approved policies and procedures. All processes are monitored by the Internal Audit team.

CTC's Greenhouse Gas Emission was verified through BAT Group level assurance, while the 'Verification of Compliance of the Greenhouse Gas Compensation Process' was carried out by the Totum Institute of Business Development and Management LTDA, based on the requirements of the PAS 2060:2014 standard.



H.D. Jayaram

Signed by the
Audit Committee
Chairman, on behalf
of the Board

Navigating Our Report

The Report has been structured to reflect the Company's key strategic priorities and the progress made in each strategic pillar. In order to depict connectivity between our strategic priorities and the capitals used for value creation, the following icons have been used throughout the Report.

STRATEGIC PRIORITIES

-  Leveraging Our Brands
-  Stronger Distribution Channels
-  Tackling Illicit Trade and Beedi
-  Achieving Manufacturing Excellence
-  Ensuring a Secure Supply Chain
-  ESG in Focus

STAKEHOLDERS

-  Shareholders
-  Employees
-  Adult Consumers
-  Suppliers
-  Government
-  Community

DIRECTORS' RESPONSIBILITY

The Board hereby confirms that CTC's Integrated Annual Report of 2023 addresses all material issues and fairly reflects the Company's integrated performance and value creation. The Board also confirms that this Report has been prepared in accordance with the Integrated Reporting Framework. The Board approves this Report and its publication on 19 April 2024.

For enquiries on this Report, please contact the Assistant Company Secretary:

 Telephone No : +94 112 496200

 E-mail : contact_ctc@bat.com

CAPITALS



Financial
Capital



Manufactured
Capital



Human
Capital



Social and
Relationship
Capital



Intellectual
Capital



Natural
Capital

OUR GROWTH JOURNEY

OUR LONG-STANDING HISTORY IS SHAPED BY OUR ETHOS OF CREATING SHARED VALUE FOR ALL OF OUR STAKEHOLDERS.



1906
British American Tobacco p.l.c. (BAT) opened its office in Ceylon (Sri Lanka)



1927
BAT set up its first cigarette factory in Bloemendhal



1932
Incorporation of Ceylon Tobacco Company (CTC)



1937
CTC launched its first scheme to cultivate cured Virginia Tobacco in collaboration with the Department of Agriculture



1940
CTC relocated its manufacturing plant to its Head Office at Korteboom Street, Kotahena



1954
CTC became a Public Limited Liability Company, listed on the Colombo Stock Exchange



2002
Adoption of Statement of Business Principles developed by BAT



2006
Launch of the Sustainable Agriculture Development Programme (SADP) – our flagship sustainability project



2020
Unveiled new corporate logo in March 2020, aligned with BAT's new brand identity



2021
Became the 1st end market within the BAT Group to achieve carbon neutrality in Scopes 1 & 2 GHG emissions, across its Depots, Green Leaf Threshing Plant, Colombo Factory and Commercial sectors



WHERE WE ARE TODAY



A subsidiary of British American Tobacco p.l.c. (BAT), Ceylon Tobacco Company PLC (CTC) has been operating in Sri Lanka since 1906 and is Sri Lanka's only licensed manufacturer of cigarettes. As one of the largest individual tax contributors to the Government, a significant value injector to the rural economy and one of the most valuable companies in the Colombo Stock Exchange (CSE), the Company continues to contribute significantly to the country's economic progress.



CTC's values and unwavering commitment to strong governance has, over the years, earned us a reputation of a responsible corporate entity that prioritises stakeholder well-being.



Consumer Focused

A portfolio of 14 Stock Keeping Units (SKU) and 4 Brands enable us to satisfy the evolving needs of our adult consumers.



Socially Conscious

Over 300,000 livelihoods are supported through our extensive tobacco leaf supply chain, distributor and trader network.



Environmentally Responsible

Carbon neutral in Scopes 1 & 2 GHG emissions across its Depots, Green Leaf Threshing Plant, Colombo Factory and Commercial sectors.



Employee-Friendly

Employing 249 permanent employees across the country, CTC continues to add value to its employees lives with a holistic value proposition.



Economic Contribution

One of the highest tax revenue contributors to the State and one of the most valuable companies listed on the CSE.

HOW WE CREATE VALUE

The Value Creation model below depicts how we transform our capital inputs to deliver stakeholder outcomes.



	Our Outputs	Stakeholder Outcomes	Stakeholders Impacted
	Profit Before Tax Rs. 46.1 Bn		 
	Dividend Per Share Rs. 147.64	Sustainable and Superior Returns	 
	Contribution to Government Taxes Rs. 160.6 Bn	Economic Empowerment	
	Total Payments to Employees Rs. 2.6 Bn	A Dynamic, Inspiring and Purposeful Place to Work	 
	Payments to Contracted Tobacco Farmers Rs. 1.5 Bn	Economic Empowerment	 
	Distributors 11		
	Retailers and Traders Across the Island 68,670		
	CSI Investments Rs. 166 Mn	Community Development and Reduced Overall Environmental Impact	
	Solar Power Generated 445 MWh		

BOARD OF DIRECTORS



SURESH SHAH
Chairman and Independent
Non-Executive Director



KUSHAN D'ALWIS PC
Independent Non-Executive
Director



YUDHISHTRAN KANAGASABAI
Independent Non-Executive Director
(resigned w.e.f. 31 January 2024)



SYED MUHAMMAD ALI ABRAR
Executive Director
(resigned w.e.f. 1 April 2023)



TOWHID AKBAR
Executive Director
(appointed w.e.f. 1 April 2023)



USMAN ZAHUR
Non-Executive Director
(resigned w.e.f. 1 July 2023)



HARIN DE SILVA WIJEYERATNE
Independent Non-Executive Director
(appointed w.e.f. 1 February 2024)



RUMANA RAHMAN
Non-Executive Director



STUART KIDD
Non-Executive Director



GARY TARRANT
Non-Executive Director
(appointed w.e.f. 1 July 2023)



MONISHA ABRAHAM
Managing Director & Chief
Executive Officer
(resigned w.e.f. 15 April 2024)



FARIYHA SUBHANI
Managing Director & Chief
Executive Officer
(appointed w.e.f. 15 April 2024)

BOARD OF DIRECTORS

SURESH SHAH

Chairman and Independent
Non-Executive Director

Current Appointments

Board Member of Carson Cumberbatch PLC, Bukit Darah PLC, Hunters PLC, and Lanka Canneries (Pvt) Ltd. He also heads the Government of Sri Lanka's state-owned Enterprise Reform programme.

Past Appointments

Mr. Suresh Shah served as the CFO of Lankem Ceylon PLC and United Motors PLC. He has also served as Chairman of the Ceylon Chamber of Commerce and the Employers' Federation of Ceylon, and as a Commissioner of the Securities and Exchange Commission (SEC) of Sri Lanka, and Member of the Monetary Policy Consultative Committee of the Central Bank of Sri Lanka and on the Council of the University of Moratuwa.

Skills and Experience

Mr. Shah is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and brings a wealth of business acumen, serving as Director on the Board of reputed blue-chip Carson Cumberbatch PLC since 2002, Director/CEO of Ceylon Beverage Holdings PLC since 1991, and Lion Brewery Ceylon PLC since its inception in 1996.

KUSHAN D'ALWIS PC

Independent Non-Executive
Director

Chairman of the Remuneration Committee, and Corporate Social Investment Steering Committee, and Member of the Audit Committee, and the Related Party Transactions Review Committee.

Current Appointments

A Member of the Board of Directors of Lanka Hospitals Corporation PLC

and National Development Bank PLC, which are listed companies on the CSE.

Past Appointments

Mr. Kushan D'Alwis was a Member of the Law Commission of Sri Lanka from 2011 to 2015. He was also a Member of the Panel of Legal Advisors to the Tax Appeals Commission. He has served as a Member of the Public Representations Committee on Constitutional Reform, appointed by the Cabinet of Ministers. He has also served as the Vice Chairman of the Civil Aviation Authority of Sri Lanka. Mr. D'Alwis also served as Chairman of the Office of the National Unity and Reconciliation (ONUR) of Sri Lanka and was also a Director of the Colombo Lotus Tower Management Company (Pvt) Ltd, and a Member of the Financial System Stability Consultative Committee of the Central Bank of Sri Lanka.

He has also served as a Member of the Board of Investment of Sri Lanka. Mr. D'Alwis served as a Member of the Committee appointed by His Excellency the President, to reformulate the guidelines regarding the appointment of President's Counsels. He was also a Member of the Committee appointed by the Ministry of Defence to review the Issuance of Frequency Permits for Television & Radio Broadcasting and related procedures. He was also a Member to the Standing Committee on Accreditation and Quality Assurance under the Ministry of Education.

Skills and Experience

Mr. D'Alwis took oaths as an Attorney-at-Law in 1985 and has been in active practice for over 37 years. He was conferred Silk and took oaths as President's Counsel in November 2012.

Mr. D'Alwis specialises in civil, corporate, commercial, and administrative law in both the Original and Appellate Courts of Sri Lanka. Furthermore, he has been actively involved in Alternate Dispute Resolution (ADR) mechanisms such as arbitrations and advising on corporate legal matters, regulatory frameworks, compliance requirements, and legal due diligence.

YUDHISHTRAN KANAGASABAI

Independent Non-Executive
Director (resigned w.e.f. 31
January 2024)

Chairman of the Audit Committee, Related Party Transactions Review Committee, Nominations and Governance Committee, Member of the Remuneration Committee, and Corporate Social Investment Steering Committee.

Current Appointments

Independent Non-Executive Director and Chairman of the Board Audit Committee of Ambeon Capital PLC, Peoples Leasing & Finance Company PLC, MainGate (Private) Limited, and Eswaran Brothers Exports (Private) Limited. Independent Non-Executive Director of Cargills Bank PLC and Non-Executive Director and Chairperson of the Audit Committee of Millennium IT (Pvt) Limited, and Colombo City Holdings PLC. He currently serves as Chairman of Taprobane Capital Plus Limited.

Past Appointments

Mr. Yudhishtan Kanagasabai was a Senior Partner/Chief Executive Officer of PricewaterhouseCoopers in 2006. He was also a Non-Executive Director and Chairman of the Board Audit Committee of Union Bank PLC (a Texas Pacific Group subsidiary), Independent, Non-Executive Director and Member of

the Board Audit Committee of Hunter and Company PLC, Non-Executive Director and Member of the Board Audit Committee of Lanka Canneries Limited, and Commissioner of the Insurance Regulatory Commission of Sri Lanka. He also served as a Non-Executive Director and Member of the Audit Committee of Cargills Food Company (Private) Limited and Cargills Ceylon PLC, and was the Chairman of Dankotuwa Porcelain PLC.

Skills and Experience

Mr. Kanagasabai served PricewaterhouseCoopers since its inception in 1981 and has held progressively responsible positions before being appointed as Senior Partner/Chief Executive Officer in 2006, a position he retired from in 2017. He elevated the profile of both the Sri Lankan and the Maldives practices of the firm to consistently provide quality solutions to clients within appropriate standards and applicable best practices. Mr. Kanagasabai has extensive knowledge of current economic, social, and regulatory issues. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka.

HARIN DE SILVA WIJEYERATNE

Independent Non-Executive Director (appointed w.e.f. 01 February 2024)

Chairman of the Audit Committee, Related Party Transactions Review Committee, and Nominations and Governance Committee, and Member of the Remuneration Committee, and Corporate Social Investment Steering Committee.

Current Appointments

Director of DFCC Bank, and Trans Asia Hotels PLC, and Chairman of the Audit Committee of the same Organisations.

Audit Committee Chairman of MAS Holdings, Director of the Gamini Corea Trust and also, Trustee of the SLINTEC Endowment Trust Fund. Remains the Founder/ Owner of Avastha Financial Advisory Services and is also the Co-Founder of Kalyana, a mental health advocacy group.

Past Appointments

Mr. Harin De Silva Wijeyeratne counts over 30 years of experience in the fields of general management, financial management and auditing, which has been acquired while being employed at Investcorp Bank, Bahrain, Grindlays Bahrain Bank, Ernst & Young, Bahrain and Ernst & Young, Sri Lanka. In addition, he has also held the position of Chief Executive Officer of the Sri Lanka Institute of Nanotechnology (Pvt) Limited (SLINTEC), for over five years (2013 to 2019). He was an Independent Director of Union Assurance PLC and was also the Chairman of the Board Audit and Compliance Committee and retired after completing nine years of service, in September 2020.

Skills and Experience

Mr. Wijeyeratne is an Associate Member of The Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants, UK.

RUMANA RAHMAN

Non-Executive Director

Member of the Nominations and Governance Committee.

Current Appointments

Regional Head of Talent, Culture & Inclusion, APMEA.

Past Appointments

Ms. Rumana Rahman previously served as Head of HR, BAT Bangladesh.

Skills and Experience

Ms. Rahman has extensive experience in Human Resource Management, leading HR in 35 countries of APMEA. Her capabilities include talent development, employer brands, organisational development, HR transformation, and change management. She was the first South Asian female and first Bangladeshi to be appointed to the BAT APMEA Regional Leadership Team and is the first South Asian female leader of the top 120 leaders of the BAT Group. She was recognised as the 'Most Inspiring Woman Leader' by Brand Forum in 2016.

STUART KIDD

Non-Executive Director

Current Appointments

Finance Director, APMEA - BAT and Non-Executive Director of BAT Bangladesh.

Past Appointments

Mr. Stuart Kidd has held several senior Finance roles across markets including New Zealand, Vietnam, United Kingdom, Hong Kong, Switzerland, and Japan.

Skills and Experience

Mr. Kidd has over 20 years of experience across diverse BAT markets, including several successful stints as Finance Director; most recently, in Japan, where he successfully contributed to BAT's New Category growth and business transformation agenda. He has also been involved in mergers and acquisitions across the Region. Mr. Kidd holds a Bachelor of Commerce from the University of Auckland and is a Certified Chartered Accountant.

BOARD OF DIRECTORS >>

SYED MUHAMMAD ALI ABRAR

Executive Director
(resigned w.e.f. 1 April 2023)

Current Appointments

Head of Finance - Pakistan

Past Appointments

Mr. Ali Abrar joined BAT in 2005. During his stint at BAT, he has performed in various capacities within the Finance function across several geographies in a multicultural environment. Having a rich and diverse experience profile, he has a proven track record of driving sustainable value growth for the Group's businesses in Pakistan, South Asia, South Pacific, Middle East, and BAT's Global Business Services hub in Malaysia. Throughout his career, Mr. Abrar has been instrumental to business performance and on target delivery of many strategic initiatives. Over the years, he has established himself as a Finance professional who leverages his functional expertise and commercial acumen to drive the strategic agenda, both in terms of business growth, as well as talent development. He joined CTC as Finance Director in September 2021.

Skills and Experience

Mr. Abrar holds a Bachelor's Degree from the National University of Science and Technology, Pakistan and an MBA from the Institute of Business Administration, Pakistan.

TOWHID AKBAR

Executive Director
(appointed w.e.f. 1 April 2023)

Member of the Corporate Social Investment Steering Committee.

Current Appointments

Finance Director, Ceylon Tobacco Company PLC.

Past Appointments

Mr. Towhid Akbar joined British American Tobacco (BAT) in 2007 as a Territory Officer in the Trade Marketing team. After a cross-functional move to Finance, Mr. Akbar gained a wealth of experience, working in diverse markets and roles across the BAT operations. His assignments in Taiwan, Vietnam, the Global Business Services hub in Malaysia, and Group Internal Audit teams have helped him grow as an agile and knowledgeable expert in his field. As a Senior Manager, Towhid supported the unlocking of sustainable value growth across the business. His contribution towards the delivery of numerous strategic commercial initiatives and the strengthening of the Group talent pipeline were well commended. Before moving to CTC, Mr. Akbar held the position of Commercial Finance Controller – Marketing, at BAT Bangladesh.

Skills and Experience

Mr. Towhid Akbar is a Fellow Member of the Association of Chartered Certified Accountants (FCCA) and holds two Master's Degrees; one from the University of London, United Kingdom, and the other, from the Institute of Business Administration, Bangladesh, respectively.

USMAN ZAHUR

Non-Executive Director
(resigned w.e.f. 1 July 2023)

Member of the Audit Committee, Related Party Transactions Review Committee, and Remuneration Committee.

Current Appointments

Area Director, Central Europe, and General Manager, BAT Germany w.e.f. 1 April 2023.

Past Appointments

Mr. Usman Zahur has served as Managing Director & CEO of Pakistan Tobacco Company since January 2020. In 2012, Mr. Zahur was appointed Head of Marketing for BAT Bangladesh. In 2015, he moved to BAT Globe House, London and was instrumental in developing the 'KENT' brand. Mr. Zahur was later appointed as Area Marketing Director for the South Asia Cluster and Deputy Managing Director of Pakistan Tobacco Company Limited in 2017. He was also Area Director of BAT Asia Pacific Global Travel Retail and the Company Chairman of CTBAT, a JV company of BAT with CNTC.

Skills and Experience

Mr. Zahur joined Pakistan Tobacco Company 21 years ago and since then, has held various senior marketing positions in the areas of brands, trade, and strategic planning & insights across different markets. He played a key role in building and deploying the KENT Next Generation Product Agenda in Romania and Japan. Mr. Zahur has led the New Category growth agenda for New Zealand, Indonesia, Taiwan, Vietnam, and China as Company Chairman of CTBAT.

GARY TARRANT

Non-Executive Director
(appointed w.e.f. 1 July 2023)

Member of the Audit Committee, Related Party Transactions Review Committee, and Remuneration Committee.

Current Appointments

Regional General Counsel and Head of Legal & CORA

Past Appointments

Prior to taking on his current role Mr. Gary Tarrant was Head of Legal & External Affairs for the Middle East

Area in 2019. In 2020 and 2022, the Area was expanded to include South Asia and North Africa, respectively. On 1 April 2023, Mr. Tarrant was appointed Regional Head of Legal and External Affairs and Regional General Counsel for Asia Pacific, Middle East, and Africa, where he is responsible for all legal, regulatory and corporate affairs matters for the region.

Skills and Experience

Mr. Tarrant holds a Bachelor's Degree in Mathematics and Economics from the University of Sussex, UK, and a Post Graduate Diploma in Law from the University of Nottingham, UK.

Mr. Tarrant is an English qualified Solicitor and commenced his professional career in 1993, with Unilever, in the legal department and also worked in a London based law firm before joining BAT in 2004 as Senior Trademark Manager in the London head office. During his time at BAT, he has performed various roles within the Legal and External Affairs function across multiple countries in the Middle East, West Africa, and North Asia.

Mr. Tarrant has a track record of using his functional skills with his commercial acumen to drive the Legal and External Affairs strategic agenda, together with a key focus on the development of future leaders within the organisation.

MONISHA ABRAHAM

Managing Director & Chief Executive Officer
(Resigned w.e.f. 15 April 2024)

Member of the Nominations and Governance Committee and Corporate Social Investment Steering Committee.

Current Appointments

Country Manager, Bangladesh.
Non-Executive Director, BAT Bangladesh.

Past Appointments

Ms. Monisha Abraham has a wealth of experience during her career with Heineken N.V., spanning over 16 years and across 5 countries. She has held various senior management positions and spearheaded operations across several markets.

In 2019, Ms. Abraham moved to Brussels, Belgium, where she took over as Managing Director of Ibecor, a 100% Heineken-owned company specialising in inbound logistics and contract management for Africa and Middle East. At Ibecor, she was responsible for transforming the organisation by expanding its business reach to Asia Pacific and the Caribbean.

Skills and Experience

Possessing more than 25 years of experience in marketing and general management roles across the FMCG sector, Ms. Abraham has built a reputation as a leader who drives robust business strategies, while developing people and fostering high performing teams. She has continuously worked towards building networks to facilitate collaboration across organisations as well as externally, to drive business priorities, delivering sustainable growth in volumes and profits.

Ms. Abraham holds a Bachelor's Degree in Commerce and an MBA from Birla Institute of Technology India.

FARIYHA SUBHANI

Managing Director & Chief Executive Officer
(appointed w.e.f. 15 April 2024)

Member of the Nominations and Governance Committee and Corporate Social Investment Steering Committee.

Current Appointments

Country Manager, Sri Lanka

Past Appointments

Ms. Fariyha Subhani started her career at Unilever PLC in Pakistan in 1989, and has had extensive experience in multiple categories in Brand Management in her time there. In 2002, she moved on international assignment to Thailand, where she was responsible for Regional and Local brand portfolios. She successfully led the business for over 3 years. She returned to Pakistan under a leadership position with Unilever PLC in 2006 and held multiple leadership roles during her tenure, with the responsibility of developing various categories.

She also managed the setting up of a new business with Upfield (Pvt) Limited across Pakistan and Sri Lanka, as Managing Director for South and Central Asia. In this role, she not only grew the business in many directions within 5 years, but also ensured that sustainable business practices and effective people management practices were adopted and followed. She led the ESG agenda for Upfield (Pvt) Limited.

Skills and Experience

Ms. Subhani has over 34 years of experience in a Large Global FMCG in Category Management as well as in a Commercial Management Role in at a leading startup. She is a Graduate with an MSC in International Relations and an MBA from the Lahore University of Management Sciences.

LEADERSHIP TEAM



Pictured from left to right:

Richard Taylor - Head of Operations, **Aruni Abeysekera** - Head of Talent, Culture & Inclusion, **Towhid Akbar** - Finance Director, **Monisha Abraham** - Managing Director & Chief Executive Officer, **Zahrah Cader** - Head of Legal, Corporate & Regulatory Affairs & Company Secretary and **Kavinda Nanayakkara** - Head of Commercial.



Syed Muhammad Ali Abrar
Finance Director
(redesignated w.e.f. 1 April 2023)



Sudesh Peter
Head of Legal & External Affairs &
Company Secretary
(redesignated w.e.f. 1 May 2023)



Kushani Dassanayake
Head of Talent, Culture &
Inclusion
(appointed w.e.f. 1 March 2024)



Fariyha Subhani
Managing Director & Chief
Executive Officer
(appointed w.e.f. 15 April 2024)

YEAR IN NUMBERS



FINANCIAL PERFORMANCE

Year Ended 31 December		2023	2022
Financial Performance and Position			
Turnover	Rs. Mn	200,019	167,194
Government levies	Rs. Mn	142,299	122,922
Revenue	Rs. Mn	57,721	44,272
Profit before tax	Rs. Mn	46,140	34,393
Profit after tax	Rs. Mn	27,656	20,469
Net assets	Rs. Mn	11,765	17,493
Investor Information			
Earnings per share	Rs.	147.64	109.27
Interim dividends	Rs. Mn	33,362	5,432
Proposed final dividend	Rs.	18.84	20.30
Dividend per share (interim and proposed final dividend)	Rs.	147.64	109.27
Dividend payout	%	100.0	100.0
Market value per share (closing)	Rs.	953.75	625.00
Market capitalisation	Rs. Mn	178,660	117,077
Net assets per share	Rs.	62.80	93.38



SOCIAL PERFORMANCE

Year Ended 31 December		2023	2022
Permanent employees	No.	249	267
Average Training hours	Hours	7,599	17,501
Female participation in management roles	%	35	38
Payments to contracted tobacco farmers	Rs. Bn	1.53	1.09



ENVIRONMENTAL PERFORMANCE

Year Ended 31 December		2023	2022
Energy consumption	GJ	34,895	38,996
Water consumption	m ³	12,027	10,994
GHG emissions	tCO ₂ e	1,315	1,594
Emission intensity	tCO ₂ e per Millions cigarettes	0.34	0.32
Waste recycled	MT	479.93	372.46
Investment in EHS activities	GBP	974,036	549,009



Financial Priorities

We delivered sustainable and superior returns to our shareholders, while continuing to make a significant contribution to Government tax revenue.

30% Growth
in revenue

34% Growth
in profit before tax

Rs. 160.6 Bn
paid in taxes



People Priorities

We continued to create a dynamic, inspiring and purposeful environment for our employees and contracted tobacco farmers.

Rs. 2.61 Bn
in total payments to employees
during the year

Rs. 58.2 Mn
training investment

1,579
contracted tobacco farmers



Environmental Priorities

We achieved significant progress on our environmental goals.

17.5% Reduction
in Scopes 1 & 2 CO₂ (market-based)
emissions

34% Growth
in water recycled and reused

35.1% Reduction
in waste to landfills



Social Priorities

We continued to deliver a positive social impact on our communities.

250,000+
beneficiaries supported
via CSI

130+ Acres
of degraded land re-planted

350+
projects delivered through CSI initiatives

H
P





NEST & SITIVE

Our corporate Ethos is anchored in the values of honesty and positivity - crafting enduring initiatives poised to optimise performance and fortify the Company's resilience in the Sri Lankan economy and corporate sector.

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CHAIRMAN'S REVIEW

A CLEAR VISION AND AN ASTUTE STRATEGY ENABLED CTC TO CONTINUE TO DELIVER TRIPLE BOTTOM LINE GROWTH AND CREATE MULTI-STAKEHOLDER VALUE, AMIDST PERSISTING UNCERTAINTIES AND VOLATILITY IN THE OPERATING ENVIRONMENT.

Dear Shareholder,

A clear vision and an astute strategy enabled CTC to continue to deliver triple bottom line growth and create multi-stakeholder value, amidst persisting uncertainties and volatility in the operating environment. CTC posted a 35% bottom-line growth—a notable achievement, given the challenges faced by the country. It is therefore, with a sense of quiet satisfaction, that I present to you CTC's Annual Report and Audited Financial Statements for the Financial Year ending 31 December 2023.

Operating Context

Emerging from one of its worst economic and financial crisis in 2022, the Sri Lankan economy continued to feel the lingering impacts of the crisis in 2023. Aggregate demand declined

due to high inflation and monetary and fiscal tightening initiated in 2022. These initiatives continued to weigh in on demand during the year as well, amidst social, political, and economic uncertainties. Nevertheless, the economic reforms initiated by the Government in 2022 started to show results towards the latter part of 2023. GDP recorded a growth in the third and fourth quarters of the year, after six consecutive quarters of decline. Domestic inflation also declined significantly, reaching single digits in July 2023, after the historically elevated levels that prevailed in 2022. Similarly, pressure on forex liquidity began to ease due to assistance from the multilaterals and increased inflows from exports, worker remittances and tourism. The import restrictions also helped.

34%

INCREASE IN PRE-TAX
PROFIT

35%

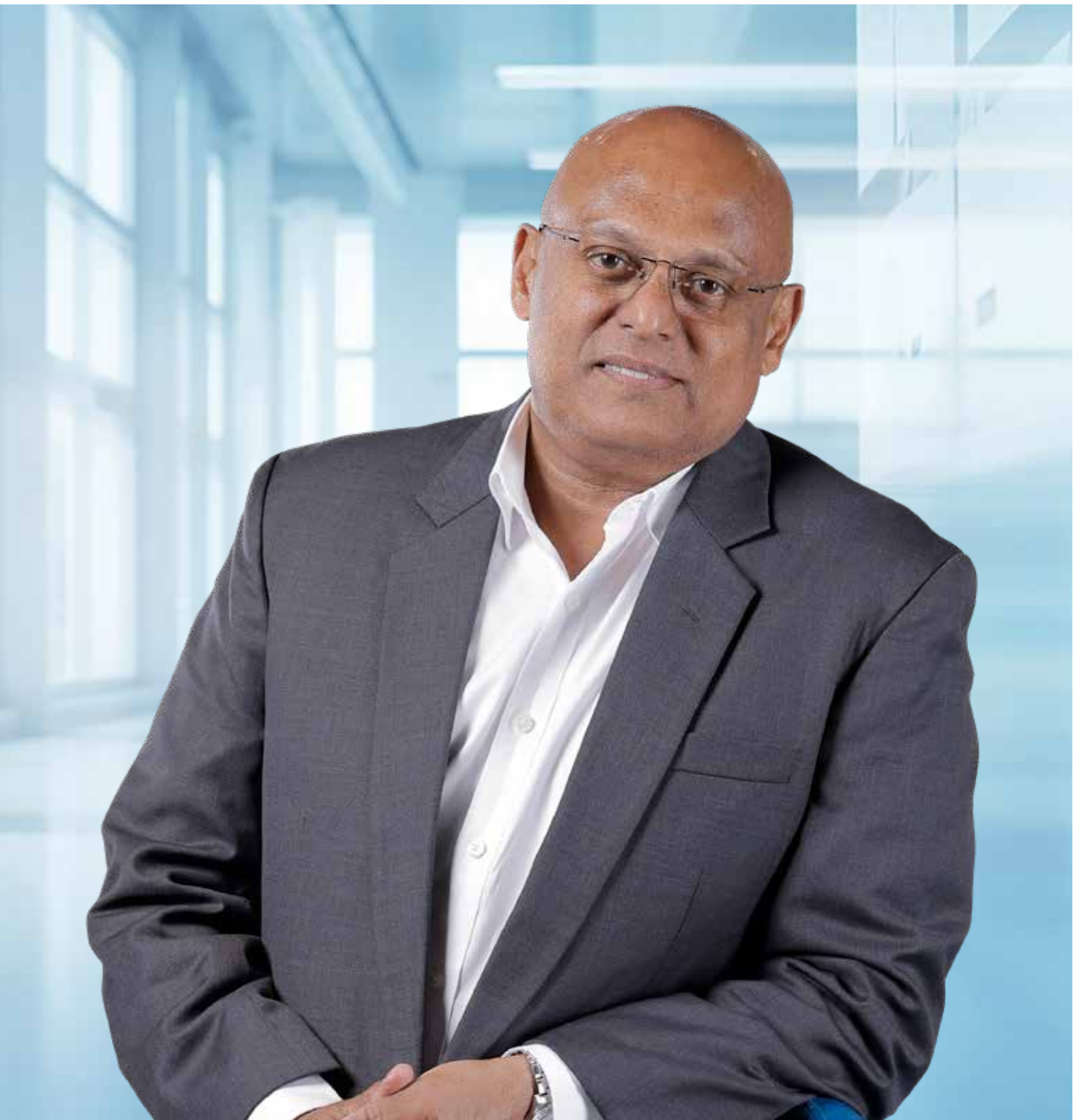
INCREASE IN
EARNINGS PER SHARE

1,579

CONTRACTED
TOBACCO FARMERS



Suresh Shah
Chairman



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CHAIRMAN'S REVIEW >>

WE CONTINUED TO CREATE MULTI-STAKEHOLDER VALUE DURING THE YEAR, ASSISTING THE COUNTRY'S RECOVERY EFFORTS BY DIRECTLY CONTRIBUTING TO GOVERNMENT REVENUE, CREATING REWARDING EMPLOYMENT OPPORTUNITIES AND EMPOWERING COMMUNITIES ACROSS CTC'S VALUE CHAIN.

The gradual easing of liquidity conditions meanwhile, supported the appreciation of the Sri Lankan Rupee following significant volatility in 2022. Market interest rates also adjusted downward during the latter half of the year, with the relaxation of monetary policy by the Central Bank in June 2023.

Consumer discretionary spending was impacted by subdued economic conditions that prevailed throughout much of the year, affecting demand conditions for CTC. Tax increases taken during the period December 2022 to July 2023 resulted in an unprecedented 44%-137% increase in excise tax during this period. This resulted in a sharp increase in the price of legal cigarettes, further impacting demand conditions.

Escalating taxes and the ensuing sharp increases in the price of legal cigarettes, has given rise to a surge in the illicit trade. Low levels of infrastructure currently available for enforcement and insufficient penalties

also continue to exacerbate the problem. Further, the market share for legal cigarettes continues to erode with the growing price differential between cigarettes and beedi. Notably, since the beedi industry is both under-regulated and under-taxed, the Government is deprived of a significant inflow of tax revenue. The demand for beedi has also led to a spike in smuggled tendu leaf imports.

A Strong Performance

Despite the challenging operating environment that prevailed during the year, CTC delivered a strong performance, recording a revenue and pre-tax profit growth of 30% and 34% respectively. Earnings per share meanwhile increased by almost 35% to Rs. 147.64. The Company declared a total dividend of Rs. 33.4 Bn while the Company's share price closed the year at Rs. 953.75. A more detailed review of the Company's performance is presented in the Managing Director's report.

Creating Multi-stakeholder Value

We continued to create multi-stakeholder value during the year, assisting the country's recovery efforts by directly contributing to Government revenue, creating rewarding employment opportunities, and empowering communities across CTC's value chain. CTC is one of the largest taxpayers in the country and our contribution to Government amounted to Rs. 160.6 Bn, approximately 6% of the State's tax revenue.

Rs. 33.4 Bn

TOTAL DIVIDEND
DECLARED

Rs. 953.75

SHARE PRICE CLOSED FOR
THE YEAR

Total payments to staff during the year amounted to Rs. 2.61 Bn and we continue to focus on offering our employees a holistic value proposition amidst rising levels of labour migration. We also injected over Rs. 1.53 Bn to the rural economy through tobacco leaf purchases.

Embedding Sustainability

BAT and its subsidiaries, including CTC, have a clear corporate purpose to embed sustainability into all aspects of its operation. In 2022, The BAT Group re-evaluated and enhanced its Sustainability Agenda to align with evolving stakeholder expectations and emerging issues. CTC, as a part of the BAT Group, has fully embraced this updated Sustainability Agenda, which revolves around achieving excellence in environmental management, delivering a positive social impact and ensuring robust corporate governance. We continued to achieve steady progress on each of our goals, as summarised in the Managing Director's report, and discussed in detail in ensuing sections of this Report.

Robust Corporate Governance

Our robust governance and control environment, built on world-class standards set by our parent entity BAT, continues to provide us the stability and strength required to navigate a rapidly evolving business environment. It has also enabled us to remain focused on our strategic priorities, including our ESG goals. Whilst continuing to strengthen our governance processes, we also continued to roll out our culture transformation programme aimed at embedding the BAT Ethos through a series of unique initiatives, policy

cascades and awareness sessions. We are also pleased to exchange ideas on best practices with Sri Lankan corporates to promote responsible and ethical behaviour in the wider business community. During the year, we participated in a series of thought leadership activities aimed at sharing global expertise in the areas of governance and ethics. For a more detailed discussion of our compliance and governance mechanisms, please refer the Corporate Governance section on page 93 of this Report.

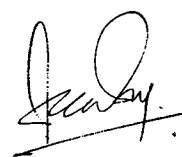
Outlook

The Sri Lankan economy appears to be well on its way towards recovery, as evidenced by the stabilisation of critical economic indicators such as interest rates, exchange rates, and inflation. We are therefore optimistic that market conditions for our business will improve in the medium term with the gradual increase in disposable income levels and easing of inflationary pressures.

We are, however, acutely aware of the increasing influence of shifting consumer preferences, escalating competitive pressures, and evolving regulatory requirements on the long-term market dynamics of the tobacco industry. Consequently, we are adopting a forward-looking approach to our business, concentrating on adapting to the ever-changing environment. Our primary objective is to cultivate a consumer-centric, dynamic, and sustainable business model that consistently generates value for all stakeholders. This strategic focus will guide our trajectory as we progress into the future.

Acknowledgements

CTC's performance during this challenging year reflects the ability, agility and resilience of its leadership and its people. On behalf of my colleagues on the Board, I place on record our deep appreciation to the Company's Managing Director & CEO, Ms. Monisha Abraham, and the entire team at CTC for their commitment and dedication during these challenging times. I also take this opportunity to thank all our valuable stakeholders for their continued support and confidence in the Company over the years. Finally, I extend my sincere appreciation to my colleagues on the Board for their sound counsel and unwavering support throughout the years.



Suresh Shah
Chairman

MANAGING DIRECTOR & CEO'S REVIEW

DESPITE FACING A CHALLENGING OPERATING ENVIRONMENT MARKED BY SLUGGISH DEMAND CONDITIONS, AN UNPRECEDENTED INCREASE IN EXCISE TAXES, AND THE ESCALATING THREAT OF ILLICIT CIGARETTES, CTC ACHIEVED AN IMPRESSIVE REVENUE GROWTH OF NEARLY 30% DURING THE YEAR.

Dear Shareholder,

I am proud to present herewith an overview of our performance in 2023 and key highlights of the year. As Sri Lanka gradually emerged from its worst-ever financial and economic crisis, we focused our efforts on strengthening our business fundamentals and honing our value proposition to further consolidate our position in an evolving operating landscape. To this end, we continued to drive innovation across all aspects of our operation to achieve greater consumer centricity, operational excellence, and stakeholder value.

Financial Performance

Despite facing a challenging operating environment marked by sluggish demand conditions, an unprecedented

increase in excise taxes, and the escalating threat of illicit cigarettes, CTC achieved an impressive revenue growth of nearly 30% during the year. CTC's adult consumer centric brand strategy, strong brand equity and efficient distribution network, enabled the Company to strive to defend its market share during the year. Supported by targeted brand reinforcement initiatives, our premium brand Dunhill continued to record volume growth during the year, while timely portfolio interventions aimed at offering adult consumers value at affordable price points, enabled us to maintain volumes in the John Player House. Our low segment Capstan, also maintained its market share through ongoing brand reinforcements with our distributors and retailers. Cost optimisation

30%

TOTAL REVENUE
GROWTH

6%

OF THE COUNTRY'S
TOTAL TAX REVENUE

Rs. 27.7 Bn

PROFIT-AFTER-TAX

Monisha Abraham
Managing Director & CEO



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MANAGING DIRECTOR & CEO'S REVIEW >>

WE ARE FIRMLY FOCUSED ON FOSTERING A DYNAMIC, INCLUSIVE, AND SUPPORTIVE CULTURE THAT ATTRACTS, ENGAGES, AND RETAINS TALENTED AND DIVERSE PEOPLE, WHO ARE CAPABLE OF DRIVING OUR TRANSFORMATION.

remained a focus amidst continued inflationary pressures. We therefore continued to drive operational efficiencies through ongoing organisation-wide initiatives such as project SimpliCT and IWS (Integrated Work Systems). Consequently, the Company generated a Profit-After-Tax of Rs. 27.7 Bn, a 35% increase compared to the previous year. Prudent capital management, and an efficient investment strategy enabled CTC to maintain its strong financial position, as indicative from favourable liquidity levels and a healthy balance sheet. CTC's contribution to the country's tax revenue was Rs. 160.6 Bn, which amounted to approximately 6% of the Government's total tax revenue in 2023. Considering the improved financial performance and cash position during the year, the Company also paid out accrued dividends of FY 2022 during FY 2023, resulting in a total dividend payment of Rs. 36.1 Bn during the year.

People Focus

We are firmly focused on fostering a dynamic, inclusive, and supportive culture that attracts, engages, and retains talented and diverse people, who are capable of driving our transformation journey. Setting the foundation for this change is our culture transformation programme piloted in 2022 and rolled out across

the organisation in 2023. As part of this programme, several unique initiatives including the Ethos Premier League (EPL) and the SHINE campaign were launched during the year, to create employee awareness on Company Ethos and drive greater employee engagement, respectively.

Offering world-class learning and development opportunities to our employees has always been an integral part of our Employee Value Proposition (EVP) and we continued to do so through BAT Global learning platforms such as GRID and EDApp as well as International Assignment opportunities and global transfers. During the year, 11 employees participated in global training programmes while 9 employees were offered International Assignment (IA) opportunities. Building a strong leadership pipeline by developing a strong talent pool at middle to senior levels remains a key strategic priority, particularly amidst rising levels of labour migration. We therefore continue to offer tailor-made leadership training for talented individuals. During the year, 30 managers attended our core leadership programmes, including the SparkX Female Leadership Development Programme and the Global Graduate Academy.

We take a holistic approach to employee well-being. During the year, we improved safety standards across our operation sites, based on comprehensive risk assessments conducted on the factory floor. We also continued with our wellness initiatives during the year under the theme "Well-being Unlimited," conducting 14 programmes on a range of topics including nutrition, work life balance and wellness, among others. Meanwhile, considering the sharp increase in cost of living during the year, we offered a special crisis allowance to all employees. In addition to the annual salary increment, we also reviewed and revised transport allowances during the year to reflect cost of living increases. Additional

7,599 Hours

OF TRAINING FOR
EMPLOYEES

'Top Employer'

CERTIFICATION FOR 3RD
CONSECUTIVE YEAR

68,670

RETAILERS AND TRADERS
COVERED ACROSS THE
ISLAND

300,000+

LIVELIHOODS SUPPORTED

benefits such as vehicle and housing loans, medical insurance, professional membership reimbursement, and educational assistance meanwhile continued as part of our comprehensive financial package to employees.

We are firmly committed to driving gender diversity and equity within our organisation and continued to achieve steady progress on our gender targets. We have a 35% female representation in management grades in 2023 against a long-term BAT target of 45% by 2025, and a 50% female representation in the senior leadership team. We consider this a clear reflection of the success of our recruitment, development, and promotion policies. Progressive policies such as flexible working arrangements, above average maternity leave (100 working days) and parental support, as well as ongoing initiatives such as our Women of Worth (WoW) initiative continue to support and empower women across the organisation to reach their full potential. Given our long-standing commitment to creating an empowering and fulfilling environment for women to thrive in, we were honoured to be recognised as a 'Women-Friendly Organisation' by Satyn AICPA & CIMA, with a special award for fostering a "Female Friendly Culture." I am also proud to

note that CTC is one of 37 countries within BAT to secure the accreditation of 'Top Employer', as certified by the Top Employers Institute for the third consecutive year, further reiterating our strong employee value proposition.

Driving Consumer Centricity

Understanding our consumers and proactively addressing their requirements through timely and innovative interventions has been critical in defending our market share against rising market pressures. We continued to apply our deep understanding of our adult consumers in the premium segment, launching Dunhill Switch LEPP during the year as a premium product, catering to the specific preferences of this segment.

Meanwhile, in our more price-sensitive segment of John Player, we sought to address affordability concerns by adopting a tiered approach, aimed at offering adult consumers the same brand proposition at different price points. During the year, we also launched John Player Gold Pro, with several consumer centric developments, while also launching a limited edition product under the name John Player Gold Pro Cool LEPP. These interventions are positioned to offer consumers greater choice by catering to their specific preferences and requirements.

Cost Optimisation via Operational Excellence

With inflationary pressures continuing to impact operational costs during the year, we focused on driving innovation to achieve greater efficiencies. We conducted over 18 productivity enhancement interventions across our Primary and Secondary Manufacturing Departments, resulting in an 0.3% reduction in tobacco waste, 73.4% Overall Equipment Effectiveness

(OEE) and 24.7 minutes Meantime Between Failure (MTBF) of machines through local initiatives. Through this, we were also able to save a total cost of almost Rs. 121 Mn during the year. Our Integrated Work Systems (IWS) journey meanwhile continues to result in broad-based improvements across key efficiency indicators including Overall Equipment Efficiency (OEE) and Mean Time Between Failures (MTBF). Having successfully completed Phase 1 certification of IWS in 2021 for our Colombo manufacturing operations, we are now in the process of obtaining Phase 2 IWS certification for Colombo. We have also initiated IWS Phase 1 certification for our Kandy GLTP since 2020, and have planned for the Phase 1 assessment in 2025.

By continuing to work closely with our contracted tobacco farmers, we have been able to further improve efficiencies in our supply chain. We continued to increase Loose Leaf Barn (LLB) capacity during the year, converting 35 traditional barns to LLBs, a more fuel and labour efficient curing technology which, in turn, lowers the cost of green leaf purchases. We also introduced multiple innovations including a new clipping machine, a new ploughing machine, and an inter-cultivator machine to farmers during the year, which resulted in significant cost and efficiency benefits.

Distribution cost optimisation was also a key focus amidst transport and logistics cost escalations, resulting from the sharp increase in fuel and electricity prices. In addition to our ongoing focus on efficient route planning and better rate management, trailblazing efforts such as the introduction of e-bikes to our distribution fleet resulted in a 75% reduction in cost per km, due to fuel savings. We also developed several innovative digital applications

MANAGING DIRECTOR & CEO'S REVIEW >>

NOTWITHSTANDING SOME DEMAND PRESSURE IN THE SHORT-TERM DUE TO RECENT TAX HIKES, THE GRADUAL EASING OF INFLATIONARY PRESSURES, COUPLED WITH THE ANTICIPATED ECONOMIC RECOVERY, IS EXPECTED TO IMPROVE CONSUMER PURCHASING POWER, POSITIVELY IMPACTING DEMAND CONDITIONS IN THE MEDIUM TERM.

in-house and rolled these out during the year to improve operational efficiencies, which, incidentally, also included a more effective utilisation of warehousing space. The digitisation of the billing process meanwhile resulted in a cost saving of almost 40% during the year.

Delivering a Positive Social Impact

We strive to deliver a positive social impact by driving socio-economic empowerment of our contracted farmer network, distributor, and trader networks as well as wider communities.

We continue to contribute to the economic upliftment of our contracted tobacco farmers by not only ensuring income stability and fair pricing, but also by collaborating closely with them to build capacity for long-term resilience. During the year, we ramped up technical support to farmers to improve productivity, increase yields and effectively manage the impact of adverse weather conditions. We also provided additional financial support amounting to almost Rs.696.2 Mn

by way of cash and material loans for fertiliser and other agricultural inputs to support farmers through the ongoing financial crisis. Ongoing programmes such as the “Thrive” programme and Sustainable Tobacco Programme (STP) meanwhile strove to enhance social well-being of farmers throughout the year.

Our network of trade partners includes over 68,670 traders and retailers across the island. We continue to engage closely with them, supporting their development and well-being through our trade loyalty programme ‘Abhisheka’, which offers a range of benefits including capacity building opportunities, medical insurance, and hospitalisation cover.

Going beyond our value chain, we also support the socio-economic development of rural communities through purpose-led CSI initiatives. In 2023, 69,928 beneficiaries including 6,736 Tobacco and other farmers were provided home gardening and crop diversification support through the flagship organic home gardening project – ‘Sustainable Agriculture Development Programme’ (SADP).

We also continue to invest in a range of community development projects aimed at empowering rural communities. During the year, we carried out 91 small scale irrigation projects in rural farming communities through the ‘Govi Savi’ project, and implemented over 139 small-scale, needs-based infrastructure projects across rural communities through the ‘Prajaloka’ project. We were also able to establish four reverse osmosis (RO) plants in water scarce areas, as part of the Suwajeewana Water for Life project. Meanwhile over 450 beneficiaries across 9 districts benefited from the ‘Viyawasayakaya’ Vocational Training programme aimed at offering skill-based vocational training programmes for community youth.

Excellence in Environmental Management

Excellence in Environmental Management is a core pillar of our ESG Agenda. We were able to achieve steady progress on each of our environmental goals during the year.

2.8 MW

CAPACITY SOLAR PANEL PROJECT CONNECTED TO THE NATIONAL GRID

87 Acres

DEGRADED FOREST REJUVENATION

We continued to progress on our decarbonisation journey through ongoing investments in energy efficient technology and by gradually reducing our dependence on fossil fuels. During the year, we successfully connected an additional 1.8 MWs to the national grid from our solar panel project in Colombo. This brings up our total solar capacity to 2.8 MWs. Meanwhile, as part of our efforts to reduce Scope 3 emissions, we continue to engage closely with our contracted tobacco farmers to support them incorporate Carbon Smart practices that result in lower emissions.

Notable investments were also made to improve waste management across our locations, including improvements to the waste-bay in the Colombo factory. These efforts, together with targeted activities to increase recycling across our premises, resulted in a 35% reduction in waste to landfill during the year. We also increased our water recycling capacity during the year with improvements to our Effluent Treatment Plant (ETP) in Colombo. Plans are also underway to install an RO plant at our Colombo premises, which will further enhance the quality of recycled water. In line with BAT's 2025 target of obtaining the

'Alliance Water Stewardship' (AWS) Certification for all manufacturing sites, we obtained AWS certification for GLTP and have also commenced the pre-audit process for our Colombo plant. The certificate highlights our ongoing focus on sustainable water management.

We are firmly committed to BAT's global goal of having a net positive impact on forests by 2025, by increasing primary native forests and biodiversity value in our surrounding areas. The "Udaharitha programme" - CTC's long-term biodiversity conservation and reforestation initiatives continued during the year, with reforestation projects being carried out for degraded land in the areas of Dambulla and Naula. During the year, CTC also obtained Cabinet approval to rejuvenate 87 acres of degraded forest in the Panamure, Embilipitiya area, in collaboration with the Sri Lanka Climate Fund. The project will be the Company's first carbon certified project and will pave the way for similar projects in the future.

Outlook

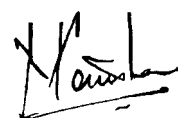
Notwithstanding some demand pressure in the short-term due to recent tax hikes, the gradual easing of inflationary pressures, coupled with the anticipated economic recovery, is expected to improve consumer purchasing power, positively impacting demand conditions in the medium term. In anticipation of these developments, we have successfully implemented strategic interventions to drive greater consumer centricity of our products, strengthen our distribution channels and secure our supply chain.

The growing threat from illicit and beedi markets however remains a key concern. The widening price differential between legal cigarettes

and illicit cigarettes and beedi, as a result of excessive and frequent taxation on legal cigarettes, continues to spur the growth of both illicit and beedi markets. Given the significant loss of Government tax revenue due to the sharp growth in illicit and under-regulated beedi, we urge the Government to support the long-term viability of the legal cigarette industry, by ensuring moderate and proportionate tax increases for the industry.

Appreciation

In conclusion, I wish to take this opportunity to thank the Chairman and Board of Directors for their continuous support and valuable counsel. A special note of appreciation to Mr. Syed Muhammad Ali Abrar, Mr. Usman Zahur, and Mr. Yudhishtan Kanagasabai, who resigned from the Board w.e.f. 1 April 2023, 1 July 2023, and 31 January 2024, respectively. We thank them for their valuable contribution. On behalf of the Board, I warmly welcome Mr. Towhid Akbar, Mr. Gary Tarrant, and Mr. Harin de Silva Wijeyeratne who joined the Board w.e.f. 1 April 2023, 1 July 2023, and 1 February 2024 respectively. I also extend my heartfelt appreciation to all our valuable employees, without whom, none of our success could have been achieved. Finally, I wish to place on record my appreciation to our shareholders, business partners, suppliers, and other stakeholders, for their ongoing support and encouragement.



Monisha Abraham
Managing Director & CEO

FINANCE DIRECTOR'S REVIEW

DESPITE THE PERSISTING CHALLENGES STEMMING FROM MACRO-ECONOMIC VOLATILITIES, CTC DELIVERED A STRONG PERFORMANCE, RECORDING COMMENDABLE GROWTH IN BOTH THE TOP AND BOTTOM LINE DURING THE YEAR.

Despite the persisting challenges stemming from macro-economic volatilities, CTC delivered a strong performance, recording commendable growth in both the top and bottom line during the year. Concerted efforts to drive operational and cost efficiencies together with prudent financial management, effective risk management, and an efficient investment strategy enabled the Company to achieve its financial objectives for the year.

Revenue Growth

The industry witnessed an unprecedented 44%-137% increase in excise, as a result of the two consecutive excise increases in January and July 2023. The impact of the volume drop was partially mitigated in the short term through the excise driven price increase,

portfolio interventions, efficient distribution, and a continued focus on superior product quality, which facilitated CTC to record a revenue growth of almost 30% during the year. However, a continued frequent and excessive taxation regime is likely to adversely impact the volume growth prospects of the industry in the longer term. Government levies paid by CTC also increased in the same period by 17% to Rs. 160.6 Bn. Consequently, CTC's revenue for the year after Government levies amounted to Rs. 57.7 Bn.

Profitability

Inflationary pressures, both discrete and carry over effect from last year, continued to impact operating expenses during the year, resulting in a 19% increase in total operating expenses. Employee related expenses

Rs. 57.7 Bn

NET REVENUE

Rs. 46.1 Bn

PROFIT BEFORE TAX

Rs. 27.7 Bn

PROFIT AFTER TAX

22%

OPERATING MARGIN



Towhid Akbar
Finance Director



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DESPITE THE INCREASE IN OPERATING COSTS DURING THE YEAR, OPERATING MARGINS IMPROVED FROM 20% IN FY 2022 TO 22% IN FY 2023 REFLECTING THE RESULT OF OUR ONGOING PRODUCTIVITY DRIVE AND SUSTAINED EMPHASIS ON COST OPTIMISATION.

increased by 29% during the year as a result of continued financial support offered to employees from the latter part of last year. Despite the increase in operating costs during the year, operating margins improved from 20% in FY 2022 to 22% in FY 2023, reflecting the result of our ongoing productivity drive and sustained emphasis on cost optimisation. Net finance income meanwhile increased by Rs. 391 Mn as a result of prudent financial management and an efficient investment strategy. Consequently, Profit before tax increased by 34% to Rs. 46.1 Bn while Profit after tax increased by 35% to Rs. 27.7 Bn in FY 2023.

Liabilities and Liquidity Position

The Company continues to maintain a favourable liquidity position with a current ratio above 1.0 during the year. Total liabilities as at 31 December 2023, amounted to Rs. 31.2 Bn, of which, 97% comprise current liabilities arising from regular business operations. Non-current borrowings comprise deferred tax and lease liabilities, together with a long term loan from parent company BAT, overall accounting for only 3% of total liabilities. The Company has no other borrowings from external parties.

Shareholder Funds

Total equity attributable to shareholders amounted to Rs. 11.8 Bn as at 31 December 2023 compared to Rs. 17.5 Bn as at 31 December 2022. The decrease in the equity position was mainly on account of dividend payments amounting to Rs. 33.4 Bn made during the year. The dividend payment during the year comprised of the interim and final dividends declared for year 2022, amounting to Rs. 20.30 and the interim dividends for year 2023 amounting to Rs. 97.80.

Cashflow

The Company's cashflow and liquidity levels remained healthy, with Cash & Cash Equivalents amounting to Rs. 24.5 Bn as at 31 December 2023. Supported by a strong operational performance and value growth during the year, cash generated from our operation amounted to Rs. 54.5 Bn. As a responsible corporate citizen, the Company made an Income Tax payment of Rs. 14.6 Bn and Withholding Tax payment of Rs. 4.3 Bn in 2023.

Consequently, the Net Cash generated from operations amounted to Rs. 37.1 Bn in the same period. Net Cash outflow from financing activities meanwhile increased to Rs. 36.2 Bn mainly on account of dividends payment amounting to Rs. 36.1 Bn during the year.

Rs. 37.1 Bn

NET CASH GENERATED
FROM OPERATIONS

Rs. 33.4 Bn

TOTAL DIVIDEND DECLARED

Rs. 11.8 Bn

TOTAL EQUITY ATTRIBUTABLE
TO SHAREHOLDERS



Rs. 953.75

SHARE PRICE CLOSURE

Rs. 147.64

EARNINGS PER SHARE

Shareholder Returns

The Company continued to generate sustainable value to its shareholders, delivering an earnings per share of Rs. 147.64 in 2023, compared to Rs. 109.27 in 2022. The strong performance during the year enabled the Company to declare an interim dividend of Rs. 31 per share on 29 February 2024. Based on our strong business performance of 2023, we are confident that we will be able to declare a final dividend of Rs. 18.84, thereby achieving a dividend payout ratio of 100%.

CTC's share price closed the year at Rs. 953.75 compared to Rs. 625.00 during the previous year. Meanwhile, with a market capitalisation of Rs. 178,660 Mn as at 31 December 2023, CTC continues to rank among Sri Lanka's most valuable listed corporate entities.

Towhid Akbar
Finance Director



Way Forward

We anticipate inflationary pressures, sluggish demand conditions and persisting market uncertainties to continue to impact our margins and sales volumes in the short-run. Hence, our focus will continue to remain on preserving operating margins by optimising costs, improving our product mix and supporting our distribution networks. Given the notable progress achieved in the stabilisation of macro-economic fundamentals, particularly towards the latter half of 2023, we are confident that the economy is well on its way towards recovery. We are, therefore, optimistic of our medium to long term prospects and remain firmly committed to creating sustainable value for our shareholders, whilst upholding our track record as one of the major contributors to Government revenue.

PR
INN





GRESSIVE & VATIVE

We synchronise our strategies with industry expertise, efficient controls and an unwavering commitment to best practices - crafting progressive and innovative solutions that uphold the highest industrial standards.

CRAFTING OUR STRATEGY

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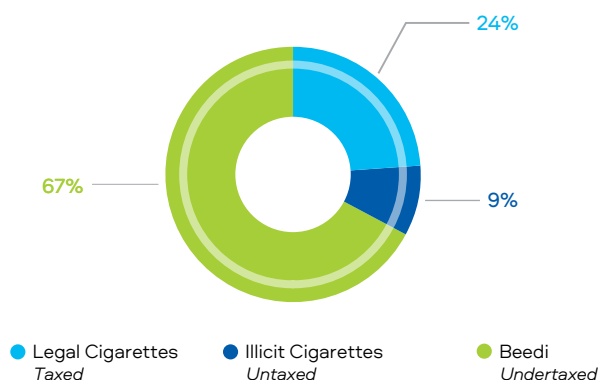
Identifying Our Material
Matters

UNDERSTANDING OUR OPERATING ENVIRONMENT

THE VOLUME OF ILLICIT CIGARETTES INCREASED BY ALMOST 67% DURING THE YEAR, COMPARED TO THE PREVIOUS YEAR, WHILE BEEDI ALSO WITNESSED A VOLUME GROWTH OF 10% COMPARED TO THE PREVIOUS YEAR.

The legal cigarette market in Sri Lanka accounts for 24% of volume of the total combustible market, with the beedi market and illicit cigarette market accounting for 67% and 9% of the market respectively in 2023.

Tobacco Market 2023



Source : Research Intelligence Unit 2023

Tax Increases

44-137%

Increase in excise (vs December 2022)

Over 100%

Excise increase over the last 5 years

5 Tax Increases

In 2022-2023

127%

increase in the price of a legal cigarette over the last five years

Excessive and frequent taxation, including the unprecedented increase in excise tax in 2023, resulted in a sharp increase in the price of legal cigarettes, further widening the price differential between legal cigarettes, illicit cigarettes and beedi.

Impact on Volumes

The growing price differential resulted in volumes of both the illicit cigarettes and beedi increasing at the expense of legal cigarette volumes. As per research reports carried out by Research Intelligence Unit ^{1&2} and Sri Lanka Customs data, the volume of illicit cigarettes increased by almost 67% during the year, compared to the previous year, while beedi also witnessed a volume growth of 10% compared to the previous year. The volume of legal cigarettes meanwhile declined by 19% during the year in comparison to 2022. The under-regulation of the beedi industry and insufficient penalties, together with the lack of resources for effective enforcement against illicit cigarettes, also continue to impact market dynamics. Meanwhile, upto 62% of tendu leaves were smuggled via sea from India, causing further loss to Government revenue.

¹ "Economics of Tobacco Taxation in Sri Lanka - prevailing tobacco taxation policy: An upsurge in the illicit cigarette market."

² "Economics of Tobacco Taxation in Sri Lanka - The beedi Industry of Sri Lanka 2023"

Disproportionate Tax Contribution

The legal tobacco industry is a key revenue source for the Government accounting for approximately 6% of total tax revenue. However, growth in the illicit and undertaxed beedi markets continues to deprive the Government of significant tax revenue.

There lies a significant variance in taxation between legal cigarettes and beedi. Accounting for nearly 67% of the market in terms of volume, beedi contributes Rs. 3-4 Bn annually, compared to the Rs. 156 Bn contributed by legal cigarettes, which accounts for just 24% of volume of the total combustible market.



**Loss to Government
in 2023 due to illicit
cigarettes**

Rs. 79Bn*

* Research Intelligence Unit 2023

Socio-Economic Impact

- Erosion of Government tax revenue and undermining the legal framework of the country
- Livelihoods dependent on the legal cigarette industry value chain threatened

Key Developments that Impacted the Industry

	Developments	Impact on our Operations
Macroeconomic Developments	• The economy showed signs of recovery towards the latter part of the year with GDP recording a positive growth in the third and fourth quarters of 2023, after six consecutive quarters of negative growth. • Domestic inflation declined significantly reaching single digits in July 2023, after the historically high levels that prevailed in 2022. • The gradual easing of liquidity conditions supported the appreciation of the Sri Lankan Rupee.	Consumer discretionary spending continued to be impacted by the subdued economic conditions in the country, resulting in an overall drop in demand.
Regulatory Developments	• Taxes on cigarettes were increased in January and July 2023, resulting in an unprecedented excise increase of 44%-137% during the year. • Rs. 2 Tobacco Tax per beedi stick was implemented from 1 January 2023. However, the collection mechanism is required to be implemented.	Due to the multiple price increases of legal cigarettes, there is a significant decrease of the industry volume. Over 100% increase of smuggled tendu leaves in 2023, resulting in the beedi industry becoming more lucrative.

CONNECTING WITH STAKEHOLDERS

Engaging with our stakeholders enables us to understand their evolving concerns and priorities and to better align our business and ESG goals to their aspirations. Our stakeholder engagement process and the ensuing key stakeholder priorities identified as a result, are depicted below.

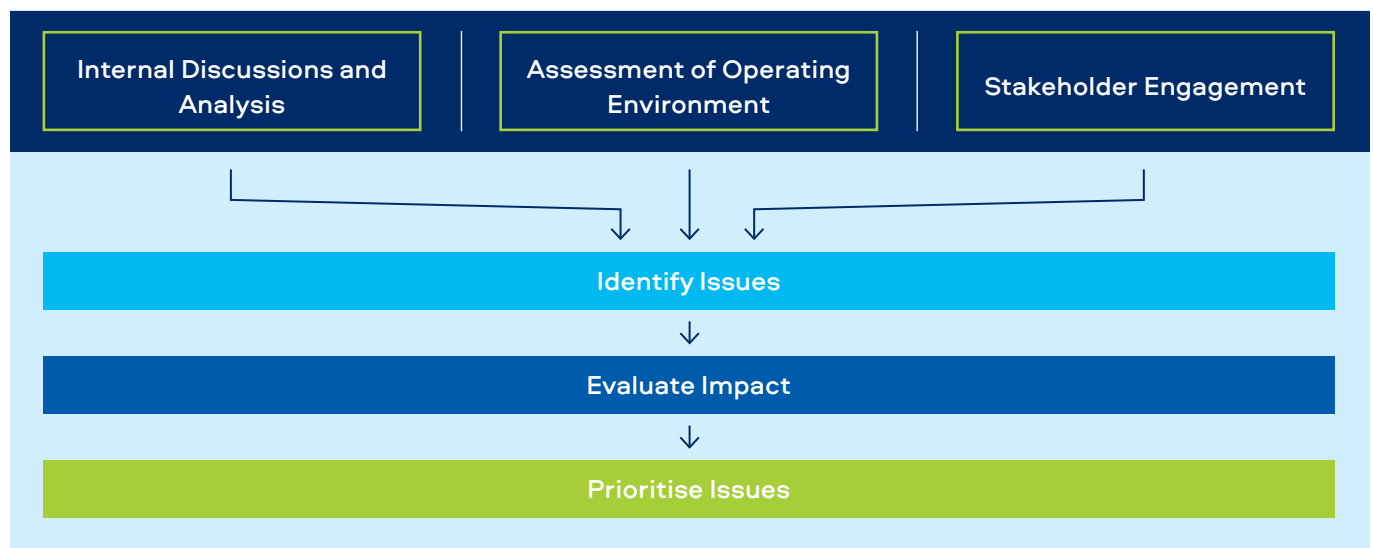
Level of Engagement	Stakeholder Group		How We Engage
	 Employees		Biennial employee surveys, annual performance appraisals, negotiations with trade unions, staff meetings, Women of Worth (WoW) forum, quarterly townhall meetings, digital engagement, training and development
	 Contracted Tobacco Farmers		Sustainable Tobacco Programme (STP) reviews, farmer appreciation programmes – field support to contracted tobacco farmers through Leaf Field Technicians, farmer meetings, community investment initiatives, supplier meetings
	 Distributors and Traders		Periodic surveys for selected distributors and traders, trade loyalty programmes, engagement through the Trade Marketing team
	 Shareholders		Annual General Meeting, Annual Report and quarterly performance updates, periodic announcements to the CSE, corporate website
	 Public Stakeholders		Industry engagement
	 Adult Consumers		The Company does not directly engage with the end-consumers of its products, except as provided for under the National Authority on Tobacco and Alcohol Act No. 27 of 2006 (NATA)

	Stakeholder Priorities in 2023		How We Responded
	• Attractive remuneration and benefits • Career advancement opportunities • Opportunities for training and development • Inclusive work environment • Safe working environment		• Employees, Diversity and Culture page 84
	• Fair pricing and buy-back guarantees for crops • Sustainable livelihoods • Preserving human rights • Financial assistance	• Technical support & capacity building • Health & safety • Continuous farmer monitoring	• Farmer Livelihood and Communities page 79
	• Availability of products • Service quality • Credit/payment terms • Value added services		• Stronger Distribution Channels page 52
	• Sustainable growth in financial performance • Business ethics and corporate governance	• Transparency and credibility of disclosures • Ongoing shareholder engagement	• Finance Director's Review page 34 • Corporate Governance page 93
	• Impact from illicit trade • Tax Revenue		• Tackling Illicit Cigarettes and Beedi page 56 • Understanding Our Operating Environment page 40
	• The Company does not directly engage with the end-consumers of its products, except as provided for under the National Authority on Tobacco and Alcohol Act No. 27 of 2006 (NATA)		• Ethics and Integrity page 94

IDENTIFYING OUR MATERIAL MATTERS

Identifying the matters most material to our organisation and our stakeholders is a critical aspect of our value creation process, as it ensures that we focus on the issues that have the greatest impact on the economy, environment, and people.

We adopt an integrated approach to identifying our material matters, taking into consideration stakeholder views, internal insights and industry analysis, to understand our most significant impacts. Identified issues are then evaluated and prioritised based on their actual and potential impact on the economy, environment, and people. A bi-annual risk assessment exercise, which involves proactive stakeholder engagement and in-depth assessment of industry opportunities and risks, meanwhile ensures that material matters are evaluated on an ongoing basis.



The table below lists out our material topics and where they have been addressed in the report.

Material topic	Why it is material to us	Movement from last year	Relevant GRI standard	Management of material topic
Climate change	Climate change continues to pose an increasing risk on our operations due to its direct impact on our key agricultural inputs and value chain.	↑	- GRI 302: Energy - GRI 305: Emissions	page 72
Ensuring sustainable livelihoods	Ensuring sustainable livelihoods for our farmers and other communities, allow us to secure our supply chain, and directly contribute to the revival of the economy. It is also a core aspect of our social sustainability aspirations.	↑	- GRI 201: Indirect Economic Impacts - GRI 202: Market Presence - GRI 203: Indirect Economic Impacts - GRI 413: Local Communities - GRI 204: Procurement Practices	page 79

Material topic	Why it is material to us	Movement from last year	Relevant GRI standard	Management of material topic
People and culture	Our employees are a critical element of our success and offering them a rewarding and dynamic work environment is a strategic priority, particularly in the backdrop of rising migration levels.	↑	- GRI 401: Employment - GRI 404: Training & Education - GRI 405: Diversity & Equal Opportunity	page 84
Human rights	The potential risk on human rights continues to be impacted by the deterioration of economic conditions in the country. Protecting human rights across our value chain is a key focus of our global ESG agenda.	↑	- GRI 408: Child Labour - GRI 409: Forced or Compulsory Labour - GRI 406: Non-Discrimination	page 78
Sustainable agriculture	Given that our primary raw material is an agricultural product, driving sustainable agriculture practices is key to ensuring security of supply, while fulfilling our environmental responsibility.	↓	- GRI 301: Materials - GRI 308: Supplier Environmental Assessment - GRI 414: Supplier Social Assessment - GRI 304-1: Biodiversity	page 74
Health and safety risks	Ensuring the health and safety of our employees is not only a part of our responsibility towards our employees, but is vital to ensuring a smooth operation.	-	GRI 403: Occupational Health and Safety	page 88
Ethics and business conduct	Operating with the highest standards of integrity and transparency is not only the right thing to do, but it is also important in managing a range of internal and external risks.	-	- GRI 205: Anti Corruption - GRI 206: Anti Competitive Behaviour - GRI 207: Tax - GRI 415: Public Policy	page 94
Regulatory compliance	Maintaining 100% compliance on all relevant laws and regulations is vital in managing our risks and preserving our reputation.	-	GRI 2-27: Compliance with Laws and Regulations	page 93

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US & GICAL

The accomplishments of CTC during the year under review were driven by the heightened productivity and resilience of our employees and suppliers, embodying the ambitious approach that propels the Company's future growth, even in the face of adversity.

OUR BUSINESS IMPERATIVES

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Ensuring a Secure Supply Chain

OUR BUSINESS IMPERATIVES

LEVERAGING OUR BRANDS

Our multi-category brand portfolio and the value it offers to adult consumers is key to preserving our competitive edge and ensuring commercial sustainability. We therefore continue to apply our deep understanding of our adult consumers to enhance our product portfolio and address evolving consumer preferences and requirements.

Our multi-category brand portfolio enables us to cater to different adult consumer segments.



- Dunhill Double Green
- Dunhill Double Yellow
- Dunhill Switch
- Dunhill Switch LEPP
- Dunhill Blue
- Dunhill Grey



- Benson & Hedges

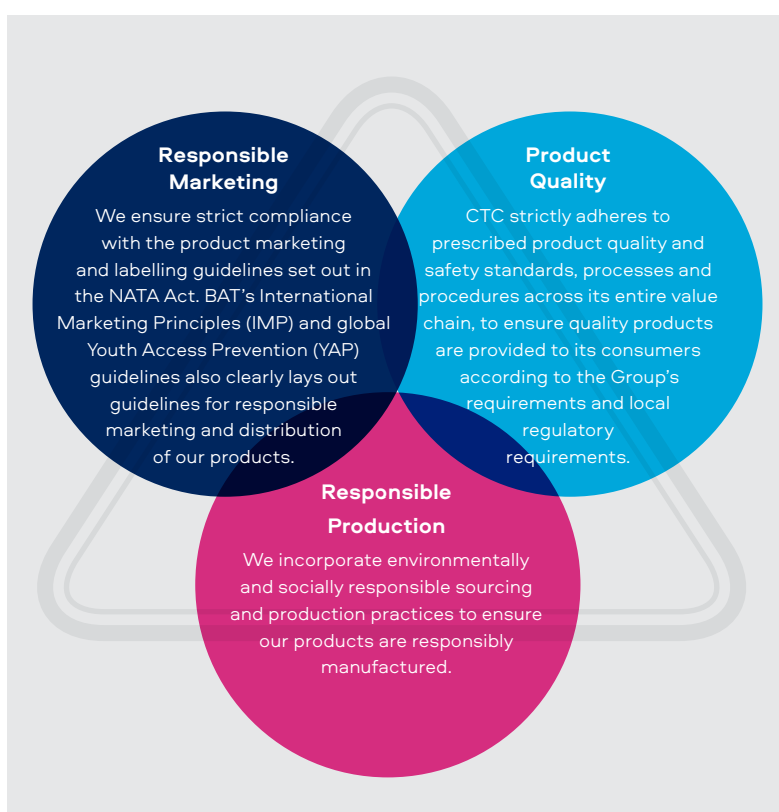


- John Player Gold Leaf (20s)
- John Player Gold Leaf (12s)
- John Player Gold
- John Player Gold Pro
- John Player Gold Pro Cool LEPP



- Capstan
- Capstan Maxxa

A sustained emphasis on product quality and product responsibility continue to drive brand value across categories.



Brand Strategy and Performance

Maintaining market share and retaining adult consumers within our brand houses remains our key focus, as successive tax increases, lower levels of disposable income and the growth in illicit trade continue to impact demand for legal cigarettes. Understanding our adult consumers

and proactively addressing their requirements through timely interventions has been the key to defending market share amidst these challenges.

In the premium segment, we were firmly focused on building brand equity. As a result, despite the two tax increases and ensuing economic

challenges and affordability issues faced by consumers, we were able to drive growth in the Dunhill range, which reinforced the resilience of our portfolio strategy. Further strengthening our proposition in the premium segment, we launched Dunhill Switch LEPP as a premium product during the year.

For the John Player House, we adopted a tiered approach, offering adult consumers the same brand proposition at different price points, as a measure to counteract the impact of escalating prices. Our proactive forward-looking portfolio strategy already in place, was motioned to expand vertically within the John Player house, enabling us to retain consumer loyalty within the 67mm segment through the John Player Gold Brand. Despite challenges, the John Player Gold brand showcased resilience, achieving a

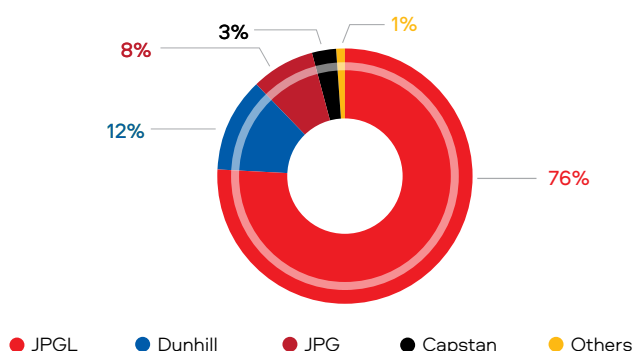
25.9% growth rate over the fiscal year, predominantly compensating for the volume decline in the 83mm segment. In our commitment to reinforce the Value for Money (VFM) segment, we revamped the 72mm category by launching John Player Gold Pro with a refreshed packaging design. Additionally, we also introduced the John Player Gold Pro Cool LEPP to further invigorate this segment.

Capstan, the shortest length cigarette in our portfolio, faced a 137% price increase during 2023. Despite this,

owing to its strong credentials, the brand was able to retain its consumer within the franchise and defend volumes.

Further to these strategic portfolio interventions, we were also supported by closer engagement with our distributor and retailer network to ensure efficient distribution across the country. (Refer to “Stronger Distribution Channels” on page 52 for more information).

Revenue Composition by Brand



Way Forward

Disproportionate tax increases continue to have a significant impact on our volumes due to the increase in demand for cheaper alternatives. During the year, beedi and illicit cigarettes increased by 10% and 67% respectively, at the expense of legal cigarettes, which witnessed a 19% decline in volumes. This, together with lower disposable income levels due to the current economic climate in the country, is expected to dampen demand conditions in the short term. We will however, continue to drive consumer centricity into our brand strategy, to enhance brand equity across our portfolio. Meanwhile, we will continue to strengthen our relationships with our distributor and retailer network, to minimise the threat of illicit products and ensure efficient distribution of our products.

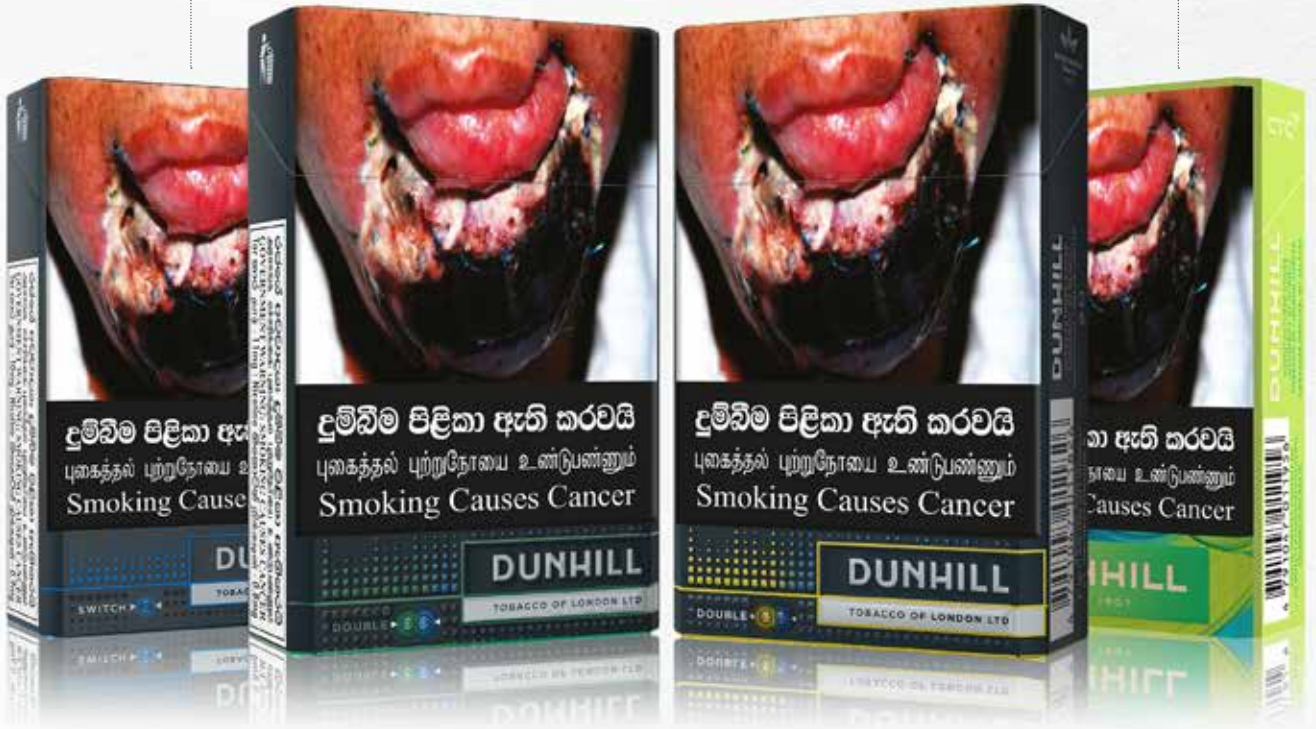
OUR BUSINESS IMPERATIVES >> LEVERAGING OUR BRANDS

Dunhill Switch

Dunhill Double Green

Dunhill Double Yellow

Dunhill Switch LEPP



John Player Gold Pro

John Player Gold Leaf (20)

John Player Gold Leaf (12)

John Player Gold

John Player Gold Pro Cool LEPP





OUR BUSINESS IMPERATIVES >>
STRONGER DISTRIBUTION CHANNELS

CHANNELLING STRENGTHS



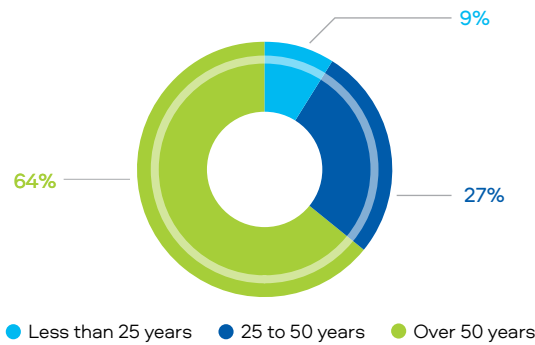


Creating a dynamic and efficient route-to-market is of critical importance as we seek to responsibly and efficiently strengthen our distribution in the market.

Our Distribution Capabilities

CTC's distribution model includes **11** exclusive distributors and a network of **68,670** retailers and traders across the island. These long-standing partnerships enable us to optimise distribution efficiencies to ensure seamless and effective reach to adult consumers.

Length of Distributor Relationships



Distribution Cost Optimisation

Distribution cost optimisation was a key focus amidst transport and logistics cost escalations, resulting from the sharp increase in fuel and electricity prices. During the year, we revamped our fleet operations, with an increased focus on efficient route planning and better rate management. Meanwhile, closer engagement with transport suppliers enabled us to drive greater synergies, which also contributed to efficiency gains and cost savings.



As part of our efforts to reduce warehousing and storage costs, we focused on optimising space utilisation, both at our own sites and outsourced third party spaces. Renovations were also carried out to our waste bay in the Colombo factory, to increase efficiency of space utilisation and reduce the dependence on third-party warehousing.

Meanwhile, as part of our overall sustainability drive, we introduced e-bikes to our distribution fleet. This effort has supported our endeavour to reduce our carbon footprint, which has also resulted in a 75% reduction in cost per km.

OUR BUSINESS IMPERATIVES >>

STRONGER DISTRIBUTION CHANNELS

Digitalisation of Distribution Channel

We continue to leverage technology to strengthen our distribution operation. In a pioneering effort to digitise retailer engagement, we launched our retailer App “Abhisheka Retailer Connect”. The App has resulted in a stronger and more efficient distribution network, by empowering retailers with a seamless and interactive digital platform. We also continued to expand our presence on e-commerce platforms to improve distribution efficiencies.

We also made progress on our paperless journey, by replacing 5.8 million paper invoices annually with eco-friendly alternatives such as SMS and email invoices. The digitisation of the billing process resulted in a cost saving of almost 40%, whilst also saving over 100 trees annually.

Digitalising Distribution

- “Abhisheka Retailer Connect” retailer App
- E-billing for traders and distributors
- Better monitoring through digital applications
- Presence on e-commerce platforms



Strengthening Distribution Partner Relationships

Maintaining strong relationships with our distribution partners not only enables us to build and maintain brand loyalty, but also ensures that responsible marketing practices are adopted across all our distribution channels. We continue to maintain strong relationships with our distribution partners by ensuring their financial security through timely payments, favourable credit terms and benefit schemes, and by positively contributing to their socio-economic well-being, through a number of programmes, as discussed below.

'Abhisheka' Trade Loyalty Programme

We continue to support the development and well-being of our trade partners through our trade loyalty programme, 'Abhisheka', which offers capacity building opportunities and medical insurance. During the year, we widened access of our health and insurance scheme to 2000+ trade partners.



Training and Capacity Building

A series of initiatives, including motivational campaigns, product awareness and capacity building programmes, were conducted throughout the year for distribution staff.



Annual CTC Distributors Awards Ceremony

Held annually, CTC's Distributors Awards ceremony celebrates the achievements of our Contracted Distributors during the year. The awards serves to empower distributors, while contributing to stronger relationships with them.



Way Forward

Going forward, we will continue to work in close partnership with our distribution partners, to drive greater operational and cost efficiencies. We will also continue to focus on building a stronger and more responsible distribution channel for CTC's legal cigarettes.

OUR BUSINESS IMPERATIVES >> TACKLING ILLICIT CIGARETTES AND BEEDI

REINFORCING STANDARDS



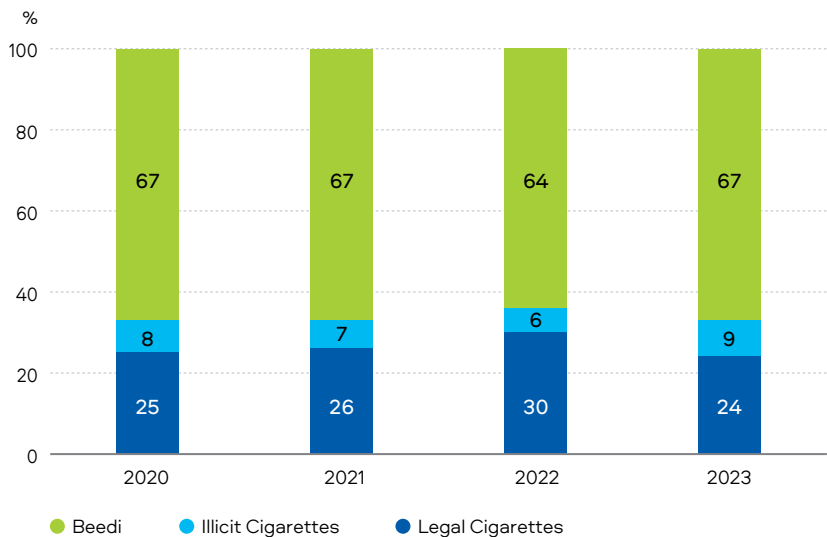


In addition to directly impacting our market share, the growth in both the illicit cigarette and beedi markets lead to a decline in tobacco tax revenue for the Government. We are therefore committed to supporting authorities to combat the illicit cigarette trade and prevent sub-standard products from entering the market.

Impact of Illicit Cigarettes and Beedi

CTC continues to witness an erosion of market share due to the continued growth in both the illicit cigarette and beedi markets.

Market Share by Tobacco Products



Source: CTC Data/Research Intelligence Unit 2023

Expansion of the country’s illicit cigarette market creates numerous socio-economic problems. In addition to significant loss of Government revenue, the illicit cigarette trade has been linked to transnational criminal activities, including funding of narcotics, weapons and terrorism. Unlike legal cigarettes, traders of illicit cigarettes do not comply with the laws and regulations in place, such as the NATA Act, which set out stringent guidelines on inclusion of

health warnings, product packaging and labelling, thereby undermining the law and intentions of the Government to safeguard public health. The disproportionate growth in the under-regulated beedi industry also deprives the Government of tax revenue. Meanwhile, the sharp increase in smuggled tendu leaves also erodes taxes paid. It was estimated that upto 62% of tendu leaves were smuggled in to the country during the year.

OUR BUSINESS IMPERATIVES >>

TACKLING ILLICIT CIGARETTES AND BEEDI

Key Drivers of Illicit Cigarette and Beedi Markets in Sri Lanka¹

- Increasing price differentials due to excessive tax hikes continue to drive demand for illicit cigarettes and cheaper alternatives such as beedi.
- Weak border control and low enforcement levels allow illicit cigarettes to flow unchecked across borders, fuelling the growth of illicit trade networks.
- Insufficient penalties for the possession and distribution of illicit cigarettes hinder effective deterrence, allowing the illicit cigarette trade to flourish.
- Low risk/high reward nature of the illicit cigarette industry (Rs. 700 Mn profit vs Rs. 1 Mn maximum fine of a 40ft container of illicit cigarettes) incentivises continued activity in this area.¹
- The beedi industry remains underregulated and under-taxed, making beedi a cheaper alternative for lower-end consumers.

Our approach to combating the illicit cigarette trade involves strong internal governance and supply chain compliance, analysing market information on the scope of illicit trade, working with authorities to support enforcement, informing regulators about the impacts of the illicit tobacco trade, and raising awareness of the topic among our employees, business partners and the public.



¹ "Economics of Tobacco Taxation in Sri Lanka – prevailing tobacco taxation policy: An upsurge in the illicit cigarette market."

Internal Governance and Supply Chain Compliance

The Anti-Illicit Trade (AIT) Policy in our Standards of Business Conduct (SoBC) sets out the controls all Group companies must put in place, to prevent our products from being diverted into illicit trade channels. Our SoBC meanwhile, defines the minimum standards expected of our suppliers, including for AIT, and is incorporated into our contractual arrangements. In addition, our Supply Chain Compliance Procedure (SCCP) provides guidance on complying with our AIT Policy. The 'Know-Your-Consumer' (KYC) and 'Know-Your-Supplier' (KYS) procedures in the Supply Chain Compliance Procedure ensures that tobacco products are not diverted to illicit channels, both locally and abroad.



Raising Awareness

CTC continues to support the Government in its efforts to fight illicit trade, by raising awareness among law enforcement officers, traders and distributor staff. Over 80 awareness programmes were conducted during the year for different stakeholders relating to combatting illegal cigarettes.

Awareness programmes for policy makers and law enforcement officers

60
Programmes

4,000
Participants

20

Distributor Representative Programmes for distributor staff and traders



Way Forward

We are committed to supporting the relevant authorities in tackling illicit cigarettes taking over the market. Curbing the growth in the illicit cigarette trade requires strong cooperation between all stakeholders, including the Government, law enforcement authorities, employees, value chain partners and community. We will therefore continue to strive for meaningful dialogue between these stakeholders through awareness creation and engagement.

OUR BUSINESS IMPERATIVES >>
ACHIEVING MANUFACTURING EXCELLENCE

**OPTIMISING
OPERATIONS**



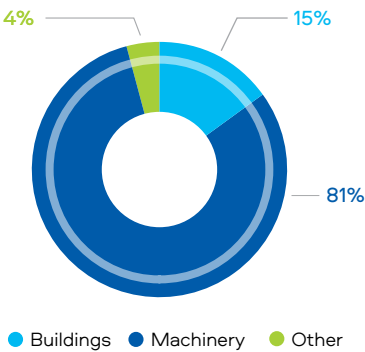


Our ongoing focus on achieving manufacturing excellence not only enables us to drive cost efficiencies, but is also a part of our sustainability goals of reducing our carbon footprint, and ensuring a safe and healthy workplace for our employees.

Capital Expenditure During the Year

Investments in Property, Plant and Equipment amounted to Rs. 352.5 Mn during the year.

Breakdown of Capex



Driving Production Efficiency and Waste Minimisation

Over 18 productivity enhancement interventions were carried out across our Primary and Secondary Manufacturing Departments, resulting in a 0.3% reduction in tobacco waste, 73.4% Overall Equipment Effectiveness (OEE) and 24.7 Minutes Mean Time Between Failure (MTBF) of machines through local initiatives. This resulted in a total cost saving of almost Rs. 121 Mn during the year (Rs. 7 Mn tobacco waste, Rs. 72.9 Mn Bale Turner project, Rs. 6 Mn trough conveyor, Rs. 27 Mn maintenance cost optimisation and Rs. 1.3 Mn SMD).

Intervention	Impact
Optimising weight control settings in production lines	Improvements to product quality and reduction of wastage by ensuring products meet precise specifications
Installation of a locally manufactured Bale Turner Machine	Overall saving of 42 KWh per month, which was significant savings in terms of energy, labour, space and tobacco waste. Rs. 9.1 Mn annual saving overall, with Rs. 70 Mn cost avoidance on a new Bale Turner
Replacement of 18 roller conveyors with 18 new trough conveyors	Elimination of maintenance costs and improved safety conditions. Overall saving of Rs. 6 Mn
One packer machine modification under the Pathfinder Project - Phase 1	Productivity improvements, cost savings and improvements to product quality
Over 4 machine modifications under the Project Tipping Extractor	Productivity improvements, cost savings and improvements to product quality

OUR BUSINESS IMPERATIVES >>

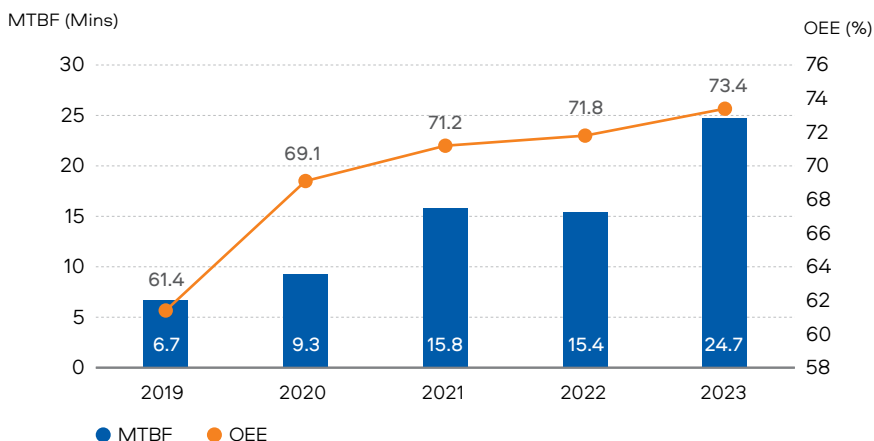
ACHIEVING MANUFACTURING EXCELLENCE

CTC's IWS Journey

The Company embarked on its Integrated Work Systems (IWS) journey in 2015, and since then, has made significant progress in driving efficiency improvements and reducing wastage across its manufacturing operations. Marking a major milestone in 2021, CTC obtained Phase 1 certification of IWS for Colombo, joining the ranks of 11 out of 52 factories across the BAT Group to obtain this certification. We are currently in the process of obtaining Phase 2 IWS certification for our Colombo factory.

CTC's IWS journey has resulted in broad-based improvements across key efficiency indicators including Overall Equipment Efficiency (OEE), and Mean Time Between Failure (MTBF).

Manufacturing Performance



Our IWS journey continues with a continued focus on machine automation, machine operator training and development and process analysis to drive continuous improvements to the manufacturing process.



Close to **5,000** hours of Training Covering **10 Pillars of IWS**



Daily Defect Identification



95% Defect Identification Rate

Efficiency Indicators

73.4%

OEE

24.7mins

MTBF

Investing In Safer Spaces

All our operational sites are covered by the BAT Group Environment, Health and Safety Management System, ensuring compliance to local and international health and safety standards. Health and safety risk assessments are carried out regularly, based on which, several improvements were carried out during the year to ensure the highest safety standards. A sustainability audit covering the scopes of environment, health and safety was also conducted by BAT Global audit team and successfully completed in November 2023 (please refer 'Employee Safety and Well-being' on page 88 for details of improvements carried out during the year).

Towards Greener Production

In line with our long-term environmental aspirations, we remain focused on reducing the environmental footprint of our manufacturing operations. We strive for the highest environmental standards and continue to adopt global best practices to drive energy efficiency, water efficiency and better waste management practices across our operations (for more information on our journey towards greener production practices, refer 'Excellence in Environmental Management' from pages 32 to 33).



Carbon neutral in Scopes 1 & 2 GHG emissions across our Depots, Green Leaf Threshing Plant, Colombo Factory and Commercial sectors



AWS Certification for GLTP completed. Colombo Plant in progress



Increased Recycling and Responsible Waste Management Practices across all locations

For more information on our Energy Efficiency Initiatives refer pages 63 and 72

For more information on our Water Management Initiatives refer page 76

For more information on our Waste Management Initiatives refer page 73



Way Forward

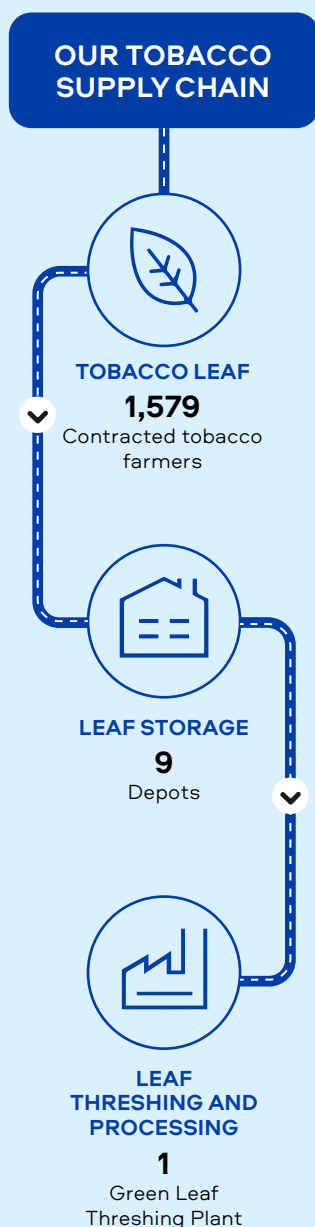
With rising manufacturing costs and margin pressure expected to continue in 2024, we will remain focused on driving greater operational and cost efficiencies. Our IWS journey thus far has placed us on a strong footing, and we will continue to work towards obtaining Phase 2 certification of IWS for our Colombo factory. We will also continue to reduce our environmental footprint by investing in energy efficiency, water efficiency and better waste management practices.

OUR BUSINESS IMPERATIVES >>
ENSURING A SECURE SUPPLY CHAIN

FORTIFYING
RESOURCES



Our business is reliant on the steady supply of quality tobacco leaf. Ensuring a secure supply chain is a business imperative as it safeguards us against potential supply chain disruptions, enables us to maintain the integrity and quality of our products and ensures the long-term supply of our key agricultural input. Fostering a productive and sustainable supply chain also directly feeds into our overall social agenda of creating sustainable livelihoods for our 1,579 contracted tobacco farmer network.



Impacts on Supply Chain

100%

of our tobacco leaf is sourced from local contracted tobacco farmers enabling us to support livelihoods across the island. CTC injected over Rs. 1.53 Bn to the local economy, through payments to farmers, and other local suppliers.

- Extreme weather conditions, including prolonged droughts at the beginning of the year, and higher rainfall towards the end of the year, due to the impact of El Niño.
- A sharp increase in cost of agriculture inputs due to elevated inflationary pressures.
- Relatively higher prices of competitive crops such as paddy and chilli, rendered tobacco cultivation less attractive for farmers.

Farmer Support

With the impact of severe weather conditions continuing to be felt across the tobacco supply chain, we ramped up support to farmers by providing technical and financial support to improve productivity, increase yields and effectively manage the impact of El Niño. Over 100 farmer meetings were held during the year to provide technical advice on crop planning, water management and boosting productivity, among others. We also provided additional financial assistance by way of loans for fertiliser and other agricultural inputs, to support farmers through the crisis. In addition to this, we also supported the farmers by facilitating the construction of over 300 agro wells in areas most impacted by the drought during the year.

OUR BUSINESS IMPERATIVES >>

ENSURING A SECURE SUPPLY CHAIN

Farmer Engagement During the Year

100+ farmer group meetings



One-on-one communication through **FSM App**



Green Leaf Threshing Plant (GLTP) Excellence

We continue to strive for excellence in our GLTP operation through an ongoing focus on process efficiencies and productivity enhancement. We remain committed to our goal of achieving IWS (Integrated Work Systems) Phase 1 for GLTP by 2025 and continue to implement process improvements while also building capabilities of staff towards this end. As a result of these efforts, total lamina yield was recorded at 67.36%, while OEE increased to 93.6% during the year.

GLTP Efficiency Indicators

93.6%

OEE (GLTP)

67.36%

Lamina Yield

Increasing Loose Leaf Barn (LLB) Capacity

We continued to increase LLB capacity during the year, converting 35 traditional barns to LLBs as part of our ongoing efforts to maximise efficiency and productivity of the curing process. In addition to increasing curing capacity, these barns, which are more fuel-efficient and labour efficient, resulted in significant energy and labour savings amidst rising energy and labour costs in the country. The total number of LLBs as at end of the year amounted to 59 (6% of total barn capacity).

We continue to modify technology to suit local conditions and make it more affordable for farmers to convert to LLBs. During the year, we focused on improvising with local construction material bringing the cost of conversion down by almost 30%.

Promoting Sustainable Agricultural Practices

We continue to develop, advance and implement sustainable agricultural practices that help preserve natural capital, increase farmers' resilience to climate change and increase yields. Several key innovations including a new clipping machine, new ploughing machines and inter-cultivator machine were introduced to farmers during the year, resulting in significant cost and efficiency benefits. Meanwhile, efforts continued to create awareness on sustainable agricultural practices through ongoing capacity building and awareness sessions for farmers.

Building Resilience Through Sustainability

The tobacco leaf supply chain, like any other agricultural supply chain, can be particularly vulnerable to challenges such as climate change, social inequality, rural poverty, child labour and labour migration. We therefore strive to create a more sustainable supply chain in order to build resilience and long-term viability.

Our leaf operations strictly adhere to the requirements of the 'Sustainable Tobacco Programme' (STP); an industry-wide standard, covering a range of areas including human rights, environmental preservation, and safety of people. The "Thrive" programme meanwhile, is aimed at identifying and addressing long-term challenges that have an impact on the livelihoods of farming communities (for more information on how we drive sustainability throughout our supply chain, please refer Farmer Livelihoods & Communities on page 79 and Biodiversity and Eco Systems on page 74).

Farmer Sustainability Management

Compliance with environmental and social requirements is monitored through the Farmer Sustainability Management (FSM) App which tracks a range of indicators on a real-time basis. The FSM App covers 100% of our contracted tobacco farmers and includes an annual self-assessment. During the year, an Extended Farmer Monitoring App (EFMA) was developed locally, and this has enabled the expansion of monitoring to our extended farmer network.

Benefits of LLB Technology

- Lower labour requirement as it eliminates the need to tie tobacco leaves to drying shelves and makes quality observations much easier.
- Reduces the number of days taken to cure tobacco leaf by increasing efficiency in the form of improved specific fuel consumption.



Way Forward

Building supply chain resilience will remain a key priority as implications of climate change and economic repercussions continue to have an increasing impact on the availability and quality of our agricultural inputs. We will therefore continue to engage closely with our contracted tobacco farmers to proactively identify challenges and drive greater sustainability, in order to generate mutual value.



COMMITTED & COLLABORATIVE

CTC's dedication to stakeholders and collaborative efforts exemplifies our ESG performance - a robust strategy seamlessly aligned with our Ethos, emphasising our unwavering commitment to creating lasting value for all stakeholders.

ESG IN FOCUS

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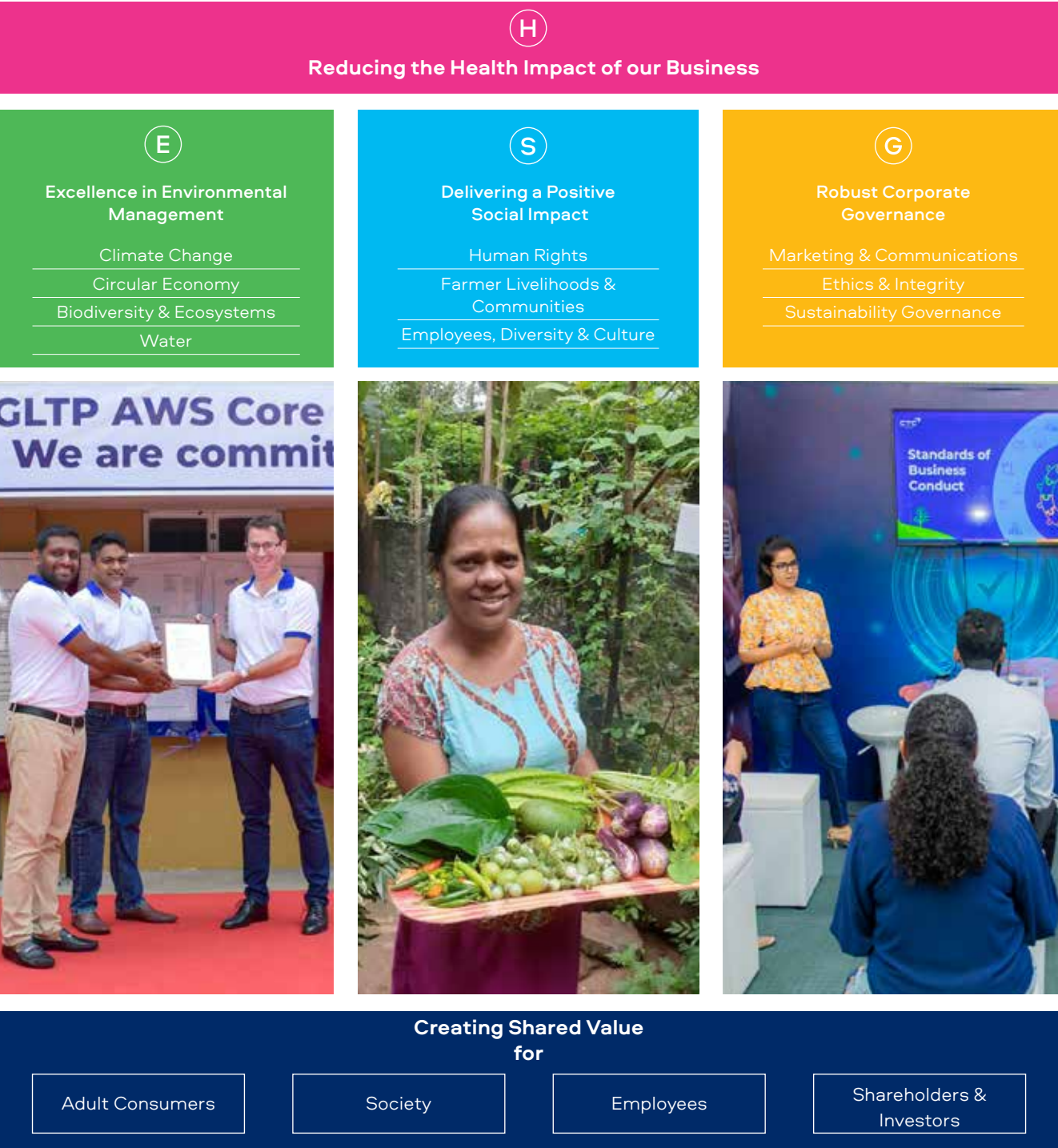
Financial Statements

Supplementary Information

ESG IN FOCUS

BAT GROUP ESG AGENDA

The BAT Group’s purpose is to create A Better Tomorrow™. Sustainability considerations are therefore a key part of our strategy and decision-making process. CTC embraces the BAT Group’s Sustainability Agenda to better reflect emerging topics and stakeholder expectations in a rapidly evolving operating environment. Outlined below is BAT Group’s Sustainability Agenda.



ESG ROADMAP

CTC's performance against the BAT ESG Roadmap goals and targets are presented below.

Key							
✓ Achieved - Met target/ambition on or ahead of time		■ On track - Likely to meet target/ambition on time		■ Ongoing focus - Continued progress toward target/ambition required		■ Not on track - Significant progress required to meet target/ambition on time	
ESG Topic		BAT Group's Targets and Goals		Group's Metrics		Performance Tracking	
						2022	2023
 Climate Change	Net Zero GHG emissions by 2050 50% reduction in Scopes 1&2 GHG emissions by 2030 (vs. 2020 baseline) Carbon neutral operations by 2030 comprising Scope 1 & 2 GHG emissions	Scopes 1 & 2 (market based) CO ₂ e emissions (thousand tonnes)	1.59	1.32	✓		
		Scopes 1 & 2 CO ₂ e emissions intensity (tonnes per £m revenue)	0.32	0.34	■		
		% Scopes 1 & 2 CO ₂ e emissions reduction vs 2020 baseline	60.56	67.48	✓		
	Circular Economy	25% reduction in waste generated in own operations by 2025 (vs 2017 baseline)	% reduction in waste generated	11.20	-14.15	■	
	Water	35% less water use by 2025 100% operations sites Alliance for Water Stewardship certified by 2025	% reduction in water withdrawn vs 2017 baseline	5.32	7.81	■	
% operations sites Alliance for Water Stewardship (AWS) certified			0	50	■		
 Human Rights	Zero child labour Aiming for zero incidents in our Tobacco Supply Chain ¹ by 2025	% farms with incidents of child labour identified	0	0	✓		
		% incidents of child labour reported as resolved by the end of the growing season	0	0	✓		
	Farmer Livelihoods & Communities	Prosperous livelihoods We are committed to working to enable prosperous livelihoods for all farmers in our tobacco supply chain	% farmers in our Thrive Supply Chain reported to grow other crops for food or as additional sources of income	100	100	✓	
	Employees, Diversity & Culture	Increase to 45% by 2025 Proportion of women in management roles ² Increase to 40% by 2025 Proportion of women on Senior Leadership Teams Zero accidents aiming for zero accidents Group-wide each year	% female representation in management roles	38	35	■	
			% of female representation on Senior Leadership Teams	33	50	✓	
			Number of work-related accidents (including assaults) resulting in injury, causing absence of one shift or more	0	1	■	
			Lost Time Incident Rate (LTIR)	0	0.24	■	
Number of serious injuries and fatalities to employees and contractors			0	0	✓		
 Ethics and Integrity	100% SoBC compliance Aiming for full adherence to our Standards of Business Conduct (SoBC)	Number of established SoBC breaches	0	0	✓		
		Number of disciplinary actions taken as a result of established SoBC breaches that resulted in people leaving BAT	0	0	✓		
	Marketing & Communications	Full compliance Aiming for full compliance with marketing regulations	Incidents of non-compliance with marketing regulations resulting in a fine or penalty	0	0	✓	

Notes: ¹"This includes the suppliers and individuals involved in the growing, the primary processing, secondary processing, the logistics and the retail and marketing operations of the organisation"

²Management grade employees include all global graduates and all employees at job grade 34 to grade 41, being the highest grade immediately prior to the Management Board

Climate Change

Why it Matters

The quality and availability of our key raw material, tobacco leaf, is directly linked to the effects of climate change. Identifying and addressing climate risks across our supply chain is vital to ensuring our commercial sustainability.

CTC's Approach

We are committed to reducing emissions and building climate resilience across our value chain and do so through an integrated climate strategy that involves increasing our reliance on renewable energy sources, investing in energy efficient technology, processes, and supporting a more sustainable supply chain.

Progress Achieved

		2022	2023
Scope 1 Emissions	tCO ₂ e	1,728	1,555
Scope 2 Emissions	tCO ₂ e	2,959	2,399
Emission Intensity	tCO ₂ e/ million cigarettes	0.32	0.34

Performance Highlights

18.43%

reduction on Scopes 1 and 2 emissions [market based] (vs 2022)

49.82%

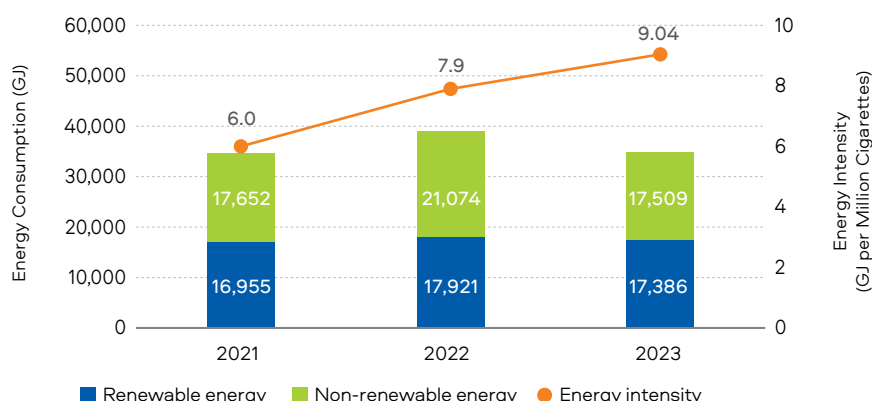
dependence on renewable energy

Decarbonising our Operations

We recorded an overall saving of 42KWh per month through the installation of a locally manufactured Bale Turner Machine, which reduced 10 motors from the old turner to the new turner. We also continued with our energy efficiency investment plans with ongoing Variable Speed Drives (VSD) compressor upgrades across locations and closely monitored energy consumption and efficiency levels across our locations.

We were able to identify high energy usage areas across all our sites and implement energy improvement projects to drive greater energy efficiency. Furthermore, having successfully achieved carbon neutrality for Scopes 1 & 2 GHG emissions in accordance with PAS2060: 2014, across our Depots, GLTP, Colombo Factory and Commercial sector in 2021, we continue to improve energy efficiency and reduce emissions across our operation.

Energy Consumption Within the Organisation



Renewable Energy Drive

We remain committed to supporting BAT Group's goal of increasing the share of renewable energy consumed to 50% by 2030. We successfully connected our 1 MW capacity solar panel project at GLTP Kandy to the national grid in July. The project resulted in an energy generation of 54718 MWh. The 1.8 MW solar panel project at our Colombo site was connected to the national grid by Q1 2024.

On-site Purchased Energy	GJ	17,069
Renewal % of Purchased Energy	%	100
Renewable % of Direct Energy	%	49.82
Energy Consumption	GJ	
Diesel		4,375
Petrol		4,428
Heavy Fuel Oil		7,716
LPG		990

Energy breakdown at CTC

Fleet Management

38% of our fleet vehicles (automobiles and motorbikes) are hybrid. Furthermore a telematic system has been installed to improve driver safety

standards and behaviours for the Colombo based operations fleet and is expected to be deployed for the entire CTC fleet by Q2 2024.

E

Excellence in Environmental Management

Circular Economy

Why it Matters

Rising cost of production, increased scarcity of natural resources and environmental degradation caused by waste, are growing concerns not only in our business, but also across industries. Collective action to drive circularity is therefore critical for a more sustainable and resilient global economy.

CTC's Approach

We are committed to driving circularity across our operations and gradually reducing waste to landfill by using fewer resources, minimising waste and implementing waste recycling practices across our locations.

Progress Achieved

Waste Generated and Disposal Methods		
	Hazardous (MT)	Non Hazardous (MT)
Recycling	1.38	478.55
Incineration	0.22	48.87
Landfill	0	5.87
Total Waste Generated	1.6	533.29

Performance Highlights

5,870 Kg

35% reduction waste to landfill (vs 2022)

479,930 Kg

90% of total waste waste recycled (vs 2022)

Responsible Waste Management

Our waste comprises mainly of tobacco waste, waste from green leaf threshing, as well as polythene, cardboard and food waste. Hazardous waste consists of electronic waste (including printer toners and LED bulbs) and oil waste.

Renovations were carried out to our waste bay in the Colombo factory to improve waste segregation and measurement capabilities. Accurately mapping, measuring and segregating our waste allows us to track progress on waste management initiatives, while ensuring responsible disposal of waste generated. Meanwhile, several campaigns were also carried out among staff to increase awareness on waste segregation and responsible disposal of waste.

Reducing Waste

Reducing tobacco waste, which accounts for 43.65% of total waste generated, remained a key focus during the year, and we continued to invest in technology upgrades and process improvements to minimise this waste. Over 18 quality and productivity interventions carried out during the year resulted in a 0.3% reduction in tobacco waste. Key among these interventions was the introduction of weight controllers to improve product standardisation and quality.

We have also carried out multiple initiatives to reduce non-production waste, such as moving away from plastic bottles to reusable metal and glass bottles, and installing energy efficient hand dryers to reduce the usage of tissue papers.

Increasing Recycling

During the year, multiple initiatives were carried out in both GLTP and the Colombo factory to recycle waste. All plastic and polythene waste generated in both Kandy and Colombo are now recycled. All waste oil and lubricants are also recycled through Government approved waste recyclers.

Promoting Circularity Across Our Value Chain

We also work closely with our contracted tobacco farmers to propagate responsible waste management practices. Paddy ash from the curing process is added back to the soil for its enrichment. During the year, we also initiated a programme to collect empty agrochemical containers from our contracted tobacco farmers, which are then directed to a registered recycler for safe disposal.

We continue to explore ways to increase our reliance on renewable input materials in our processes. As part of our efforts to shift to recycled packing material, we are currently trialling a project to replace the printed inner bundle in our packaging with recycled material.

Biodiversity and Ecosystems

Why it Matters

Our operation both impacts and depends on natural resources such as soil, water and forests. Protecting these resources is our responsibility.

CTC's Approach

We remain committed to spearheading reforestation initiatives and propagating sustainable agricultural practices to minimise the negative impact on the environment and build climate resilience across our value chain.

Performance Highlights

Over 130

acres of degraded land re-planted

Promoting Sustainable Agriculture Practices
Sustainable Tobacco Programme (STP)

Our Leaf operations adhere to the requirements of the Sustainable Tobacco Programme (STP) which sets out a range of criteria relating to environmental protection, sustainable management of water, soil and natural habitats. Adherence is strictly monitored through our Farmer Sustainability Management (FSM) App, a digital platform that enables our Field Technicians to maintain an ongoing dialogue with contracted tobacco farmers and monitor performance on an ongoing basis.

Sustainable Agricultural Development Programme (SADP)

Our flagship CSI project, Sustainable Agricultural Development Programme, aimed at promoting sustainable agriculture practices across rural communities in Sri Lanka, is now in its 17th year. Through this programme, our team of expert Field Technicians work closely with rural communities and provide technical assistance and training on sustainable agricultural practices, such as reducing the use of agro chemicals, crop diversification and soil conservation.



Our 12 acre model farm in Sooriyawewa serves as a knowledge hub for farmers to access technical knowledge and support on sustainable agricultural practices. We also engage with farmers on an ongoing basis through the "Thrive" programme.

Reducing Agrochemical Usage

Our standard is that only approved agrochemicals are used in our purchased tobacco. Accordingly, contracted tobacco farmers are provided training on safe application, storage and disposal of agrochemicals, and adherence to our agrochemical standard is closely monitored. Meanwhile, we also continue to explore more solutions such as biochar and organic compost and support contracted tobacco farmers to adopt these more sustainable options.

Crop Diversification

Crop diversification is recognised as a best practice in preserving soil health, as monocropping can adversely affect soil nutrients and quality. We support crop diversification among our contracted tobacco farmers and communities through the 'SADP Ultra' initiative through which, we promote crop rotation and diversification with alternative crops such as fruits, vegetables, maize and ground nuts.

100%

farmers supported through 'SADP Ultra' to grow alternative crops

15%

increase in the use of biochar and organic compost

Adopting Best Practices in Soil Management

Our field technicians work with contracted tobacco farmers in applying 'Sloping Agricultural Land Technology' (SALT), an integrated soil preservation mechanism that combines a range of conservation measures including stone terraces, intercropping and agroforestry.

Preserving Soil Fertility

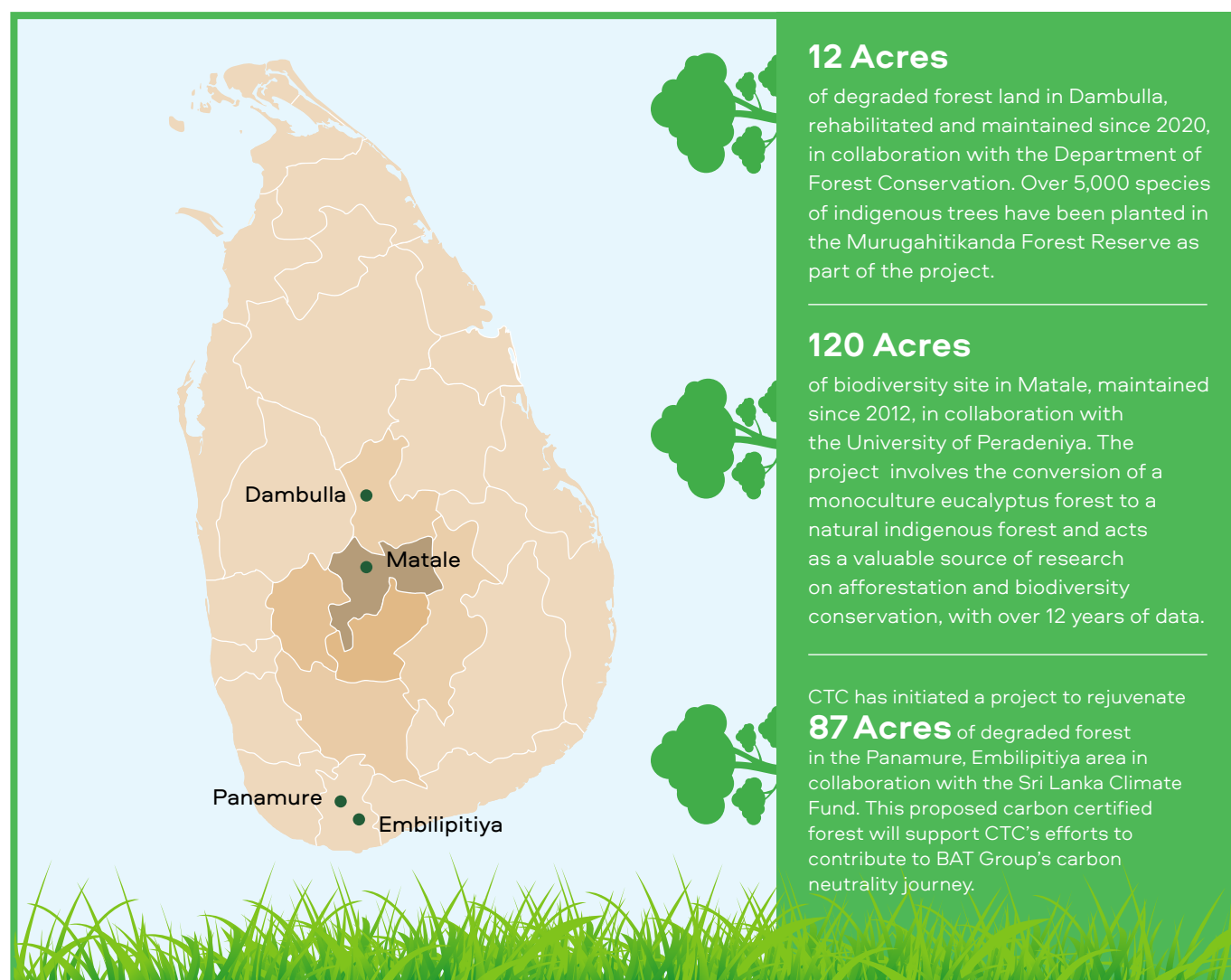
Supported by the research capabilities of the Group's Global Leaf Agronomy Development (GLAD) centre, we continue to provide contracted tobacco farmers with higher-yielding and disease-resistant tobacco varieties.



Increase in soil carbon level as a result of sustainable agricultural practices

Supporting BAT's Journey to Net Positive

CTC is contributing to increase the primary native forests and biodiversity value in our surrounding areas through its "Udaharitha project", which also aims to support the national priority of increasing Sri Lanka's forest cover from 29% to 32% by 2030. Udaharitha supports multiple initiatives including reforestation efforts, sapling distribution, and the involvement of employees, SADP farmers and suppliers in annual tree planting initiatives.



E

Excellence in Environmental Management

Water

Why it Matters

Water is an important input across the tobacco supply chain. With water scarcity becoming an increasing concern due to climate change, water efficiency and water stewardship requires greater focus.

CTC's Approach

Our water management strategy is focused on increasing water efficiency and recycling within our own operation and propagating sustainable water management practices throughout our value chain.

Progress Achieved

		2022	2023
Water Withdrawal	M3	33,131	32,260
Water Discharge	M3	22,137	20,232
Water Consumption	M3	10,994	12,027
Water Intensity	M3 per Mn Cigarettes	6.71	8.35

Performance Highlights

2.6%

reduction in water withdrawal (vs 2022)

16.24%

increase in water recycled (vs 2022)

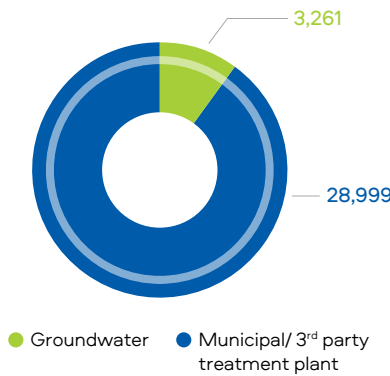
Water Stewardship in Our Direct Operations

Water Monitoring

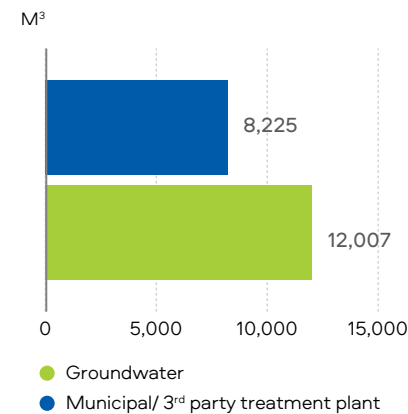
Water consumption within our Colombo site is tracked on a real-time basis through the 'Building Management System' with over 30 monitoring points. At our GLTP in Kandy and at our depots, it is tracked manually. The use of water-use mapping and loss analysis meanwhile enables us to monitor water consumption and proactively drive greater water efficiency across our operations.

Water Withdrawal and Discharge

Water Withdrawn by Source



Water Discharged by Destination



Water Saving Initiatives

Water saving initiatives are implemented across our sites to eliminate water losses and improve water efficiency. Examples of water saving initiatives implemented during the year include introducing timed showers and installing both flow restrictors and foot operated taps.

Water Recycling

Used water discharged from our operations is treated through an Effluent Treatment Plant (ETP) and re-used for non-critical activities such as gardening and cleaning roadways. During the year, improvements were made to our ETP in Colombo, which resulted in the percentage of recycled water increasing from 9.16% in 2022 to 15.3% in 2023.

AWS Certification

In line with BAT's 2025 target of obtaining 'Alliance Water Stewardship' (AWS) Certification for all manufacturing sites, CTC initiated the AWS certification process for its manufacturing facilities in 2021. The AWS certification is a globally recognised framework that allows water users to better understand their water use and impacts, and to work collaboratively and transparently towards sustainable water management within a catchment context.

Phase 1 of the project, which involved AWS certification for GLTP Kandy, is now core certified. The next phase of the project will involve obtaining AWS certification for our Colombo plant, for which preparations are underway.

Water Stewardship Across Our Supply Chain

We ensure water stewardship across our supply chain by working closely with our contracted tobacco farmers to propagate sustainable water practices. Water use and water management plans of farmers are monitored through our sustainable agriculture and farmer livelihood programme 'Thrive' and our FSM App. Meanwhile, ongoing support is provided to create awareness and technical knowledge on sustainable water consumption. During the year, additional support was also provided to contracted tobacco farmers to ensure access to water during severe drought conditions that prevailed. This included constructing over 300 agro and bore wells in areas with severe water shortages.



ESG IN FOCUS >>

DELIVERING A POSITIVE SOCIAL IMPACT

S

Delivering a Positive Social Impact

GRI : 308 408 409 414

Human Rights

Why it Matters

Respecting and upholding fundamental human rights results in individual and community empowerment, and in turn, has a direct impact on our operations.

CTC's Approach

We are committed to conducting our operations in a way that respects the rights of our employees, business partners and the communities and ensure strict adherence to BAT's stringent policies on human rights.

Progress Achieved

		2022	2023
% of contracted tobacco farmers monitored through FSM App	%	100	100
Supplier audits carried out	No.	3	3
No. of human rights training programmes conducted	No.	1	1

Performance Highlights

Zero

reported incidents of forced labour

Zero

reported incidents of child labour

Respecting Human Rights in our Business Operations

BAT's long-standing commitment to respecting fundamental human rights as affirmed by the 'Universal Declaration of Human Rights', is set out in our Standards of Business Conduct (SoBC) and Supplier Code of Conduct (SCC). This includes respecting the rights of our employees, the people we work with and the communities in which we operate across our supply chains and business operations.

Our human rights strategy is aligned to the UN Guiding Principles for Business and Human Rights (UNGPs) and focuses on strong policies, due diligence and (where required) remediation programmes.

Strong Policies

Standards of Business Conduct (SoBC)

Business procedures and practices

Supplier Code of Conduct (SCC)

Minimum standards expected from our suppliers

Due Diligence

Risk assessments to identify human rights risks of our operations and suppliers

Monitoring and reviewing through audits and engagement through leaf field team

Remedial Action

Speak-Up channel to report grievances and issues of non-compliance

Farmer engagement through FSM App and Thrive assessments

GRI : 408 409

Protecting Human Rights across our Value Chain

Our leaf operations participate in the industry's Sustainable Tobacco Programme (STP), which requires an annual self-assessment against priority themes including Human Rights. Suppliers are assessed against Verisk Maplecroft's risk indices, including for human rights. Contracted tobacco farmers and suppliers are educated on contractual obligations relating to human rights themes such as child and forced labour, working conditions, health and safety, and fair treatment. Farmer compliance with human rights obligations is monitored through the FSM App which covers 100% of our contracted tobacco farmer base. Periodic supplier audits meanwhile monitor compliance to SCC. Red flags for human rights violations including risks relating to child labour and forced labour allow immediate reporting and prompt action to be taken to remedy the situation.

78

Ceylon Tobacco Company PLC

Delivering a Positive Social Impact

Farmer Livelihoods & Communities

Why it Matters

Our farmer network is a vital part of our value chain. If farmers have sustainable living incomes, farming is made more attractive to the next generation. While it helps encourage improved adherence to environment health and safety standards, it also reduces the risks of exploitation, as well as child and forced labour.

CTC's Approach

We are committed towards delivering a positive social impact across our supply chain through multi-faceted community engagement initiatives that include providing agricultural knowledge, access to infrastructure and capacity building support to our farmer network and wider communities.

Progress Achieved

		2022	2023
Contracted Farmer Network	No.	1,163	1,579
CSI Investment	Rs. Mn	228	166

Performance Highlights

Rs. 1.53 Bn

payments to contracted tobacco farmers

Boosting Farmer Incomes

CTC is committed to ensuring sustainable livelihoods for its farmer community of over 1,579 contracted tobacco farmers. This includes guaranteed buy-back at pre-agreed prices determined together with the 'Farmers' Union' and the relevant Government authorities, to ensure income stability and fair pricing for farmers. Our Leaf team also works closely with our contracted tobacco farmers to build capacity and long-term resilience by providing agricultural inputs and technical support. As part of its ongoing efforts to support farmers, CTC's Leaf field staff worked closely with contracted tobacco farmers to mitigate the impact of severe drought conditions that prevailed throughout much of the year due to the El Niño effect on the climate. This included technical advice on crop planning, water management and boosting productivity, among others. We also provided additional financial assistance by way of loans for fertiliser and other inputs to support farmers through the current financial crisis (For more information on how we supported our farmer network during the year please refer page 64 - Ensuring a Secure Supply Chain).

GRI : 303 414

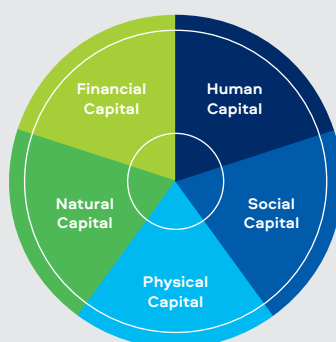
A Holistic Farmer Value Proposition

Our value proposition and commitment to our farmer community goes well beyond financial security. We strive to enhance the social well-being of our farmer communities and have in place programmes and initiatives to drive broader socio-economic growth.



The Thrive programme, is a BAT Global initiative aimed at identifying and addressing long-term challenges that impact the livelihoods of farming communities. Data and associated indicators across aspects of farmers' livelihoods, based on the internationally recognised 'Five Capitals' framework, are tracked and monitored on an ongoing basis through the FSM App. Our aim is to be 'in credit' across all five types of 'Capital': financial, natural, physical, human and social, in order for rural communities to continue to prosper.

Thrive - Five Capitals of Success



Skills, knowledge and human rights, including capacity building, developing the next generation of farmers, health and safety and eliminating child and forced labour

Resources and safety nets for self-sufficiency and resilience, including networks, grievance mechanisms and women's empowerment

Technology to enhance growing practices and basic infrastructure to live and work, including clean water and sanitation, energy, housing and healthcare

Climate change resilience and the natural resources upon which farming and landscapes rely, including soil, water, biodiversity and forests

Profitable farms and sustainable living incomes, as well as crop diversification and food security

ESG IN FOCUS >>

Sustainable Tobacco Programme (STP)

Our Leaf operations strictly adhere to the requirements of STP, the (industry-wide standard), covering a range of areas including human rights, environmental preservation and safety of people. Compliance is monitored through the FSM App, which covers 100% of our contracted tobacco farmers and independent on-site reviews for our extended farmer community.

All external parties dealing with CTC are subject to assessments as per 'Know-Your-Consumer' (KYC) and 'Know-Your-Supplier' (KYS) policies. Risk-based

due diligence is carried out for third parties through an online platform, the Coupa Risk Assess (CRA) System.

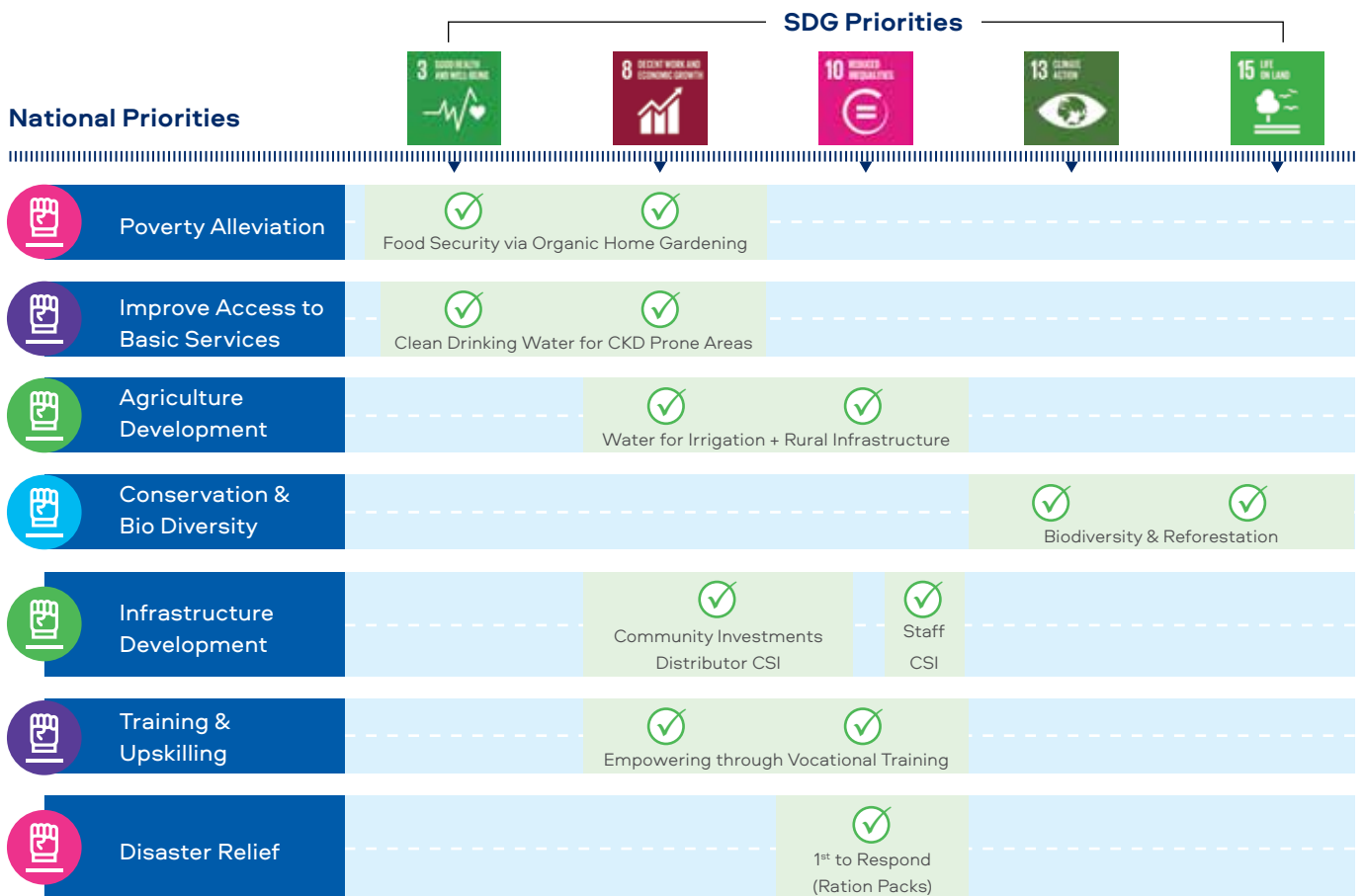
These stringent measures ensure constant assessment of the social and environmental impacts in our value chain and effecting necessary remedial action when required.

Supplier Assessments

% of contracted tobacco farmers monitored through FSM App	100%
New suppliers screened using social and environmental criteria	100%

Empowering Local Communities Through Purpose-led Initiatives

In addition to providing direct support to our contracted tobacco farmers, CTC has a long history of identifying and supporting the needs of the country's grassroot level communities. These programmes are typically aligned with national priorities such as poverty alleviation, health and well-being, agriculture and irrigation, nutrition, and disaster relief. During the year, we were able to carry out 9,389 projects to positively impact over 69,900 beneficiaries.





97,813

No. of Beneficiaries

SADP, CTC's flagship CSI project was launched in 2006, with the objective of contributing to the national priority of eliminating poverty by uplifting the lives of rural communities. It has been at the forefront of promoting sustainable agriculture practices among rural communities across Sri Lanka. The programme identifies and supports families living below the poverty line by providing them with agricultural and other resources to achieve self-sufficiency in food through organic home gardening and animal husbandry. Over the years, the programme has evolved to meet new national challenges, resulting in the launch of several hybrid programmes.

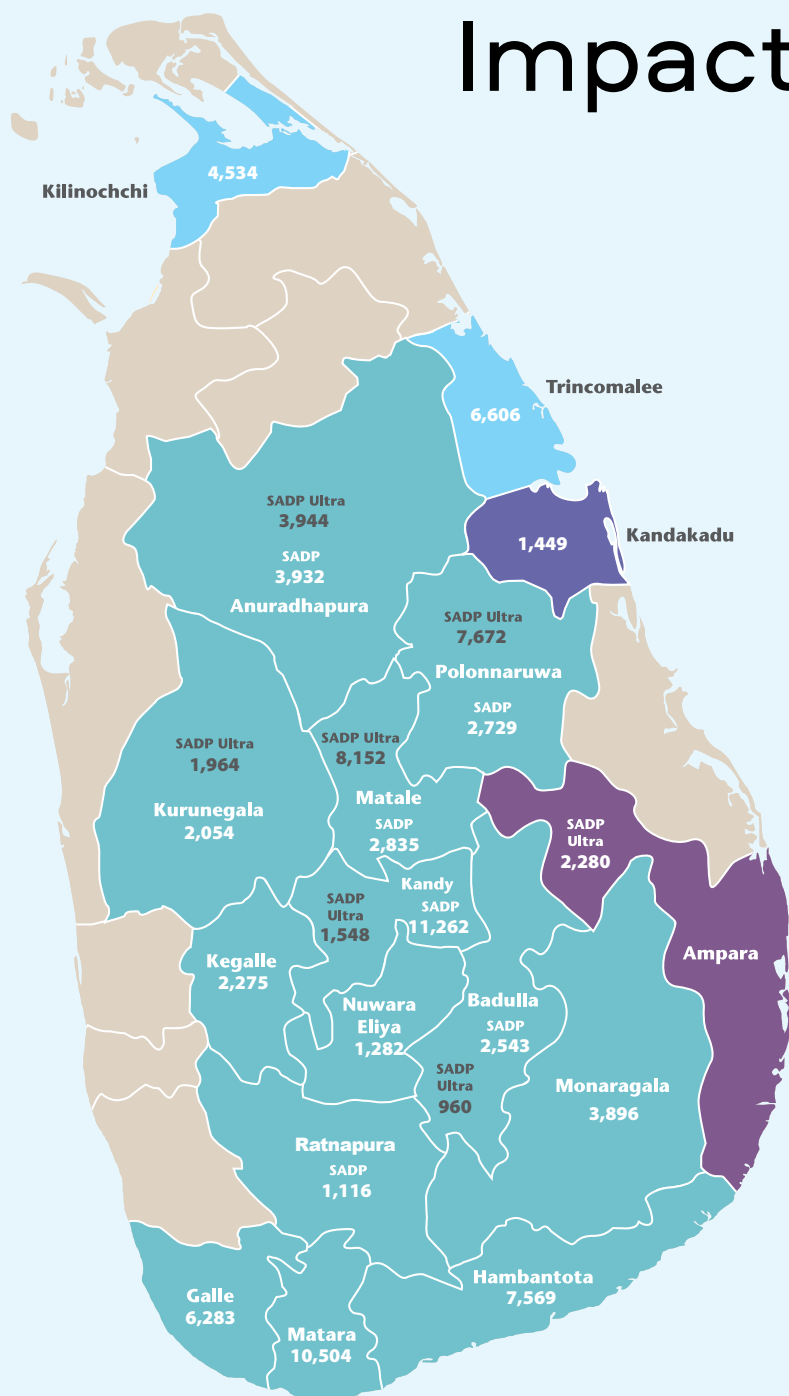


26,994

No. of Beneficiaries

Supports contracted tobacco farmers to grow alternate crops such as fruits, vegetables and maize in their respective fields.

Our Impact



ESG IN FOCUS >>



Project Delivery Status

9+

vocational programmes
conducted

Carried out in partnership with the National Youth Services Council (NYSC) and National Apprentice and Industrial Training Authority (NAITA), the VIYAWASAYAKAYA initiative aims to offer skill-based vocational training programmes for community youth. Our aim is to equip future leaders and entrepreneurs in the country with relevant skills and knowledge to succeed in marketable vocations.

No. of Beneficiaries

450

youth across 9
districts



Project Delivery Status

16

RO plants established to date

The SUWAJEEWANA initiative supports national efforts to combat the increase in chronic kidney disease (CKD) among rural communities due to lack of access to clean drinking water in remote farming communities. Through this project, CTC has committed to construct over 30 reverse osmosis (RO) water purification systems that will provide 10,000 litres of clean drinking water daily (per plant).

No. of Beneficiaries

12,000

individuals



Project Delivery Status

139

projects

The PRAJALOKA initiative involves small-scale, needs based infrastructure projects aimed at enhancing the well-being of underserved communities.

No. of Beneficiaries

8,701





Project Delivery Status

91

projects

No. of Beneficiaries

8,413

farmers

The GOVISAVI initiative aims to support rural farming communities through small scale community projects, with the intent of improving access to irrigation and other infrastructure. We work in collaboration with farmer organisations to ensure projects are carried out to benefit the most deserving farming communities.



Project Delivery Status

1

project carried out during the year

No. of Beneficiaries

2,000

The PAWURA initiative brings together our employees to volunteer in CSI initiatives aimed at supporting communities.



Project Delivery Status

139

families supported

No. of Beneficiaries

11,000

The DIVISAHANA programme aims to provide relief materials such as rations to those affected by natural disasters or unexpected calamities.



Employees, Diversity and Culture

Why it Matters

Creating a culture that respects and values diversity contributes to a more dynamic, innovative and inclusive workplace, ultimately leading to better business outcomes and sustained success.

CTC's Approach

We are focused on cultivating a dynamic, inclusive and supportive culture that attracts, engages and retains talented and diverse people who can drive our transformation.

Progress Achieved

		2022	2023
Female representation across management roles	%	38	35
Female representation on the senior Leadership Team	%	33	50

Performance Highlights

Rs. 2.61 Bn

total payments to employees

Rs. 58.2 Mn

training investment

Our Team Profile

The CTC team is a diverse group of individuals representing different backgrounds, experiences and demographics. We take pride in the diversity of our team and strive to create a culture that embraces and empowers this diversity in all its forms.

Male			Female	
No.	%		No.	%
Employment Category				
212	82	Permanent	37	86
46	18	Contract	6	14
By Region				
66	26	Western	6	14
14	5	Southern	1	2
38	15	Central	29	67
6	2	Sabaragamuwa		-
134	52	Others	7	16
By Age				
72	28	21-30	20	46
180	70	30-55	13	30
6	2	Above 56	10	23
Training Hours by Employment Type				
231	50	Senior Management and above	231	50
1,069	54	Junior and Middle Management	907	45
1,946	83	Executive	405	17
2,762	98	Non-Executive	48	2
6,008	79	Total	1,591	21

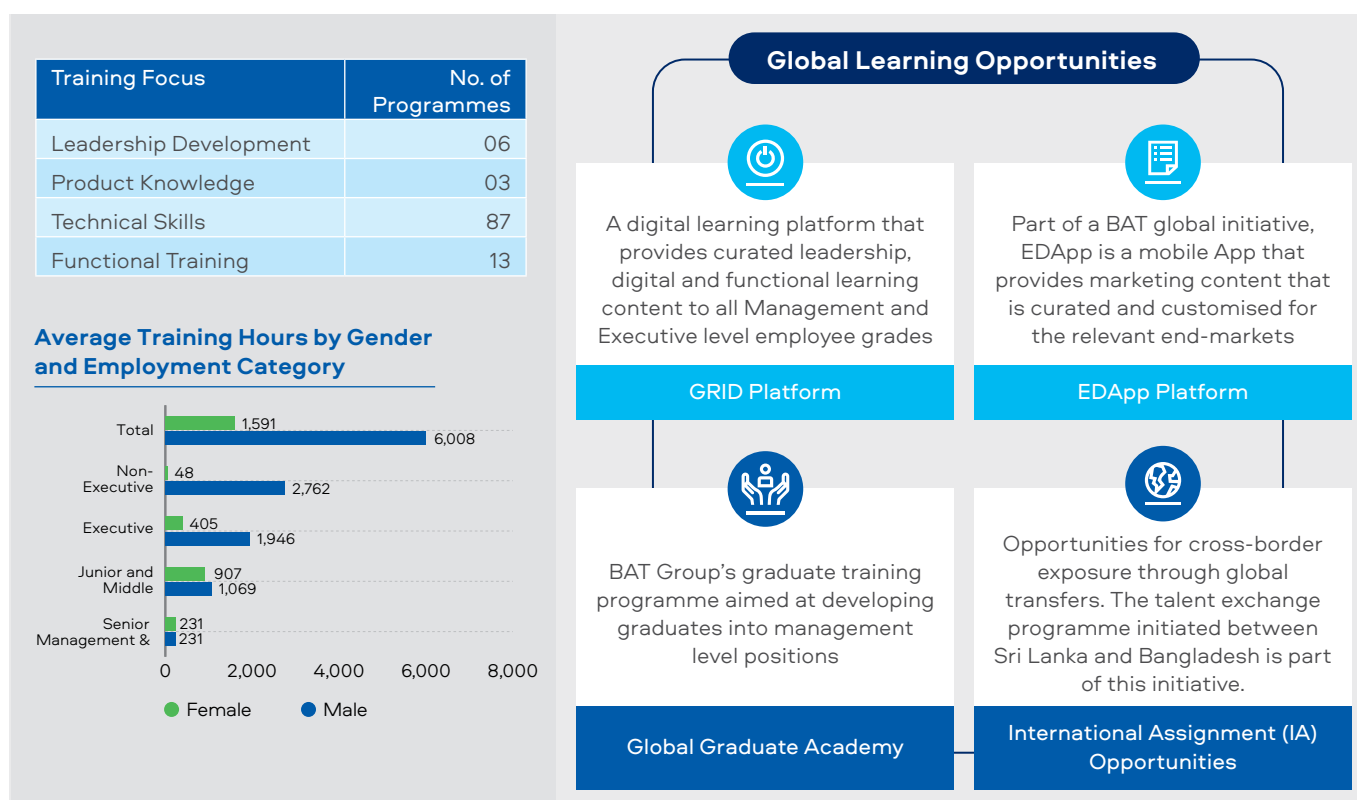
Recruitment and Retention

We continue to strengthen our employer brand to attract and retain the best talent. During the year a total of 22 new recruits were onboarded. Despite increasing levels of labour migration from the country, retention levels during the year were maintained at 92.6%, reflecting our strong Employee Value Proposition.

	New Recruits		Exits	
	No.	%	No.	%
By Gender				
Male	17	77	12	63
Female	5	23	7	37
By Age				
21-30	13	59	11	58
30-55	9	41	8	42

Creating the Right Skill Set

Delivering world-class Learning and Development opportunities for our employees has always been an integral part of our culture. All employees have access to global and local learning content through multiple channels including digital platforms and onsite and off-site training. In addition to technical and product related training programmes offered across the board, strategic emphasis was also placed on strengthening leadership skills to build a robust talent pool at middle to senior levels.



We invest in the development of our talent and provide them with the opportunity to grow in their careers, both within CTC and the BAT Group. During the year, 13 employees were promoted and 18 employees moved laterally in their respective functions, enriching their career and learning. As a pilot project, we initiated a talent exchange programme between BAT Bangladesh and CTC, providing talent from both markets the opportunity to gain valuable knowledge and exposure. Additionally, 4 CTC employees have moved on short term and long term International assignments, while 5 employees have permanently moved to other BAT markets.

Promoting Diversity, Equity and Inclusion

Diversity, Equity and Inclusion (DE&I) is a key global priority for BAT, with regions, end markets and business functions adopting action plans to implement the global agenda. CTC is committed to BAT's diversity agenda as we see the inherent value in creating a culture that embraces and celebrates diversity in all its forms. CTC's DE&I strategy is driven through our recruitment policies, remuneration policies, promotion policies, training and development initiatives, and by nurturing an empowering and inclusive culture.

ESG IN FOCUS >>

Driving Gender Equality

We have a 35% representation of women in management grades (against a long-term target of 45% by 2025) and a 50:50 gender split in our Leadership Team. Over 12 women participated in our tailor-made leadership development programme for women - 'SparkX'. Meanwhile the Women of Worth (WoW) initiative continues to empower women across the organisation by encouraging the career growth of

female employees and amplifying women's voices within the Company through multiple initiatives. Progressive programmes and policies such as flexible working arrangements, above average maternity leave (100 working days) and parental support also provide a more supportive and conducive environment for women to balance multiple commitments.

Given our long-standing commitment to creating an empowering and fulfilling environment for women to thrive and reach their full potential, we were honoured to be recognised as one of the Top Ten Women Friendly Organisations in Sri Lanka and the Organisation with the Most Female Friendly Culture in Sri Lanka at the Satyn AICPA & CIMA Women Friendly Workplace Awards 2023.

Women of Worth (WoW) Initiative

8+ programmes and events were carried out through the WoW initiative during the year. This included wellness, recognition and engagement programmes tailor-made to address needs and interests of CTC's female workforce.



SparkX Leadership Programme for Women



Inclusivity through Workforce Engagement

We encourage our employees to make their voices heard by providing multiple channels of communication at all employee levels. An open-door policy is practiced across the organisation while a robust grievance mechanism and 'Speak-Up' channel ensures employees can raise any issue without fear of retribution, which also includes any incidents of discrimination. There were no reported incidents of discrimination during the year. Furthermore, periodic employee surveys such as the "Your Voice" survey, which is conducted biennially, gauges employee pulse and obtains feedback on people initiatives implemented. 99% of our permanent employees participated in the "Your Voice" survey. Compared to the survey conducted in 2021, in 2023, all 11 areas surveyed demonstrated improvement.



Recreational activities such as the annual sports day, quiz nights and other cultural events are carried out throughout the year providing employees opportunities to interact and engage with one-another. Our virtual engagement platform "SAGA" (Sports and Aesthetics Engagement Alliance) meanwhile continued to provide virtual content and interactive discussions for employees across locations to connect virtually.



We also ensure ongoing engagement with our unions. Approximately 35% of our employees are represented by trade unions and covered by a Collective Agreement. We maintained favourable relations with all our trade unions during the year. All significant operational changes are communicated to trade unions with adequate channels for discussion and debate.



Culture Transformation Project

The culture transformation programme piloted in 2022, was rolled out across CTC during the year with several unique initiatives.

Key among these was the **Ethos Premier League (EPL)**, a fun and interactive way of creating awareness on the Company Ethos. The initiative garnered significant interest among employees while promoting cross functional collaboration.



The **SHINE culture campaign** was launched to foster a Simplified, Healthy, Inclusive, Nurturing and Engaged culture for all at CTC. The **personal behavioural change & commitments everyone pledged to uphold**, acted as the foundation of the campaign.



Employee Safety and Well-being

We are committed to ensuring the physical and mental well-being of our employees by providing all of them with a safe and supportive work environment. Health and Safety aspects are governed by BAT's integrated EHS guidelines and guided by the Company's comprehensive Environmental, Health & Safety Policy. The Policy adheres to all local laws and incorporates global best practices in health and safety. The Company also has in place the Group Environment, Health and Safety Management System which is aligned to international standards. A cross-functional EHS Steering Committee, supported by departmental Environmental, Health and Safety Committees ensure that environmental health and safety guidelines are implemented and monitored across the Company.



As part of our continuous efforts to improve safety standards at our operational sites, we carried out several safety improvements based on a comprehensive risk assessment executed on the factory floor. This included the standardisation of ladders and platforms to reduce the risk of ladder injuries, the introduction of an improved sprinkler system to reduce fire hazards and improving the testing and monitoring capabilities across sites to proactively identify risk factors. Ongoing training on environmental health and safety standards and protocols meanwhile ensure that machine operators and other staff are fully trained on safety aspects.

We also continued with our mental wellness initiatives during the year under the theme "Wellbeing Unlimited". 14 impactful initiatives which included multiple programmes under them, were conducted according to a targeted well-being calendar during the year. This included 19 awareness sessions, achieving coverage of 95% of total employees covering a range of topics including nutrition, work life balance and mental wellness, among others.

We believe that personal financial security and stability is important to the well-being of our employees. Therefore, while we took several initiatives to help employees through the economic crisis and resulting hardships, we also conducted several awareness sessions on personal financial management. Through these sessions, employees were made aware on how to prudently manage income, savings and investments.

% of CTC Workers covered by Occupational Health and Safety Management System	100%
--	------

Work-related Injuries		
	No.	Rate
Fatalities	0	0
Serious Injuries	0	0
Loss Time Injuries	1	0.24
Restricted Work Cases	0	0
Medical Treatment Injuries	0	0

Work-related ill health		
	No.	Rate
Fatalities due to Work-related Ill-health	0	0
Total Cases of Recordable Work-related Ill-health	0	0

Fair Remuneration

Our compensation strategy aims to provide fair wages and benefits commensurate with skills, experience and contribution to the Group. In line with equal pay practices, we have clearly defined pay scales for all roles across the Group. This approach ensures pay, bonuses and benefits are consistently applied and not influenced by factors such as gender.

Remuneration scales are reviewed on an ongoing basis to ensure that it is competitive and reflects market dynamics. In addition to the annual salary increment, additional benefits such as the transport allowance was also reviewed and revised during the year. Considering the sharp increase in the cost of living during the year, a special crisis allowance was offered to all employees. All permanent

employees are provided a range of benefits in addition to fixed pay and performance-based bonuses. Key benefits offered to employees include a transport allowance, vehicle loan, housing loan, medical, professional membership reimbursement and educational assistance.

Equal Pay for Equal Work

Our focus on pay equity is intended to ensure that all employees performing the same work or work of equal value are paid equitably and pay is not influenced by factors such as gender.

Ratio of basic salary and remuneration



1



1

Performance Management

A fair, transparent and competitive performance management system ensures a level playing field for all our employees. Performance appraisals are carried out for all employees annually. The performance management system is designed not only to achieve business targets but also inculcate behaviours and attitudes that promote our five-fold Ethos behaviours of Bold, Fast, Empowered, Responsible and Diverse. Employees displaying these behaviours are recognised and given increased visibility through various recognition initiatives which showcase their achievements. During the year, the recognition framework was also automated as part of our efforts to make the process more transparent and fair.

Spotlight

Held quarterly, 'Spotlight' is a two-way communication forum that highlights business progress, plans and the contribution made to the business by departments and individuals.



CTC TRADE UNION

Union Committee - Colombo



PRASHAN CHINTHAKA

President



RANGA KULATHILAKA

Secretary



NISHANTHA KUMARA

Treasurer



UDARA JAYASINGHE

Shift Organiser



JAGATH CHANDANA

Committee Member



CHAMARA HETTIARACHCHI

Co-Organiser



SANJEEVA KUMARAJITH

Committee Member



HARSHA PEIRIS

Committee Member



MOJITH INDIKA
Committee Member



JEEWAKA ALAHAKOON
Shift Organiser



SAMEERA MENDIS
Committee Member



SAMITHA CHANDRASEKARA
Committee Member



DAMMIKA NANAYAKKARA
Committee Member



SAMITH SAMARANAYAKA
Committee Member

CTC TRADE UNION >>

Union Committee - Kandy



NILANTHA JAYAWEDENA
President



KUMARA DAYASIRI
Secretary



DANUSHKA BANDARA
Treasurer



VIRAJ NARAMPANAWA
Committee Member



NEUMAL SILVA
Committee Member



DASANTHA GUNARATNE
Committee Member



ASELA GUNASINGHE
Committee Member

ESG IN FOCUS >>

ROBUST CORPORATE GOVERNANCE

G

Robust Corporate Governance

GRI : 417

Marketing & Communications

Why it Matters

CTC's Approach

Progress Achieved

Performance Highlights

Zero

All communications are governed by local regulations such as the National Authority on Tobacco and Alcohol (NATA) Act No. 27 of 2006 and its Regulations and stringent internal guidelines such as BAT's International Marketing Principles (IMP) and Youth Access Prevention (YAP) guidelines. Our Regional Audit and CSR Committees, as well as the Audit Committee, have oversight of IMP and YAP compliance.

National Authority on Tobacco and Alcohol (NATA) Act No. 27 of 2006

CTC's marketing practices are regulated by the NATA Act, which sets out clear guidelines on product packaging and labelling. This includes requirements for trilingual text health warnings, TAR and Nicotine content disclosures, and graphical health warnings covering the top 80% of the surface area of the front and back of the pack. During the year under review, there were no instances of reported non-compliance with local laws and regulations pertaining to product information and labelling and packaging.

International Marketing Principles (IMP)

CTC's approach to product sales is also governed by BAT's IMPs. The IMP's which ensure that our products are sold responsibly, revolve around five key principles:

- Responsible,
- Accurate and not misleading,
- Targeted at adult consumers only,
- Transparent, and
- Compliant with all applicable laws

Compliance with the IMP is part of our Supplier Code of Conduct (SCC), which sets the minimum standards expected of our suppliers. Accordingly, IMP compliance is explicitly set out and effectively communicated to all our suppliers through documentation and training. In addition to the IMP, detailed compliance procedures, guidance and toolkits help our IMP to be applied consistently and effectively in the market.

Youth Access Prevention (YAP)

YAP is a key aspect of our responsible marketing agenda. Accordingly, BAT's YAP guidelines ensure individuals under the legal age (21 years in Sri Lanka) do not have access to our products. As part of YAP, we ensure that retailers are mandatorily requested to uphold minimum age laws. Additionally, our internal standards support retailers by providing them with material and awareness on applicable laws.

Transparent Communication

We firmly believe that trust is based on transparent communication and therefore strive to maintain transparent, responsible and open communication with all our stakeholders. Any claims or statements in our communications undergo a robust and thorough review process that involves representatives from all relevant functions.

		2022	2023
Employees receiving training on responsible marketing	No.	0	106

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Robust Corporate Governance

Ethics and Integrity

Why it Matters

Delivering ethically and with integrity strengthens our relationships with our stakeholders, employees, investors and the broader community.

CTC's Approach

We empower our people to act ethically and with integrity, by understanding the expectations of ethical conduct and raising concerns whenever they suspect a breach.

Progress Achieved

	2023
Confirmed incidents of corruption and actions taken	0
Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	0
Political contributions	0

Performance Highlights

100%

of employees completed annual SoBC training

Training on Responsible Marketing

Mandatory training, including the BAT iCommit, a training programme on responsible marketing, ensures that IMP and YAP are strictly adhered to. During the year, 106 employees participated in training programmes relating to responsible marketing and communications. While the IMP guidelines form an integral part of conducting responsible marketing practices, CTC strives to ensure that the more stringent controls implemented by the relevant laws and regulations are adhered to and takes

precedence. Training and awareness programmes are conducted on the NATA laws and regulations and the necessary materials are provided.

Promoting an Ethical Culture

We strive to promote an ethical culture by having in place clearly articulated policies and standards that set out our expectations for ethical behaviour from our directors, employees and business partners. In that context, robust mechanisms and practices that ensure strict compliance and ongoing training and policy cascades ensure widespread awareness on ethics and integrity.

Policy Framework

CTC has implemented a comprehensive suite of policies and standards based on BAT's global policies and principles, to ensure that we have in place best-in-class governance practices.

Standards of Business Conduct (SoBC)

The core policy that sets out the standards of integrity expected from our employees. The policy covers topics such as anti-bribery and corruption, gifts and entertainment, political contributions, tax evasion, human rights and the SoBC assurance procedure, among others.

Supplier Code of Conduct (SCC)

Complements the SoBC by defining the Standards of Business Conduct we expect our suppliers to adhere to.

Policy Framework

Third-Party Anti-Financial Crime Procedure (AFC)

Sets out the Group-wide mandatory steps required for dealings with all third parties and is designed to assess and mitigate third-party risks on bribery and corruption, money laundering, terrorist financing, illicit trade, sanctions and tax evasion.

Gifts & Entertainment Policy (G&E)

Provides guidance on some of the rules set out in the SoBC pertaining to the offering and receipt of gifts, to ensure that our employees are aware of and do not cross the line on any bribery and corruption risks.

Compliance Mechanisms

We promote a culture of accountability and encourage our employees, business partners and suppliers to speak up if they have any concerns about actual or suspected wrongdoing. We have multiple channels in place for individuals to speak up and raise concerns. An open-door policy encourages employees to directly speak with locally designated officers from Legal, Human Resources, Finance, or to their Line Manager. An externally managed 'Speak Up' channel meanwhile can be used anonymously and is accessible through a designated hotline and an online portal.

Compliance with all external and internal regulations, required standards and guidelines meanwhile, are ensured through the Assistant Company Secretary, who is responsible for implementing BAT Group's Compliance Strategy.

Ethics Awareness

Ensuring that all our employees fully understand our expectations for ethical behaviour and are well aware of the policies, standards and procedures in place is critical to nurturing an ethics centred culture. The following measures and mechanisms are in place to provide employees training and awareness on ethics related issues on an ongoing basis.

Policy Cascades

Policy cascades are conducted throughout the year in the form of training programmes, quizzes, interactive videos and other activities. This engagement facilitates clearer understanding of relevant policies, thereby enhancing employee buy-in and compliance.

SoBC App

The SoBC App provides easy access to the SoBC policies, procedures and guidance, improving awareness and understanding.

Spotlighting Best Practices

Best practices in ethical behaviour and governance related aspects are spotlighted on a periodic basis. In addition to highlighting best practices, this also serves as a motivator for employees to act in an ethical and accountable manner.

SoBC Policy Sign-off

All employees are required to formally confirm their compliance to the SoBC policy annually. During this sign-off, they undergo training and assessment and reaffirm their commitment to the SoBC policy by disclosing any conflicts of interest with the business.

Industry Leadership

We see it as our responsibility to engage closely with industry stakeholders to promote responsible and ethical behaviour in the wider business community. We maintain constructive dialogue with regulatory authorities and hold membership in several associations, which enables us to work collaboratively to promote responsible and ethical behaviour. We also actively participate in thought leadership activities. Our Leadership bring with them a wealth of global expertise in the areas of governance and ethics and regularly share their opinions in public forums.



Robust Corporate Governance

ESG Governance

Why it Matters

With ESG matters growing in importance, ESG Regulations and expectations have substantially broadened and deepened, requiring appropriate governance in place to deliver on our sustainability commitments.

CTC's Approach

Our governance approach seeks to ensure Board-level oversight of our sustainability agenda and robust mechanisms to measure progress on our sustainability goals.

Performance Highlights

Launch of ESG Roadshow

ESG Governance Structure

The Board of Directors holds apex responsibility for the ESG Strategy while the CSI Steering Committee is tasked with formulating the Company's ESG strategy and monitoring performance. The Leadership Team consisting of 6 members is responsible for overseeing the implementation of the Company's ESG strategy, policies, performance and controls, while the ESG Working Group, representing multi-functional representatives from across the organisation, drives the Company's ESG agenda.

ESG Strategy and Policy

A clearly articulated ESG strategy based on BAT Group's Sustainability Agenda sets out our action plans for reducing the environmental impact of our business, delivering a positive social impact and embracing best-in-class Corporate Governance practices. Specific targets and metrics meanwhile ensure that we track our progress and measure our impact on a continuous basis. (Refer page 71 for ESG priority areas and metrics)

Implementation of our ESG commitments is guided by a framework of Group Policies that are underpinned by a range of principles, statements, operating procedures, standards and guidelines. The comprehensive Group policy framework supports the effective identification, management and control of risks and opportunities for our business in these and other areas.



Policies and Procedures	Summary of Areas Covered	Key Stakeholder Groups
Standards of Business Conduct (SoBC) Available at www.bat.com/principles	Sets out our policies for: Speak Up, respect in the workplace, human rights, environmental, health, safety and welfare, lobbying and engagement, conflicts of interest, anti-bribery and corruption, gifts and entertainment, political contributions, community investment, protection of corporate assets and financial integrity, competition and anti-trust, anti-money laundering and tax evasion, sanctions, anti-illicit trade, data privacy and information security.	• Employees • Suppliers • Traders • Distributors • Wider Society
Supplier Code of Conduct (SCC) Available at www.bat.com/principles	Covers: compliance, human rights, environmental sustainability, marketing and trade and business integrity.	• Suppliers • Traders • Distributors
Environment Policy Available at www.bat.com/principles	Our commitments to following high standards of environmental protection, adhering to the principles of sustainable development and protecting biodiversity, covering our direct operations and supply chain, including agricultural, manufacturing and distribution operations. Our Environment Policy was revised in 2022 to include an assessment of our value chain impacts, our circular economy principles, our new biodiversity commitments and information on metrics and targets.	• Employees • Suppliers • Wider Society
International Marketing Principles (IMPs)	Governs marketing of all our products and includes the requirement for all our marketing to be targeted at adult consumers only.	• Employees • Suppliers • Distributors • Traders
Youth Access Prevention (YAP) Guidelines	Supports our strict IMP requirement to market our products to adult consumers only by setting out requirements for retailer-facing YAP activities to be carried out in all our markets.	• Distributors • Traders • Wider Society
Biodiversity Statement	Sets out the principles we follow to manage our impact on biodiversity and the wider environment.	• Employees • Suppliers • Government • Wider Society
Green Mobility Standard	Specifies BAT's green mobility strategy aimed at reducing the environmental impact of BAT's fleet, namely carbon dioxide equivalent emissions (CO ₂ e), air pollution, and noise, by deploying strategic beyond Internal Combustions Engine (ICE) options.	• Employees • Suppliers • Government • Wider Society
Operational Standard on Child Labour Prevention	Detailed guidance and procedures for tackling the risk of child labour in BAT Group's own leaf operations.	• Employees • Suppliers • Traders • Distributors • Wider Society
Group Community Investment Framework	Sets out the Group strategy for community investment and charitable donations, aligned to the United Nations Sustainable Development Goals.	• Employees • Suppliers • Government • Wider Society

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Stakeholder Engagement

In identifying our ESG focus areas and formulating the Company's ESG strategy, we engage with a wide range of internal and external stakeholders. This engagement offered us valuable insights on their views and concerns, enabling the Company to appropriately tailor its ESG strategy and approach, to reflect stakeholder concerns. A summary of how the Company engaged with its stakeholders and the key topics and concerns identified are listed on page 42.

ESG Road Show

The ESG Road Show was launched during the year as part of the CTC ESG policy cascade efforts and to create employee awareness on ESG initiatives in an interactive way. The ESG Road Show involved a series of quizzes, videos and other events which garnered significant interest among employees.





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LD & BUST

Our proactive efforts have propelled the Company's future growth, demonstrating a steadfast commitment to being both bold and robust, even in challenging circumstances.

RISK MANAGEMENT & GOVERNANCE

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RISK MANAGEMENT

THE RISK LANDSCAPE CONTINUED TO SHIFT DURING THE YEAR, AMIDST RAPIDLY EVOLVING DOMESTIC ECONOMIC CONDITIONS. ROBUST RISK MANAGEMENT PROCESSES HOWEVER ENABLED THE COMPANY TO PROACTIVELY IDENTIFY AND ADDRESS KEY RISKS TO ACHIEVE AN OPTIMUM BALANCE BETWEEN MINIMISING THE RISKS AND MAXIMISING SHAREHOLDER VALUE.

The Company's risk management process and key risks are discussed below:

Risk Governance

The Board of Directors holds ultimate responsibility for ensuring that the Company's risks are identified and mitigated effectively. The Board is supported by the Audit Committee and a dedicated Risk Management Committee (RMC) at executive level, in discharging its risk management responsibilities. The Audit Committee reviews the effectiveness of the Company's risk management and internal control systems bi-annually. The RMC, headed by the Company's Finance Director and consisting of Senior Managers representing key functions, report to the Leadership Team on the risk performance of each function on a regular basis. The Company's risk profile is also monitored through the internal reporting mechanisms of the BAT Group.

The Company's risk management framework is characterised by defined mandates, comprehensive policy frameworks and clear governance structures. As a subsidiary of BAT Group, CTC also benefits from the international harmonisation of global best practices in risk management and has been successful in nurturing a risk culture which aptly balances risk and growth considerations.



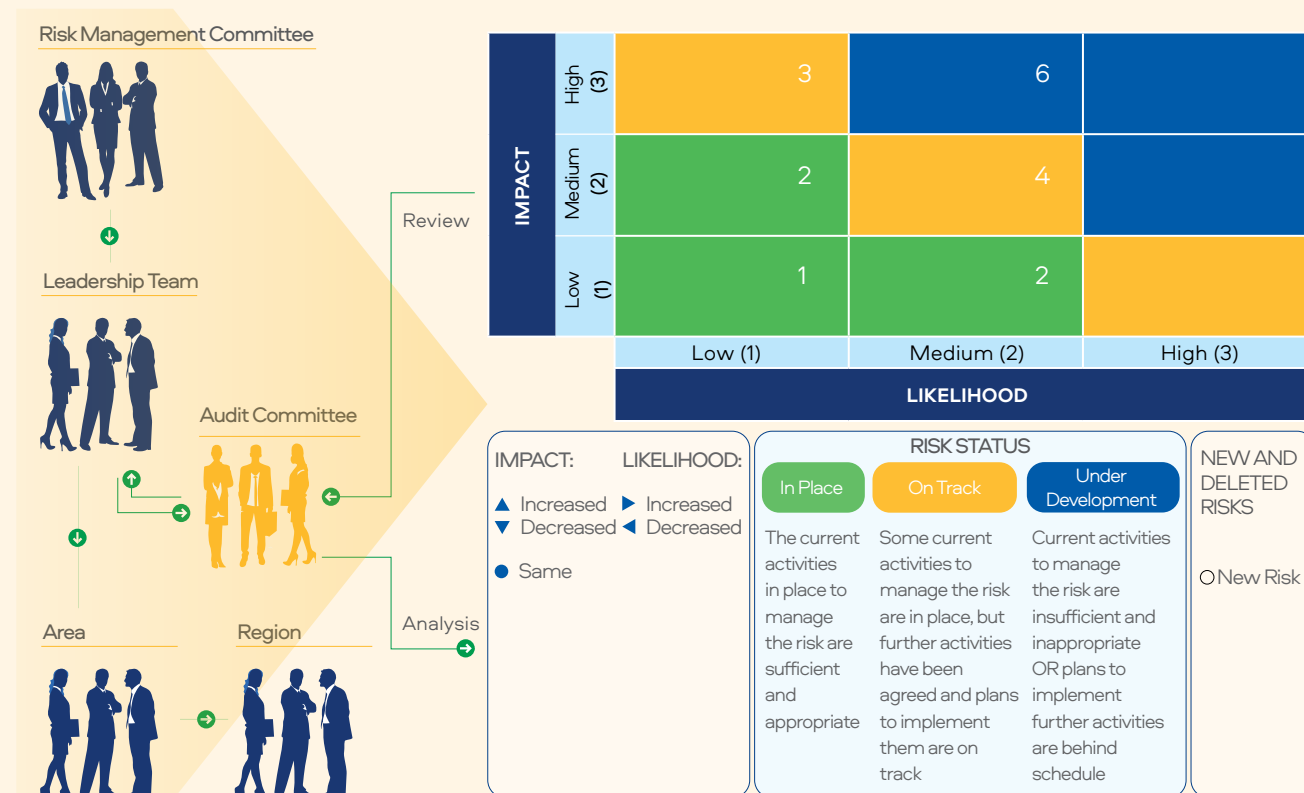
Risk Identification

Every year, a risk assessment is carried out to identify the principal uncertainties facing CTC, including those that would threaten its business model, future performance, solvency or liquidity. Financial and non-financial risks are identified at a functional level, with inputs from relevant employees. This is done through team discussions and brainstorming sessions which facilitate value addition. The identified risks are reviewed for completeness by the RMC on a regular basis and reported to the Audit Committee.



Assessment and Evaluation

Risk registers, which are standardised across the Group, are used to assess and evaluate risks. All identified risks are assessed at three levels (high/medium/low) with reference to the likelihood of occurrence and the potential impact. Tolerance levels and trigger points are also defined for each identified risk. The risk registers are validated by the Risk Management Committee (RMC) and reviewed regularly by the Leadership Team and bi-annually by the Board and the Audit Committee.



Risk Management

Based on the risk scores derived from the risk register, the respective functions formulate strategies to curtail and mitigate these risk exposures. Responsibility for managing each identified risk is allocated to the Head of each Function (risk owners), who report regularly to the RMC on the performance of defined risk parameters. Additionally, the potential impact of global trends and risks are also captured through input by the Regional Audit Committee, which also recommends improvements in internal controls in line with global best practices.



Monitoring

Risks are monitored at multiple levels in the organisation including at functional level, by RMC, Leadership Team, Audit Committee and Board level. Identified risks, the risk registers, mitigation plans and performance of each identified risk are evaluated at these levels throughout the year.

RISK MANAGEMENT >>

Principal Risks

The table below summarises the Company's key risk exposures for the year under review. The risks detailed below are the ones that had and could potentially have had the most significant impact on the Company's ability to create value. Some of these major risks are outside the control of CTC and other factors besides those listed below may affect the Company's performance. Some risks may be unknown at present; others, which are currently immaterial, could emerge as material risks in the future.

Principal Risks	Impact	Timeline of Risk	
Excessive and frequent taxes	The industry witnessed 5 tax increases from 2022 to 2023 resulting in a 44% increase in excise tax, compared to 2021. The excise increase over the last five years meanwhile has been over 100%, resulting in a 127% increase in the price of a legal cigarette during the same period.	Medium to Long Term	
Increasing competition from illicit market	The increasing price disparity between legal and illicit cigarettes in recent years have fuelled the growth of the illicit market, which in 2023, accounted for 9% of the country's total cigarette consumption. Low levels of enforcement and insufficient penalties continue to exacerbate the problem resulting in a 67% increase in the volume of illicit cigarette sticks in 2023, compared to 2022.	Medium to Long Term	
Lower disposable income levels	Adverse economic conditions and its impact on consumer disposable income directly impact our volumes. This is compounded by the sharp increase in cigarette prices as a result of successive tax increases.	Short to Medium Term	
Difficulties in recruiting/retaining talent	Rising levels of migration due to the socio-economic conditions in the country continues to impact the availability of employees with the ability and leadership skills to drive the Company's strategic objectives.	Short to Medium Term	

Impact		Likelihood		Risk Level	
▲	Increased	▲	Increased	High	
▼	Decreased	▼	Decreased	Medium	
●	Same	●	Same	Low	

	Risk Assessment Compared to Last Year		Risk Level	Risk Management Mechanisms in Place	CTC's Response
	Impact	Likelihood			
			High		We advocate for sensible taxation and regulation for the industry in order to ensure the long term sustainability of the legal tax paying industry which is a key stream of Government tax revenues.
			High		We support Government efforts to curtail growth of the illicit market by creating awareness on the impact of illicit among our stakeholders and proactively supporting relevant law enforcement agencies to combat illicit entering the country.
			Medium		Our multi-category brand portfolio enables us to cater to different consumer segments. Meanwhile a tiered approach within brand houses allows us to offer quality products at affordable price points.
			Medium		We continue to enhance our Employee Value Proposition (EVP) in order to attract, develop and retain high quality local talent. Our aim is to grow local talent to leadership positions within CTC and be a source of high-quality talent for the Group, outside of Sri Lanka.

Status of Risk Management Mechanisms in Place	
	The current activities in place to manage the risk are sufficient and appropriate.
	Some current activities to manage the risk are in place, but further activities have been agreed and plans to implement them are on track.
	Current activities to manage the risk are insufficient and inappropriate or plans to implement further activities are behind schedule.

CORPORATE GOVERNANCE

SOUND GOVERNANCE PRACTICES CONTINUE TO BE THE CORNERSTONE OF OUR BUSINESS, GUIDING THE BOARD AND ALL OUR EMPLOYEES IN THE CONDUCT OF DAY-TO-DAY BUSINESS ACTIVITIES. WE CONTINUE TO STRENGTHEN OUR GOVERNANCE PRACTICES TO ENSURE TRANSPARENCY AND ACCOUNTABILITY IN ALL AREAS OF OUR BUSINESS AND CREATE SUSTAINABLE VALUE FOR OUR STAKEHOLDERS.

BOARD GOVERNANCE HIGHLIGHTS



Resignation of Mr. Syed Muhammad Ali Abrar as Executive Director w.e.f. 1 April 2023



Appointment of Mr. Towhid Akbar as Executive Director w.e.f. 1 April 2023



Resignation of Mr. Usman Zahur as Non-Executive Director w.e.f. 1 July 2023



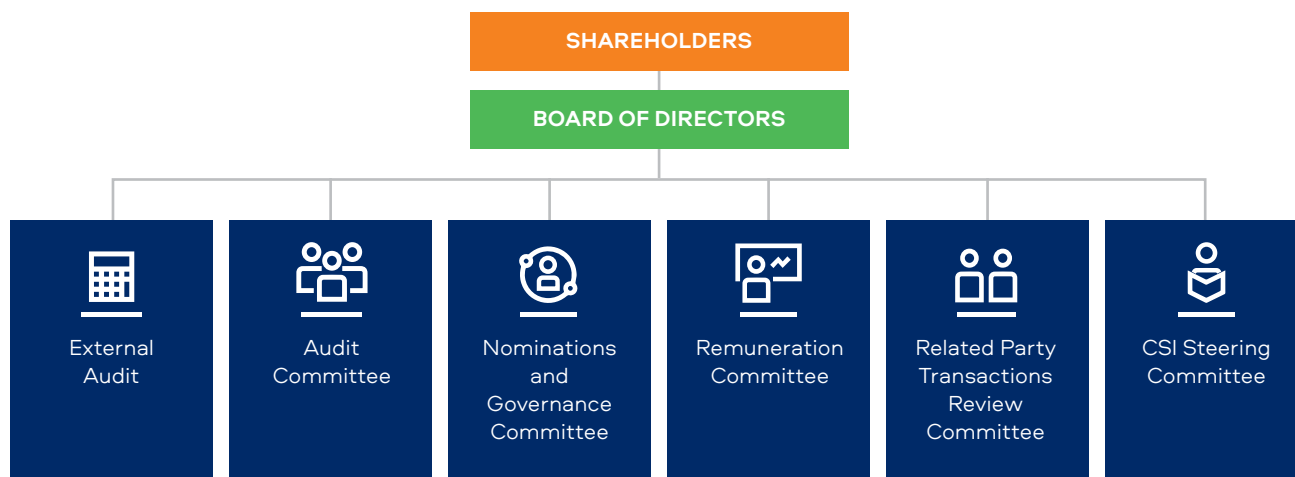
Appointment of Mr. Gary Tarrant as Non-Executive Director w.e.f. 1 July 2023

GOVERNANCE BENCHMARKS AND REGULATORY COMPLIANCE

CTC's governance structures, policies and frameworks are aligned to the best-in-class practices of BAT. The framework also complies with local regulatory requirements including the Companies Act No. 7 of 2007, updated Listing Rules of the CSE, Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka (ICASL), and other relevant laws and regulations.

Governance Structure

CTC's governance structure, which includes several Board sub-committees with oversight responsibility over specific areas, promote empowerment and accountability. In addition to the mandatory sub-committees, CTC has also appointed a Corporate Social Investment (CSI) Steering Committee to drive its sustainability and CSI agenda.



Board Committees

Sub-Committee	Composition*	Mandate
Audit Committee	2 Independent NEDs, 1 NED Chaired by an Independent NED who is a member of a professional accounting body with the necessary experience	Support the Board and the BAT Group's relevant Audit Committees in ensuring the integrity of financial statements, management of business risks, internal control and compliance, and conduct of business in accordance with our SoBC policy
Remuneration Committee	2 Independent NEDs, 1 NED Chaired by an Independent NED	Responsible for determining the framework and policy on the terms of engagement and remuneration of the Chairman, the Board of Directors, the Leadership Team and the Management staff of the Company
Nominations and Governance Committee	1 Independent NED, 1 ED Chaired by an Independent NED	Provide recommendations to the Board on suitable candidates for appointment to the Board, ensuring that the Board has a diverse and appropriate balance of skills and experience
Related Party Transactions Review Committee	2 Independent NEDs, 1 NED Chaired by an Independent NED	Review and provide recommendations on Related Party Transactions in line with the Listing Rules and Code of Best Practice on Related Party Transactions
CSI Steering Committee	2 Independent NEDs, 2 EDs Chaired by an Independent NED	Ensure the identification and management of all environmental, social and governance priorities and ensure that business is conducted in a socially responsible manner

*NED - Non-Executive Director, ED - Executive Director

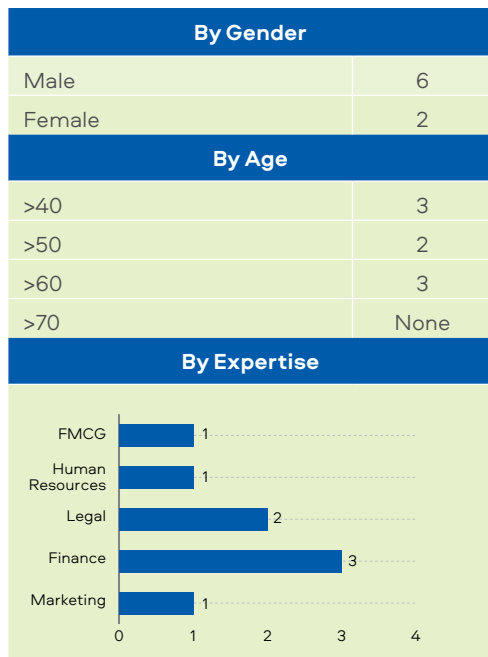
CORPORATE GOVERNANCE >>

A clear division of roles and responsibilities ensures that none of the Directors have unfettered powers in the Board decision-making process. Key roles of Chairman and MD/CEO are separate, strengthening the Board's effectiveness and ensuring objective decision making in the discharge of duties.

Board Composition

The Board comprises of 8 Directors (including the Chairman), of whom, 2 are Executive and 6 are Non-Executive Directors. 3 of the Non-Executive Directors are independent directors. 3 Non-Executive Directors represent the BAT Group. The composition of the Board, the balance between Executive and Non-Executive representation, and the calibre of Non-Executive Directors ensure that power is appropriately balanced within the Board. Board composition is regularly reviewed to ensure adequate diversity and to ensure that the skills representation is in alignment with current and future strategic needs of the Company. Profiles of the Board members are set out on page 12. Declarations are obtained annually from Directors and CEO confirming fit and proper criteria have been satisfied.

Board Diversity



Board Diversity

Non-Executive Directors	
Independent Non-Executive Directors	
Executive Directors	



SURESH SHAH
Chairman and
Independent,
Non-Executive Director



KUSHAN D'ALWIS PC
Independent Non-
Executive Director



YUDHISHTRAN KANAGASABAI
Independent Non-Executive
Director
(resigned w.e.f. 31 January 2024)



RUMANA RAHMAN
Non-Executive Director



STUART KIDD
Non-Executive Director



GARY TARRANT
Non-Executive Director
(appointed w.e.f. 1 July
2023)



MONISHA ABRAHAM
Managing Director & Chief
Executive Officer
(resigned w.e.f. 15 April
2024)



TOWHID AKBAR
Executive Director
(appointed w.e.f. 1 April 2023)

Nominations to the Board

The Nominations and Governance Committee regularly reviews the structure, size and composition (including the skills, knowledge and experience) of the Board, and makes recommendations to the Board regarding any suitable changes.

Appointments, Re-elections, and Resignations during 2023			
Sub-Committee	Name of Director	Nature of Directorship	Effective Date
New Appointments	Mr. Towhid Akbar	Executive Director	1 April 2023
	Mr. Gary Tarrant	Non-Executive Director	1 July 2023
Resignations	Mr. Syed Muhammad Ali Abrar	Executive Director	1 April 2023
	Mr. Usman Zahur	Non-Executive Director	1 July 2023
Re-appointments	Mr. Yudhishtan Kanagasabai	Independent, Non-Executive Director	26 May 2023
Re-elections	Mr. Usman Zahur	Non-Executive Director	26 May 2023
	Mr. Kushan D'Alwis	Independent, Non-Executive Director	26 May 2023
	Mr. Towhid Akbar	Executive Director	26 May 2023

Induction and Training

All incoming Directors joining the Board receive an induction covering their duties and responsibilities as Directors and are provided with information encompassing matters pertaining to the Company and the industry. An induction pack, consisting of the Company's Articles of Association, the NATA Act, Board Charters and Annual Reports, among others are provided to all newly appointed Directors.

Non-Executive Directors undergo a 3-day induction programme, with comprehensive coverage on all operational aspects. These sessions consist of:

- A one-to-one session with the Chairman,
- Sessions with department heads including presentations covering all functions which include Marketing, Operations, Leaf, Finance, Human Resources, and Legal, CoRA & CoSec,
- Market visits covering multiple channels including general trade, modern trade and hotels/ restaurants, and

- Site visits to both the factory and an area of tobacco cultivation, providing Directors with an opportunity to meet with contracted tobacco farmers and barn owners.

Directors also receive regular briefings to update their knowledge on emerging developments in both the internal and external operating environment. Directors also participate in relevant external training sessions, such as those organised by the Sri Lanka Institute of Directors.

Access to Information

The Board and its sub-committees have access to high-quality, relevant and timely information required to discharge its responsibilities effectively. The Company Secretary is responsible for ensuring access to this information and is also responsible for the efficient flow of information within the Board and its sub-committees and between the Non-Executive Directors and Senior Management. All Directors have access to the advice and services of the Company Secretary.

Conflicts of Interest

Annual declarations of independence or non-independence are obtained from all Directors in accordance with the stipulations of the Listing Rules of the CSE and the guidelines of the Code of Best Practice. The Board also has formal procedures for managing conflicts of interest, and Directors are required to provide advance notice of same to the Company Secretary. From the current Board, 3 Directors are deemed independent of Management, and free of any business or other relationship that could materially affect the exercise of their independent judgement.

CORPORATE GOVERNANCE >>

Board Meetings

The Board meets on a quarterly basis with special meetings convened if and when the need arises. The Board agenda is set by the Chairman in consultation with the Managing Director/ CEO and the Company Secretary. Other members of the Leadership Team and Senior Management are invited to meetings from time to time, in particular, when the Company's business strategy and annual budgets are under discussion. Board papers are circulated electronically, prior to the meetings, providing adequate time for preparation, thereby ensuring informed decision making. During the year, the Board convened for the 4 scheduled meetings.

Attendance at Board meetings held during the financial year is given below:

Director	Board	Audit Committee	Remuneration Committee	Nominations and Governance Committee	CSI Steering Committee	Related Party Transactions Committee
Mr. Suresh Shah	3/4					
Mr. Yudhishtan Kanagasabai	4/4	4/4	1/1	1/1	1/2	4/4
Mr. Kushan D'Alwis	4/4	4/4			2/2	4/4
Ms. Monisha Abraham	4/4	4/4		1/1	2/2	
Mr. Ali Abrar	1/4	1/4*			1/2	1/4*
Mr. Towhid Akbar	3/4	3/4*			1/2	3/4*
Mr. Usman Zahur	2/4	2/4				2/4
Mr. Gary Tarrant	2/4	2/4	1/1			2/4
Ms. Rumana Rahman	4/4			1/1		
Mr. Stuart Kidd	4/4					

*Attended as invitee

Performance and Evaluation

As prescribed by the Code of Best Practice on Corporate Governance, the Board evaluates its own performance through an annual self-assessment undertaken by each Director. The assessment covers several topics relating to the contribution of each Director and the collective efficiency, effectiveness, and quality of Board activities. The results of the overall evaluation are discussed with the Chairman and

presented to the Board and each of the Committees in respect of its own performance.

Board Remuneration

The Remuneration Committee is responsible for determining the framework and policy on terms of engagement (including remuneration) of the Chairman, Executive Directors, and Senior Management. The Terms of Reference of the Committee comply with the guidelines prescribed by the Code of Best Practice and

CSE Listing Rules and Guidelines. The Company's Remuneration Policy is designed to provide a structured and balanced remuneration package, with the objective of attracting and retaining top talent. The Remuneration Policy covers performance-based variable rewards (cash and share incentives, annual bonus plans and long-term incentive plans), the core fixed elements (base salary and benefits), pension, terms of service contracts and compensation payments.

Further details on the activities of the Remuneration Committee are provided on page 128 of this Report. The aggregate remuneration paid to Executive Directors and Non-Executive Directors is disclosed in the Notes to the Financial Statements on page 140 of this Report.

The Board's Role and Contribution to Value Creation

The Board is collectively responsible to the shareholders for its long-term success. Through oversight on strategic direction, values and purpose, the Board provides leadership for the Company to meet its business and sustainability objectives. The Board's role includes the following:

Role of the Board

- Formulating the Company's business strategy and ensuring that the necessary financial and human resources are in place to meet its objectives.
- Establishing an effective Management team and in particular, the appointment and where necessary, removal of the Chairman, Chief Executive Officer (CEO), other Executive Directors and Company Secretary.
- Establishing appropriate systems of corporate governance in the Company.
- Reviewing the effectiveness of the Company's risk management and internal control systems.
- Establishing the Company's performance objectives and monitoring the performance of the Management team in achieving them.

Driving Strategy and Performance

The Board directly and through its sub-committees, steered the Company through a volatile business environment during the year, successfully identifying risks and opportunities and recalibrating strategy, to protect and create value for the Company and its stakeholders. Key areas of Board focus during the year are summarised below.

Assess Implications of Global and Local Economic Headwinds

Monitoring macroeconomic developments and regulatory developments and evaluating potential impacts of same.

Assessing impact of global headwinds on supply chain and raw material prices.

ESG Focus

Providing leadership in driving ESG strategy. Monitoring progress on community engagement initiatives.

BOARD FOCUS DURING THE YEAR

Contribution to Economic Recovery Efforts of Government

Closely engaging with stakeholders to curb growth in illicit cigarette market.

People Management and Talent Retention

Ongoing focus on talent development, diversity and industrial relations.

Providing guidance on maintaining employee motivation and morale amidst rising levels of migration.

CORPORATE GOVERNANCE >>

Risk and Control

The Board holds ultimate responsibility for ensuring that the Company's risks are managed effectively through a robust framework of policies, procedures and internal control systems. To this end, the Board determines the risk appetite that the Company is willing to take to achieve its strategic objectives. A discussion on the Company's key risk exposures and mitigation mechanisms are given in the Risk Management Report on page 102 of this Report. A risk register, based on a standardised methodology, is used to identify, assess, manage and monitor financial and non-financial risks. Risk performance is monitored against defined parameters and reviewed by the Board, through the Audit Committee. This bi-annual exercise enables the review of the effectiveness of the Company's risk and internal control systems (refer page 120 of this Report for Director's Statement of Internal Controls).

Shaping Organisational Culture

The Board plays an important role in shaping the organisational culture of CTC. The BAT Ethos sets the foundation for the Group's organisational culture and behaviour, fostering an organisation that is responsive to change and embodies a culture of continuous learning. The Board, through its ongoing focus on diversity, inclusion, empowerment and responsible behaviour, continued to foster a dynamic, vibrant and equitable workplace.

Meanwhile, the SoBC clearly outlines the standards we expect from our employees and suppliers, and covers areas such as bribery and corruption, political contributions, money laundering, principles of engagement and human rights.



Committee Continues to Drive Sustainability and ESG Focus

The Board, through the CSI Steering Committee, continues to drive the Company's ESG agenda, providing oversight and direction to its comprehensive ESG strategy. The scope of the Company's CSI Steering Committee was expanded in 2021, to encompass the management of ESG issues, given CTC's strategic thrust towards ESG strategy and management.

The Company continued to make notable progress in its sustainability agenda (as described in greater detail in pages 70 to 89 of this Report).

Accountability and Audit

The Audit Committee has oversight responsibility in ensuring the integrity of the Company's Financial Statements, as well as internal controls and compliance. The Committee is chaired by an Independent Non-Executive Director, who is a member of a recognised professional accounting body, with extensive experience in relevant areas. The Chairperson works closely with the Company's Finance Director in discharging his/her responsibilities (refer to the Audit Committee Report on page 125). The Terms of Reference of the Audit Committee complies with the recommendations of the Code of Best Practice on Board Audit Committees, issued by the ICASL and guidelines stipulated by the CSE.

The Audit Committee is responsible for reviewing and monitoring,

- The integrity of the Company's Financial Statements and any formal announcement relating to the Company's performance, considering any significant issues and judgements reflected in them, before their submission to the Board,
- The consistency of the Company's accounting policies,
- The effectiveness of the Company's accounting, risk and internal control systems,
- The effectiveness of the Company's Internal Audit function, and
- The performance, independence and objectivity of the Company's external auditors, making recommendations as to their re-appointment, while approving their terms of engagement and the level of audit fees.

CTC's financial statements are prepared in accordance with the Sri Lanka Financial Reporting Standards laid down by the ICASL. The Report also contains a declaration of the Board of Directors on the Affairs of the Company (refer page 121), the Statement of Directors' Responsibility (refer page 124) and Directors' Statement on Internal Controls (refer page 120).

Shareholder Relations

The Company strives to engage with its shareholders in a continuous and open manner. The Annual General Meeting (AGM) is the main forum for shareholder engagement. Notice of the AGM and relevant documents are sent to shareholders at least 15 working days prior to the AGM. A summary of procedures governing voting at the AGM is provided in

the proxy form and circulated to shareholders prior to the meeting.

The Company's 92nd AGM was successfully held physically for the first time in three years. Communication with shareholders is also facilitated through the Company's website and announcements to the CSE. Quarterly performance updates are released to the CSE and published

on the Company website. The Assistant Company Secretary acts as the point of contact for clarifications, suggestions or complaints raised by shareholders. CTC has continued to maintain a strong track record of shareholder value creation with high dividend pay-out, despite the challenging operating conditions that prevailed.

Statement of Compliance

Section 9 of CSE Listing Rules

Rule No.	Corporate Governance Requirement / Explanatory Comments	Compliance Status	Applicable Section in the Annual Report
9.1	Applicability of Corporate Governance Rules		
9.1.3	The Company to publish a statement confirming the extent of compliance with the Corporate Governance Rules in the Annual Report A statement is published confirming the extent of compliance with the CSE Corporate Governance Rules, in the Report of the Board of Directors.	Compliant	Page 123
9.2	Policies		
9.2.1 w.e.f 1st October 2024)	Establish and maintain the following policies, and disclose its existence and details of implementation on the website: Policy on the matters relating to the Board of Directors Policy on Board Committees Policy on Corporate Governance, Nominations and Re-election Policy on Remuneration Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Company's listed securities Policy on Risk Management and Internal controls Policy on Relations with Shareholders and Investors Policy on Environmental, Social and Governance Sustainability Policy on Control and Management of Company Assets and Shareholder Investments Policy on Corporate Disclosures Policy on Whistleblowing Policy on Anti-Bribery and Corruption	Noting the effective date, the Company is in the process of reviewing existing policies and re-establishing new policies to be within the stipulated deadline	N/A

CORPORATE GOVERNANCE >>

Rule No.	Corporate Governance Requirement / Explanatory Comments	Compliance Status	Applicable Section in the Annual Report
9.2.4	Policies above to be made available to shareholder upon request		
9.3	Board Committees		
9.3.1 / 9.3.2	Following Board Committees to be established and Company to be compliant with the composition, responsibilities and disclosure requirements set out in the Rules:	Compliant	Page 107
	Nominations & Governance Committee	Noting the effective date of Rule 9.11, the Company is in the process of reviewing the Terms of Reference of the Nominations & Governance Committee	Page 129
	Remuneration Committee – The Terms of Reference of the Company's Remuneration Committee was amended in view of the revised Listing Rules.	Compliant	Page 128
	Audit Committee	Compliant	Page 125
	Related Party Transaction Review Committee The Terms of Reference of the Company's Related Party Transactions Review Committee was amended in view of the revised Listing Rules.	Compliant	Page 127
9.3.3	The Chairperson of the Board of Directors of the Company shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1	Compliant	Page 107
9.4	Principles of Democracy in shareholder dealings		
9.4.1	Maintain records of all resolutions and information pertaining to its adoption The Company Secretary maintains records of all shareholder resolutions and requisite information and is able to provide extracts of such resolutions to the SEC and CSE if required.		N/A
9.4.2	(a) policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Company.	Noting the effective date, the Company is in the process of reviewing existing policies and re-establishing new policies to be within the stipulated deadline.	N/A

Rule No.	Corporate Governance Requirement / Explanatory Comments	Compliance Status	Applicable Section in the Annual Report
	(b) Company shall disclose the contact person for such communication. Details of the contact personnel are provided in the “Corporate Information” section on the inner back cover of this Report.	Compliant	IBC
	(c) The shareholder communications and relations policy shall include a process to make all directors aware of major issues and concerns of shareholders and this process to be disclosed in Annual Report and website. The Company Secretary keeps the Board apprised of major issues and concerns raised by the shareholders to ensure that they are addressed in an appropriate manner keeping in line with the corporate values of the Company. Shareholder correspondences on major issues are handled by the Chairman with the concurrence of the Board/the CEO as appropriate.	Compliant	N/A
	(d) Shareholder meetings conducted virtually/in hybrid mode to comply with the Guidelines issued by CSE. The Company ensures that virtual shareholder meetings are conducted in compliance with the Guidelines issued by the CSE as incorporated in the Articles of Association of the Company.	Compliant	N/A
9.5	Policy on Board related matters		
9.5 (w.e.f 1st October 2024)	Company to establish and maintain a formal policy governing matters relating to the Board of Directors covering the requisites in 9.5.1	Noting the effective date, the Company is in the process of reviewing existing policies and re-establishing new policies to be within the stipulated deadline.	N/A
9.6	Chairperson & CEO		
9.6.1	Chairperson of the Company should be a Non-Executive Director and the position of Chairperson and CEO shall not be held by the same person.	Compliant	Page 110
9.6.3	If Chairperson and CEO are the same person; or if the Chairperson and CEO are close family members or related parties, Company to appoint a Senior Independent Director (SID) and comply with the requirements in 9.6.3	Compliant	N/A

CORPORATE GOVERNANCE >>

Rule No.	Corporate Governance Requirement / Explanatory Comments	Compliance Status	Applicable Section in the Annual Report
9.7	Fitness of Directors & CEOs		
9.7.1/9.7.2 /9.7.3 /9.7.4	Company to ensure that the Directors and CEO and the persons recommended by the Nominations and Governance Committee are at all times, fit and proper persons as per the criteria in 9.7.3. Company to obtain declarations from all directors and CEO on an annual basis confirming their fitness and propriety. The Company Secretary obtains declarations from the Directors on an annual basis.	Compliant	N/A
9.8	Board Composition		
9.8.1 w.e.f. 1st October 2024	Minimum number of Directors shall be 5. The number of Directors during the year 2023 was in compliance with the thresholds detailed in these Rules.	Compliant	Page 108
9.8.2	Minimum number of Independent Directors shall be 2 or 1/3rd of the total number of Directors (whichever is higher). Any change to be rectified within 90 days.	Compliant	Page 105
9.8.3	Criteria for determining independence The Company Secretary obtains declarations from the Directors on an annual basis. In view of these Rules, a declaration confirming each Director's independence in the form prescribed in the Listing Rules has been included in these annual declarations from 2023 onwards.	Compliant	N/A
9.9	Alternate Directors		
9.9	Company to follow the requirements laid down in 9.9 when appointing Alternate Directors and incorporate such requirements in the Company's Articles of Association.	Compliant	N/A
9.10	Director Disclosures		
9.10.1	Company to disclose policy on the maximum number of directorships allowed to be held by a Director. If such number is exceeded, an explanation to be provided in the Annual Report	Compliant	N/A
9.10.3	Company shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.	Compliant	N/A
9.10.4	Disclosures in relation to Directors	Compliant	Pages 14 - 17

Rule No.	Corporate Governance Requirement / Explanatory Comments	Compliance Status	Applicable Section in the Annual Report
9.11 (w.e.f 1st October 2024)	Nominations and Governance Committee		
	Composition, functions, and annual report disclosures	Noting the effective date of Rule 9.11, the Company is in the process of reviewing the Terms of Reference of the Nominations & Governance Committee	Page 129
9.12	Remuneration Committee		
9.12	Company shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of these Rules. In view of the revised Listing Rules, the Terms of Reference of the Remuneration Committee was amended in 2023.	Compliant	Page 128
9.13	Audit Committee		
9.13.1	Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13 of these Rules. Please see detailed report on pages 125 to 126 on the functions and disclosures of the Audit Committee	Compliant	Pages 125 to 126
9.13.1	The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties.	Compliant	N/A
9.14	Related Party Transactions Review Committee (RPTRC)		
9.14.1	Company shall have a Related Party Transactions Review Committee that conforms to the requirements set out in Rule 9.14. The Terms of Reference of the Company's RPTRC was amended in view of the revised Listing Rules.	Compliant	Page 127

CORPORATE GOVERNANCE >>

Rule No.	Corporate Governance Requirement / Explanatory Comments	Compliance Status	Applicable Section in the Annual Report
9.14.2 / 9.14.3	Functions and Composition of the RPTRC • Comprise a minimum 3 directors out of which 2 shall be independent • may include executive directors • chairperson to be an independent director Please see detailed report on page 127	Compliant	Page 127
	Where parent and subsidiary are both listed the RPTRC of the parent may be permitted to function as the RPTRC of the subsidiary	Not applicable	N/A
9.14.4	Frequency of meetings shall be at least quarterly In 2023, the RPTRC had 4 meetings, with 1 meeting per quarter.	Compliant	Page 127
	Minutes of meetings are properly documented and communicated to the Board of Directors. The minutes of the RPTRC are tabled at the meetings of the Board of Directors on a periodic basis.	Compliant	Page 127
	Members of the RPTRC to ensure they have or have access to adequate knowledge expertise and advice The RPTRC ensures this through this being enshrined in the Terms of Reference of the RPTRC, the members being aware of the same exercises this right as and when needed	Compliant	Page 127
	Where necessary, the RPTRC shall request the Board of Directors to approve the Related Party Transactions (RPT's) which are under review by the RPTRC. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant RPT's	Compliant	Page 127
	Interested directors shall not vote on or be present during the deliberations on the specific matter Interested directors did not vote on or participate in any discussions during deliberations on the interested matters in 2023.	Compliant	Page 127
9.14.5	Review of RPT's by the RPTRC	Compliant	Page 127
9.14.6	Company to obtain shareholder approval by Special Resolution for the RPTs specified in 9.14.6	Compliant	Page 127
9.14.8	Annual Report disclosures in relation to Related Party Transactions	Compliant	Page 127
9.14.9	Acquisition and Disposal of substantial assets from/to related parties to be done with shareholder approval as per Rule 9.14.9.	Compliant	Page 127
9.16	Additional disclosures	Compliant	Pages 120 - 123

ASSESSMENT OF GOING CONCERN

The financial statements of CTC for the year ended 31 December 2023, have been prepared on the basis that the Company is a going concern.

In assessing the going concern assumption, the Company has taken into account all available information for the foreseeable future, which should be at least, but not limited to 12 months from the date of 31 December 2023.

Further, the following indicators have been considered to conclude that the going concern assumption is valid.

Financial indicators

- Healthy net assets and net current assets position.
- History of profitable operations and ready access to financial resources.
- Strong cash position and available borrowing facilities.

Operating indicators

- Low turnover of key management and availability of key succession plans.
- Good track record on Environment, Health & Safety standards.

Other indicators

- Management pro-activeness and compliance with legal and statutory requirements.
- Robust risk management process and migratory action plans.
- Robust actions to continue business operations during / the economic crisis.

Based on the above, the Directors of the Company are confident that CTC is a going concern and is able to pay debts as they fall due.

STATEMENT OF INTERNAL CONTROLS

The Board of Directors has overall responsibility for the Company's system of internal controls and for reviewing its effectiveness. The Board has established that achieving a sound internal control environment is a key priority, with understanding at all levels and appropriate allocation of resources made to maintain the right standard.

CTC has created a strong control environment through application of the business principles, responsible product stewardship and good corporate governance, which defines the way the business operates. These are further supported by our Ethos, which collectively shape the culture and framework in maintaining the right control environment that currently exists within the Company.

To be effective, internal controls must:

- be embedded within the organisation;
- enable responsiveness to change; and
- be able to identify major weaknesses, if any.

Control activities include a comprehensive list of policies and procedures which ensure that Management directives are carried out and the necessary controls are in place to minimise the risk of not meeting objectives. The policies and procedures are established throughout the organisation and periodically reviewed for adequacy and improvement. The policies and procedures are designed to provide reasonable assurance of:

- effectiveness and efficiency of operations;
- protection of Company assets against unauthorised use or disposition;
- reliability of financial and other management information;
- prevention of fraud; and
- compliance with relevant national laws and other applicable regulations.

Within this framework, each Head of Function has the responsibility for establishing and operating detailed control procedures within their functions. A detailed checklist of controls, called the 'Control Navigator', is available for each function. Management does a thorough self-assessment against the standard controls set out in the Control Navigator and prepares action plans to bridge the gaps, if any. This is thereafter presented to the Audit Committee and followed up by the Leadership Team.

The internal controls system is monitored by the Leadership Team through the Leadership Team Governance Forum, Above Market business control teams and BAT Internal Audit. The Leadership Team Governance Forum is in place with the objective of maintaining a sound control environment. Each function is represented in the forum and the scope of the forum encompasses:

- review and validation of the Control Navigator self-assessment by functions;
- review of functional controls to identify any issues or weaknesses;
- review and recommend required changes to policies and procedures;
- enhance organisation-wide control awareness and education;
- follow up on audit and Control Navigator action points.

The other key elements of the Company's system of internal controls are as follows:

- regular review of key risks facing the business and corresponding action plans by the Risk Management Committee as well as the Leadership Team and Audit Committee;
- a business plan for the year with a detailed budget by function. In the business plan, targets are set for key performance indicators that are critical to achieve the plan. The performance is monitored against the targets on a regular basis;

- monthly Sales and Operations Planning process (SOP) to integrate and optimise key operations such as leaf, procurement of direct materials, manufacturing and marketing on a rolling basis over a two year horizon;
- a detailed and up to date Statement of Delegated Authority (SoDA) that enables the Board to exercise appropriate control over the business through the Leadership Team.

The Board has delegated the process of reviewing the effectiveness of the internal controls to the Audit Committee. The scope of the Audit Committee is described in the Corporate Governance Statement and in the Report of the Audit Committee. To ensure complete independence, both External and Internal Auditors have full and free access to the members of the Audit Committee to discuss any matters of substance. The External Auditors also attend the Audit Committee meetings on invitation.

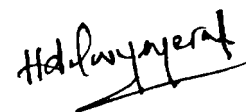
Findings of internal audits and compliance reviews are presented at Audit Committee meetings.

The Company Secretary ensures that the Company is in compliance with the relevant Rules and requirements of the SEC and CSE, and relevant updates are tabled at the Audit Committee for review.

These best practices were complied with during the year 2023.



Towhid Akbar
Finance Director



Harin De Silva Wijeyeratne
Chairman of Audit Committee

19 April 2024

REPORT OF THE BOARD OF DIRECTORS

General

The Board of Directors take pleasure in presenting the Annual Report of the Company that includes and covers the Audited Financial Statements, Chairman's Review, Corporate Governance Commentary, and all other relevant information for the year ended 31 December 2023.

The information table on the level of compliance to the Listing Rules provided by the CSE appearing in pages 113 to 118 and Share Information section on pages 179 to 181, form part of this Report of the Board of Directors.

Structure and Principal Business Activities

A brief description of the ultimate parent and nature of the principal business activities of the Company is given in Note 1 to the Financial Statements on page 140.

Review of Performance

A review of performance and outlook of the Company is available in the Chairman's Review (pages 24 to 27), Managing Director & CEO's Review (pages 28 to 33), Finance Director's Review (pages 34 to 37) and in the section of Value Creation model (pages 10 to 11).

Disclosures

The Annual Report of the Company fulfils the disclosure requirements of the Sri Lanka Accounting Standards (SLFRs/LKASs), Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Board of Directors

The Board of Directors of the Company consisted of 8 members as at 31 December 2023. Post balance sheet date, certain changes were effected to the Board of Directors of the Company, with the number of Directors remaining the same (profiles of the Directors are disclosed in pages 106 to 108 of the Annual Report).

Following changes took place in the Board composition since the last Annual Report.

Name	Change	Date
Mr. Usman Zahur (Non-Executive Director)	Resigned	1 July 2023
Mr. Gary Tarrant (Non-Executive Director)	Appointed	1 July 2023
Mr. Yudhishtan Kanagasabai (Independent Non-Executive Director)	Resigned	31 January 2024
Mr. Harin De Silva Wijeyeratne (Independent Non-Executive Director)	Appointed	1 February 2024
Ms. Monisha Abraham	Resigned	15 April 2024
Ms. Fariyha Subhani	Appointed	15 April 2024

Upon appointment of a new Director to the Board, a brief resume of each Director has been provided to the CSE as per Listing Rule 9.18.3.

Independence of Non-Executive Directors

In accordance with the Listing Rule No. 9.8.3 of the CSE, the Directors determined Mr. Suresh Shah, Mr. Yudhishtan Kanagasabai, Mr. Kushan D'Alwis and Mr. Harin De Silva Wijeyeratne as Independent Directors, based on declarations made by them according to Appendix 9A of the Listing Rules of the CSE.

Re-election of Directors

In accordance with the Articles of Association of the Company, it was resolved that Mr. Towhid Akbar, Ms. Rumana Rahman and Mr. Stuart Kidd retire from the Board of Directors by rotation at the next Annual General Meeting and being eligible, be proposed for re-election.

Mr. Gary Tarrant and Mr. Harin De Silva Wijeyeratne who were appointed since the last Annual General Meeting, will come up for re-election at the next Annual General Meeting under the Company's Articles of Association.

Directors' Interest in Contracts and Related Party Transactions

Directors' interests in contracts have been declared at the meetings of the Directors and have no direct or indirect interests in any other contract or proposed contract with the Company.

The Company identifies related parties as defined by LKAS 24. The members of the Board of Directors and the Leadership Team have been identified as Key Management Personnel (KMP) and the Company retrieves data on Related Party Transactions based on declarations obtained from each KMP. The Company's transactions with Related Parties, given in Note 25 to the Financial Statements, have complied with Listing Rule 9.14 of the CSE and the Code of Best Practices on Corporate Governance.

The Board of Directors affirms that the related party transactions have occurred at an arm's length basis.

REPORT OF THE BOARD OF DIRECTORS >>

Directors' Shareholding

No Director disclosed above has any shareholding in the Company.

Results for the year and appropriation

	Units	2023	2022	Growth
Turnover	Rs. Mn	200,019	167,194	20%
Profit for the year	Rs. Mn	27,656	20,469	35%
No. of shares	Number	187,323,751	187,323,751	-
Earnings per share	Rs.	147.64	109.27	35%
Net assets per share	Rs.	62.80	93.38	-33%
Market price per share	Rs.	953.75	625.00	53%
Price earnings ratio	Times	6.46	5.72	-44% 13%
Dividend per share	Rs.	178.10	29.00	237%

Future Developments

Future Company developments are covered in the reviews of the Chairman, the Managing Director & CEO, and the Finance Director.

Share Information

Information relating to shareholding, market value of shares, public shareholding and top 20 shareholders are available on (pages 179 to 181 under Share Information of this Report).

Stated Capital

The stated capital of the Company as at 31 December 2023 amounted to Rs. 1,873 Mn (2022 - Rs. 1,873 Mn), details of which are available in Note 17 to the Financial Statements. There were no shares issued during the financial year.

Reserves

Total reserves as at 31 December 2023 comprise of revenue reserves amounting to Rs. 9,891 Mn. Movements are shown in the Statement of Changes in Equity in the Financial Statements.

Dividends

Interim dividend of Rs. 33,362 Mn has been declared during the year and another Rs. 5,807 Mn was declared subsequently, along with proposed final dividend of Rs. 18.84 to be approved at the AGM, a total of Rs. 27,656 Mn has been declared with a payout ratio of 100% for the year.

Movement of Retained Earnings

	Rs.000's
Retained profit as at 1 January 2023	15,619,955
Current year's profit after charging all expenses and providing for all known liabilities	27,655,563
Dividends of Rs. 118.10 per share on the Issued Share Capital of 187,323,751 shares	(33,362,360)
Fourth interim dividend - Rs 30.00 per share paid on 28/02/2023	
Fifth interim dividend - Rs. 30.00 per share paid on 25/03/2023	
First interim dividend - Rs. 28.80 per share paid on 12/06/2023	
Final interim dividend - Rs. 20.30 per share paid on 16/06/2023	
Second interim dividend - Rs. 33.00 per share paid on 11/09/2023	
Third interim dividend - Rs. 36.00 per share paid on 15/02/2023	
Write back of unclaimed dividend	24,425
Re-measurement of defined benefit obligations	(46,316)
Balance carried forward to 2024	9,891,266

Property, Plant and Equipment

The movements in Property, Plant and Equipment (PPE) for the year are shown in Note 11 to the Financial Statements. The Company capitalised a sum of Rs. 509 Mn in PPE. Specific information on extent, locations, valuations and number of buildings on the Company's land holdings are given in Note 11.3.

Donations

Total donations made by the Company during the year ended 31 December 2023 amounted to Rs. 204 Mn as shown in Note 7 to the Financial Statements.

Contingent Liabilities and Commitments

Contingent Liabilities and Commitments as at the year-end are disclosed in Notes 23 and 24 to the Financial Statements.

Employee Share Ownership Plans

The Company has no employee share ownership plan as at 31 December 2023. However, the Group, through an International Executive Incentive Scheme (IEIS), offers value of phantom shares in BAT, in cash, to selected members of the Leadership Team of CTC, subject to the achievement of performance targets over the previous financial year. The cash equivalent of the share award is paid after a period of three years from the date of grant based on the share price preceding the date of payment.

Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to employees and the Government have been made to date.

Going Concern

The Financial Statements are prepared on the basis of going concern.

Employment

Pages 84 to 89 covers in detail the Company's practices and policies relating to employee engagement, training & development, performance management and recognition.

There were no material issues pertaining to employees or industrial relations during the year.

Compliance with Laws and Regulations

To the best of the knowledge and belief of the Directors, the Company has not engaged in any activity which contravenes laws and regulations of the country.

For disclosures on Listing Rules and good governance standards adopted by the Board, please refer pages 113 to 118, which shall all be considered as part and parcel of this Annual Report.

Noting that the Board of Directors carries out several of its duties and responsibilities through its Board subcommittees, please refer pages 127 to 129 for the activities carried out in 2023 inter alia to ensure compliance with applicable laws, rules and regulations.

Directors, being aware of the need to be updated and apprised of applicable laws, rules and regulations and changes taking place, ensure that processes are in place to facilitate awareness and ensure compliance.

Environmental Protection

Policies and endeavours made on environmental preservation by the Company are covered on pages 187 to 190.

Events Occurring After the Reporting Period

There were no material events that occurred after the reporting date that require adjustment to or disclosure in the Financial Statements, other than those disclosed in Note 26 to the Financial Statements on page 175.

Independent Auditors

The Financial Statements for the year have been audited by Messrs. KPMG, Chartered Accountants, who offer themselves for re-appointment. A resolution proposing their re-appointment and giving authority to the Directors to determine their remuneration will be submitted at the forthcoming Annual General Meeting (AGM).



Suresh Shah

Chairman



Towhid Akbar

Finance Director

19 April 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

This Statement sets out the responsibilities of the Board of Directors in relation to the Financial Statements of the Company. The responsibility of the Auditors, in relation to the Financial Statements, is set out in the Independent Auditor's Report on page 132.

The Companies Act No. 7 of 2007 requires the Directors to prepare and present Financial Statements for each financial year, giving a true and fair view of the state of affairs of the Company as at the end of the financial year, and the profit or loss of the Company for the financial year, and place them before a general meeting of shareholders. The Financial Statements comprise of the Statement of Financial Position as at 31 December 2023, the Statements of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flows for the year ended and Accounting Policies and Notes thereto.

Accordingly, the Board of Directors confirms that the Financial Statements of the Company give a true and fair view of the:

- financial position of the Company as at 31 December 2023; and
- financial performance of the Company for the financial year ended 31 December 2023.

The Directors are required to ensure that, in preparing these Financial Statements:

- i. The appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;

- ii. Financial Statements are presented in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) and all applicable standards as relevant, have been followed;
- iii. Judgments and estimates have been made which are reasonable and prudent;
- iv. Provides the information required by and otherwise comply with the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors are also required to ensure that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements.

Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company and to that Financial Statements presented comply with the requirements of the Companies Act.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare the Financial Statements and to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate, to enable them to form their audit opinion in accordance with Sri Lanka Auditing Standards (SLAuS).

The Financial Statements were audited by KPMG Chartered Accountants, the Independent External Auditors. To ensure complete independence, the Independent External Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented.

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company, and all other known statutory dues as were due and payable by the Company as at the balance sheet date have been paid or, where relevant provided for, except as specified in Note 22 to the Financial Statements covering contingent liability.



Suresh Shah

Chairman



Towhid Akbar

Finance Director

19 April 2024

REPORT OF THE AUDIT COMMITTEE

I take this opportunity to present to you the 2023 Report of the Audit Committee (the Committee) outlining the Committee's roles and responsibilities. The Committee continued to review and report to the Board on the Company's financial reporting, internal control and risk management processes, and the performance, independence and effectiveness of the external auditors.

Composition

There were no changes to the composition of the Committee during the year. The Committee consisted of two Independent Non-Executive Directors and a Director of an overseas BAT subsidiary, who is independent of executive functions of CTC.

The members of the Audit Committee are:

Mr. Yudhishtan Kanagasabai – Chairman - (retired w.e.f. 31 January 2024)

Mr. Harin de Silva Wijeyeratne – Chairman - (appointed w.e.f. 1 February 2024)

Mr. Kushan D'Alwis PC

Mr. Usman Zahur - (resigned w.e.f 1 July 2023)

Mr. Gary Tarrant - (appointed w.e.f 1 July 2023)

The Chairman of the Committee is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants (UK). The Board is satisfied that the Committee has an adequate blend of accounting, auditing, legal and commercial experience to carry out their duties. Brief profiles of the Committee members are given in pages 14 to 17 of this Report.

The Company Secretary acts as the Secretary to the Committee.

Meetings

The Committee met 4 times during the year under review. The Managing Director & Chief Executive Officer, the Finance Director, the other members of the Leadership Team and external auditors too attend the meetings by invitation.

The attendance of the members at these meetings are given in page 110 of this Report.

Terms of Reference

The Charter of the Committee, which is approved and adopted by the Board of Directors, clearly defines the terms of reference governing the Audit Committee. The 'Rules on Corporate Governance under Listing Rules of the Colombo Stock Exchange' and 'Code of Best Practice on Corporate Governance', issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission, further regulate the composition, roles and functions of the Committee.

It also assists the Board of Directors in its general oversight of financial reporting, internal controls and functions relating to internal and external audits.

The Role of the Audit Committee

The role of the Audit Committee, which has specific terms of reference, is described in the CTC Corporate Governance Report from pages 110 to 118.

The Committee's role is to review on behalf of the Board, the Company's internal financial controls. It is also responsible for oversight and advice to the Board on financial reporting related matters and internal controls over financial reporting, and has exercised oversight of the work undertaken by the BAT Group's Internal Audit and External Auditors.

Key Responsibilities of the Audit Committee

Financial Reporting:

The primary role of the Committee in relation to financial reporting is to monitor the integrity of the Company's financial statements and formal announcements, if any, relating to the Company financial performance. The Committee reviewed and discussed the Company's quarterly and annual financial statements prior to publication. The Committee also reviewed the matters communicated to the Committee by the External Auditor in their reports to the Audit Committee on the audit for the year.

The scope of the review included ascertaining compliance with relevant disclosures with the Sri Lanka Accounting Standards including new Accounting Standards which came into effect during the year, the appropriateness of accounting policies, material judgement matters, alternative accounting treatments, material audit adjustments, going concern assumption, financial reporting controls, and compliance with applicable laws and regulations that could impact the integrity of the Company's financial statements, its Annual Report, and its quarterly financial statements prepared for publication.

Internal Control:

The Directors are responsible for maintaining and reviewing the effectiveness of risk management and internal control systems and for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Committee reviewed the Control Navigator, which is a self-assessment of the Control Environment by management for submission to the BAT Global Office.

REPORT OF THE AUDIT COMMITTEE >>

The remedial actions arising from a review of the Control Navigator findings were monitored by the Committee for implementation. This process assesses the adequacy and effectiveness of the internal controls and the processes for controlling business risks to ensure compliance with laws and regulations.

Internal Audit

The establishment and maintenance of appropriate systems of risk management and internal control is primarily the responsibility of business management. The BAT Group Internal Audit function provides independent and objective assurance in respect of the adequacy of the design and operating effectiveness of the framework of risk management, control and governance processes across the Group, focusing on a risk - based approach.

The Committee noted the findings from the Internal Audit of the Colombo factory, their root causes and management responses, and the status of implementing remediation actions. The Executive Management is responsible for ensuring that recommendations made by the Group Internal Audit function are implemented within an appropriate and agreed timetable. The Committee noted the Internal Audit Plan which is based on risk assessments by the BAT Internal Audit Function.

External Audit

The External Auditor's Letter of Engagement, including the scope of the audit, was reviewed and discussed by the Committee with the External Auditors and Management prior to commencement of the audit. The Auditors were also provided with the opportunities to discuss and express their opinions on any matter and for the Committee to have the

assurance that the Management has fully provided all information and explanations requested by the Auditors. The Committee reviewed opportunities for improvement which were observed during the audit and the letter of representation issued to the External Auditor to ensure that the representations made were consistent with the understanding of the Committee, as to the Company's operations and plans.

The Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest. The Committee has recommended to the Board of Directors that Messrs. KPMG, Chartered Accountants, be reappointed for the financial year ending 31 December 2023 subject to the approval of shareholders at the next Annual General Meeting.

Conclusion

The Committee is satisfied that the Company's internal controls, risk management processes, and accounting policies provide reasonable assurance that the affairs of the Company are managed in accordance with Company policies and that Company assets are properly accounted for and adequately safeguarded. The Committee believes that the Company's accounting policies are appropriate and have been applied consistently.



Harin De Silva Wijeyeratne

Chairman
Audit Committee

19 April 2024

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee (the Committee) of Ceylon Tobacco Company PLC was established in compliance with the Code of Best Practice on Corporate Governance by Securities and Exchange Commission of Sri Lanka (SEC) and Section 09 of the Listing Rules of Colombo Stock Exchange (CSE).

The purpose of the Committee is to conduct an appropriate review of Related Party Transactions (RPTs) and to ensure that interests of shareholders and other stakeholders are considered when engaging in related party dealings, hence preventing Directors, Key Management Personnel or substantial shareholders taking advantage of their positions.

The Committee also ensured on behalf of the Board, that all RPTs of Ceylon Tobacco Company PLC are compliant with the mandates of the Listing Rules and Code of Best Practices.

Composition

The Committee comprised the following members as at the year-end, with 3 Non-Executive Directors of whom, 2 are Independent Non-Executive Directors and is Chaired by an Independent Non-Executive Director.

Mr. Yudhishtan Kanagasabai – Chairman (retired w.e.f. 31 January 2024)

Mr. Harin de Silva Wijeyeratne (appointed w.e.f. 1 February 2024)

Mr. Kushan D'Alwis PC

Mr. Usman Zahur - (resigned w.e.f 1 July 2023)

Mr. Gary Tarrant - (appointed w.e.f 1 July 2023)

Brief profiles of the Committee members are given in pages 14 to 17 of this Report.

Meetings

The Committee held 4 meetings in the year 2023. The Managing Director & CEO, and other members of the Leadership Team or any other Manager (where relevant) of the Company, attended meetings on the request of the Committee.

The Finance Director or his/her nominee subject to approval of the Committee acts as the Secretary of the Committee. The attendance at the meetings held is given in the table on page 110 of this Report.

Terms of Reference

The Committee, in discharging its functions ensures that:

- There is compliance with the SEC and Listing Rules and Code of Best Practices,
- Shareholder interests are protected, and
- Fairness and transparency are maintained.

The approved guidelines for conducting RPTs sets out the following:

- The principles that guide RPTs, including pre-approval and other reporting requirements,
- Process to identify transactions that require immediate market disclosures and shareholder approval,
- Steps to be followed by the Management in reporting RPTs to the Committee, including documentation templates, and

- The Executive and Non-Executive Directors of the Board and Leadership Team Members of CTC would form part of the Key Management Personnel (KMP).

Activities

During the year, the Committee reviewed the RPTs of CTC and their compliance, according to SEC, the Listing Rules, and Code of Best Practices. There was only one non - recurrent new RPT, which required pre-approval from the Committee, and the recurrent RPTs were reviewed at quarterly intervals for noting. Furthermore, there were no RPTs which met the disclosure thresholds as per the CSE Listing Rules and Code of Best Practices on Corporate Governance. In addition to the above, we obtained a pre-approval for one new recurrent transaction. The Committee communicated same to the Board of Directors, quarterly, through verbal briefings and by tabling the minutes of the Committee's meetings.

Conclusion

The Committee in its review process, recognised the adequacy of the content and quality of the information forwarded to its members by the Management during the year and affirms that the RPTs have occurred on an arm's length basis.



Harin De Silva Wijeyeratne

Chairman

Related Party Transactions Review Committee

19 April 2024

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REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee of Ceylon Tobacco Company PLC is established to take independent, objective and defensible decisions on all matters associated with the total reward package and other terms of service of the managers and executives, so that the remuneration policy at all times remains both competitive and sustainable in terms of attracting and retaining talent.

Composition

The Committee comprised the following members as at the end of the year, with 3 Non-Executive Directors, of whom, 2 are Independent Non-Executive Directors and is Chaired by an Independent Non-Executive Director.

Mr. Yudhishtan Kanagasabai (retired w.e.f. 31 January 2024)

Mr. Harin de Silva Wijeyeratne (appointed w.e.f. 1 February 2024)

Mr. Kushan D'Alwis PC

Mr. Usman Zahur - (resigned w.e.f. 1 July 2023)

Mr. Gary Tarrant - (appointed w.e.f. 1 July 2023)

Brief profiles of the Committee members are given in pages 14 to 17 of this Report.

Terms of Reference

The Terms of Reference of the Committee include the following:

- Review /monitor evaluation of performance of Key Management Personnel (KMP), their management development and succession planning.
- Evaluate strategic Human Resource plans and reviewing workforce remuneration and related policies in accordance with Best Practices on Corporate Governance and other applicable laws, and give

feedback to the Board on workforce reward, incentives, and conditions applicable across the Company, and will support the monitoring by the Board of the Company's corporate culture and its alignment with the Company's purpose, values and strategy.

- Effective communication with shareholders on the Remuneration Policy and the Committee's work on behalf of the Board through the Remuneration Committee report.
- Recommend and ensuring that appropriate service contracts are available for Executive Directors.
- Determine the terms of any compensation package in the event of early termination of the contract of any Executive Director.
- Ensure that statutory provisions regarding disclosure of remuneration are met and fulfilled.
- Review and evaluate the appropriateness and relevance of the Remuneration Policy.

Meetings & Activities

The Remuneration Committee met only once during the year. During the meeting, the Committee reviewed and granted approval for the below topics:

- Employee Compensation and Benefit Proposals as per BAT guidelines,
- Pay Range Review, and
- Salary Review.



Kushan D'Alwis PC

Chairman

Remuneration Committee

19 April 2024

REPORT OF THE NOMINATIONS AND GOVERNANCE COMMITTEE

Ceylon Tobacco Company PLC's Nominations and Governance Committee (the Committee) performs an assessment on Board composition as and when the need for the appointment of new Independent Non-Executive Board members arise.

Composition

The Committee comprised the following members as at the end of the year.

Mr. Yudhishtan Kanagasabai – Chairman (retired w.e.f. 31 January 2023)

Mr. Harin de Silva Wijeyeratne (appointed w.e.f. 1 February 2024)

Ms. Monisha Abraham (resigned w.e.f. 15 April 2024)

Ms. Fariyha Subhani (appointed w.e.f. 15 April 2024)

Ms. Rumana Rahman

Brief profiles of the Committee members are given in pages 14 to 17 of this Report.

Terms of Reference

The Terms of Reference of the Committee include the following:

- Propose a suitable Charter for the appointment and the re-appointment of Independent Non-Executive Directors to the Board.
- Provide advice and recommendation to the Board or the Chairman on appointing Independent Non-Executive Directors.

- Select and appoint Independent Non-Executive Directors as required.
- Regularly review the structure, size, and composition (including the skills, knowledge, and experience) of the Board, and make recommendations to the Board with regard to any suitable changes.

Meetings & Activities

The Nominations and Governance Committee convened twice during the year to consider and recommend the appointment of Mr. Towhid Akbar to the Board of Directors, following the resignation of Mr. Syed Muhammad Ali Abrar and to consider and recommend the appointment of Mr. Gary Tarrant to the Board of Directors, following the resignation of Mr. Usman Zahur.



Harin De Silva Wijeyeratne

Chairman

Nominations and Governance Committee

19 April 2024

FL
GR





FLOURISHING & GROWING

Our financial performance attests to our unwavering commitment to flourishing and growing, showcasing resilience and adaptability in the face of adversities and forging a promising path for sustained growth.

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INDEPENDENT AUDITOR'S REPORT



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TO THE SHAREHOLDERS OF CEYLON TOBACCO COMPANY PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ceylon Tobacco Company PLC ("the Company"), which comprise the statement of financial position as at December 31, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS).

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for professional

Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue Recognition

As described in Note 2.8.2 (accounting policies) and Note 4 (Revenue), the Company recorded revenue of Rs. 57.72 Bn for the year ended 31st December 2023 (2022: Rs. 44.27 Bn).

Risk Description	Our Response
Under Sri Lanka Auditing Standards, we are required to consider that the fraud risk from revenue recognition is a significant risk. Whilst revenue recognition and measurement is not complex for Ceylon Tobacco Company PLC, the Company operates in a market where volumes are in decline and/or contracting. This, together with the focus on volumes and revenue as key performance measures resulted in revenue being selected as a key audit matter. We focused on whether transactions have been recorded in the period in which the Company becomes entitled to record revenue in accordance with SLFRS 15.	Our audit procedures included, - Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management key internal controls involved in the revenue recognition including the key IT controls relating to revenue recognition. - Performing a fraud risk assessment through inquiry of management regarding any actual or suspected override of controls in relation to revenue recognition. - Testing design and implementation and operating effectiveness of controls over journal entries and post-closing adjustments. - Through inquiry and observation assessing the accounting for significant transactions that are outside of the normal course of business or are otherwise unusual. - Testing that amounts have been recognised in the correct financial period and evaluating whether there are any significant number of returns after the year-end.

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C. P. Jayatilake FCA
Ms. S. Joseph FCA
G. A. U. Karunaratne FCA
R. H. Rajan FCA
A.M.R.P. Alahakoon ACA

T. J. S. Rajakarier FCA
W. K. D. C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

W. W. J. C. Perera FCA
S. T. D. L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R.W.M.O.W.D.B. Rathnadiwakara FCA

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyad FCMA (UK), FCIT

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to

provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT >>



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3272.

A handwritten signature in black ink, appearing to read 'K. M. J.', written over a light blue grid background.

Chartered Accountants

Colombo, Sri Lanka

April 19, 2024

FINANCIAL REPORTING CALENDAR

First Quarter Results 2023	12th May 2023
Second Quarter Results 2023	10th August 2023
Third Quarter Results 2023	9th November 2023
Fourth Quarter Results 2023	29th February 2024
Annual Report 2023	19th April 2024
93 rd Annual General Meeting to be held on	28th May 2024

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(all amounts in Sri Lanka Rupees thousands)

	Note	Year ended 31 December	
		2023	2022
Turnover	4	200,019,382	167,194,283
Government levies	4	(142,298,530)	(122,922,012)
Revenue		57,720,852	44,272,271
Raw materials used		(3,706,808)	(3,438,623)
Employee benefit expenses	5	(2,609,465)	(2,020,172)
Depreciation expenses	11	(485,960)	(364,151)
Amortisation expenses	12	-	(670)
Other operating expenses		(6,460,359)	(5,288,293)
Other operating income	6	93,738	36,079
Operating profit	7	44,551,998	33,196,441
Finance income	8	1,619,516	1,221,109
Finance cost	8	(31,539)	(24,711)
Profit before income tax		46,139,975	34,392,839
Income tax expenses	9 (a)	(18,484,413)	(13,924,131)
Profit for the year		27,655,562	20,468,708
Other comprehensive income:			
Items that will not be reclassified to Profit or Loss			
Remeasurement of defined benefit obligations	13 (c)	(46,316)	(230,483)
Total other comprehensive income for the year		(46,316)	(230,483)
Total comprehensive income		27,609,246	20,238,225
Earnings per share			
- Basic (Rs.)	10	147.64	109.27
- Diluted (Rs.)	10	147.64	109.27

The Notes on pages 140 to 175 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

(all amounts in Sri Lanka Rupees thousands)

	Note	Year ended 31 December	
		2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	11	5,884,972	5,551,729
Intangible assets	12	-	-
Employee benefit plan asset	13 (c)	89,285	158,482
Other receivables	15	218,726	180,687
Total non-current assets		6,192,983	5,890,898
Current assets			
Inventories	14	6,611,404	6,302,690
Trade and other receivables	15	5,602,920	5,150,956
Cash and cash equivalents	16	24,538,039	24,216,551
Total current assets		36,752,363	35,670,197
Total assets		42,945,346	41,561,095
EQUITY AND LIABILITIES			
Equity			
Stated capital	17	1,873,238	1,873,238
Retained earnings		9,891,266	15,619,955
Total equity		11,764,504	17,493,193
Non-current liabilities			
Unfunded retirement benefit obligation	13 (a)	-	163
Deferred tax liabilities	18	573,675	374,563
Lease liabilities	21	32,485	57,525
Long term borrowings	22	323,755	367,485
Total non-current liabilities		929,915	799,736
Current liabilities			
Trade and other payables	19	19,221,283	9,027,610
Lease liabilities	21	243,253	63,295
Income tax liabilities		10,397,427	6,754,075
Dividend payable	20 (a)	-	7,107,912
Unclaimed dividends	20 (b)	388,964	315,274
Total current liabilities		30,250,927	23,268,165
Total liabilities		31,180,842	24,067,902
Total equity and liabilities		42,945,346	41,561,095

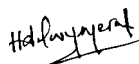
The Notes on pages 140 to 175 form an integral part of these financial statements.



Towhid Akbar
Finance Director

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were authorised for issue by Board of Directors on 19 April 2024.



Harin De Silva Wijeyeratne
Chairman Audit Committee

19 April 2024



Towhid Akbar
Finance Director

STATEMENT OF CHANGES IN EQUITY

(all amounts in Sri Lanka Rupees thousands)

	Note	Stated capital	Retained earnings	Total
Balance at 1 January 2022		1,873,238	7,113,882	8,987,120
Adjustment for Surcharge tax levied under Surcharge Act No. 14 of 2022	9 (b)	-	(6,306,320)	(6,306,320)
Adjusted Balance as at 1 January 2022		1,873,238	807,562	2,680,800
Profit for the year		-	20,468,708	20,468,708
Other comprehensive income		-	(230,483)	(230,483)
Total comprehensive income for the year		-	20,238,225	20,238,225
Transactions with owners of the Company, recognised directly in equity				
Write back of unclaimed dividends	20 (b)	-	6,557	6,557
Dividends	20 (c)	-	(5,432,389)	(5,432,389)
Total transactions with shareholders		-	(5,425,832)	(5,425,832)
Balance at 31 December 2022		1,873,238	15,619,955	17,493,193
Balance at 1 January 2023		1,873,238	15,619,955	17,493,193
Profit for the year		-	27,655,562	27,655,562
Other comprehensive income		-	(46,316)	(46,316)
Total comprehensive income for the year		-	27,609,246	27,609,246
Transactions with owners of the Company, recognised directly in equity				
Write back of unclaimed dividends	20 (b)	-	24,425	24,425
Dividends	20 (c)	-	(33,362,360)	(33,362,360)
Total transactions with shareholders		-	(33,337,935)	(33,337,935)
Balance at 31 December 2023		1,873,238	9,891,266	11,764,504

The Notes on pages 140 to 175 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(all amounts in Sri Lanka Rupees thousands)

	Note	Year ended 31 December	
		2023	2022
Cash flows from operating activities			
Profit before tax		46,139,975	34,392,839
Depreciation [Note 11]		485,960	364,151
Amortisation of intangible assets [Note 12]		-	670
Write off		-	(0)
Finance expense [Note 8]		31,539	24,711
Finance income [Note 8]		(1,575,786)	(1,221,109)
Net interest on retirement benefit obligations [Note 13]		22,880	(19,355)
Provision for obsolete inventories and doubtful debts		41,719	38,488
Exchange (gain)/ loss from long term borrowing [Note 8]		(43,730)	5,485
Changes in working capital :			
- Inventories		(331,088)	(1,770,753)
- Trade and Other Receivables		(503,632)	2,243,804
- Trade and Other Payables		10,193,673	3,857,084
Cash generated from operations		54,461,510	37,910,530
Interest received	8	1,575,786	1,221,109
Interest paid	8	(31,539)	(19,226)
Income tax paid		(14,624,817)	(11,392,084)
Surcharge Tax paid	9 (b)	-	(6,306,320)
WHT paid		(4,301,678)	-
Net cash generated from operating activities		37,079,262	21,414,009
Cash flows from investing activities			
Purchases of property, plant and equipment	11	(509,097)	(541,172)
Net cash used in investing activities		(509,097)	(541,172)
Cash flows from financing activities			
Proceeds from long term borrowings	22	-	362,000
Dividends paid	20 (a)	(36,049,890)	(5,489,464)
Unclaimed dividends paid	20 (b)	(3,455)	(5,971)
Payment of lease liabilities		(195,332)	(115,821)
Net cash used in financing activities		(36,248,677)	(5,611,256)
Net (Decrease) / Increase in cash and cash equivalents		321,487	15,623,580
Movement in cash and cash equivalents			
At beginning of year		24,216,551	8,592,971
(Decrease) / Increase in cash and cash equivalents		321,487	15,623,580
At end of year	16	24,538,039	24,216,551

The Notes on pages 140 to 175 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lanka Rupees thousands)

1 GENERAL INFORMATION

Ceylon Tobacco Company PLC ('the Company') is a public limited company incorporated and domiciled in Sri Lanka. The principal operations of the Company are manufacturing, marketing and selling cigarettes. The Company's registered office is located at No. 178, Srimath Ramanathan Mawatha, Colombo 15

British American Tobacco p.l.c ("BAT") is the ultimate parent and holding company of Ceylon Tobacco Company PLC through British American Tobacco International Holdings BV. The ordinary shares of the Company are listed on the Colombo Stock Exchange.

2 BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Sri Lanka Accounting Standards ('SLFRS/LKAS') as laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the Companies Act No. 07 of 2007.

These financial statements were authorised for issue by the Company's Board of Directors on 19 April 2024.

2.2 Functional and presentation currency

These financial statements are presented in Sri Lankan Rupees (LKR), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.3 Going concern

The Company's Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for a foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.4 Significant accounting judgements, estimates and assumptions

In preparing these financial statements, the Management has made judgements and estimates that effect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Financial Statements is included in the following notes:

- **Note 4 - Revenue Recognition:** whether revenue from made-to-order products is recognised over time or at a point in time;
- **Note 21 - Lease Term:** whether the Company is reasonably certain to exercise extension options

Assumption

Information about assumptions and estimation uncertainties at 31 December 2023 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- **Note 13 – measurement of defined benefit obligations:** key actuarial assumptions; and
- **Note 18 – recognition of deferred tax assets**

2.5 Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous periods for all the amounts reported in the Financial Statements to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability.

Comparative information is reclassified whenever necessary to confirm with the current year's classification in order to provide better presentation

Property, Plant and Equipment

Additions to right of use assets has been reclassified out of Leasehold buildings to right of use assets during the financial year 2023.

As at 31 December 2023	As previously reported	Reclassifications	As per the Property, Plant and Equipment note
Leasehold buildings	38,973	13,031	25,942
Right of use assets	574,260	(13,031)	587,291

Other than mentioned above there were no any other significant reclassifications have been made during the reporting periods 2023 and 2022.

2.6 Changes in material accounting policies

The Company has adopted *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)* from 1 January 2023. The amendments narrow down the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences.

The Company previously accounted for deferred tax on leases and decommissioning liabilities by applying the 'integrally linked' approach, resulting in a similar outcome as under the amendments, except that the deferred tax assets or liability was recognised on a net basis. Following the amendments, the Company has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial statements. The key impact for the Company relates to disclosure of the deferred tax assets and liabilities recognised. (Note 18)

The Company also adopted *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* from 1 January 2023. Although disclosure did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. Management reviewed the accounting policies and made updates to the information disclosed in the material accounting policies given below.

2.7 Segmental reporting

The Company operates in 2 geographical segments - domestic and export sales.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for making strategic decisions, allocating resources and assessing performance of the operating segments, have been identified as the Chief Executive Officer (CEO) and the Board of Directors.

However, operating segments are not presented as exports make up less than 1% of turnover.

2.8 Summary of material accounting policies

The Company has consistently applied the accounting policies to all periods presented in these financial statements.

2.8.1 Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss presented within finance costs.

NOTES TO THE FINANCIAL STATEMENTS >>

(all amounts in Sri Lanka Rupees thousands)

2.8.2 Revenue from contracts with consumers

Revenue recognition

Revenue principally comprises sales of cigarettes and other tobacco products to external consumers. Revenue excludes duty, excise and other taxes collected on behalf of third parties, rebates, discounts and certain marketing expenses, which are not distinct from sales or fair value of the goods or services that cannot be reasonably estimated or excess value of fair value of such product or services. The Company considers sales and delivery of products as one performance obligation and recognises revenue when it transfers control to a consumer.

Disaggregation of revenue

SLFRS 15 requires an entity to disaggregate revenue from contracts with consumers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Company's contracts with consumers are similar in nature and revenue from these contracts are not significantly affected by economic factors apart from exports sales. The Company believes objective of this requirement will be met by using one type of category - Geographical markets (refer Note 4).

2.8.3 Employee Benefits

a) Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Wages, salaries, paid annual leave and sick leave, bonuses, leave encashment, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

b) Share based payment arrangements

The fair value of the amount payable to employees in respect of Phantom shares in BAT plc, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees are entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the current price of the BAT share. Any changes in the liability are recognised in profit or loss.

c) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

CTC Provident Fund

All local employees of the Company are members of the CTC Provident Fund to which Company contributes 15% of such employees' consolidated wage or salary.

Employees' Trust Fund

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund.

d) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The Company is liable to pay retirement benefits under the Payment of Gratuity Act No. 12 of 1983. The liability for the gratuity payment to an employee arises only on the completion of five years of continued service with the Company.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Company determines the net finance expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net finance expense related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

2.8.4 Finance income and finance costs

The company's finance income and finance costs include:

- i) Finance income
- ii) Finance expense
- iii) the foreign currency gain or losses on financial assets and financial liabilities

Finance income or finance expense is recognised under the effective interest rate method.

2.8.5 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

The company has determined that interest and penalties related to income taxes, including uncertain tax treatments do not meet the definition of income taxes and therefore accounted for them under LKAS 37 provisions, contingent liabilities and contingent assets.

a) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

b) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profit improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

2.8.6 Inventories

Inventories are stated at the lower of cost or net realisable value after making due allowance for slow moving and obsolete items, on a basis consistently applied from year to year. Net realisable value is the estimate of the selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is determined on a weighted average basis. The value of raw materials includes the cost of leaf processed by the Company's leaf operations and wrapping material cost. The values of the work-in-progress and finished goods consist of the raw materials, direct labour, other direct costs and related production overheads. All other stocks are included under the category of consumables which are valued at cost.

2.8.7 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS >>

(all amounts in Sri Lanka Rupees thousands)

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will follow to the Company

Depreciation and derecognition

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values under the straight line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative period are as follows.

Freehold buildings	40	years
Leasehold buildings	Over the lease period	
Building improvements/upgrades	10	years
Plant and machinery	20	years
Furniture, fittings and office equipment	5	years
IT equipment and household equipment	3	years
Vehicles and accessories	4	years
Lab equipment and canteen equipment	10	years
IT infrastructure	5	years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2.8.8 Financial Instruments

Recognition and initial measurement

Trade receivable and debt securities issues are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing components is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets classified under amortised cost include trade and other receivables and cash and cash equivalents.

A debt investment is measured at FVOCI if it meets both of the following conditions and it not designated as at FVTPL.

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether Management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Company's Management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectation about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial Assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value for money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs. (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual cash flows such that it would not meet this condition. In marking this assessment, the Company considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features; and
- Terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets – subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividend is recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS >>

(all amounts in Sri Lanka Rupees thousands)

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Finance expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial liabilities measured at amortised cost include trade and other payables and lease liability & Long term borrowings.

Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligation are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2.8.9 Stated capital

The ordinary shares of the Company are quoted in the Colombo Stock Exchange (CSE). The ordinary shareholders are entitled to receive dividend as declared by the Company from time to time.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

2.8.10 Impairment of financial assets

The Company uses simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables based on guidance received from the Group.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation.

2.8.11 Impairment of non-financial assets

Assets which are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal of each reporting date.

2.8.12 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses.

2.8.13 Leases

Recognition

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property and motor vehicles, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct

costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

NOTES TO THE FINANCIAL STATEMENTS >>

(all amounts in Sri Lanka Rupees thousands)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'lease liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.8.14 Operating profit

Operating profit is the resulted generated from the continuing principal revenue-producing activity of the Company as well as other income and expenses related to operating activities. Operating profit excludes net finance costs and income taxes.

2.8.15 Fair value estimation

The carrying values of applicable financial instruments represent their fair values as they are mostly short term non-derivative financial instruments, considering the discounting impact as immaterial.

2.8.16 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividend distributions are recognised in the period in which the dividends are declared and paid.

2.8.17 Trade receivables

Trade receivables are amounts due from consumers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Impairment testing of trade receivables is described in Note 2.8.10.

2.8.18 Cash and cash equivalents

In the statement of cash flows of the Company, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less and bank overdrafts.

2.8.19 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.9 Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. However, the Company has not early adopted the new and amended standards in preparing these financial statements.

A Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants (Amendments to LKAS 1)

The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after 1 January 2024.

B Supplier Finance Arrangements (Amendments to LKAS 7 and SLFRS 7)

The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk. The amendments apply for annual reporting periods beginning on and after 1 January 2024.

C Other Standards

The following new and amended standards are not expected to have a significant impact on the Company's financial statements.

- Lease Liability in a Sale and Leaseback (Amendments to SLFRS 16).
- Lack of Exchangeability (Amendments to LKAS 21).

3 FINANCIAL RISK MANAGEMENT

Introduction

The Company has exposure to the following risks from financial instruments

- (a) Market risk
- (b) Credit risk
- (c) Liquidity risk

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board consists of Directors with wide financial and commercial knowledge and experience. The Board discharges its governance responsibility through the Board of Directors and the Audit Committee. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. The Audit Committee is responsible for monitoring compliance with the Company's risk management policies and procedures.

3.1 Financial risk factors

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

NOTES TO THE FINANCIAL STATEMENTS >>

(all amounts in Sri Lanka Rupees thousands)

3.1 Financial risk factors (Contd.)

(i) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar (USD), Euro (EUR) and the Great Britain Pound (GBP). Foreign exchange risk arises from future commercial transactions of recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. Management complies with the treasury policy to manage foreign exchange risk against their functional currency.

The following significant exchange rates have been applied.

in LKR	Average rate		Year end spot rate	
	2023	2022	2023	2022
USD 1	327.73	324.98	323.76	368.50
GBP 1	407.29	397.71	412.72	455.57
EUR 1	354.32	339.70	357.64	392.20

Sensitivity analysis

A reasonably possible strengthening (weakening) of the euro, US dollars or sterling pound against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest remain constant and ignores any impact of forecast sales and purchases.

Effect in thousands of LKR

Effect in thousands of LKR	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
31 December 2023				
USD (5% movement)	8,886	(8,886)	5,331	(5,331)
GBP (5% movement)	(1,379)	1,379	(827)	827
EUR (5% movement)	5,008	(5,008)	3,005	(3,005)

Effect in thousands of LKR	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
31 December 2022				
USD (5% movement)	11,366	(11,366)	6,819	(6,819)
GBP (5% movement)	5,946	(5,946)	3,568	(3,568)
EUR (5% movement)	10,283	(10,283)	6,170	(6,170)

(ii) Price risk

Price risk represents the risk that the fair value of future cash flows of a financial statement will fluctuate because of a change in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to any price risk.

Equity price risk

The Company is not exposed to equity price risk since there are no investments in equity securities.

Commodity price risk

The Company is not significantly exposed to commodity price risk as material prices are contractually agreed to on a long term basis.

(iii) Cash flow and fair value interest rate risk

As the Company has no long term interest bearing assets or liabilities, the Company's income and operating cash flows are independent of changes in market interest rate. Hence, there is no impact to the Company.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge a contractual obligation. Credit risk mainly arises from trade debtors, other receivables, advances and cash and cash equivalents. Group Treasury guidelines are followed for managing cash and cash equivalents, while short term investment decisions are taken after proper review by treasury committee ensuring compliance with group guidelines. The Company sales are on an order to order basis with guarantees equivalent to a day's sales, being obtained from all distributors. Management does not expect any losses from non performance by these counterparties. The maximum exposure to credit risk at the reporting date in terms of carrying value of assets are as follows:

	As at 31 December	
	2023	2022
Trade receivables [Note 15]	3,652,257	4,026,752
Receivables from related parties [Note 25 (iii)]	607,771	8,221
Staff loans [Note 15]	347,416	357,466
Advances to farmers [Note 15]	356,791	225,666
	4,964,235	4,618,105
Provision [Note 15]	(138,674)	(119,328)
Cash and cash equivalents, excluding cash in hand	24,538,039	24,216,551
	29,363,600	28,715,328

NOTES TO THE FINANCIAL STATEMENTS >>

(all amounts in Sri Lanka Rupees thousands)

3.1 Financial risk factors (Contd.)

The following tables provide information about the exposure to credit risk on trade receivables;

As at 31 December 2023

Aging Category	Gross Receivable (Rs '000)	% Provision	Total Provision (Rs '000)	Net Receivable (Rs '000)
Not Due	3,639,998	0.05%	1,820	3,638,178
1 - 30 Days	12,259	0.06%	7	12,252
31 - 90 Days	-	0.07%	-	-
91 - 180 Days	-	0.08%	-	-
181-360 Days	-	0.09%	-	-
>360 Days	-	0.10%	-	-
	3,652,257		1,827	3,650,430

As at 31 December 2022

Aging Category	Gross Receivable (Rs '000)	% Provision	Total Provision (Rs '000)	Net Receivable (Rs '000)
Not Due	3,695,730	0.05%	1,848	3,693,882
1 - 30 Days	347,891	0.06%	209	347,682
31 - 90 Days	4,451	0.07%	3	4,448
91 - 180 Days	(21,320)	0.08%	-	(21,320)
181-360 Days	-	0.09%	-	-
>360 Days	-	0.10%	-	-
	4,026,752		2,060	4,024,692

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Cash at bank and short term bank deposits

Rating	As at 31 December	
	2023	2022
AAA (Ika)	1,093,175	2,187,372
A(Ika)	3,812,893	2,469,901
A-(Ika)	1,408,089	1,427,045
AA-	-	15,839,966
A	82,096	30,317
A+	18,141,786	2,261,950
Total cash at bank and short term bank deposits	24,538,039	24,216,551

(c) Liquidity risk

Liquidity risk is the risk that the entity will not be able to honour its financial obligations as they fall due.

The Company's Management monitors rolling forecasts of the liquidity position, expressed in cash and cash equivalents on the basis of expected cash flow and ensure access to short term credit as per approved credit limit. However, the Company is able to meet all working capital requirements with its cash at bank and in hand. Excess funds are invested in term deposits of less than one year. The Management considers liquidity risk to be very negligible.

Relevant non-derivative financial liabilities at the reporting date are as follows:

		Undiscounted Contractual Cash Flows			
	Carrying amount	Total	Less than 3 months	Between 3 months and 1 year	More than 1 year
At 31 December 2023					
Long term borrowings	323,755	323,755			323,755
Trade and other payables, excluding accrued expenses and government levies	2,062,121	2,062,121	1,756,525	305,596	-
Lease liabilities	275,738	295,596	188,793	72,901	33,902
At 31 December 2022					
Long term borrowings	367,485	367,485			367,485
Trade and other payables, excluding accrued expenses and government levies	2,133,117	2,133,117	1,926,827	206,290	-
Lease liabilities	120,820	136,974	23,960	49,578	63,436

NOTES TO THE FINANCIAL STATEMENTS >>

(all amounts in Sri Lanka Rupees thousands)

3.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company strategy is to be equity funded. However, due to the shortage in Foreign currency in the local market the Company obtained a USD loan from its parent company to ensure business continuity.

in thousands of LKR	2023	2022
Total liabilities	31,180,841	24,067,901
Less: Cash & Cash equivalents	(24,538,039)	(24,216,551)
Net Debt	6,642,802	(148,650)
Total Equity	11,764,504	17,493,193
Adjusted Equity	11,764,504	17,493,193
Net Debt to Adjusted equity ratio	0.56	(0.01)

3.3 Analysis of financial instruments by measurement basis

The fair value of financial assets and liabilities, together with carrying amounts shown in the statement of financial position are as follows:

As at 31 December 2023	Carrying Amount	Financial Assets at amortised cost	Level 1	Level 2	Level 3	Total
Assets as per statement of financial position						
Trade and other receivables, excluding pre-payments	4,964,235	4,964,235	-	-	-	4,964,235
Cash and cash equivalents	24,538,039	24,538,039	-	-	-	24,538,039
Total	29,502,274	29,502,274	-	-	-	29,502,274

As at 31 December 2023	Carrying Amount	Financial Assets at amortised cost	Level 1	Level 2	Level 3	Total
Liabilities as per statement of financial position						
Long term borrowings	323,755	323,755	-	-	-	323,755
Trade and other payables, excluding accrued expenses and government levies	2,062,120	2,062,120			-	2,062,120
Lease liability	275,738	275,738	-	-	275,738	275,738
Total	2,661,613	2,661,613	-	-	275,738	2,661,613

As at 31 December 2022	Carrying Amount	Financial Assets at amortised cost	Level 1	Level 2	Level 3	Total
Assets as per statement of financial position						
Trade and other receivables, excluding pre-payments	4,592,206	4,592,206	-	-	-	4,592,206
Cash and cash equivalents	24,216,551	24,216,551	-	-	-	24,216,551
Total	28,808,757	28,808,757	-	-	-	28,808,757

As at 31 December 2022	Carrying Amount	Financial Assets at amortised cost	Level 1	Level 2	Level 3	Total
Liabilities as per statement of financial position						
Long term borrowings	367,485	367,485	-	-	-	367,485
Trade and other payables, excluding accrued expenses and government levies	2,133,117	2,133,117	-	-	-	2,133,117
Lease liability	120,820	120,820	-	-	120,820	120,820
Total	2,621,422	2,621,422	-	-	120,820	2,621,422

4 REVENUE

	Year ended 31 December	
	2023	2022
Local turnover	199,623,777	167,129,395
Export turnover	395,605	64,888
Total turnover	200,019,382	167,194,283
Government levies		
Excise special provision tax	(112,515,654)	(104,905,236)
Value added tax	(26,034,537)	(17,241,275)
Social security contribution levy	(3,729,527)	(755,512)
Tobacco tax	(18,812)	(19,989)
Total Government levies	(142,298,530)	(122,922,012)
Revenue	57,720,852	44,272,271

The Company does not distinguish its products into significant components for different geographical / business segments as they are insignificant. Export proceeds of the Company are less than 1% of total turnover.

NOTES TO THE FINANCIAL STATEMENTS >>

(all amounts in Sri Lanka Rupees thousands)

5 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2023	2022
Executive Directors' emoluments	343,087	264,757
Non-executive Directors' remuneration	18,300	15,137
Salaries and wages	1,997,982	1,466,662
Defined contribution plans	113,027	97,023
Provision for voluntary separation scheme	114,189	195,948
Defined benefit obligations [Note 13]	22,880	(19,355)
	2,609,465	2,020,172

6 OTHER OPERATING INCOME

	Year ended 31 December	
	2023	2022
Sundry sales / gains	93,738	36,079
	93,738	36,079

7 OPERATING PROFIT

The operating profit is stated after charging the following other operating expenses :

	Year ended 31 December	
	2023	2022
Auditors' remuneration		
Audit fees	4,770	4,336
Audit related services	1,130	1,554
Legal fees	230,995	85,363
Donations	204,290	187,335
Technical and advisory fees	753,581	110,461
Provision for obsolete inventories	22,373	80,050
Provision for/Reversal of doubtful debts	101,937	86,400
Repairs and maintenance	241,914	289,687

8 NET FINANCE INCOME

	Year ended 31 December	
	2023	2022
Finance income		
Interest income from bank deposits	1,575,786	1,221,109
Exchange gain from long term borrowings	43,730	-
	1,619,516	1,221,109
Finance expense		
Interest on lease liabilities [Note 21]	(31,539)	(19,226)
Exchange loss from long term borrowings	-	(5,485)
	(31,539)	(24,711)

9 TAX EXPENSE

a) Income Tax Expenses

The Company is liable for income tax in accordance with Inland Revenue Act No. 24 of 2017 and income tax has been provided on the taxable income of the Company at 40% and 30% on profits arising from sales and interest income respectively in 2023.

Amount recognised in profit or loss

	Year ended 31 December	
	2023	2022
Current tax on profit for the year	18,285,301	13,926,686
Deferred tax [Note 18]	199,112	(2,555)
	18,484,413	13,924,131

NOTES TO THE FINANCIAL STATEMENTS >>

(all amounts in Sri Lanka Rupees thousands)

9 TAX EXPENSE (CONTD.)

Reconciliation of effective tax rate

	Year ended 31 December			
	%	2023	%	2022
Profit before tax		46,139,975		34,392,839
Tax calculated at tax rate of 40%	40.00	18,455,990	40.00	13,757,136
Tax effects of:				
Expenses not deductible for tax purposes	0.83	380,881	2.05	703,412
Expenses deductible for tax purposes	(0.85)	(393,983)	(0.98)	(338,485)
Rate differential in interest income	(0.34)	(157,587)	(0.57)	(195,377)
Tax charge	39.64	18,285,301	40.49	13,926,686

b) Surcharge Tax Expenses

Income Taxes As per the Surcharge Tax Act No. 14 of 2022 which was certified on 8 th April 2022, the Company is liable for the surcharge tax of Rs. 6,306 million out of the taxable income of Rs. 25,224 million pertaining to the year of assessment 2020/21. According to the said Act, the surcharge tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2020. Since the Act supersedes the requirements of the Sri Lanka Accounting Standards, the surcharge tax expense is accounted as recommended by the SoAT on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka, in April 2022. The impact of the surcharge tax under the Surcharge Tax Act on the comparative year would have been as given below:

Profit after Tax for 31/12/2020	25,225,282
Surcharge tax levied under Surcharge Tax Act	(6,306,321)
Comparable Profit for the year 2020	18,918,961

10 EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2023	2022
Net profit attributable to shareholders (in thousands)	27,655,562	20,468,708
Weighted average number of ordinary shares in issue	187,323,751	187,323,751
Basic earnings per share (Rs.)	147.64	109.27
Diluted earnings per share (Rs.)	147.64	109.27

PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Freehold buildings	Building improvements/ upgrades	Leasehold buildings	Plant and machinery/ equipment	Motor vehicles	Capital work in progress	Right of use assets	Total
At 1 January 2022	96,837	360,722	263,478	25,942	5,759,393	8,643	2,395,324	560,107	9,470,445
Additions of right-of-use-assets	-	-	-	-	-	-	-	27,184	27,184
Transfers from CWIP	-	1,047	60,619	-	213,738	-	(275,404)	-	-
Additions to CWIP	-	-	-	-	-	-	541,172	-	541,172
Write-offs/Derecognition	-	-	-	-	(25,446)	-	-	-	(25,446)
At 31 December 2022	96,837	361,769	324,097	25,942	5,947,684	8,643	2,661,092	587,291	10,013,354
Accumulated depreciation									
At 1 January 2022	-	241,877	167,407	25,915	3,330,161	7,780	-	349,782	4,122,922
Depreciation	-	5,368	22,145	27	211,554	-	-	125,056	364,151
Write-offs/Derecognition	-	-	-	-	(25,446)	-	-	-	(25,446)
At 31 December 2022	-	247,245	189,552	25,942	3,516,268	7,780	-	474,838	4,461,626
Closing net book value									
	96,837	114,524	134,545	(0)	2,431,416	863	2,661,092	112,452	5,551,729
Cost									
At 1 January 2023	96,837	361,769	324,097	25,942	5,947,684	8,643	2,661,092	587,291	10,013,354
Additions of right-of-use assets	-	-	-	-	-	-	-	310,106	310,106
Transfers from CWIP	-	-	285,962	-	364,702	58,649	(709,313)	-	-
Additions to CWIP	-	-	-	-	-	-	509,097	-	509,097
Write-offs / Derecognition	-	-	-	-	(62,856)	-	-	(303,842)	(366,698)
At 31 December 2023	96,837	361,769	610,059	25,942	6,249,530	67,292	2,460,876	633,698	10,465,859
Accumulated depreciation									
At 1 January 2023	-	247,245	189,552	25,942	3,516,268	7,780	-	474,838	4,461,626
Depreciation	-	42,935	-	-	229,181	13,440	-	200,403	485,960
Write-offs / Derecognition	-	-	-	-	(62,856)	-	-	(303,842)	(366,698)
At 31 December 2023	-	290,180	189,552	25,942	3,682,593	21,220	-	371,399	4,580,887
Closing net book value									
	96,837	71,589	420,507	(0)	2,566,937	46,071	2,460,876	222,156	5,884,972

NOTES TO THE FINANCIAL STATEMENTS >>

(all amounts in Sri Lanka Rupees thousands)

- 11.1** Property, plant and equipment includes fully depreciated assets which are in use, the cost of which as at the end of the reporting date amounted to Rs. 2,174,239,858 (2022 - 2,251,524,981).
- 11.2** Capital work in progress, represents the operational and administrative activities related project works in progress, which mainly consists improvements and additions to machinery/equipment.

11.3 Company Property

The freehold land and buildings were valued by professional valuer Dr. Prathap Kaluthanthri MRICS, AIV. The valuations carried out on 31 December 2023 have been considered to represent the market values of the respective properties as at 31 December 2023.

The Company follows the cost model as stated in its accounting policy to measure property, plant and equipment. The purpose of this valuation is for management information and to ascertain the current market prices of the freehold land and buildings owned by the Company. The valuation results have not been incorporated in the financial statements. The valuation of the properties mentioned below amounts to Rs. 9,130,000,000.

Property		Extent of Land			No of Buildings	Revalued Amount
Asset Type	Location	A	R	P		Rs. '000
Land and Buildings	Colombo head office factory	7	2	22.15	23	7,391,230
Land and Buildings	Kandy industrial premises	3	3	26.05	9	695,780
Land and Buildings	Kandy commercial premises	2	1	18.75	2	216,961
Land and Buildings	Haliela depot, stores and quarters	1	1	38.50	6	52,424
Land and Buildings	Anuradhapura depot, stores and quarters	2	1	33.50	3	67,976
Land and Buildings	Nildanhinna depot, stores and quarters	2	1	4.00	6	42,121
Land and Buildings	Hanguranketa depot, stores and quarters	2	3	21.00	-	27,660
Land and Buildings	Melsiripura depot, stores and quarters	1	3	1.25	5	84,166
Land and Buildings	Ambale depot, stores and quarters	2	0	9.66	6	29,956
Land and Buildings	Wendaruwa quarters	0	2	0.00	1	5,561
Land and Buildings	Galewela depot, stores and quarters	5	3	39.88	12	171,476
Land and Buildings	Nuwara Eliya	0	1	31.30	1	180,380
Land and Buildings	Hunnasgiriya quarters	0	2	0.00	1	2,775
Land	Naula	0	0	21.00	-	12,600
Land	Nuwara Eliya Yalta	0	1	23.50	-	152,400

12 INTANGIBLE ASSETS

Intangible assets comprise computer software development and purchase cost incurred by the Company that is not integral to the functionality of the related equipment.

	As at 31 December	
	2023	2022
Cost		
At 1 January	37,381	37,381
Additions	-	-
Write-offs	(1,163)	-
At 31 December	36,218	37,381
Amortisation		
At 1 January	37,381	36,711
Amortisation during the year	-	670
Write-offs	(1,163)	-
At 31 December	36,218	37,381
Net book value	-	-

13 EMPLOYMENT BENEFITS

(a) Unfunded defined benefit plan

The retiring gratuity is a defined benefit plan covering employees of the Company. The Company's pre 1992 gratuity liability is not funded and has been provided for in the books of the Company.

	As at 31 December	
	2023	2022
Unfunded obligations	-	163

(b) Funded defined benefit plan

Subsequent to 1992, an externally funded policy was purchased from AIA Insurance Lanka Limited, which covered all 296 (2022- 316) employees attached to the Company. The plan is fully funded by a policy obtained from AIA Insurance Lanka Limited. This policy meets the criteria mentioned in Sri Lanka Accounting Standard LKAS 19 - Employee Benefits, to classify it as a qualifying insurance policy.

(c) The amounts recognised in the statement of financial position are determined as follows:

	As at 31 December	
	2023	2022
Defined Benefit Obligation	530,239	478,341
Fair Value of the Plan Asset	(619,524)	(636,823)
Net Defined Benefit (Asset)/Liability	(89,285)	(158,482)

The movement in the defined benefit (asset) / liability over the year and the comparative period are as follows:

NOTES TO THE FINANCIAL STATEMENTS >>

(all amounts in Sri Lanka Rupees thousands)

13 EMPLOYMENT BENEFITS (CONTD.)

The movement in the defined benefit (asset) / liability over the year and the comparative period are as follows:

	Defined benefit obligation	Fair value of plan asset	Net defined benefit (asset)/ liability
Included in profit or loss:			
At 1 January 2023	478,341	(636,823)	(158,482)
Current service cost	54,577	-	54,577
Past service cost - plan amendments	-	-	-
Interest expense / (income)	87,008	(118,705)	(31,697)
	141,586	(118,705)	22,880
Included in OCI:			
Remeasurement:			
Return on plan assets, excluding amounts included in interest expense	-	49,414	49,414
Actuarial loss from change in financial assumptions	32,452	-	32,452
Experience gain	(35,550)	-	(35,550)
	(3,098)	49,414	46,316
Other:			
Benefits paid	(86,590)	86,590	-
At 31 December 2023	530,239	(619,524)	(89,285)

	Defined benefit obligation	Fair value of plan asset	Net defined benefit (asset)/ liability
Included in profit or loss:			
At 1 January 2022	266,249	(635,859)	(369,610)
Current service cost	24,259	-	24,259
Past service cost - plan amendments	-	-	-
Interest expense / (income)	25,862	(69,476)	(43,614)
	50,121	(69,476)	(19,355)
Included in OCI:			
Remeasurement:			
Return on plan assets, excluding amounts included in interest expense	-	(25,638)	(25,638)
Actuarial loss from change in financial assumptions	138,660	-	138,660
Experience gain	117,461	-	117,461
	256,121	(25,638)	230,483
Other:			
Benefits paid	(94,150)	94,150	-
At 31 December 2022	478,341	(636,823)	(158,482)

(d) The Composition of the planned asset is as follows:

	As at 31 December	
	2023	2022
Government securities	88.53%	71.31%
Corporate Bonds	11.04%	28.01%
Equity	0.43%	0.68%
Fixed Deposits	0.00%	0.00%
Policyholder Loans	0.00%	0.00%
	100%	100%

(e) The principal assumptions the Company used are as follows:

	As at 31 December	
	2023	2022
Discount rate per annum	13.50%	20.00%
Annual salary increment rate	14.00%	20.00%
Staff turnover rate	10.50%	9.00%
Retirement Age (years)	60	60

The defined benefit obligation liability of the Company is based on an actuarial valuation carried out by Willis Towers Watson, an Independent Actuary. The actuarial valuation involves making assumptions about discount rates and future salary increases. Due to the complexity of the valuation and the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The Company has considered the impact on the defined benefit obligations due to changes in economic factors as a result of the prevailing macroeconomic conditions, with support of the independent actuarial expert.

As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing Employee benefit obligations as per LKAS 19. However, due to the unavailability of the coupon bond rate in the market, Company determined the discount rate of 13.5% based on the available treasury bond rate movement as at 31 December 2023. Further, the salary increment rate of 14% is considered appropriate to be in line with the Company's targeted future salary increments when taking into account the current market conditions and inflation rate. Due to the discount rate and salary increment rate assumptions used, nature of non-financial assumptions and experience of the assumptions of the company, there is no significant impact to employment benefit liability as a result of prevailing macro-economic conditions.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	2023		
	Change in assumption	Increase	Decrease
Discount rate per annum	1.00%	(62,679)	74,968
Annual salary increment rate	1.00%	73,952	(62,973)

NOTES TO THE FINANCIAL STATEMENTS >>

(all amounts in Sri Lanka Rupees thousands)

13 EMPLOYMENT BENEFITS (CONTD.)

	Impact on defined benefit obligation		
	2022		
	Change in assumption	Increase	Decrease
Discount rate per annum	1.00%	(52,605)	62,198
Annual salary increment rate	1.00%	61,686	(53,050)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the pension liability recognised within the statement of financial position.

As at 31 December 2023, the weighted-average duration of the defined benefit obligation of the permanent cadre was 14 years (2022 -14).

14 INVENTORIES

	As at 31 December	
	2023	2022
Raw materials	5,314,052	4,980,792
Work-in-progress	109,118	61,347
Finished goods	390,087	549,596
Consumables	986,351	876,786
Provision for obsolete and slow moving inventories (Note 14.1)	(188,204)	(165,831)
	6,611,404	6,302,690

14.1 Provision for obsolete and slow moving inventories

	As at 31 December	
	2023	2022
At 1 January	165,831	85,781
Charge/(reversal)during the year	22,373	80,050
Write off during the year	-	-
At 31 December	188,204	165,831

A provision for obsolete and slow moving items is primarily made in relation to slow moving consumables that have not been used in a 02 years period. Finished goods, wrapping material are provided for based on their shelf life.

15 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
Current		
Trade receivables	3,652,257	4,026,752
Receivables from related parties [Note 25 (iii)]	607,771	8,221
Advances to farmers	356,791	225,666
Staff loans	128,690	176,779
Other receivables	996,085	832,866
Less: provision for impairment of receivables	(138,674)	(119,328)
	5,602,920	5,150,956
Non-current		
Staff loans	218,726	180,687
Total trade and other receivables	5,821,646	5,331,643

- (i) Trade receivables wholly consist of amounts receivable from distributors. No specific impairment indicators were noted as all receivables are less than 12 months.
- (ii) Provision for doubtful debts has been made on a case by case basis on loans made to farmers and on long outstanding balances included under other receivables.

The fair values of trade and other receivables are as follows :

	As at 31 December	
	2023	2022
Trade receivables	3,652,257	4,026,752
Receivables from related parties	607,771	8,221
Advances to farmers	356,791	225,666
Staff loans	347,416	357,466
Other receivables	996,085	832,866
Less: provision for impairment of receivables	(138,674)	(119,328)
	5,821,646	5,331,643

Movements on the Company's provision for impairment of receivables are as follows:

	As at 31 December	
	2023	2022
At 1 January	(119,328)	(160,891)
Provision for the year	(101,937)	(86,400)
Write-offs during the year	82,591	127,963
Reversals during the year	-	-
At 31 December	(138,674)	(119,328)

NOTES TO THE FINANCIAL STATEMENTS >>

(all amounts in Sri Lanka Rupees thousands)

16 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2023	2022
Cash at bank and in hand	21,138,039	24,216,551
Short term investments	3,400,000	-
Cash and cash equivalents in the statement of cash flows	24,538,039	24,216,551

Short term investments consist of three months fixed deposit investments placed at the interest rate of 9% for LKR 1.4bn and 11.75% for LKR 2 bn.

17 STATED CAPITAL

	Number of shares	Value Rs.
Share value (Rs. 000)	1,873,238	1,873,238
Number of shares	187,323,751	187,323,751

All issued ordinary shares are fully paid.

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

18 DEFERRED TAX LIABILITY

Deferred tax is recognised in respect of all temporary differences under liability method using the effective tax rate.

The movement on the deferred income tax account is as follows:

	As at 31 December	
	2023	2022
At beginning of the year	374,563	377,118
Charge for the year	199,112	(2,555)
At end of the year	573,675	374,563

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The movement in deferred income tax assets and liabilities during the year is as follows:

	Property, plant and equipment	Right of Use	Unfunded defined benefit obligation	Provisions	Total
Balance as at 1 January 2022	(703,818)	4,847	65	321,789	(377,118)
Recognised in profit or loss	(90,134)	2,673	-	90,015	2,555
At 31 December 2022	(793,952)	7,520	65	411,804	(374,563)
Balance as at 1 January 2023	(793,952)	7,520	65	411,804	(374,563)
Recognised in profit or loss	(82,994)	8,801	(65)	(124,852)	(199,112)
At 31 December 2023	(876,946)	16,320	-	286,952	(573,674)

	2023		2022	
	Temporary Differences	Tax Effect	Temporary Differences	Tax Effect
Deferred Tax Liability On				
Property, Plant and Equipment excluding ROU	(2,192,366)	(876,947)	(1,971,515)	(788,606)
	(2,192,366)	(876,947)	(1,971,515)	(788,606)
Deferred Tax Assets On				
Right of use (ROU)	40,801	16,320	5,437	2,174
Unfunded defined benefit obligation	-	-	163	65
Provision	717,379	286,952	1,029,509	411,804
	758,181	303,272	1,035,109	414,043
	(1,434,185)	(573,675)	(936,406)	(374,563)

19 TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
Trade payables	550,826	1,112,881
Payable to related parties [Note 25 (iii)]	544,639	738,642
Accrued expenses	4,203,128	4,449,120
Government levies	13,038,515	2,444,995
Other payables	884,175	281,972
	19,221,283	9,027,610

NOTES TO THE FINANCIAL STATEMENTS >>

(all amounts in Sri Lanka Rupees thousands)

20 DIVIDENDS PAYABLE

(a) The movement of dividend payable over the year is as follows:

	As at 31 December	
	2023	2022
At 1 January	7,107,912	7,220,436
Dividends declared [Note (c)]	33,362,360	5,432,389
Dividends paid	(40,368,702)	(5,489,464)
Transfers to unclaimed dividend [Note (b)]	(101,570)	(55,449)
At 31 December	-	7,107,912

(b) Unclaimed dividends over the year is as follows:

	As at 31 December	
	2023	2022
At 1 January	315,274	272,353
Transfers	101,570	55,449
Payments	(3,455)	(5,971)
Write back	(24,425)	(6,557)
At 31 December	388,964	315,274

(c) The dividend declared during the year is as follows:

	2023		2022	
	per share	Rs.	per share	Rs.
Fourth interim dividend for prior year	30.00	5,619,713		
Fifth interim dividend for prior year	30.00	5,619,713		
Final dividend for prior year	20.30	3,802,671	-	-
First interim dividend	28.80	5,394,924	10.00	1,873,238
Second interim dividend	33.00	6,181,684	10.00	1,873,238
Third interim dividend	36.00	6,743,655	9.00	1,685,913
	178.10	33,362,360	29.00	5,432,389

21 LEASES

The Company's material leases include Buildings and Vehicles rented. The useful life of the leases of the company is between 1 - 4 years. Information about leases for which the Company is a lessee is presented below.

(a) Right-of-use assets

	2023	2022
Balance as of 1 January	112,452	210,325
Addition to right-of-use assets	350,250	27,184
Derecognition of right-of-use assets	-	-
Depreciation charge for the year	(200,403)	(125,056)
Balance as at 31 December	262,299	112,452

(b) Lease liabilities:

	2023	2022
Balance as of 1 January	120,820	222,488
Additions to lease liabilities	350,250	14,153
Derecognition of lease liabilities	-	-
Interest expense	31,539	19,226
Payment of lease liabilities	(226,871)	(135,047)
Balance as at 31 December	275,738	120,820

Maturity analysis - contractual undiscounted cash flows

Less than one year	261,694	73,538
One to five years	33,902	63,436
More than five years	-	-
Total undiscounted liabilities as at 31 December	295,596	136,974

Lease liabilities included in the statement of financial position as at 31 December

Current	243,253	63,295
Non-current	32,485	57,525

(c) Amounts recognised in profit or loss:

	2023	2022
Depreciation of right-of-use assets	200,403	125,056
Interest on lease liabilities	31,539	19,226
Expense relating to short term leases	12,893	10,375

(d) Amounts recognised in statement of cash flows:

	2023	2022
Total cash outflow for leases	226,871	135,047

NOTES TO THE FINANCIAL STATEMENTS >>

(all amounts in Sri Lanka Rupees thousands)

22 LONG TERM BORROWINGS

	As at 31 December	
	2023	2022
Long term borrowings	367,485	362,000
Exchange (gain)/loss [Note 8]	(43,730)	5,485
Balance as at December	323,755	367,485

Uncommitted term loan facility of USD 10 Million between British American Tobacco International (Holdings) B.V. and Ceylon Tobacco company PLC with no interest. During the year 2022 USD 1 Million was drawn.

23 CONTINGENT LIABILITIES

No provision has been made in the financial statements of the Company in respect of the following :

(a) Outstanding litigation

Considering the opinion of the Company's lawyers, the Directors have reasonable assurance that any pending litigation will not have a material impact on the financial statements.

24 COMMITMENTS

- (a) Rs. 500 Mn (2022 - Rs. 500 Mn) Bank Guarantee issued in favour of Commissioner General of Excise to obtain certificate of registration (Manufacturing License) in accordance with the provisions of the Tobacco Tax Act No. 8 of 1999 (as amended).
- (b) Shipping and Bank Guarantees have been issued amounting to Rs. 293.58 Mn (2021 - Rs. 149.93 Mn), for goods cleared before the arrival of original bank documents.

25 RELATED PARTY TRANSACTIONS

Transactions with related parties

The Company has a number of transactions and relationships with related parties, as defined in LKAS 24 - Related Party Disclosures, all of which are undertaken in the normal course of business and on an arm's length basis.

Non-recurrent related party transactions

Any non-recurrent related party transactions of which the aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 December 2022 audited financial statements requires additional disclosures in the 2023 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices. However, Ceylon Tobacco Company PLC has not entered into any transaction with related party that exceeds the specified thresholds.

Recurrent related party transactions

Any recurrent related party transactions of which the aggregate value exceeds 10% of revenue of the Company as per 31 December 2022 audited financial statements requires additional disclosures in the 2023 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Corporate Governance. However, Ceylon Tobacco Company PLC has not entered into any transaction with a related party that exceeds the specified thresholds.

The following transactions were carried out with related parties:

The following transactions were carried out with related parties:

(i) Sale of goods / services

	Year ended 31 December	
	2023	2022
British American Shared Services (GSD) Limited	22,520	-
BAT Marketing Singapore PTE	13,978	-
BAT Marketing (Singapore) Private Limited	-	6,190
British-American Tobacco (Singapore) Pte Ltd	24,984	-
British American Tobacco (Malaysia) Berhad	4,110	18,626
BAT AsPac Service Centre Sdn Bhd	84,663	-
BAT Investments LTD	2,516	-
British American Tobacco Chile	-	371
BAT Global Travel Retail Limited	35,881	37,165
British American Tobacco Kenya Ltd	-	322
British American Tobacco So	-	1,011
BAT Nigeria Ltd	-	193
BAT GLP Ltd	395,605	-
	584,257	63,878

NOTES TO THE FINANCIAL STATEMENTS >>

(all amounts in Sri Lanka Rupees thousands)

25 RELATED PARTY TRANSACTIONS (CONTD.)

(ii) Purchase of goods / services

	Year ended 31 December	
	2023	2022
BAT AsPac Service Centre Sdn Bhd	328,608	48,743
BAT Investments Limited	754,914	110,461
Benson & Hedges (Overseas) Limited	7,454	1,261
BAT (Holdings) Limited	42,583	8,796
British American Shared Services (GSD) Limited	983,992	282,833
British-American Tobacco (Singapore) Pte Ltd	246,204	586,486
PT Bentoel Prima	89,294	12,919
Pakistan Tobacco Company Limited	8,729	10,382
British American Tobacco Tutun	1,283	-
BAT Korea Manufacturing Limited	-	1,138
BAT Bangladesh Company Limited	1,786	10,701
British American Tobacco Exports Li	710,850	56,335
British American Tobacco South	596	-
BAT ME DMCC	49,554	(429)
CN Creative Ltd	-	14,699
CA.Cigarrera Bigott Sucs	-	4,456
British American Tobacco Australia	-	6,772
JSC-BAT-SPG	-	9,775
British American Tobacco (Malaysia)	14,413	-
	3,240,260	1,165,329

(iii) Outstanding balances arising from sale and purchase of goods / services

	As at 31 December	
	2023	2022
Receivable from related parties [Note 15]		
BAT (Holdings) Limited	(116)	-
BAT Investments LTD	332	-
British-American Tobacco (Singapore) Pte Ltd	3,756	3,236
VINA-BAT JV HCMC Branch	2,773	3,146
BAT AsPac Service Centre Sdn Bhd	80,358	18
Pakistan Tobacco Company Limited	261	280
British American Tobacco Myanmar Li	66	66
BAT Global Travel Retail Limited	346	-
BAT Mexico	0	-
British American Tobacco Tutun	4	4
BAT TDR	1	1
BAT Zimbabwe (Holdings) Limited	1,014	1,087
BAT Bangladesh Company Limited	9,308	-
BAT Nigeria Ltd	357	382
British American Shared Services (GSD) Limited	64,061	-
BAT Marketing Singapore PTE	5,194	-
British American Tobacco ME DMCC	15,206	-
British American Tobacco (Malaysia) Berhad	4,063	-
BAT Belgium S.A	25,183	-
BAT GLP Ltd	395,605	-
	607,771	8,221

NOTES TO THE FINANCIAL STATEMENTS >>

(all amounts in Sri Lanka Rupees thousands)

25 RELATED PARTY TRANSACTIONS (CONTD.)

	As at 31 December	
	2023	2022
Payable to related parties [Note 19]		
BAT Investments Limited	19,200	29,384
BAT ASPAC Service Centre Sdn Bhd		14,208
BAT (Holdings) Limited	9,837	9,780
British American Shared Services (GSD) Limited	0	135,642
Benson & Hedges (Overseas) Limited	1,259	205
Pakistan Tobacco Company	5,121	7,083
BAT Korea Manufacturing Limited	0	2,810
British-American Tobacco (Singapore) Pte Ltd	206,185	382,153
BAT Switzerland S.A.	165	171
British American Tobacco Mexico S.A. de C.V.	18,955	20,302
BAT Pecs Dohanygyar KFT	-	-
British American Tobacco Kenya Ltd	84	770
PT Bentoel Prima	121,002	40,913
British American Tobacco (Cambodia) Ltd	27,464	31,174
BAT Nigeria Ltd	1,203	1,365
BAT Romania Investment	909	997
British American Tobacco Tutun	2,874	3,152
BAT Bangladesh Company Limited	3,068	2,953
British American Tobacco Exports Li	39,939	903
CTBAT International Co. Limited	42	42
British American Tobacco South	1,876	1,532
BAT ME DMCC	0	6,725
Nicoventures Trading Limited	72,644	15,762
British American Tobacco Australia	0	6,631
BAT Asia Pacific Region Limited	-	1,036
CA.Cigarrera Bigott Sucs	0	6,319
British American Tobacco Chile	63	71
JSC-BAT-SPG	-	16,560
PT Bentoel Prima International Investama	0	-
British American Tobacco (Malaysia)	12,750	-
	544,639	738,642

(iv) Key management compensation

Key Management personnel include members of the Board of Ceylon Tobacco Company PLC and the members of the Leadership Team. The compensation paid or payable to key management:

	As at 31 December	
	2023	2022
Salaries and other short-term employee benefits	619,374	404,224
Share based payments	10,706	18,734

(v) Post-employment benefits

	As at 31 December	
	2023	2022
Ceylon Tobacco Company PLC Group Provident Fund	113,027	97,023

There were no other related parties or related party transactions other than those disclosed above in the financial statements.

The Company has no share ownership plans. However, the BAT Group through an International Executive Incentive Scheme ("IEIS") offers value of phantom shares in BAT plc, in cash to selected members of the Leadership Team of Ceylon Tobacco Company PLC. This is operated as a cash settled share based payment where a liability equal to the portion of the services received is recognised at its current fair value determined at each reporting date. Fair value is measured by the use of Black-Scholes option pricing model.

As at 31 December 2023, the fair value of the phantom shares granted was Rs. 10.4 million (2022 - Rs. 16.9 million).

26 EVENTS AFTER THE REPORTING PERIOD

Fourth interim dividend of Rs. 31.00 per share was declared for the financial year 2023 on 29th February 2024.

The directors recommend a final dividend of Rs. 18.84 per share for 2023. The final dividend is subject to the approval of the shareholders at the Annual General Meeting to be held on 28th May 2024. Once approved by the shareholders, the final dividend will be payable on 19th June 2024.

No other material events have occurred since the end of the reporting date which would require adjustments to, or disclosure in the financial statements.

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DERN & WERING

Our unwavering efforts not only fortified the company amid challenges, but also propelled it toward future growth, with a resoundingly modern and empowering approach.

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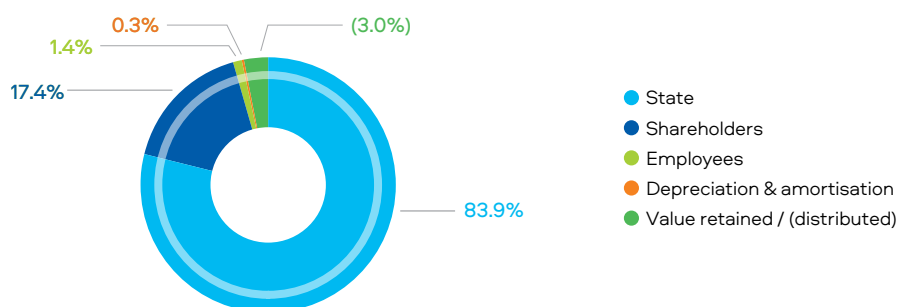
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STATEMENT OF VALUE ADDED

(all amounts in Sri Lanka Rupees thousands)

	Year ended 31 December	
	2023	2022
Turnover	200,019,382	167,194,283
Supplied material and services	(10,167,167)	(8,726,917)
Net interest income	1,587,977	1,196,398
Other operating income	93,738	36,079
	191,533,930	159,699,843
State	160,782,943	136,846,143
Shareholders	33,362,360	5,432,389
Employees	2,609,465	2,020,172
Depreciation & amortisation	485,960	364,820
Value retained / (distributed) in business through profit earned	(5,706,797)	15,036,319
	191,533,930	159,699,843



SHARE INFORMATION

STOCK EXCHANGE LISTING

The issued ordinary shares of Ceylon Tobacco Company PLC are listed with the Colombo Stock Exchange of Sri Lanka.

SHAREHOLDERS

The number of ordinary shareholders as at 31 December 2023 was 4,573 (4,639 as at 31 December 2022).

ORDINARY SHAREHOLDING

Stated Capital - Rs. million	1,873
Number of shares representing the Entity's stated capital	18,732,751
Number of Shareholders as at 31 December 2023	4,573
Number of Shareholders as at 31 December 2022	4,639

2023	Resident			Non Resident			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1-1000	3,511	613,332	0.33	45	12,294	0.01	3,556	625,626	0.34
1001-10,000	827	2,485,979	1.33	36	148,227	0.08	863	2,634,206	1.41
10,001-100,000	111	3,055,903	1.62	23	648,239	0.35	134	3,704,142	1.97
100,001-1,000,000	12	2,953,989	1.58	5	961,573	0.51	17	3,915,562	2.09
Over 1,000,000	-	-	-	3	176,444,215	94.19	3	176,444,215	94.10
Total	4,461	9,109,203	4.86	112	178,214,548	95.14	4,573	187,323,751	100

2022	Resident			Non Resident			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1-1000	3,570	625,716	0.33	50	16,190	0.01	3,620	641,906	0.34
1001-10,000	832	2,424,606	1.29	37	165,939	0.09	869	2,590,545	1.38
10,001-100,000	111	2,896,234	1.55	22	691,570	0.37	133	3,587,804	1.92
100,001-1,000,000	8	1,497,624	0.88	5	973,119	0.52	13	2,470,743	1.32
Over 1,000,000	-	-	-	4	178,032,753	95.04	4	178,032,753	95.04
Total	4,521	744,180	3.97	118	179,879,571	96.03	4,639	187,323,751	100

	2023			2022		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individuals	4,353	6,627,966	3.54	4,409	6,235,112	3.33
Institutions	220	180,695,785	96.46	230	181,088,639	96.67
	4,573	187,323,751	100	4,639	187,323,751	100

SHARE INFORMATION >>

MARKET VALUE OF SHARE (RS.)

	2023	2022
Price Movements (Rs.)		
Highest	1,060.00	939.50
Lowest	598.00	520.00
Closing Price	953.75	625.00
Market Capitalisation (Rs. million)		
	178,660	117,077
No. of share transactions for the year	8,015	7,611
No. of shares traded	3,210,860	3,037,859

DIVIDED PAYMENTS

	2023	2022
	Rs. Per Share	Rs. Per Share
Final dividend for prior year	20.30	-
First interim dividend	28.80	10.00
Second interim dividend	33.00	10.00
Third interim dividend	36.00	9.00
Fouth interim dividend	30.00	-
Fifth interim dividend	30.00	-

DIRECTORS SHAREHOLDING (INCLUDING SPOUSES & CHILDREN)

	No of Shares As at 31 December	
	2023	2022
Mr. S K Shah	-	-
Ms. M Abraham	-	-
Mr. Y Kanagasabai	-	-
Mr. S R Kidd	-	-
Mrs. R Rahaman	-	-
Mr. K D Alwis	-	-
Mr. G Tarrant	-	-
Mr. T Akbar	-	-

PUBLIC SHAREHOLDERS

	No of Shares As at 31 December	
	2023	2022
Parent Company	157,590,931	157,590,931
Subsidiaries or Associate Companies of Parent	-	-
10% or more holding	-	-
Directors shareholding (including spouses & children)	-	-
Public Holding	29,732,820	29,732,820
	187,323,751	187,323,751
Public Holding as a % of Issued Share Capital	15.87	15.87
Number of shareholders holding the Public Holding	4,573	4,638
Market Capitalisation of Public Holding (Rs. million)	28,358	18,583

The Company complies with option 1 of the Listing Rule 7.13.1(a) - Float Adjusted Market Capitalisation of Rs. 10.0 Bn which requires no minimum public holding percentage.

20 LARGEST SHAREHOLDERS

	2023		2022	
	No. of Shareholders	%	No. of Shareholders	%
British American Tobacco International Holdings B.V.	157,590,931	84.13	157,590,931	84.13
Philip Morris Brand SARL	15,585,910	8.32	15,585,910	8.32
CB NY S/A Allan Gray Frontier Markets Equity Fund Limited	3,267,374	1.74	3,267,374	1.74
J.B.Cocoshell (Pvt) Ltd	915,160	0.49	503,380	0.27
Hatton National Bank PLC - Capital Alliance Quantitative Equity Fund	394,961	0.21	-	-
Rubber Investment Trust Ltd A/C 01	327,698	0.17	-	-
Mrs J.K.P. Singh	300,256	0.16	-	-
Mr. S.P. Jayawardena	215,111	0.11	195,566	0.10
Miss N. Harnam	211,030	0.11	211,030	0.11
Invenco Capital Private Limited	202,044	0.11	-	-
Deutsche Bank AG Singapore A/C2(DCS CLT ACC FOR DEUTSCHE BANK AG SINGAPORE-PWM WM CLIENT)	175,600	0.09	175,600	0.09
Deutsche Bank AG AS Trustee For JB vantage Value Equity Fund	167,883	0.09	169,831	0.09
Odyssey Capital Partners (Private) Limited	149,883	0.08	-	-
Harnam Holdings SDN BHD	145,000	0.08	150,000	0.08
Bank of Ceylon No.1 Account	141,887	0.08	143,175	0.08
BNYM RE- GHI Holdings Mauritius	129,687	0.07	129,687	0.07
Mr. J.D. Bandaranayake	118,412	0.06	103,062	0.06
Mr. J.D. Bandaranayake	112,450	0.06	97,100	0.05
Galle Face Capital Partners PLC	105,000	0.06	-	-
Mr.A.M.Weerasinghe	103,500	0.06	103,500	0.06
Pershing LLC S/A Averbach Grauson & Co.	-	-	1,588,538	0.85
Mrs. Jasbinderjit Kaur Piara Singh	-	-	306,802	0.16
Union Assurance PLC -Universal Life Fund	-	-	161,634	0.09
Deutsche Bank AG as Trustee to Capital Alliance Quantitative Equity Fund	-	-	117,476	0.06
Mr. Ratnayake Susantha Chaminda	-	-	100,000	0.05
SSBT-PARAMETRIC Tax-Managed Emerging Markets Fund	-	-	96,609	0.05
Sub Total	180,359,777	96.28	180,797,205	96.52
Others	6,963,974	3.72	6,526,546	3.48
Total Shares	187,323,751	100.00	187,323,751	100.00

NOTICE OF MEETING

Dear Shareholder/s

93rd ANNUAL GENERAL MEETING OF THE SHAREHOLDERS

Notice is hereby given that the 93rd Annual General Meeting (AGM) of **Ceylon Tobacco Company PLC** will be held at the Auditorium of Ceylon Tobacco Company PLC, No. 178, Srimath Ramanathan Mawatha, Colombo 15, on **Tuesday, 28th May 2024 at 10.00am**, for the following purposes:

1. To confirm the quorum
2. To receive, consider and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st December, 2023 and the Report of the Auditors thereon.
3. To declare a Final dividend for the Financial Year ended 31st December 2023 as recommended by the Directors.
4. To elect / re-elect the following Directors:
 - To elect as Director, Mr. Gary Tarrant, who was appointed since the last Annual General Meeting held on 26th May, 2023 and is eligible for election under Article 95 of the Articles of Association.
 - To elect as Director, Mr. Harin De Silva Wijeyeratne, who was appointed since the last Annual General Meeting held on 26th May, 2023 and is eligible for election under Article 95 of the Articles of Association.
 - To re-elect as Director, Ms. Rumana Rahman, having retired by rotation and being eligible for re-election as per Article 87- 90 of the Articles of Association of the Company.
 - To re-elect as Director, Mr. Staurt Robert Kidd, having retired by rotation and being eligible for rotation and being eligible for re-election as per Article 87- 90 of the Articles of Association of the Company.
5. To authorise the Directors to determine and make donations.
6. To re-appoint Messrs. KPMG as the Company's Auditors and to authorise the Directors to determine their remuneration.

By Order of the Board



Zahrah Cader
Company Secretary

19th April, 2024, Colombo

93RD AGM OF CEYLON TOBACCO COMPANY PLC INSTRUCTIONS TO SHAREHOLDERS

NOTES

1. A member entitled to attend and vote at the above-mentioned meeting is entitled to appoint a Proxy, who need not also be a member, to attend instead of him. Such a Proxy may vote on a poll (and join in demanding a poll) but not on a show of hands. The Proxy may not speak at the meeting unless expressly authorised by the instrument appointing him.
2. A Form of Proxy is enclosed herewith.
3. The Completed Form of Proxy should be deposited at the Registered Office of the Company, No. 178, of Srimath Ramanathan Mawatha, Colombo 15 or sent by email to CTCAGM2024@bat.com not less than 48 hours before the time for holding the meeting.
4. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 178, Srimath Ramanathan Mawatha, Colombo 15 or sent by email to CTCAGM2024@bat.com not less than 48 hours before the time for holding the meeting.

IMPORTANT

We wish to bring to your notice that in order to ensure the security of all persons and property within the Company premises, entry into the premises is being permitted in the following manner:

1. Admission is granted on the production of the National Identity Card/Passport/ Driving License.
2. All persons entering the premises are subject to a security check.
3. No person is allowed to bring any parcel into the premises.
4. Vehicles are parked outside the premises in a place reserved for this purpose.

Your co-operation in this regard will be greatly appreciated.

N.B.

ON ARRIVAL THE SHAREHOLDERS WILL BE USHERED TO THE RECEPTION AREA.

TRANSPORT WILL BE PROVIDED FROM THE RECEPTION AREA TO THE AUDITORIUM FOR THE MEETING AND TO RETURN TO THE RECEPTION AREA AT THE CONCLUSION OF THE MEETING

Shareholder participation via questions, comments and suggestions prior to the AGM

Shareholders may submit questions, comments or suggestions relating to the business of the AGM, directly to the Company by email to **CTCAGM2024@bat.com** by 5 pm on Wednesday 15th May 2024 for them to be addressed at the AGM.

Please note that this is not a public event and therefore any recording or publishing of this event in full or in part in any manner or form is strictly prohibited.

The Company reserves the exclusive right to deny continued participation to any person who violates these instructions and to take any action as deemed necessary, including reporting such persons to Law enforcement authorities.

NOTES

This image shows a full page of a document template designed for handwritten notes or essays. It features approximately 28 evenly spaced, thin horizontal grey lines across the entire page. The margins are consistent on all sides, providing a clear area for writing. There are no other markings, text, or graphics present.

FORM OF PROXY

(Please read the notes carefully before completing this form)

I / We the undersigned (please print)
of being a member/members of the Company, hereby
appoint of whom failing

Mr. Suresh Shah	whom failing
Mr. Harin De Silva Wijeyeratne	whom failing
Mr. Kushan D'Alwis PC	whom failing
Ms. Fariyha Subhani	whom failing
Mr. Towhid Akbar	whom failing
Mr. Gary Tarrant	whom failing
Ms. Rumana Rahman	whom failing
Mr. Stuart Kidd	

as my / our Proxy to represent me / us and * vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held at 10.00 a.m. on Tuesday, 28th May 2024 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	Yes	No
(i) To receive and adopt the Report of the Directors and the Financial Statements for the year ended 31 st December 2023.	☐	☐
(ii) To declare a Final dividend.	☐	☐
(iii) To elect as Director, Mr. Gary Tarrant, who was appointed since the last Annual General Meeting held on 26 th May, 2023 and is eligible for election under Article 95 of the Articles of Association.	☐	☐
(iv) To elect as Director, Mr. Harin De Silva Wijeyeratne, who was appointed since the last Annual General Meeting held on 26 th May, 2023 and is eligible for election under Article 95 of the Articles of Association.	☐	☐
(v) To re-elect as Director, Ms. Rumana Rahman, having retired by rotation and being eligible for re-election as per Article 87- 90 of the Articles of Association of the Company.	☐	☐
(vi) To re-elect as Director, Mr. Staurt Robert Kidd, having retired by rotation and being eligible for rotation and being eligible for re-election as per Article 87- 90 of the Articles of Association of the Company.	☐	☐
(vii) To authorise the Directors to determine and make donations.	☐	☐
(viii) To appoint Messrs. KPMG as the Company's Auditors and authorise the Directors to determine and their.	☐	☐

.....

Signature

Signed this day of Two Thousand and Twenty Four.

Note: Instructions as to completion appear on the reverse of this Form of Proxy

Overview

Executive Review

Crafting Our Strategy

Our Business Imperatives

ESG in Focus

Risk Management & Governance

Financial Statements

Supplementary Information

FORM OF PROXY >>

Instructions as to completion:

1. The persons mentioned in the Form of Proxy are Directors of the Company and are willing to represent any shareholder as Proxy and vote as directed by the shareholder. They will not, however, be willing to speak or move or second any amendment to a resolution or make any statement in regard thereto on behalf of any shareholder.
2. If any Proxy is preferred, delete the names printed, add the name of the Proxy preferred and initial the alteration.
3. Please indicate with an 'X' in the space provided how your Proxy is to vote on each Resolution.

If there is in the view of the Proxy holder a doubt (by reason of the way in which the instructions contained in the Proxy have been completed) as to the way in which the Proxy holder should vote, the Proxy holder will vote as he/she thinks fit.
4. Subject to Note 1 above, if you wish the Proxy to speak at the meeting, you should interpolate the words "to speak and" in the place indicated with an asterisk (*) and initial such interpolation.
5. In the case of a Corporate Member, the Form of Proxy must be completed under its Common Seal, which should be affixed and attested in the manner prescribed by the Articles of Association. If the Form of Proxy is signed by an Attorney, the relevant Power-of-Attorney should also accompany the completed Form of Proxy if it has not already been registered with the Company.
6. To be valid, the completed Form of Proxy should be deposited at the Registered Office of the Company, No. 178, Srimath Ramanathan Mawatha, Colombo 15 or sent by email to CTCAGM2024@bat.com not less than 48 hours before the time for holding the meeting.
7. The full name and address of the Proxy and the Shareholder appointing the Proxy should be entered legibly in the Form of Proxy.

APPENDICES



ENVIRONMENTAL POLICY STATEMENT

Ceylon Tobacco Company is committed to meeting its consumer needs in an environmentally responsible and sustainable way in the direct operations it controls and the wider supply chain it influences. We believe as a responsible organization that good environmental practice is good businesses practice and are therefore committed to;

- Comply with all applicable national environmental laws and regulations and BAT's EHS guidelines.
- Use our established framework of policy, best practices, and procedures to manage our environmental performances and monitor compliance through internal auditing capabilities.
- Understand our impacts on the environment in which we operate and proactively put in place plans to minimize such impacts.
- Monitor environmental performance through a set of key matrices, set targets for continuous improvement and where applicable use external assurances to verify our performance.
- Provide appropriate training as may be required to staff and share good practice across the organization.
- Work with suppliers and service providers to reduce the impacts of our products and services across the total lifecycle, share good practices and support them to manage their business in an environmentally sustainable manner.
- Collaborate with key stakeholders to understand emerging issues, regulatory and social expectations and technological innovations and work to develop sustainable solutions to these challenges.
- Continuously seek to conform to the best international environmental standards in line with business objectives.

Specific to our business we will focus on the following 4 priority areas,

Tracking Climate Change

- Maintaining our carbon neutrality status across our factories, trade marketing and distribution.
- Increasing our energy provision from renewable resources.

Eliminating Waste

- Working towards eliminating single use plastic from our packaging
- Reducing waste generation across our operations.
- Working towards 100% Zero Waste to Landfill (ZWTL) across all operations sites.

Water Stewardship

- Reducing the amount of water withdrawn and increasing water recycling across our operations.
- Obtaining and maintaining certification to the alliance for Water Stewardship's management standard.

Protecting Biodiversity and Forests

- Continuing to work with our farmers to develop, advance and implement environmentally responsible agricultural practices and biodiversity protection best practices.
- Applying a mitigation hierarchy (avoid, minimise, restore & offset) when our tobacco supply chain operates in locations in close proximity to globally or nationally important biodiversity areas, while collaborating with external partners to support us on that journey.

The Executive Committee has overall responsibility for the Environment under our control and owns this policy. All staff regardless of their level in the organization will take reasonable care of the environment under our control and co-operate fully with the company in all environment-related matters.

Zahrah Cader
Company Secretary
Ceylon Tobacco Company PLC

19 April 2024

APPENDICES >>



SUSTAINABLE TOBACCO PROGRAMME (STP) POLICY

Ceylon Tobacco Company PLC hereby assures dedication focus on the following areas for the Sustainable Tobacco Programme (STP).

- Conduct all our business activities according to the Company EHS, Quality, Biodiversity and STP policies.
- Minimise our contribution to climate change through focus on soil and water conservation, Integrated Pest Management (IPM), cultivation of productive varieties, minimum and appropriate use of fuel in tobacco production, elimination of farm Non Tobacco Related Material (NTRM), reduction of carbon emission per Kg of tobacco and Integrated Crop Management (ICM) to ensure sustainable development.
- Motivate tobacco farmers through effective and efficient training methods to follow Good Agriculture Practices (GAP). Facilitate such practices to be transmitted to the wider farming community by setting examples.
- Educate on Green Tobacco Sickness (GTS) to ensure stakeholder health and safety.
- Improve productivity to ensure better living standards through socio-economic development.
- Educate farmers on children's rights to education to ensure that the industry does not employ minors in crop production.
- Educate and promote Good Labour Practices (GLP) among relevant stakeholders aligning to local and international guidelines.
- Maintain a continuous productive dialogue with stakeholders to capture the opinions and retain responsibility to respond to them in a timely manner.
- Contribute to rural and national development through social responsibility.
- Establish BAT standards across the operation and ensure compliance to all legal requirements and commitment to implement all best practices among the relevant stakeholders.

A handwritten signature in black ink, appearing to read 'Zahrah Cader', is positioned above the printed name.

Zahrah Cader
Company Secretary
Ceylon Tobacco Company PLC

19 April 2024



BIODIVERSITY STATEMENT

We recognise that we have both, an impact and a dependence on biodiversity, through our business operations and use of ecosystem services, such as forest products, soil and water.

Under the British American Tobacco Plc business principle of Good Corporate Conduct, we aim to minimise our impact on biodiversity and the wider environment. Part of this commitment means avoiding, minimising or mitigating our impacts on biodiversity and linked ecosystem services, or where this is not appropriate or most beneficial, offsetting those impacts at a regional or national level. In order to meet this commitment:

- We will ensure that our business is in compliance with all international and national biodiversity laws as a minimum requirement.
- We commit to assessing our impacts, i.e. we will identify areas of high biodiversity value and understand our impacts on ecosystem services. We will also assess our impacts where our ecological footprint is changing due to an increase or decrease in production or changes to production methods.
- We will undertake these assessments, engaging with stakeholders such as farmers, conservation organisations, universities and governments, to understand local issues and take into account their needs and requirements.
- These assessments and stakeholder engagements will lead to action plans to avoid, minimise, mitigate or offset our impacts, with effective monitoring mechanisms to ensure such action plans are implemented and progress is reported.
- We will also take steps to share information with suppliers, assisting them in understanding and managing their impacts on biodiversity, hence minimising our impact throughout the supply chain, e.g. in the sourcing of leaf and packaging materials.

This statement will enhance the integration of biodiversity conservation principles into the business. All further guidelines and assessment tools will be integrated into the existing systems and tools such as:

- Environmental, Health and Safety (EHS) Policy and guidelines
- Agronomy guidelines
- Social Responsibility in Tobacco Production (SRTP) Policy and guidelines
- Business Enabler Survey Tool (BEST)
- Sustainable Tobacco Programme (STP)

This statement will be reviewed periodically by the EHS department in conjunction with the British American Tobacco Biodiversity Partnership.

Zahrah Cader
Company Secretary
Ceylon Tobacco Company PLC

19 April 2024

APPENDICES >>



HEALTH AND SAFETY POLICY STATEMENT

Ceylon Tobacco Company PLC, in its seed to smoke supply chain as manufacturer, marketer and distributor, is committed to safeguard the health, safety and welfare of all employees and non-company personnel on our premises, in the successful conduct of our business. Therefore we commit that we will:

- Comply with all applicable national laws and regulations on health and safety and BAT's EH&S Guidelines,
- Prevent injury and ill-health of employees and non-company personnel on our premises by providing and maintaining safe and healthy working conditions, equipment and systems of work,
- Provide work instructions, training and supervision for all employees and other associated personnel as may be required to ensure safe and healthy work conditions,
- Strive for continued improvement in our health and safety management and performance, through setting clear objectives, including the monitoring and measurement of key performance indicators,
- Ensure the active participation of each employee and others as appropriate, in promoting, achieving and maintaining the highest standards of health and safety in so far as reasonably practicable,
- Effectively control workplace health and safety risks through hazard identification and risk assessment and initiate actions to mitigate significant risks, and
- Continuously seek to conform with best international health and safety standards in line with business objectives.

The Executive Committee has overall responsibility of Health and Safety and owns this policy. All staff regardless of their level in the organisation will take reasonable care of the health and safety of themselves and others while at work and co-operate fully with the Company in all health and safety related matters.

A handwritten signature in black ink, appearing to read 'Zahrah Cader', is positioned above the printed name.

Zahrah Cader
Company Secretary
Ceylon Tobacco Company PLC

19 April 2024

GRI CONTENT INDEX

Statement of use	Ceylon Tobacco Company PLC has reported in accordance with the GRI Standards for the period m 1 January 2023 to 31 December 2023
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not Applicable

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION (PAGE)	REQUIREMENT(S) OMITTED	REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
General disclosures						
GRI 2: General Disclosures 2021	2-1 Organisational details	197	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	2-2 Entities included in the organisation's sustainability reporting	6				
	2-3 Reporting period, frequency and contact point	6				
	2-4 Restatements of information	6				
	2-5 External assurance	6				
	2-6 Activities, value chain and other business relationships	10				
	2-7 Employees	84				
	2-8 Workers who are not employees		2-8 Workers who are not employees	Information unavailable/incomplete		
	2-9 Governance structure and composition	107				
	2-10 Nomination and selection of the highest governance body	109				
	2-11 Chair of the highest governance body	108				
	2-12 Role of the highest governance body in overseeing the management of impacts	111				
	2-13 Delegation of responsibility for managing impacts	107				
	2-14 Role of the highest governance body in sustainability reporting	112				
	2-15 Conflicts of interest	109				
	2-16 Communication of critical concerns	113				
	2-17 Collective knowledge of the highest governance body	108				
	2-18 Evaluation of the performance of the highest governance body	110				
	2-19 Remuneration policies	110				
	2-20 Process to determine remuneration	110				
	2-21 Annual total compensation ratio		2-21 Annual total compensation ratio	Confidentiality constraints		
	2-22 Statement on sustainable development strategy	70				
	2-23 Policy commitments	71				
	2-24 Embedding policy commitments	71				
	2-25 Processes to remediate negative impacts	78				
	2-26 Mechanisms for seeking advice and raising concerns	78				
	2-27 Compliance with laws and regulations	123				

GRI CONTENT INDEX >>

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION (PAGE)	REQUIREMENT(S) OMITTED	REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
	2-28 Membership associations	95				
	2-29 Approach to stakeholder engagement	42				
	2-30 Collective bargaining agreements	87				
Material topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	44	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	3-2 List of material topics	44-45				
Economic performance						
GRI 201: Economic Performance 2016	3-3 Management of material topics	21				
	201-1 Direct economic value generated and distributed	178				
	201-2 Financial implications and other risks and opportunities due to climate change	72				
	201-3 Defined benefit plan obligations and other retirement plans	142				
	201-4 Financial assistance received from government			Not applicable		
Indirect economic impacts						
GRI 3: Material Topics 2021	3-3 Management of material topics	80				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	80				
	203-2 Significant indirect economic impacts	21,80				
Procurement practices						
GRI 3: Material Topics 2021	3-3 Management of material topics	65				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	65				
Anti-corruption						
GRI 3: Material Topics 2021	3-3 Management of material topics	94				
GRI 206: Anti-competitive Behavior 2016	205-1 Operations assessed for risks related to corruption	94				
	205-2 Communication and training about anti-corruption policies and procedures	94				
	205-3 Confirmed incidents of corruption and actions taken	94				
Anti competitive behaviour						
GRI 3: Material Topics 2021	3-3 Management of material topics	94				
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	94				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION (PAGE)	REQUIREMENT(S) OMITTED	REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
Tax						
GRI 3: Material Topics 2021	3-3 Management of material topics	143				
GRI 207: Tax 2019	207-1 Approach to tax	143				
	207-2 Tax governance, control, and risk management	94				
	207-3 Stakeholder engagement and management of concerns related to tax	94				
	207-4 Country-by-country reporting		207-4	Not applicable		
Materials						
GRI 3: Material Topics 2021	3-3 Management of material topics	73				
GRI 301: Materials 2016	301-1 Materials used by weight or volume		301-1 Materials used by weight or volume	Information unavailable/incomplete		
	301-2 Recycled input materials used		301-2 Recycled input materials used	Information unavailable/incomplete		
	301-3 Reclaimed products and their packaging materials		301-3	Not applicable		
Energy						
GRI 3: Material Topics 2021	3-3 Management of material topics	72				
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	72				
	302-2 Energy consumption outside of the organisation		302-2	Information unavailable/incomplete		
	302-3 Energy intensity	72				
	302-4 Reduction of energy consumption	72				
	302-5 Reductions in energy requirements of products and services		302-5	Not applicable		
Water and effluents						
GRI 3: Material Topics 2021	3-3 Management of material topics	76				
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	76				
	303-2 Management of water discharge-related impacts	76, 77				
	303-3 Water withdrawal	76				
	303-4 Water discharge	76				
	303-5 Water consumption	76				
Biodiversity						
GRI 3: Material Topics 2021	3-3 Management of material topics	74				

GRI CONTENT INDEX >>

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION (PAGE)	REQUIREMENT(S) OMITTED	REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not applicable		
	304-2 Significant impacts of activities, products and services on biodiversity	74				
	304-3 Habitats protected or restored	75				
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations		304-3	Not applicable		
Emissions						
GRI 3: Material Topics 2021	3-3 Management of material topics	72				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	72				
	305-2 Energy indirect (Scope 2) GHG emissions	72				
	305-3 Other indirect (Scope 3) GHG emissions		305-3 Other indirect (Scope 3) GHG emissions	Information unavailable/incomplete		
	305-4 GHG emissions intensity	72				
	305-5 Reduction of GHG emissions	72				
	305-6 Emissions of ozone-depleting substances (ODS)		305-6	Not applicable		
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		305-7	Not applicable		
Waste						
GRI 3: Material Topics 2021	3-3 Management of material topics	73				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	73				
	306-2 Management of significant waste-related impacts	73				
	306-3 Waste generated	73				
	306-4 Waste diverted from disposal	73				
	306-5 Waste directed to disposal	73				
Supplier environmental assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	80				
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	80				
	308-2 Negative environmental impacts in the supply chain and actions taken	80				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION (PAGE)	REQUIREMENT(S) OMITTED	REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
Employment						
GRI 3: Material Topics 2021	3-3 Management of material topics	84				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	84				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	89				
	401-3 Parental leave	86				
Occupational health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	88				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	88				
	403-2 Hazard identification, risk assessment, and incident investigation	88				
	403-3 Occupational health services	88				
	403-4 Worker participation, consultation, and communication on occupational health and safety	88				
	403-5 Worker training on occupational health and safety	88				
	403-6 Promotion of worker health	88				
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CORPORATE INFORMATION

NAME OF THE COMPANY

Ceylon Tobacco Company PLC

REG. NO. PQ 29

Registered Office
178, Srimath Ramanathan Mawatha,
Colombo 15

LEGAL FORM

A Public Quoted Company with limited liability
incorporated in Sri Lanka in 1932

REGISTRARS

SSP Corporate Services (Private) Limited

LEGAL ADVISORS

Sudath Perera Associates
Attorneys-at-Law
Messrs. Julius & Creasy
Attorneys-at-Law

AUDITOR

Messrs. KPMG Chartered Accountants

BANKERS

Bank of China
Citibank NA
Commercial Bank of Ceylon PLC
Deutsche Bank AG
DFCC Bank PLC
HSBC
People's Bank
Standard Chartered Bank
Sampath Bank PLC

HOLDING COMPANY

British American Tobacco p.l.c. through
British American Tobacco International Holdings BV

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