

# THRIVABILITY

CEYLON TOBACCO COMPANY PLC  
ANNUAL REPORT 2022



# THRIVABILITY



**Online references:**

<http://www.ceylontobaccocompany.com>

Scan the QR Code with your smart device to view this report online.

# BILITY

Thrivability is associated with the act of thriving or prospering. At Ceylon Tobacco Company PLC, our thrivability can be found both within and beyond the business, in our journey of delivering sustainable value across our network of stakeholders. It extends to engaging and empowering our employees, enhancing our business partnerships across our value chain, uplifting livelihoods across our communities, mitigating our impact on the environment, and injecting significant revenue to our national economy. This is why our stakeholder interests are encapsulated and prioritised in our business strategy and plans. With our strategy reinforced as RISE in 2022, we forged ahead amidst the year's challenges to deliver in line with our ambitions for productivity, simplicity and sustainability, upheld by the tenacity of our people. Read our story of Thrivability in our 2022 Annual Report as we continue our efforts towards shaping a sustainable future for our business.

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# THRIVING INSIGHTS

The image features the text "THRIVING INSIGHTS" in a bold, white, sans-serif font against a solid blue background. The word "THRIVING" is on the top line, and "INSIGHTS" is on the bottom line. The letter 'V' in "THRIVING" is stylized, with a white arrow pointing upwards and to the right, starting from the bottom of the 'V' and extending above the top of the 'I'.

Here at CTC, our business is driven by progressive insights to pursue a sustainable value creation model which optimises our brands and products, while sustaining our stakeholders, planet and communities.

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Our Performance Highlights

# About our Report

We present herewith our Integrated Annual Report of 2022, 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.

## 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 2022 to 31 December 2022; and includes material developments until the sign off date of 21 April 2023. The Company adopts an annual reporting cycle, and this Report builds on the Company’s previous Report for the year ending 31 December 2021. 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 ADOPTED

The following statutory and voluntary reporting frameworks have been adopted in the preparation of this Report.

- 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 (2017)



## MATERIALITY

We have adopted the concept of materiality throughout the Report by focusing on aspects that are deemed to have the greatest impact on the economy, environment and people. The process for determining materiality is described further on page 39 of this Report.

## ASSURANCE

We adopt a combined assurance model to ensure the integrity of the information provided in this Report. Social and environmental information is measured and reported in line with Board-approved policies and procedures, while these processes are monitored by the Internal Audit team. Meanwhile, the Company’s Greenhouse Gas Emission has been 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. While not formally adopting the Precautionary principle, the Company duly considers key environmental impacts prior to engaging in any significant investments. Assurance on the Company’s financial statements have been provided by Messrs. KPMG.





**DIRECTORS' RESPONSIBILITY**

The Board hereby confirms that CTC's Integrated Annual Report of 2022 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 <IR> Framework. The Board approves this Report and its publication on 21 April 2023.

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

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

Telephone No : +94 112 496200  
E-mail : contact\_CTC@bat.com



# CTC at a Glance



A subsidiary of British American Tobacco Plc (BAT), CTC is Sri Lanka's only licensed manufacturer of cigarettes and a leading corporate entity in the country. Operating in Sri Lanka since 1906, the Company has grown from strength to strength, earning a reputation as a responsible corporate entity that prioritises stakeholder wellbeing. CTC is 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).

## Our Strengths

## Our Impact

A team of 325 professionals consistently drive excellence across all aspects of our operation.

### Our Products

An extensive portfolio of 15 Stock Keeping Units (SKU) and 5 Brands enable us to satisfy the evolving needs of our adult consumers

### Supply Chain

We support many livelihoods across the business and purchase our total tobacco leaf requirement locally. We are also committed to working to enable prosperous livelihoods for over 1,163 contracted tobacco farmers

### Our Distribution Network

Over 12 distributors and 67,493 traders and retailers responsibly distribute our products island wide

### Sustainability

Excellence across our ESG priorities has helped us to consistently generate shared value for our stakeholders

### Our Global Capabilities



Our parent entity British American Tobacco Plc (BAT) has a global presence in over 170 markets

### Economic Contribution

We are one of the highest tax revenue contributors to the State and one of the most valuable companies listed in the CSE



# Our Growth Journey

<p><b>1906</b></p>	<p>British American Tobacco Plc (BAT) opened its office in Ceylon (Sri Lanka)</p> 	<p><b>2002</b></p> <p>CTC adopted the Statement of Business Principles developed by BAT</p> 
<p><b>1927</b></p>	<p>BAT set up a cigarette factory in an old graphite shed on Bloemendhal Road</p> 	<p><b>2006</b></p> <p>The Company launched its Sustainable Agriculture Development Programme (SADP) - an organic home gardening programme to assist farmers in rural communities</p> 
<p><b>1932</b></p>	<p>The local company was named the Ceylon Tobacco Company and incorporated in Ceylon</p> 	<p><b>2020</b></p> <p>CTC unveiled its new corporate logo in March 2020, aligned to BAT's new brand identity</p> 
<p><b>1937</b></p>	<p>Encouraged by the Government of Ceylon and in collaboration with the Department of Agriculture, the Company launched its first scheme to cultivate cured Virginia Tobacco</p> 	<p><b>2021</b></p> <p>CTC became one of the first BAT end-markets to publish an ESG report</p> 
<p><b>1940</b></p>	<p>Relocated the manufacturing plant to a brand-new factory and Head Office at Korteboam Street, Kotahena</p> 	<p>CTC became the 1<sup>st</sup> end market within the BAT Group to achieve carbon neutrality in Scopes 1 &amp; 2 GHG emissions across its Depots, Green Leaf Threshing Plant, Colombo Factory and Commercial</p> 
<p><b>1954</b></p>	<p>CTC became a Public Limited Liability Company, listed on the Colombo stock market</p> 	<p>The Company established 19 paddy husk fuelled Sri Lanka Loose Leaf Barns</p> 



## Board of Directors



**SURESH SHAH**

Chairman and Independent,  
Non-Executive Director



**YUDHISHTRAN KANAGASABAI**

Independent, Non-Executive Director



**KUSHAN D'ALWIS**

*(President's Counsel)*

Independent, Non-Executive Director  
(appointed w.e.f. 20 April 2022)



**MONISHA ABRAHAM**

Managing Director & Chief Executive  
Officer



**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



**RUMANA RAHMAN**

Non-Executive Director



**STUART KIDD**

Non-Executive Director

## SURESH SHAH

*Chairman and Independent, Non-Executive Director*

### Current appointments

Chairman of Providore.Shop and a Board Member of Carson Cumberbatch PLC, Bukit Darah PLC and Hemas Manufacturing 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 the 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 & Co. PLC since 2002, Director/CEO of Ceylon Beverage Holdings PLC since 1991 and Lion Brewery Ceylon PLC since its inception in 1996.

## YUDHISHTRAN KANAGASABAI

*Independent, Non-Executive Director*

Chairman of the Audit Committee, Related Party Transactions Review Committee and Nominations Committee, and Member of the Board Compensation and 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 and Eswaran Brothers Exports (Private) Limited. Non-Executive Director and a Member of the Board Audit Committee of Cargills Food Company Limited and Cargills Ceylon PLC. Independent, Non-Executive Director and Chairperson

of the Audit Committee of Millennium IT (Pvt) Limited and Colombo City Holdings PLC, Non-Executive Director of Cargills Bank Limited, and Chairman of Dankotuwa Porcelain PLC. He also recently joined the Board of MainGate (Private) 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 the Commissioner of the Insurance Regulatory Commission of Sri Lanka.

### 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.

## KUSHAN D'ALWIS

*(President's Counsel)*

*Independent Non-Executive Director (Appointed w.e.f. 20 April 2022)*

Chairman of the Board Compensation and 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. He was recently appointed as a Member to the standing committee on Accreditation and Quality Assurance under the Ministry of Education.

### 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 served as the 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 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 with regard to the appointment of President's Counsel. 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.

### Skills and experience

Mr. D'Alwis took oaths as an Attorney-at-Law in the year 1985 and is in active practice for over a period of 37 years. He was conferred Silk and took oaths as President's Counsel in November 2012.

The areas of specialisation of Mr. D'Alwis are civil, corporate, commercial, and administrative law in both the Original and Appellate Courts. Further, he has been actively involved in alternate dispute resolution (ADR) mechanisms such as arbitrations, advising on corporate legal matters, regulatory frameworks, compliance requirements, and legal due diligence.

## Board of Directors

### MONISHA ABRAHAM

*Managing Director & Chief Executive Officer*

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

#### Current appointments

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

#### Past appointments

Ms. Monisha Abraham has a wealth of experience during her career with Heineken, 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 India.

### SYED MUHAMMAD ALI ABRAR

*Executive Director - resigned w.e.f. 1 April 2023*

#### Current appointments

Corporate Finance Controller APMEA West-BAT w.e.f. 1 of April 2023.

#### 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 the 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 Plc (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 Bangladesh, Taiwan, Vietnam, the Global Business Services hub in Malaysia and Group Internal Audit teams helped him to 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 from University of London, United Kingdom and from the Institute of Business Administration, Bangladesh, respectively.

### USMAN ZAHUR

*Non-Executive Director*

Member of the Audit Committee, Related Party Transactions Review Committee and Board Compensation 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 the Managing Director & CEO of Pakistan Tobacco Company Limited since January 2020. In 2012, Mr. Zahur was appointed as the Head of Marketing in BAT Bangladesh Company Limited. In 2015, he moved to BAT Head Quarters (HQ) and was instrumental in developing the 'KENT' brand. Mr. Zahur was later appointed as the Area Marketing Director for South Asia Cluster and Deputy Managing Director of Pakistan Tobacco Company Limited in 2017. He was also the 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 Limited 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. In his most recent role, Mr. Zahur is leading the New Category growth agenda for New Zealand, Indonesia, Taiwan, Vietnam and China as the Company Chairman of CTBAT.

## RUMANA RAHMAN

*Non-Executive Director*

Member of the Nominations Committee.

### Current appointments

Regional Head of Talent, Culture & Inclusion, APME - BAT.

### Past appointments

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

### Skills and experience

Ms. Rahman has extensive experience in Human Resource Management, leading HR in 35 countries of APME. 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 APME 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.

## ANIL TITTAWELLA

*Independent Non-Executive Director  
(Demised on 26 February 2022)*

### Past appointments

He held Directorships in Orient Finance Lanka PLC, Hyundai Lanka Limited and Shipping & Cargo Logistics Limited (Aitken Spence Group).

Mr. Anil Tittawella was a Member of the Committee on Company Law Reform of the Bar Association of Sri Lanka (1995-1996), a Member of the Sri Lanka - Swedish joint legal team to formulate the new Arbitration Act of Sri Lanka (1994-1997), and also a Legal Consultant to the Airport and Civil Aviation Authority of Sri Lanka (1994-1997). Further, Mr. Tittawella was the Founding Member of the Institute of Commercial Law and Practice in Sri Lanka (1995). He was a Member of the Ceylon Chamber of Commerce Committee on Company Reforms (1993), a Commission Member of the Securities and Exchange Commission of Sri Lanka (2000-2002), and a Member of the Insurance Board of Sri Lanka (2001-2002).

### Skills and experience

A renowned lawyer in Sri Lanka and a President's Counsel, Mr. Tittawella held a Master's in Law (Hons) from the University of Waikato, New Zealand. He had extensive experience in litigation and alternate dispute resolution, focusing on civil and commercial law with a diverse clientele from Sri Lanka, Pakistan, South Korea, Hong Kong, Sweden, UAE, Thailand, Singapore, England, USA, India, Mauritius, New Zealand, and Switzerland.

## Executive Committee



**Sudesh Peter**  
Head of Legal & External Affairs  
& Company Secretary

**Aruni Abeysekera**  
Head of Talent, Culture  
& Inclusion

**Kavinda Nanayakkara**  
Head of  
Commercial





**Monisha Abraham**  
Managing Director &  
Chief Executive Officer

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

**Towhid Akbar**  
Finance Director  
(appointed w.e.f. 1 April 2023)

**Richard Taylor**  
Head of  
Operations

# The Year in Numbers

Year Ended 31 December		2022	2021	
FINANCIAL	<b>Financial Performance and Position</b>			
	Turnover	Rs. Mn	167,194	134,369
	Government levies	Rs. Mn	122,922	100,753
	Revenue	Rs. Mn	44,272	33,615
	Profit before tax	Rs. Mn	34,393	26,646
	Profit after tax	Rs. Mn	20,469	16,146
	Net assets	Rs. Mn	17,493	8,987
	<b>Investor Information</b>			
	Earnings per share	Rs.	109.27	86.20
	Interim dividends	Rs. Mn	5,432	9,928
	Proposed final dividend	Rs.	20.30	-
	Dividend per share (interim and proposed final dividend)	Rs.	109.30	53.00
	Dividend payout	%	100.0	61.5
	Market value per share (closing)	Rs.	625.00	878.00
	Market capitalisation	Rs. Mn	117,077	164,470
Net assets per share	Rs.	93.38	47.98	

Year Ended 31 December		2022	2021	
SOCIAL	Permanent employees	No.	267	269
	Average training hours	Hours	17,501	17,445
	Female participation in management roles	%	38	30
	Total beneficiaries supported through Corporate Social Investment (CSI)	No.	87,000	86,000
	Payments to contracted tobacco farmers	Rs. Bn	1.09	1.62

Year Ended 31 December		2022	2021	
ENVIRONMENTAL	Energy consumption	GJ	38,996	34,608
	Water consumption	m <sup>3</sup>	10,994	15,793
	GHG emissions	tCO <sub>2</sub> e	1,594	1,334
	Emission intensity	tCO <sub>2</sub> e per Millions cigarettes	0.32	0.23
	Waste recycled	Tonnes	372.46	103.91
	Investment in EHS activities	GBP	549,009	1,358,635

## KEY ACHIEVEMENTS IN 2022



### PEOPLE

**8%** increase in proportion of women in Management roles

**Zero** serious injuries lost days



### PLANET

**2.8 Mw** installation of Solar System project

**10.3%** water recycled and reused



### PROFIT

**32%** growth in Revenue

**29%** growth in PBT

## Our Performance Highlights



**Rs. 44.27 Bn**  
Revenue



**Rs. 136.85 Bn**  
Tax contribution



**Rs. 117.08 Bn**  
Market  
capitalisation



**267**  
Permanent  
employees



**87,000+**  
Beneficiaries  
supported  
through our Corporate Social  
Investment (CSI) projects



**Rs. 109.27**  
Earnings per  
share  
(2021: Rs. 86.20)



**12**  
Distributors  
**67,493**  
Traders & retailers



**Rs. 2.02 Bn**  
Value to  
employees



**CARBON  
NEUTRALITY**

achieved in Scopes 1 & 2 GHG  
emissions across our Depots,  
GLTP, Colombo Factory and  
Commercial



**Rs. 34.40 Bn**  
Profit before tax  
(2021: Rs. 26.65 Bn)



**THRIVING  
LEADERSHIP**

CTC's strategic leadership and the tenacity of our dedicated employees is well reflected in the Company's performance year on year. Our efforts remain consistent as we look both in and beyond the business on our journey to create shared value for all our stakeholders.



## Chairman's Review

THE COMPANY  
GENERATED OVER

**71,740**

JOBS ACROSS THE  
VALUE CHAIN

EMPOWERED OVER

**1,163**

CONTRACTED TOBACCO  
FARMERS

INJECTED OVER

**Rs. 1,093 Mn**

TO THE RURAL ECONOMY



**Rs. 136.85 Bn**

Contributed to the Government as taxes

**7%**

of the country's total tax revenue

**Rs. 109.27**

Earnings per share

**32%**

Revenue growth

**Rs. 109.30**

Total Dividend per share

Dear Shareholder,

In a year fraught with challenges, CTC continued to prove its tenacity and fortitude by agilely responding to challenges and seizing opportunities to create value for stakeholders and deliver triple bottom line growth. In this background, it is with great pleasure that I present to you CTC's Annual Report and Audited Financial Statements for 2022.

**Suresh Shah**  
Chairman



## Chairman's Review

### OPERATING ENVIRONMENT

The Sri Lankan economy plunged into one of its most challenging economic crisis in 2022 amidst a deteriorating external financing position, a burgeoning sovereign debt crisis, and domestic macroeconomic pressures including political uncertainty and social unrest. The country witnessed a record depreciation of the Rupee from March 2022 onwards, unprecedented rates of inflation, a scarcity of essential commodities including food, fuel and medicine, and disruptions to power supply, all of which continue to have far-reaching socio-economic implications. As the crisis deepened, Sri Lanka sought support from the International Monetary Fund (IMF) for an Extended Fund Facility (EFF) arrangement in September 2022. On 20<sup>th</sup> March 2023, the IMF approved a facility of USD 2.9 Billion to be disbursed bi-annually over a period of two years. Along with the EFF, the Government has set about restoring macro-economic stability through a number of unavoidable but painful measures. These include cost reflective pricing in fuel and power, extremely high interest rates to curb inflation, import restrictions, and a sharp depreciation of the currency to bring the balance of payments under control and a significant increase in taxes to correct an unsustainable fiscal position. These measures have had a negative impact on all citizens, the private sector and CTC. Yet, they were essential given the unprecedented economic crisis facing the country and indeed, the economy now appears to have stabilised.

CTC's operations were impacted by these developments. Inflationary pressures lowered disposable income levels of consumers, impacting demand across brands as well as implications on manufacturing costs and margins. Two successive increases in Value Added Tax (VAT) and the introduction of the Social Security Contribution Levy (SSCL) resulted in indirect taxes on legal cigarettes increasing

in June, September, and October of 2022. The combined effect of the tax increase resulted in the price of a legal cigarette increasing by more than 30% from October 2021 to October 2022, thereby impacting demand further.

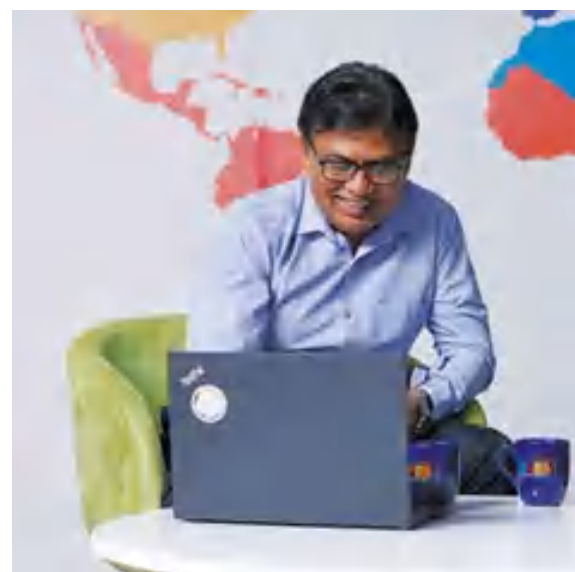
With increasing price disparities between legal and illicit cigarettes stemming from excessive tax hikes, we continue to witness a disproportionate growth in the illicit trade. We also see a disproportionate growth in the beedi market for the same reason. Indeed, beedi consumption now far outweighs legal cigarette use due to the significant price disparity in favour of the former. The price disparity is mainly the result of tax policy which favours the beedi industry. The difficult economic conditions currently prevailing will almost certainly drive consumers further away from legal cigarettes and in the direction of beedi and the illicit trade. As we continue to highlight, the growth in untaxed, under-regulated products impact the Government's tax revenue potential from the industry while also undermining the Government's public health objectives. We are heartened by the Government's recent efforts to strengthen detections and enforcement to curb the illicit cigarette market; however, the need to narrow the price disparity between the regulated, unregulated and underregulated markets must be emphasised.

### PERFORMANCE DURING THE YEAR

Despite the significant challenges faced, CTC emerged stronger during the year recording a revenue and pre-tax profit growth of 32% and 29% respectively. Earnings per share increased to 109.27. The Company declared a total dividend of Rs. 109.30 and the Company's share price closed the year at Rs. 625. This commendable performance amidst an unprecedented operating environment is a true testament to the agility of our strategy and resilience of our people.

### CONTRIBUTION TO ECONOMIC RECOVERY

As a leading corporate in Sri Lanka, we are conscious of the significant role we can play in the economic recovery of the country and strive to create multi-stakeholder value by contributing to Government revenue, creating rewarding employment opportunities, and empowering communities across CTC's value chain. As the single largest tax contributor to the Government, CTC's tax contribution amounted to Rs. 136.85 Billion in 2022, which was approximately 7% of the Government's total tax revenue in 2022. The Company continues to generate over 71,740 job opportunities across its value chain and injected over Rs. 1,093 Million to the rural economy through tobacco leaf purchases. During the year, we also shifted to local suppliers for many of our imported raw materials, effectively supporting the Government's efforts to save much needed foreign currency. Meanwhile, by continuously improving our Employee Value Proposition and responding to the evolving needs of the labour market, we also continue to take tangible action to address the concerning trend of labour migration from the country.





## PUTTING SUSTAINABILITY FRONT AND CENTER

Sustainability has always been an integral part of BAT's corporate framework and as such, is at the front and center of everything we do. We remain committed to creating shared value for all our stakeholders and have built our sustainability agenda around the core areas of achieving excellence in environmental management, delivering a positive social impact, and embracing best-in-class Corporate Governance practices. We remained steadfast in our commitment to achieving our sustainability targets despite the challenges of the year - a further reinforcement of CTC's dedication towards our Group's sustainability agenda. Having successfully become the 1<sup>st</sup> end-market within the BAT Group to achieve carbon neutrality in Scopes 1 & 2 GHG emissions across its Depots, Green Leaf Threshing Plant (GLTP), Colombo factory, and Commercial operations in 2021, we continued to drive energy efficiency initiatives across our operations to further reduce our carbon footprint. Notable efficiencies have also been achieved in waste management and water management through our 'Integrated Work Systems' (IWS) journey. Meanwhile, in line with BAT's 2025 target of obtaining 'Alliance Water Stewardship'



(AWS) Certification for all its manufacturing sites, CTC initiated the AWS certification process in 2022. Biodiversity conservation and reforestation remain as key focus areas of our wider climate action agenda and our ongoing reforestation initiatives (covered within this Report), continued throughout the year. As part of our social agenda meanwhile, we continue to drive socio-economic empowerment through CTC's multi-faceted community engagement initiatives aimed at uplifting rural communities in a sustainable manner. During the year, we invested over Rs. 228 Million on such initiatives that impacted over 87,000 beneficiaries in rural communities across the nation.

## GOVERNANCE

BAT's global policies, principles and standards ensure that we have in place best-in-class Corporate Governance practices. During the year, the Standards of Business Conduct (SoBC) was revamped and rolled out across BAT markets including Sri Lanka. Meanwhile, Project SimpliCT was rolled out during the year in order to reduce complexity and enable efficiencies across the organisation. The Annual Policy Cascade to CTC's employees continued to support its drive for enhanced understanding on compliance in order to strive for zero non-compliance across the Company's operations. We ensured 100% completion of SoBC training and policy sign-off across the organisation. For a more detailed discussion of our compliance and governance mechanisms, please refer the Corporate Governance section on page 87 of this Report.

## OUTLOOK

We expect the operating environment to remain challenging in the short to mid-term amidst the ongoing impact of the economic crisis in Sri Lanka. Recent upward revisions to income tax rates and inflationary pressures are expected to continue to impact disposable income levels and by extension, demand for products while increasing

pressure on margins. We however continue to remain optimistic of the economy's medium-term prospects given the ongoing reforms initiated by the Government. Notwithstanding these uncertainties, CTC is well equipped to navigate the path ahead. The last three years have provided invaluable lessons in terms of responding to disruptions in an agile and proactive manner as amply demonstrated by the commendable performance achieved during this period. Meanwhile, our continued emphasis on enhancing our Employee Value Proposition has created a future-fit workforce that is geared and energised to steer the Company towards a progressive tomorrow. I am fully confident therefore that we are well poised to shape a sustainable business, delivering shared value to stakeholders through our journey of being an adult consumer-centric, sustainability focused, high growth enterprise of the future.

## ACKNOWLEDGEMENTS

On behalf of the Board and myself, I place on record my deep appreciation to the Management team and staff for their untiring efforts, commitment, and drive. The foresight and dedication they demonstrated during what was undoubtedly the most challenging year in recent memory was exemplary. The Board also joins me in extending our appreciation to our valuable shareholders and stakeholders who continue to support and encourage us to reach greater heights as an organisation. Finally, my thanks to my colleagues on the Board whose advice and guidance was invaluable during a most challenging year.

**Suresh Shah**  
Chairman

## Managing Director & CEO's Review



**32%**

TOTAL REVENUE GROWTH

**7%**

OF THE COUNTRY'S  
TOTAL TAX REVENUE

**Rs. 228 Mn**

INVESTED IN CSI INITIATIVES

**Rs. 20.5 Bn**  
Profit-After-Tax**17,501 Hours**  
of training for employees**2,161**  
Traders covered via 'Abhisheka' Insurance Scheme**87,000**  
CSI beneficiaries**'Top Employer'**  
Certification for 2<sup>nd</sup> consecutive year

Dear Shareholder,

Sri Lanka faced one of its most challenging years in 2022, amid severe domestic macro-economic pressures, political uncertainty and social unrest. Despite these challenges, we continue to focus on delivering sustainable value for our stakeholders. Accordingly, we continued to enhance our Employee Value Proposition, strengthen relationships across our supply chain and distribution network and meet revenue objectives for our shareholders and Government. Our performance during the year attests to the strength of our strategy and the effectiveness of its implementation and I am proud to present to you an overview of our performance during the year.

**Monisha Abraham**  
Managing Director & CEO





## Managing Director & CEO's Review

### FINANCIAL PERFORMANCE

Despite numerous challenges including pressure on disposable income and successive price increases, the Company witnessed a commendable performance, recording a total volume growth of 19%, which in turn resulted in a 32% growth in total revenue. Ensuring an uninterrupted distribution of products and focused brand reinforcement campaigns supported volume growth in both the premium brand 'Dunhill' as well as our value-for-money brand 'Capstan'. Meanwhile, timely portfolio interventions carried out in our 'John Player' brand during the previous two years enabled us to maintain volumes by retaining market share within the brand portfolio by offering same branded products at different price points. Our relentless focus on driving operational efficiencies were led by organisation-wide initiatives such as project SimpliCT and IWS. Overall, the Company generated a Profit-After-Tax of Rs. 20.5 Billion, a 27% increase compared to the previous year. Faced with macro-economic volatility including FX shortages, inflationary pressures and rising interest rates, the Company took proactive steps to safeguard its business operations by broadening its banking portfolio to diversify FX sources and leveraging parent Group support to circumvent liquidity constraints. Consequently, CTC's financial position remained strong during the year, reflected by strong liquidity levels and a healthy balance sheet. CTC's contribution to Government revenue was Rs. 136.85 Billion, which amounted to approximately 7% of the Government's total tax revenue in 2022.

### PEOPLE DEVELOPMENT

Our team is the driving force behind our organisation and we remain committed to fostering a conducive culture by motivating and supporting them on their journey towards excellence. Training and development is a key aspect of our



### PROFIT AFTER TAX

# Rs. 20.5 Bn

Employee Value Proposition and we provided over 17,501 hours of training for our employees across diverse areas including product knowledge programmes, soft skills development and leadership training. During the year, we also offered 8 employees International Assignment (IA) opportunities and global transfers as part of our efforts to facilitate cross-border exposure. Diversity, Equity and Inclusion (DEI) remains a key priority in the workplace and is a key priority within our HR agenda. Female representation in Management grades increased to 38% in 2022 against a long-term CTC target of 40% by 2023, reflecting the success of our recruitment, development and promotion policies. Meanwhile, ongoing initiatives such as Women of Worth (WoW) continues to empower women across the organisation by providing meaningful opportunities for engagement and networking. We also launched a female leadership programme targeting

female executives and junior managers, aimed at providing timely interventions for their development. We also took progressive steps to address the social wellbeing of our employees. Several wellness projects were initiated during the year aimed at improving work-life balance and the holistic wellbeing of our employees, conducted both online and via onsite engagement activities for employees to interact and engage. One of the highlights of our year was the launch of the Culture Champions initiative where CTC was identified to pilot and implement a culture transformation programme for BAT. Insights generated through these efforts have helped us better understand employee expectations and finetune our People strategy further to offer a quality work experience for all.

## TRAINING AND DEVELOPMENT IS KEY TO OUR EMPLOYEE VALUE PROPOSITION, AND WE PROVIDED OVER 17,501 HOURS OF TRAINING ACROSS DIVERSE AREAS.

I am proud to announce that CTC was also awarded the 'Top Employer Certification' for the second consecutive year by the Top Employer Institute, the global authority on recognising excellence in People practices. CTC is significantly one of just 37 countries within BAT to secure this accreditation. More importantly, despite relatively high levels of migration and labour volatility in the market, attrition levels were contained at 9.7%, a true testament to CTC's unique Employee Value Proposition.

Given the economic volatilities and inflation in the country, we also took measures to alleviate our employees' financial constraints by providing a special allowance as well as adjusting other allowances during this reporting period.

### STRENGTHENING DISTRIBUTION

Ensuring an uninterrupted island-wide distribution of our products was a key focus amidst disruptions caused by the fuel crisis and social and political unrest during the early part of 2022. We applied our learnings from the previous two

years to overcome these challenges, implementing efficient route planning and proactive contingency planning to achieve 100% distribution of our products across the island despite disruptions. The 'Distributor Excellence' programme launched in 2021 continued during the year, with a range of initiatives aimed at enhancing distributor capacity, digitising Route-to-Market and increasing collaboration with retailers and traders to drive further distribution efficiencies. The programme resulted in significant improvements within its scope and further enabled uninterrupted distribution of products throughout the year. Meanwhile, we continued to contribute to the socio-economic wellbeing of our traders through our trade loyalty programme 'Abhisheka'. Total incentive payments to traders through the programme during the year exceeded Rs. 82 Million while the number of traders covered through the 'Abhisheka' insurance scheme was 2,161.

### MANUFACTURING EXCELLENCE

Our efforts to drive manufacturing excellence stood in good stead as we continued to face cost increases and margin pressures during the year. Having successfully obtained 'Integrated Work Systems' (IWS) Phase 1 certification for our Colombo manufacturing operations in 2021, we continued our journey in 2022, embarking on Phase 2 of the initiative and expanding IWS to our Leaf operations as well. Notable efficiency improvements have been achieved due to IWS implementation with 'Overall Equipment Effectiveness' (OEE) ratio improving from 71.2% to 88% and 'Mean Time Between Failure' (MTBF) improving by 295% to 15.8 minutes compared to the base year 2017. IWS implementation has also resulted in a significant improvement in product quality indicators while also supporting reductions in energy use, water consumption, and waste generation.



## Managing Director & CEO's Review

### SECURING OUR SUPPLY CHAIN

Ongoing efforts to strengthen our tobacco supply chain have enabled us to improve efficiency and productivity whilst also meaningfully contributing to the economic upliftment of our 1,163 wide contracted tobacco farmer network. The Sri Lanka Loose Leaf Barn (SLLLBB) conversion project continued during the year with another 5 traditional barns being converted to SLLLBB, a more efficient curing technology that is expected to bring about significant reductions in labour and curing costs, bringing the total number of converted SLLLBBs to 24 as at year-end. As of 2022, 12% of Yala traditional barns in our farmer network have now adopted the new curing technology. Meanwhile, we continue to propagate sustainable practices throughout our supply chain through ongoing awareness sessions and by closely monitoring sustainability indicators through our Farmer Sustainability Management (FSM) App. Further, as part of our efforts to reduce our reliance on imported materials amidst the import and foreign currency restrictions, we shifted to local suppliers for many of our imported raw materials.

### PROGRESS IN OUR CLIMATE AGENDA

Managing our energy consumption and reducing our dependence on fossil fuels remains a key focus of our climate agenda. During the year, we successfully installed a 2.8 MW capacity solar panel project at our facilities in Colombo and Kandy and invested on energy efficient technology across all our locations. Ongoing IWS initiatives meanwhile have brought about significant benefits in terms of efficient resource consumption and better waste management. Notable achievements during the year include our Colombo factory achieving zero waste to landfills and tobacco waste declining by almost 17%. During the year, we also launched Project RELIFE with

the specific aim of eliminating the use of Single Use Plastics (SUPs) in canteens and other common staff areas across our Colombo and Kandy premises. Reflecting the BAT Group's commitment to water stewardship, we initiated the 'Alliance Water Stewardship' (AWS) certification process in 2022 by completing the certification audit during the year. This process has been supported by ongoing efforts to improve water efficiency and

### SUPPORTING OUR COMMUNITIES

Driving socio-economic empowerment in rural communities has long been a focus of our sustainability agenda. With the rising economic challenges increasingly impacting the most vulnerable segments of our communities, we strengthened our social investment efforts during the year, investing over Rs. 228 Million in purpose-led CSI initiatives. Our flagship CSI project –



### CSI INVESTMENT IN 2022


# Rs. 228 Mn

increasing of water recycling throughout our operations. Our long-term biodiversity conservation and reforestation projects meanwhile continued through CTC's 'Udaharitha' programme. Over 132 acres of degraded land in the areas of Murungahitikanda and Naula continued to be rehabilitated through reforestation projects including the maintenance of a 120-acre biodiversity site in the Matale District in partnership with the University of Peradeniya.

'Sustainable Agriculture Development Programme' (SADP) provided home gardening support to over 84,000 beneficiaries to promote food self-sufficiency and a sustainable source of income for over 21,500 families to date. Meanwhile, crop diversification efforts of over 9,100 tobacco and other farmers were supported through the SADP Ultra programme. Several other impactful projects were also implemented across the country as part of our ongoing efforts to address pressing community needs. 41 small scale irrigation projects



were carried out in rural farming communities through the 'Govi Savi' project while over 85 small-scale, needs-based infrastructure projects were implemented across rural communities through the 'Prajaloka' project. The 'Suvajeewana' project continued during the year with 10 Reverse Osmosis (RO) plants being established to provide clean drinking water to over 30,000 beneficiaries in areas affected by Chronic Kidney Disease.



AS AN EXTENSION OF SADP, CROP DIVERSIFICATION EFFORTS OF OVER 9,100 TOBACCO AND OTHER FARMERS WERE SUPPORTED.

## OUTLOOK

While macro-economic pressures are likely to continue in the short-term, we are confident that the far-sighted strategies and proactive interventions we have implemented will enable us to effectively navigate these challenges. While expecting a gradual economic recovery in the medium-term given the fiscal interventions of the Government and the positive turn of the IMF loan disbursement, we tread cautiously yet optimistically in recognition of the opportunity for Sri Lanka. In this context, we also look to the Government to take a long-term view of the legal cigarette industry's potential for tax revenue contribution and sustainable economic

value creation. We reiterate our commitment to support and closely collaborate with the aim of driving greater value to the economy.

## APPRECIATION

On behalf of the Board, I would like to thank Mr. Syed Muhammad Ali Abrar who retired from the Board in April 2023 for his valuable contribution to the Company as Finance Director. I also take this opportunity to warmly welcome Mr. Towhid Akbar, who replaced Mr. Abrar as CTC's Finance Director. We look forward to his wise counsel in the future.

The success we achieved amidst the numerous challenges faced during the year is a true reflection of the commitment and tenacity of the CTC family. I take this opportunity to thank each and every one of you for your dedicated efforts and inspiring spirit of resilience. I also take this opportunity to thank the Chairman and Board of Directors for their continuous support and valuable counsel. 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

# THRIVING STRATEGY

The image features the text "THRIVING STRATEGY" in a bold, white, sans-serif font against a solid orange background. The word "THRIVING" is on the top line, and "STRATEGY" is on the bottom line. A white arrow starts from the bottom of the letter 'V' in "THRIVING" and points diagonally upwards and to the right, extending above the top of the word.



At CTC, our business and future endeavours are progressive by nature, propositioning long-term initiatives with the potential to leverage performance and enhance the Company's resilience in the Sri Lankan economy and corporate sector.

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BAT Group's Strategy for Accelerated Growth

# Strategic Focus

CTC's strategy is actioned through identified focus areas aimed at driving excellence throughout our operations. The focus areas are reviewed annually based on a detailed analysis of our operating environment and stakeholder requirements. For a detailed discussion on the progress made in each of these areas, please refer pages 44 to 81.



## Strategic Focus towards a Sustainable Future

- Securing our Supply Chain**

Our business is reliant on the steady supply of quality tobacco leaf. Having in place a sustainable supply chain that emphasises sustainable agricultural practices, capacity building and community support not only secures our tobacco supply chain but also creates prosperous livelihoods for our farmer communities which directly impact their socio-economic wellbeing in the long-term.
- Achieving Manufacturing Excellence**

Transforming our manufacturing capabilities to be more agile and efficient, while minimising the environmental impacts of our operations is a key priority, which will support product, commercial and environmental aspirations.
- Leveraging our Brands**

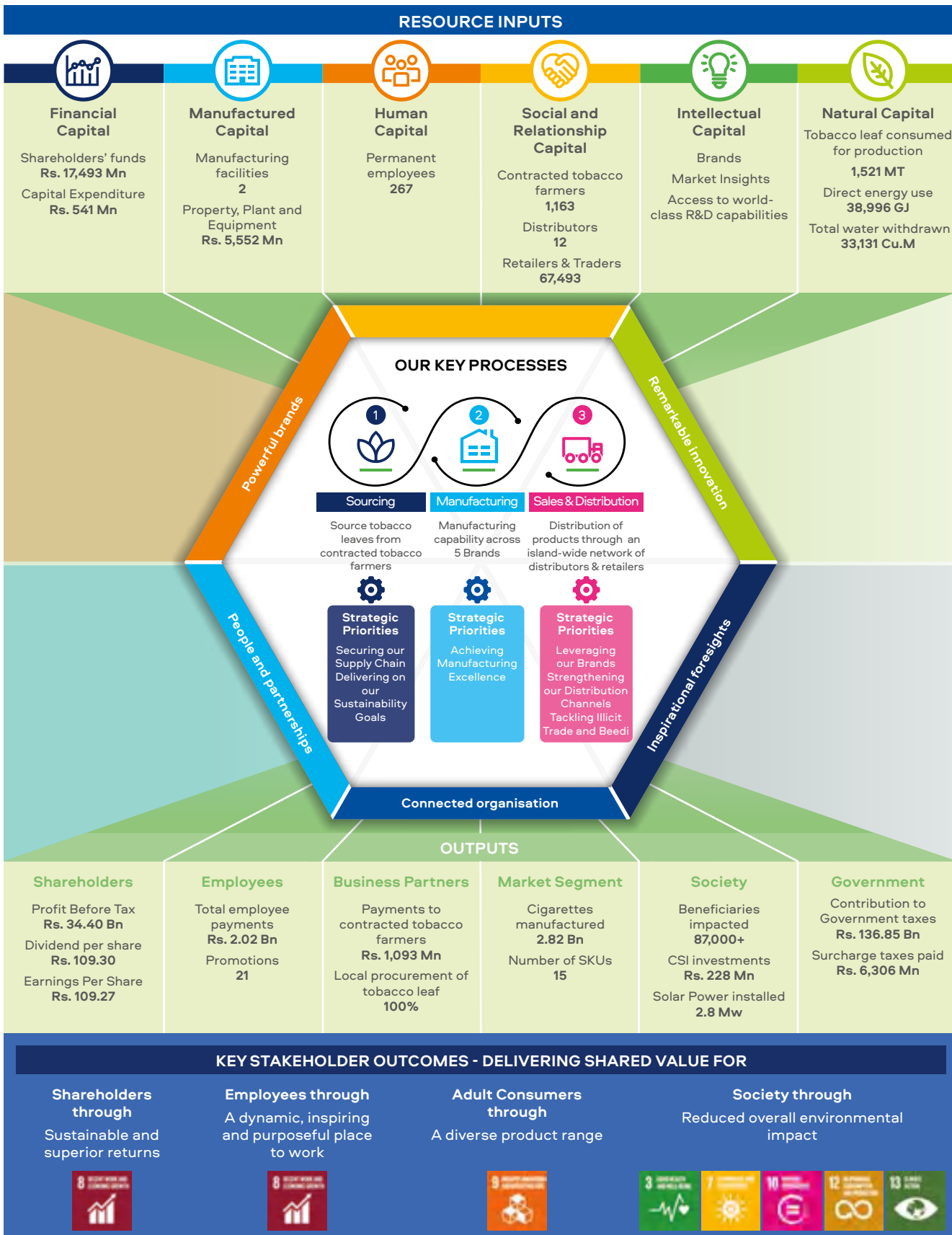
As adult consumer preferences evolve, we will continue to leverage our brands to increase value by further enhancing our portfolio.
- Strengthening our Distribution Channels**

Stronger partnerships with our distribution partners enable us to ensure the responsible distribution of our products among adult consumers and contribute to the economic upliftment of over 67,000 distributors, traders and retailers.
- Delivering on our Sustainability Goals**

Our ESG goals are an integral part of our overall business strategy as it enables us to operate in a more efficient and responsible manner.
- Combating Illicit Trade and Beedi**

The growth of the illicit market and beedi market leads to a decline in tobacco tax revenue to the Government and negatively impacts public health objectives. We are therefore committed to supporting authorities to combat the illicit trade and prevent sub-standard products from entering the market.

# Value Creation Model



## Operating Environment



### REGULATION

Tobacco is one of the most heavily regulated industries in the country



### COMPETITION

Sri Lanka is one of the most expensive countries in the world for legal cigarettes based on purchasing power parity



### TAX CONTRIBUTION

CTC is one the largest individual tax contributors to the Government

## INDUSTRY DYNAMICS

**67,493**

TRADERS AND RETAILERS

**7%**

OF THE COUNTRY'S TOTAL TAX REVENUE

Tobacco is amongst the most heavily regulated and taxed industries in the country, with the National Authority on Tobacco and Alcohol Act No. 27 of 2006 (NATA) and related Regulations setting out the legal limitations and prohibitions on product marketing & distribution, product packaging & labelling, advertising & sponsorships, and graphical health warnings

**2.82 BN**

FACTORY MANUFACTURED CIGARETTES TAXED

Market Landscape



Source: Customs, CTC data and Research Intelligence Unit

Legal cigarettes (manufactured only by CTC) accounted for 30% of the combustible products market in 2022. CTC's market share however continues to be eroded by a growth in illicit (smuggled cigarettes) as well as growth in the beedi market. As at 2022, smuggled cigarettes accounted for 6% of the market while beedi accounted for almost 64% of the total market

**-7.8%**

GDP GROWTH IN 2022

**71,740**

JOBS CREATED ACROSS THE VALUE CHAIN

The legal tobacco industry is one of the largest contributors to Government tax revenue. CTC contributes to 7% of the total Government tax revenue. The beedi industry meanwhile, is under-regulated and under-taxed, reflecting the disproportionate tax burden on the legal cigarette industry



### MACRO-ECONOMIC DEVELOPMENTS

Inflationary pressures intensified in 2022 with disposable income levels and purchasing power being significantly impacted



### REGULATORY DEVELOPMENTS

Indirect taxes on legal cigarettes were increased in June, September and October of 2022 in line with increases in VAT and Social Security Contribution Levy (SSCL)



### CLIMATE CHANGE

Sri Lanka continues to experience erratic weather patterns due to climate change

## KEY DEVELOPMENTS THAT IMPACTED THE INDUSTRY



**323%**INCREASE IN NATIONAL  
CONSUMER PRICE  
INDEX (NCPI)  
(VS 2021 DECEMBER)**Impact on our Operations**

Lower disposable income levels impacted demand in some brands while a shift was experienced in the value for money segments to cheaper alternatives like illicit cigarettes and beedi. Inflationary pressures also continued to impact manufacturing costs, further eroding margins

The Government in its 2023 Budget introduced a proposal under the Tobacco Tax Act No. 08 of 1999 to tax all beedi sticks of all lengths at Rs. 2 per stick

**Tax Increases in 2022**

VAT	8% to 12% in June 2022
	12% to 15% in Sep 2022
SSCL	2.5% SSCL introduced in Oct 2022

**Impact on our Operations**

Three successive price increases in 2022 resulted in the price of a legal cigarette increasing by more than 30% from October 2021 to October 2022

**0.4%**INCREASE IN YIELD  
(GLTP)**68.6%**

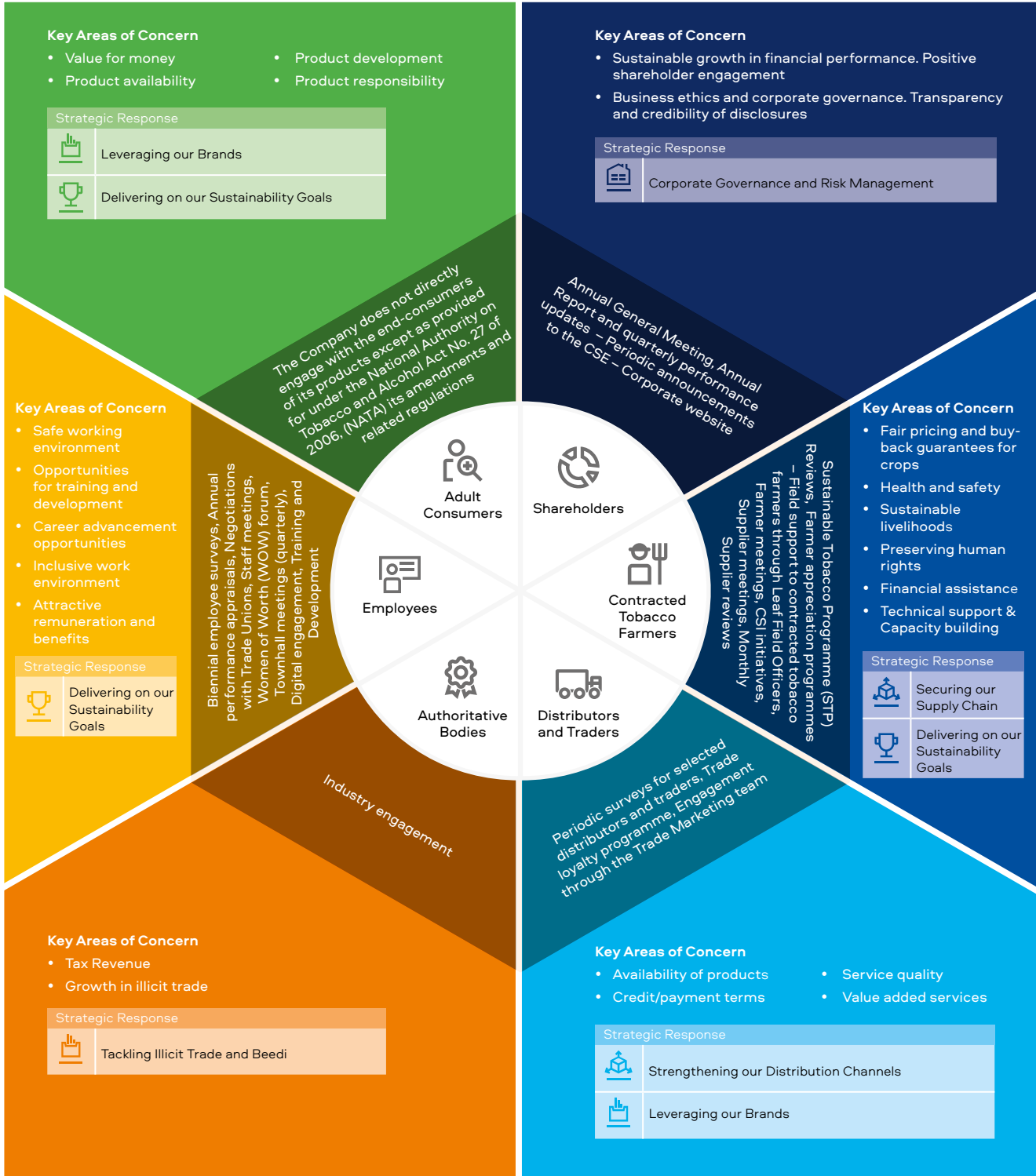
LAMINA YIELD

**Impact on our Operations**

Erratic weather patterns have a direct impact on agricultural crops, thereby impacting its availability

# Connecting with Stakeholders

Engaging with our stakeholders is a critical aspect of our value creation process as it provides us with valuable insights and enables us to better align our business and ESG goals to our stakeholder priorities and aspirations. It also allows us to understand areas of focus and respond in a timely and suitable manner, while having in place formal engagement structures. A snapshot of our stakeholder engagement during the year together with key stakeholder issues and concerns identified is provided below:





## Material Matters

Material matters are 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 and internal insights to understand our most significant impacts. The material issues thus identified drive our strategic focus and form the basis of our internal and external reporting throughout the year.

### PROCESS FOR DETERMINING MATERIAL MATTERS

The Company conducts risk assessments bi-annually. This is a robust process which includes proactive stakeholder engagement, assessment of industry opportunities and risks, and alignment with Sri Lanka's national sustainable development priorities. Emerging issues are also monitored continuously and reported on accordingly. Issues are then prioritised based on their actual and potential impact on the economy, environment, and people.

For a list of material topics covered under this Report, refer page 165.



# BAT Group's Strategy for Accelerated Growth

BAT remains committed to its purpose of delivering A Better Tomorrow™ for its stakeholders by transforming itself into a sustainable enterprise. The BAT of tomorrow will be a global, high-growth, adult consumer goods company that is adult consumer-centric and sustainability focused at its core.



## OUR MISSION

### Stimulating the senses of new adult generations:

Today, we see opportunities to capture adult consumer moments, which have, over time, become limited by societal and regulatory shifts, and to satisfy evolving adult consumer needs and preferences. Our mission is to anticipate and satisfy this ever-evolving adult consumer: provide pleasure, reduce risk, increase choice, and stimulate the senses of adult consumers worldwide.

## MUST WINS

### High growth segments:

Driven by our unique and data-driven adult consumer insight platform (PRISM), we will focus on product categories and adult consumer segments across our global business that have the best potential for long-term sustainable growth.

### Priority markets:

By relying on a rigorous Market Prioritisation System (MaPS), we will focus on the strengths of our unparalleled retail and marketing reach, as well as our regulatory and scientific expertise in those markets and marketplaces with the greatest opportunities for growth.

## HOW TO WIN

### Inspirational foresights:

As one of the most long-standing and established adult consumer goods businesses in the world, we have a unique view of the adult

consumer across four product categories, which is increasingly driven by powerful data and analytics. These insights ensure that the development and responsible marketing of our products is fit to satisfy adult consumer needs.

### Remarkable innovation:

As adult consumer preferences and technology evolve rapidly, we rely on our growing global network of digital hubs, innovation super centres, world-class R&D laboratories, external partnerships, and an upcoming corporate venturing initiative to stay ahead of the curve.

### Powerful brands:

For over a century, we have built trusted and powerful brands that satisfy our adult consumers and serve as a promise for quality and enjoyment. We will focus on fewer, stronger, and global brands across all our product categories, delivered through our deep understanding and segmenting of our adult consumers.

## OUR PURPOSE

KEY STAKEHOLDER  
OUTCOMES**Consumers**

enjoyable choices for every mood and moment, today and tomorrow

**Society**

reduced overall health & environmental impact

**Employees**

a dynamic, inspiring and purposeful place to work

**Shareholders & Investors**

sustainable and superior returns

## ETHOS

**Empowered**

**Bold**

**Fast**

**Diverse**

**Responsible**

**Connected:**

Few companies can claim over 150 Million daily adult consumers, over 11 Million retail points of sale, as well as a network of expert and skilled employees around the world. Staying connected to all of them, especially through digital means (including e-commerce), ensures better consumer connections, access to markets, and innovations that offer sensorial enjoyment and satisfies adult consumer needs.

**People & partnerships:**

Our highly motivated people are being empowered through a new ethos that is responsive to constant change, embodies a learning culture and is dedicated to continuous improvement. But we cannot succeed on our own, and our partnerships with farmers, suppliers and adult consumers are also key for ensuring sustainable future growth.

**U.S. focus:**

The United States comprises nearly half of our global business. It is also the single largest economy in the world, the largest single centre for technology and the key driver of global consumer trends, and is where we have deep adult consumer understanding and financial strength to support the delivery of our mission to stimulate adult consumer senses around the rest of the world.

KEY STAKEHOLDER  
OUTCOMES**We will create****A Better Tomorrow™ for:****Adult consumers**

By responsibly offering enjoyable and stimulating choices for every mood and every moment, today and tomorrow.

**Society**

By reducing the health impact of our business by offering a range of alternative products, as well as by reducing our environmental and social impacts.

**Employees**

By creating a dynamic, inspiring and purposeful place to work; and

**Shareholders**

By delivering sustainable and superior returns.

# THRIVING PORTFOLIO



Our multi-category brand portfolio emphasises on product quality, while driving productivity and sustainability across our Supply Chain. Our investments are geared towards creating an efficient, dynamic and sustainable operation.

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Securing our Supply Chain



# Delivering our Strategy



## LEVERAGING OUR BRANDS

### OUR PORTFOLIO OF BRANDS



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



- Benson & Hedges



- John Player Gold Leaf (20s)
- John Player Gold Leaf (12s)
- John Player Gold Leaf (12s) - LEPP
- John Player Navy Cut
- John Player Gold



- Bristol Gold

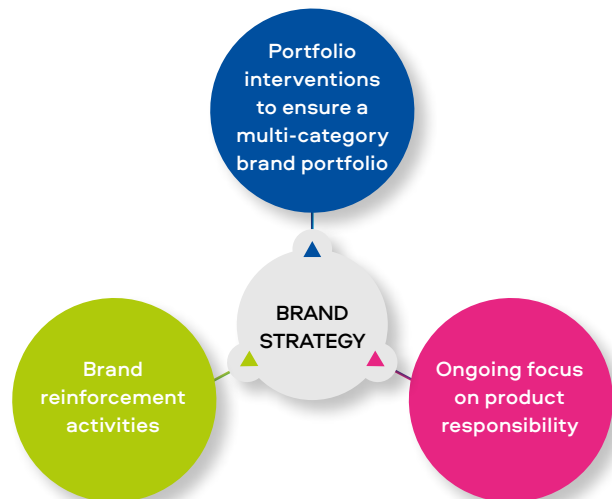


- Capstan
- Capstan Maxxa

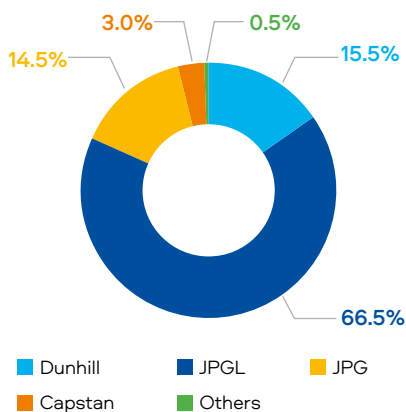
Our multi-category brand portfolio enables us to cater to different adult consumer segments while a sustained emphasis on product quality and product responsibility continues to drive brand value across categories.

### BRAND STRATEGY

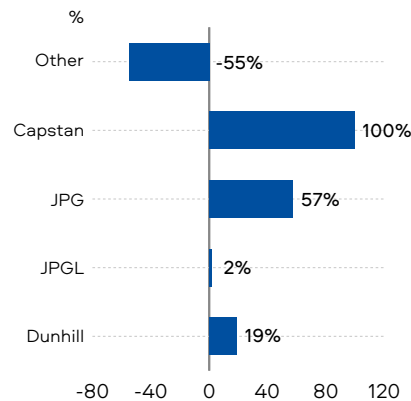
Amidst the challenging operating conditions that prevailed during the year, our key objective was to retain market share within our brand portfolio by further strengthening our brand proposition. Portfolio interventions carried out during the last two years such as the launch of John Player Gold and re-launch of John Player Navy Cut by activating a reinforcement campaign continued to bear fruit and we were able to successfully maintain market share within our portfolio despite multiple price increases and pressure on disposable income levels. These interventions were supported by ongoing brand reinforcements to ensure that our brands remained relevant in the market. Meanwhile, a price repositioning was carried out for our value for money range Capstan to further strengthen our position in this segment.



### REVENUE COMPOSITION BY BRAND



### VOLUME GROWTH BY BRAND



### BRAND PERFORMANCE

Despite three successive price increments brought on by tax increases in June, September and October 2022, the Company recorded an overall volume growth of 19% during the year. Reflecting its strong brand equity, our premium brand Dunhill continued to record volume growth despite the price increases and inflationary pressures during the year. The growth was driven by focused brand reinforcement campaigns.

The John Player House which accounts for almost 70% of volume, successfully maintained its volume within the product portfolio. This was a result of timely portfolio interventions carried out during the previous two years. The addition of John Player Navy Cut and John Player Gold to the John Player range effectively maintained the market within the brand portfolio by offering same branded products at different price points. The portfolio interventions were supported by ongoing brand reinforcements with our distributors and retailers. A significant volume growth of 100% was also achieved by the Capstan brand. The growth in this segment was driven by price repositioning and by enhancing distribution of the product among exclusive distributors, Non-Direct Store (NDS) and wholesale shops.

## PRODUCT RESPONSIBILITY

Our emphasis on product responsibility is a key determinant of the brand equity across all our categories.



### RESPONSIBLE MANUFACTURING

All our products are formulated following extremely stringent criteria including multi-disciplinary risk assessments, scrutiny of ingredients, and extensive testing in order to meet the stringent product standards of BAT. We are also gradually moving towards using more sustainable material including packaging material as part of our Responsible Manufacturing Ethos.

### RESPONSIBLE MARKETING

We ensure strict compliance with the product marketing and labelling guidelines set out in the NATA Act. BAT's International Marketing Principles (IMP) also clearly lays out guidelines for responsible marketing.

### RESPONSIBLE DISTRIBUTION

BAT's global Youth Access Prevention (YAP) guidelines are aimed at ensuring that individuals under the age of 21 do not have access to our products and include mandatory requirements to create awareness among traders.



Way forward

With disposable income levels continuing to be impacted by the economic climate in the country, we expect 2023 to be challenging in terms of volume growth. We will however continue to leverage the equity of our brand portfolio to drive growth in the year ahead. We will also focus on strengthening our value for money segment while enhancing the value proposition of our premium brands.

# Our Portfolio of Brands

Dunhill Double Green



Dunhill Double Yellow



Dunhill Switch



Dunhill International



Dunhill Grey



Dunhill Blue



Benson & Hedges



John Player Gold Leaf (20)



John Player Gold Leaf (12)



John Player Navy Cut



John Player Gold Leaf LEPP (12)



Bristol Gold

John Player Gold



Capstan Maxxa



Capstan







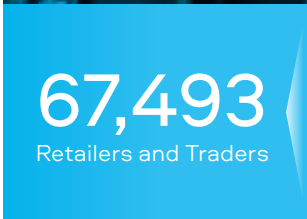
## STRENGTHENING OUR DISTRIBUTION CHANNELS



### OUR DISTRIBUTION CAPABILITIES



12  
Distributors



67,493  
Retailers and Traders



Our distribution partners not only serve as our route-to-market but also function as brand advocates for our retailer base. Creating a dynamic and sustainable route-to-market by strengthening our distribution channels is therefore of critical importance as we seek to responsibly strengthen our position in the market.

### DISTRIBUTION STRATEGY IN 2022

Ensuring an uninterrupted supply of our products was the main focus of our distribution strategy during the year, amidst disruptions caused by the fuel crisis and civil unrest during the early part of 2022. We applied the learnings obtained during the pandemic to proactively address bottlenecks and focused on efficient route planning which enabled us to achieve optimal distribution despite the disruptions and challenges. Remaining agile and flexible and having in place proactive contingency plans was key to our success during the year.

### DRIVING DISTRIBUTOR EXCELLENCE

The 'Distributor Excellence' programme was launched in 2021, with the aim of reviewing, optimising and refining the current distribution strategy. The programme which continued in 2022, involved a detailed assessment of the costs, efficiency, effectiveness and profitability of our route-to-market strategies and provided invaluable insights into areas for improvement. Further to these findings, several initiatives were launched to increase the overall effectiveness of our distribution strategy by enhancing distributor capacity, digitising route-to-market, and increasing collaboration with retailers and traders.



#### Distributor Capacity Building Initiatives

- Motivation programmes
- Product awareness programmes



#### Digitisation of Route-to-Market

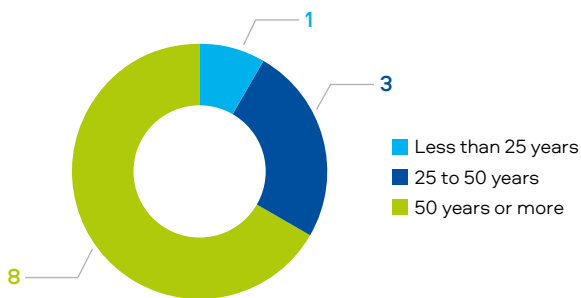
- Introduction of e-billing for traders and distributors
- Expanding presence on e-commerce platforms



#### Increased Collaboration

- Increasing brand presence through retailer and trader network

### LENGTH OF DISTRIBUTOR RELATIONSHIPS





**SUPPORTING OUR DISTRIBUTORS**

In addition to ensuring the financial security of our traders and retailers through timely payments, favourable credit terms and attractive incentive schemes, we also strive to have a positive impact on their socio-economic wellbeing through our trade loyalty programme, 'Abhisheka'. The trade loyalty programme is aimed at incentivising our trade partners while positively contributing to their social well-being.



**VALUE TO TRADERS THROUGH 'ABHISHEKA'**

Incentive payments to traders

**Rs. 82,447 Mn**

No. of traders covered through 'Abhisheka' Insurance Scheme

**2,161**



Way forward

Creating an agile and adaptable distribution chain will be of critical importance as we navigate an increasingly uncertain operating environment. We will therefore continue to strengthen our distribution channel by driving further efficiencies in order to ensure an uninterrupted supply of our products to the market.



## TACKLING ILLICIT TRADE AND BEEDI



**57 Mn**  
STICKS DETECTED

**Rs. 3 Bn**  
VALUE SAVED TO STATE

Growth in the illicit trade and the beedi market continues to be a key challenge in the industry. Apart from directly impacting our market share, growth in untaxed, under-regulated products also impact the Government's tax revenue potential from the industry. Meaningful action to tackle this challenge is therefore of strategic importance.

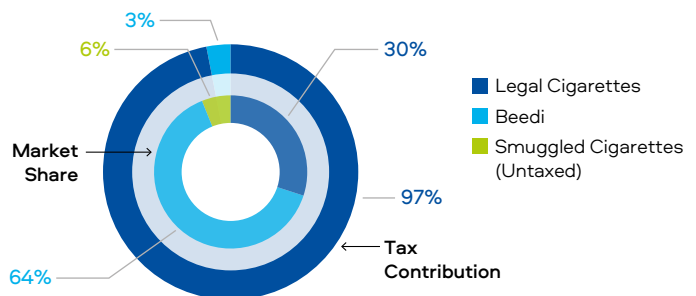
### UNDERSTANDING THE IMPACT OF ILLICIT TRADE AND BEEDI

#### Impact on our Operations

#### The growth in illicit trade and beedi continue to erode our market share

CTC continues to witness an erosion of market share due to the substantial and continued growth in both the illicit cigarette and beedi markets. Increasing price differentials between legal and illicit products due to excessive tax hikes have resulted in Sri Lanka's illicit cigarette trade increasing year on year by around 112% from 2016 to 2022. The beedi market meanwhile is estimated to have grown by almost 100% since 2015, further contributing to a loss of share for legally manufactured cigarettes.

#### MARKET SHARE BY COMBUSTIBLE PRODUCTS



### IMPACT OF ILLICIT TRADE ON WIDER SOCIETY

Erosion of potential Government tax revenue

Threats to livelihoods dependent on the legal cigarette industry value chain

Challenges to national health objectives by unregulated products

Potential increase in criminal activities such as smuggling



#### Way forward

Loss of market share due to an increase in demand for lower priced illicit and beedi will continue to be a challenge due to the rising price differential between taxed legal cigarettes and untaxed illicit cigarettes. Curbing the growth in the illicit trade requires strong cooperation between all stakeholders including the Government, law enforcement authorities, legal industry, employees, value chain partners, and community. We will therefore continue to support the relevant authorities in tackling illicit trade while actively contributing to policy dialogue that will ensure a win-win-win approach to value creation in the industry.



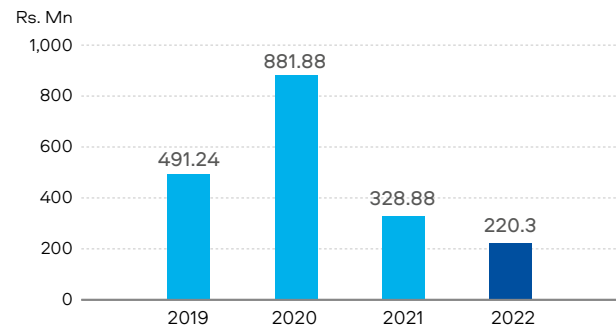
## ACHIEVING MANUFACTURING EXCELLENCE



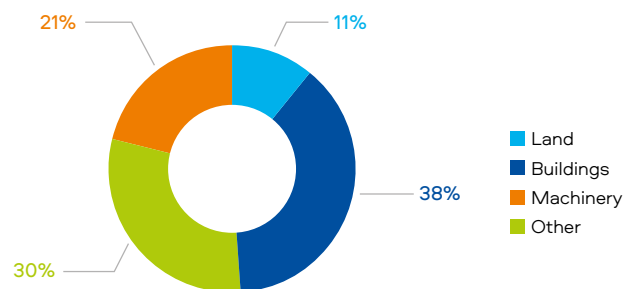
Agile, efficient and sustainable manufacturing capabilities are strategic imperatives as we transform ourselves to a high growth, sustainability focused enterprise.

We continue to invest in our manufactured capital to drive greater efficiencies and reduce our carbon footprint. During the year, Rs. 220.3 Million was invested in our operations of which 52% was on machinery and technology to improve manufacturing efficiency.

### YEARLY CAPEX SPEND



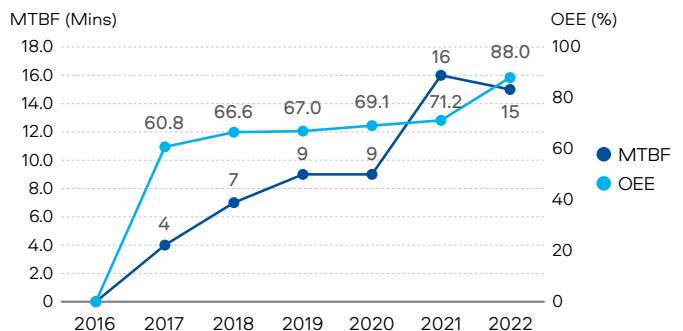
### BREAKDOWN OF CAPEX



### EFFICIENT PRODUCTION : INTEGRATED WORK SYSTEMS (IWS) JOURNEY

The Company embarked on its IWS journey in 2015, with the objective of transforming its manufacturing capabilities through process improvement, autonomous maintenance, education, and training. Significant progress has been achieved during the last seven years with broad-based improvements across key indicators including Overall Equipment Efficiency (OEE), Mean Time Between Failures (MTBF), product quality indicators, and waste management. In 2021, CTC became one of the 11 factories across the BAT Group to obtain IWS Phase 1 certification resulting in multiple step changes including increased production efficiencies, upskilling of equipment owners, and improved product quality. Following Phase 1 certification, we commenced Phase 2 of our IWS journey during the year with a greater focus on machine automation, machine operator

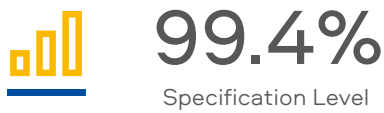
### MANUFACTURING EFFICIENCY



training and development, and deep diving into the finer elements of production processes to bring about continuous improvements to the manufacturing process.

# Delivering our Strategy

## EFFICIENCY INDICATORS



### WASTE REDUCTION

A key focus for our Primary manufacturing plant during the year was to reduce tobacco waste in the manufacturing process. As part of these waste reduction efforts, several obsolete machines were replaced with newer, more efficient technology, and employees were encouraged to suggest innovative ideas to reduce waste.

**Rs. 30 MN**

SAVING FROM TOBACCO WASTE REDUCTION INITIATIVES DURING THE YEAR

### HEALTH AND SAFETY STANDARDS

We ensure that the highest health and safety standards are maintained at all our premises. All our factory premises are covered by the BAT Group Environment, Health and Safety management system ensuring compliance to local and international health and safety standards. During the year, we invested Rs. 150 Million in health and safety initiatives across our premises. This included investments in ergonomic changes to facilitate safer worker conditions as well as training and awareness on safety and wellness matters. For more information on our health and safety standards and initiatives, refer pages 70 and 71.

**ZERO** SERIOUS ACCIDENTS

**ZERO** LOST TIME REPORTED WITHIN THE YEAR

### SUSTAINABLE MANUFACTURING

We continue to explore ways in which we can drive technology and more sustainable manufacturing practices as part of our long-term sustainability agenda. We continue to drive energy efficiency, water efficiency and better waste management practices through ongoing investments in technology and process improvements. For more information on our environmental practices, refer pages 60 to 63.

**ZERO**

SCOPE 2 CO<sub>2</sub>E EMISSIONS (MARKET-BASED)



Way forward

Improving production efficiency will remain a priority in 2023 amidst volume mix challenges, rising manufacturing costs and margin pressure. We will therefore continue to focus on increasing productivity and efficiency through IWS process improvements and training programmes, and will continue to work towards obtaining Phase 2 certification of IWS for our factories. Meanwhile, in line with our sustainability agenda, we will continue to reduce our dependence of fossil fuels and invest in technology and skills that will ensure more responsible consumption of resources in our manufacturing operations.





## SECURING OUR SUPPLY CHAIN



### EFFICIENCY INDICATORS



**0.4%**

Increase in Yield (GLTP)

**68.6%**

Lamina Yield

**88%**

(OEE)

**27%**

Increase in Zero Stop Shifts

Driving productivity and sustainability throughout our supply chain is a strategic priority not only because it enables us to secure our long-term supply of tobacco leaf and maintain the integrity and quality of our products, but also because it feeds into our overall social agenda of creating sustainable livelihoods for our 1,163 wide contracted tobacco farmer network.

### OUR TOBACCO SUPPLY CHAIN



**100%**

of tobacco leaf sourced from local contracted tobacco farmers



**Productivity Drive:** We continue to drive efficiency in our supply chain through ongoing productivity and efficiency enhancing initiatives



### CONVERSION OF TRADITIONAL BARNs TO SRI LANKA LOOSE LEAF BARNs (SLLLb)

We continue to work with our contracted tobacco farmers in converting our traditional barns to SLLLb, an innovative, fuel-efficient curing technology which enables over 30% reduction in fuel use. The technology is also expected to drive reductions in labour usage and curing costs while minimising health and safety risks. During the year, a total of 5 barns were converted bringing the total number of SLLLbs to 24 (5% of Yala traditional barns). We will continue in our efforts to convert our Yala traditional barns to SLLLbs in the coming years.



## Delivering our Strategy



### AUTOMATED PURCHASING

The purchasing process has been automated in three of our largest depots and six of our buying centres. Significant efficiency gains were achieved through the automation of the purchasing process while the availability of comprehensive real time information has enabled better monitoring and control of the process.

### 'FARMER SUSTAINABILITY MANAGEMENT' (FSM) APP

The FSM App introduced in 2018 enables our Leaf Extension Officers to maintain an ongoing dialogue with contracted tobacco farmers and monitor performance on an ongoing basis. 100% of our contracted tobacco farmers are currently monitored through the FSM App.



### TRAINING FOR CONTRACTED TOBACCO FARMERS AND FIELD STAFF

Ongoing training and capacity building programmes are conducted for our contracted tobacco farmers on a range of topics including productivity enhancement and sustainable agricultural practices, among others. During the year, several programmes were conducted to create awareness on how to replace chemical fertilisers with compost. Meanwhile, Phase 2 of the 'Young Field Experts Development' programme was conducted with the participation of over 25 field staff to refresh their knowledge on standard agricultural practices.

### EFFICIENCY IMPROVEMENTS IN GLTP

We continue to focus on driving process efficiencies and productivity enhancements in GLTP. We continued with our automation drive in Kandy GLTP by investing in machines to improve their conditions and to reduce the unpredicted downtime. Following the successful completion of Phase 1 of the 'Integrated Work Systems' (IWS) journey in 2021 in the Colombo Factory, we also embarked on the IWS Phase 2 journey and achieved a significant development towards Phase 2 readiness.



## Our Efforts to create a Sustainable Supply Chain

### Driving Sustainability across our Supply Chain

For more information, refer page 61

### Water Stewardship across our Supply Chain

For more information, refer page 63

### Propagation of Sustainable Agriculture Practices among Rural Communities

For more information, refer page 64

### Supporting Communities for our Contracted Tobacco Farmers

For more information, refer page 65

### Sustainable Livelihoods via Corporate Social Investment (CSI)

For more information, refer pages 66 to 68

### Respecting Human Rights across our Value Chain

For more information, refer page 69

### Health and Safety of our Business Partners

For more information, refer page 71

**Sustainability Drive:** We are committed to promoting sustainable practices across our supply chain as part of our overall efforts to uplift farmer livelihoods. Our sustainability agenda and performance is described in more detail on pages 58 to 59.

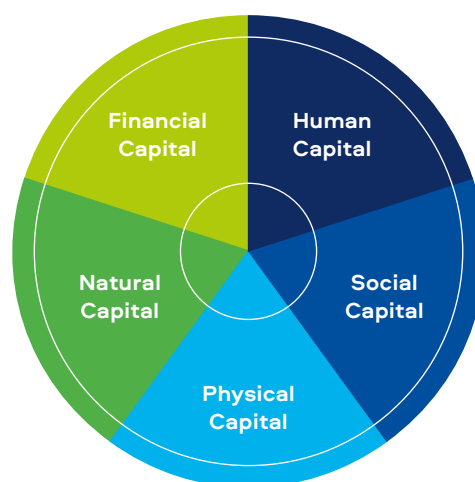
### SUSTAINABLE TOBACCO PROGRAMME (STP)

The STP is an industry-wide standard, covering a range of areas including human rights, environmental preservation and safety of people. It is aligned to international standards including the International Labour Organisation (ILO) and the UN Guiding Principles on Business and Human Rights. We ensure that our Leaf operations strictly adhere to the requirements of STP through formal assessments and independent on-site reviews for 100% of our tier one tobacco leaf suppliers, including all our own Leaf operations. Compliance is also monitored through our FSM App which provides real time data on a range of indicators.

### Thrive 'THRIVE' SUSTAINABLE AGRICULTURE AND FARMER LIVELIHOODS PROGRAMME:

A BAT Global initiative, the Thrive programme takes a more holistic approach to help and identify long-term challenges that have an impact on the livelihoods of farming communities and the sustainability of agriculture. The programme provides guidance on focus areas for each of the five capitals - financial, natural, human, physical, and social factors together with key indicators to monitor progress.

THRIVE - Five Capitals of Success



Way forward

With agricultural cost of production expected to continue to rise amidst higher fertilizer and labour costs, supporting our contracted tobacco farmers to increase crop yields through productivity and efficiency gains will be a key focus going forward. We will also increase our engagement levels with our contracted tobacco farmers with the introduction of a farmer hotline in order to proactively identify and address their challenges. Meanwhile, we will continue to reduce the environmental footprint of our supply chain by working closely with our contracted tobacco farmer network to drive more environmentally conscious practices throughout our tobacco value chain.

**THRIVING**  
**SUSTAINABLY**



Our Sustainability Agenda is aligned with the BAT Group's own Sustainability Agenda, which reflects its commitment to reducing the health impact of the business, while achieving excellence across environmental, social and governance (ESG) matters relevant to the business.

## CTC ESG PERFORMANCE

58

BAT Group ESG  
Agenda & CTC's  
Performance

60

Environment

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Social

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CTC Trade  
Unions

79

Governance

# BAT Group ESG Agenda & CTC's Performance

Sustainability has always been an integral part of the BAT Group's corporate framework and is at the front and center of everything it does. CTC's Sustainability strategy, which was revamped in 2020, is well aligned to the BAT Group's Sustainability Agenda and revolves around achieving excellence in environmental management, delivering a positive social impact and embracing best-in-class Corporate Governance practices. BAT's purpose to build A Better Tomorrow™, by reducing the health impact of the business, while also driving excellence across ESG matters, is aligned to the attitudes and expectations of its stakeholders. Outlined below are the priority areas that form the core of BAT Group's Sustainability Agenda along with CTC's progress for its key metrics. CTC will continue to reflect and consult on our goals and targets, to ensure that they are sufficient and future-focused.

H

## Reducing the Health Impact of our Business

E

### Excellence in Environmental Management

Climate Change

Biodiversity & Ecosystems

Circular Economy

Water

S

### Delivering a Positive Social Impact

Farmer Livelihoods

Human Rights

People, Diversity & Culture

G

### Robust Corporate Governance

Responsible Marketing & Transparency in Communications

Business Ethics



## Creating shared value for

Adult Consumers

Society

Employees

Shareholders & Investors



ESG Topic	BAT Group's Targets and Goals	Group's Metrics	CTC's Performance <sup>1</sup>				
			2022	2021	2020	Status	
 Climate Change	Carbon neutral by 2030 across our operations (Scope 1 & 2 carbon dioxide equivalent (CO <sub>2</sub> e) emissions)	Total scope 1 and 2 CO <sub>2</sub> e emissions (thousand tonnes)	1,594	1,334	4,043	●	
		Scope 1 CO <sub>2</sub> e emissions (thousand tonnes)	1,594	1,334	1,162	●	
		Scope 2 CO <sub>2</sub> e emissions (market-based) (thousand tonnes)	0	0	2,881	●	
	Increase in the amount of renewable energy we source to 50% by 2030 (Updated Target)	Total direct energy consumption (GJ)	38,996	34,608	31,891	●	
		Total renewable energy consumption (GJ)	17,922	16,955	43	●	
		Renewable energy as a % of total direct energy use	45.96	48.99	0.14	●	
	Circular Economy	<1% of waste to landfill by 2025	Total waste generated (tonnes)	416.11	456.90	395.60	●
			Waste sent to landfill (tonnes)	9.05	59.40	43.24	●
			% waste sent to landfill from direct operations	2.17	13.00	10.93	●
		90% recycling rate of total waste generated by 2025	Total waste recycled (tonnes)	372.46	103.91	86.13	●
% waste recycled	89.51		22.74	21.77	●		
Water	-35% of total water withdrawn (vs 2017 baseline) by 2025	% reduction in water withdrawn	11.5	8.5	9.6	●	
		30% water recycling rate by 2025	Total water recycled (m <sup>3</sup> )	3,837	3,175	3,167	●
	% of total water recycled		10.38	7.81	8.74	●	
	100% of operations sites to be Alliance for Water Stewardship (AWS) certified by 2025	Number of sites AWS certified in 2022	0	0	0	●	
 Farmer Livelihoods	Working to enable prosperous livelihoods for all farmers in our Tobacco Supply Chain	% of farm business management training coverage	100	100	100	●	
		Number of tobacco farmers reported to grow other crops for food or as additional sources of income	9,100	4,100	4,100	●	
	Human Rights	Aim for zero child and forced labour by 2025 in our Tobacco Supply Chain	% of farms with incidents of child labour identified	0	0	0	●
			% of farmers reported as having access to at least one type of grievance mechanism	100	100	100	●
	Corporate Social Investments (CSI)	Support through charitable donations and community investment programmes	Total contributions (LKR) Mn.	228	73	92	●
	Health and Safety	Aim for zero accidents Group -wide	Number of work-related accidents resulting in injuries to employees & contractors	0	0	0	●
			100% of farmers and workers with sufficient PPE for agrochemical use and tobacco harvesting, and 100% training to ensure its effectiveness	% of farms reported to have sufficient PPE for agrochemical use	100	100	100
		% of farms reported to have sufficient PPE for tobacco harvesting		100	100	100	●
	People, Diversity & Culture	45% women in Management roles by 2025	% of female representation in Management roles	38	30	29	●
		40% women on senior leadership teams by 2025	% female representation on senior leadership teams	31	31	25	●
 Business Ethics	Aiming for 100% adherence to our Standards of Business Conduct (SoBC)	% of employees who completed annual SoBC training	100	100	100	●	
		Responsible Marketing and Transparent Communications <sup>2</sup>	Aiming for 100% of our Marketing to be responsible	Incidents of non-compliance with Marketing regulations resulting in a fine/penalty or regulatory warning	0	0	0

Notes 1 - BAT Group has its targets and metrics and CTC's performance is measured against these.

Notes 2 - This is a new Group-set, GRI-aligned metric for FY2022, with a new Group reporting system. Although similar data exists for FY2021 & 2020, because the reporting methodology has changed, prior data is not directly comparable.

# Delivering on our ESG Goals



The ensuing section provides an overview of CTC's ESG journey and the progress to date. The success we have achieved is mainly underpinned to our overall business strategy aligning with our ESG goals. Accordingly, we strive to ensure that our business growth is achieved in a sustainable and responsible manner that minimises the negative impact on our environment and society. ESG performance is also linked to executive remuneration ensuring motivation and accountability in achieving our sustainability goals.



## ESG Governance at CTC

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 Executive Committee consisting of four 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, drive the ESG agenda across the organisation.



## Environment

Excellence in Environmental Management

- Climate Change
- Circular Economy
- Water
- Biodiversity and Ecosystems

CTC Performance			
<b>100%</b> Conversion to LED lighting solutions	<b>372.46 t</b> Waste Recycled	<b>11.6%</b> Reduction in Water Withdrawal	<b>132 acres</b> of Biodiversity Sites Maintained

### CTC's Approach to Climate Change



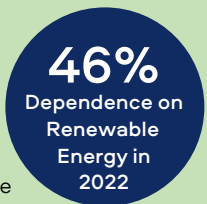
**Management Approach :** We are committed to building climate resilience across our business and supply chains and do so by taking a focused approach that involves increasing our reliance on renewable energy sources, investing in energy efficient technology, processes and in a more sustainable supply chain.

#### Energy Efficient Technology

We continue to identify high energy usage areas across all our sites and implement energy improvement projects to drive energy efficiency. During the year, energy efficient motors were installed across our locations while Variable Speed Drives (VSD) compressor upgrades were carried out in both CTC's Colombo and Kandy factories. The installation of a solar hot water system was completed at our Colombo facility. We also achieved 100% conversion to LED lighting solutions during the year while continuing to install inverter air conditioners at our GLTP facility. Meanwhile the daily monitoring of our energy consumption has enabled us to identify and capitalise on energy efficiency improvement opportunities.

#### Renewable Energy Drive

Reducing our dependence on fossil fuels by gradually shifting to renewable energy sources is a key focus in our carbon neutrality journey. We remain committed to aligning with BAT's goal of increasing the amount of renewable energy sourced to 50% by 2030, and continue to make significant strides in this regard. During the year, we successfully installed our 2.8 MW capacity solar panel project. The project involved installing solar panels at our facilities in Colombo and Kandy. The conversion will result in an electricity offset of over 60% and a carbon savings of approximately 2,300 tonnes of CO<sub>2</sub>e.



		Sri Lanka
Purchased Electricity - Renewable	kWh	4,843,749
Energy Consumption	GJ	38,996
Other Biomass Fuels - Renewable	tonne	35.96
Renewable % of Direct Energy	%	45.96

**Energy Monitoring**

Monitoring energy consumption and efficiency levels is an integral element of our energy management approach. Energy consumption is monitored daily at equipment level in our manufacturing facilities through an advanced energy metering system.



**Driving Sustainability across our Supply Chain**

Our efforts to reduce emissions extends beyond our own operations to include our supply chain as well.

As part of our efforts to support our contracted tobacco farmers incorporate more efficient and sustainable agricultural practices, we commenced a pilot project in 2020 aimed at supporting our contracted farmers convert their traditional barns to SLLLBs an innovative, fuel-efficient curing technology which enables over 30% reduction in fuel use. The project continued in 2022. Currently 100% of our purchased leaf volumes are cured using paddy husks - a renewable biomass energy source, while 12% of our Yala traditional barns have been converted to paddy husk fuelled loose leaf barns. We will continue in our efforts to convert our Yala traditional barns in to SLLLBs in the coming years.

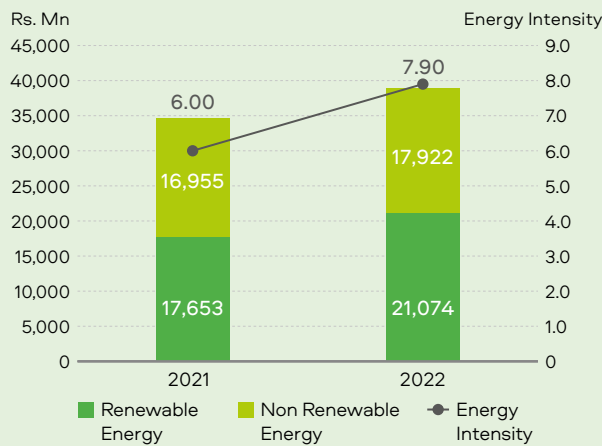
**CTC's Energy Consumption and Emissions Levels during the year**

Energy consumption and emissions levels witnessed an increase during the year due to:

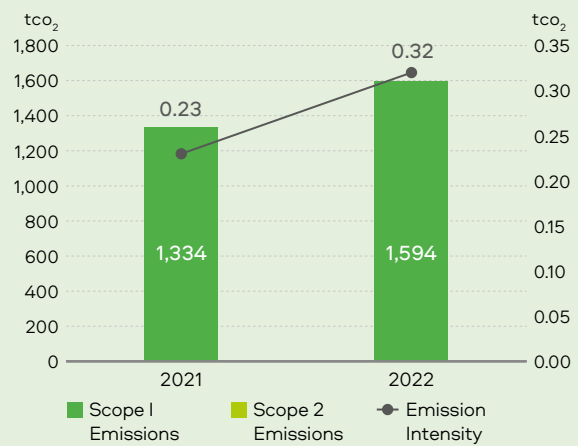
- Increased use of the diesel generator due to Government-imposed power cuts, and
- The Colombo factory changing its operational pattern from two shifts to three shifts to cater to volume mix change

The increase however, was managed to a large extent by continuing to focus on energy efficiency projects.

**ENERGY CONSUMPTION WITHIN THE ORGANISATION**



**EMISSIONS**



\*Scope 2 emissions are zero as they have been netted off with IRECS

		Sri Lanka
Energy Intensity Production	GJ per Millions cigarettes	5.97
S1 & S2 Carbon Intensity Production (market based) 2020	tCO <sub>2</sub> e per Millions cigarettes	0.76
Energy Intensity Production	GJ per Millions cigarettes	6.00
S1 & S2 Carbon Intensity Production (market based) 2021	tCO <sub>2</sub> e per Millions cigarettes	0.23
Energy Intensity Production	GJ per Millions cigarettes	7.90
S1 & S2 Carbon Intensity Production (market based) 2022	tCO <sub>2</sub> e per Millions cigarettes	0.32

# Delivering on our ESG Goals

## CTC's Approach to Circular Economy



**Management Approach:** We are committed to driving circularity across our operations by implementing waste recycling practices and reducing our waste to landfill to minimise our environmental impact.

### Waste Reduction

Investments in more efficient technology and process improvements implemented as part of our IWS journey have enabled us to continue to drive waste reduction across our operations. Special focus was given towards reducing tobacco waste, which witnessed a 17% reduction during the year. The reduction translated to a Rs. 30 Million cost saving to the business.



### Increasing Recycling

Recycling is practiced extensively across our operations. Recycling is done in-house where possible, or outsourced to certified third party recyclers.



### SUP (Single Use Plastics) Elimination Project

At CTC, we remain committed to eliminating the use of SUPs at our premises. Staff awareness programmes were carried out in 2021, Project 'RELIFE' on waste reduction and SUP elimination was launched during the year with the specific aim of completely eliminating the use of SUP in canteens and other common staff areas, in both the Colombo and Kandy premises.

### Zero Waste to Landfill

A notable achievement during the year was our Colombo factory achieving zero waste to landfill in line with our local commitment. Ongoing efforts to streamline all our waste disposal mechanisms such as ensuring segregation at the point of generation, reducing overall waste generated and increasing the percentage of waste recycled enabled us to achieve our goal of zero waste to landfill in our Colombo factory.

#### Material Consumption

##### Types of Material

- Green Leaf
- GLTP other production materials
- Wrapping materials
- Non-renewable materials

#### Waste by disposal method

Type of Waste	Hazardous (MT)	Non hazardous (MT)
Recycling	0.26	352
Incineration	0	34.5
Landfill	0	9.05
Total waste generated	0.26	416.11



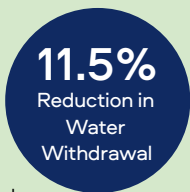
CTC's Approach to Water



**Management Approach :** While our manufacturing processes are not particularly water intensive, water is an important input across our supply chain. We are therefore committed to driving water stewardship throughout our value chain by increasing water efficiency, recycling within our own operations and propagating sustainable water management practices.

**Driving water efficiency**

Real time tracking of water consumption, water use mapping and carrying out loss analysis to proactively identify water leakages and wastage have enabled us to drive greater water efficiency across our operations. Water consumption is tracked through 30 monitoring points using the 'Building Management System'. Further to leakage points identified, the GLTP plumbing network was upgraded during the year. The implementation of IWS has also helped in optimising water consumption in our factory by eliminating leakages and increasing of recycling.



**Water recycling**

The construction of an Effluent Treatment Plant (ETP) took place during the year which would be utilised for treating used water discharged from our operation to be re-used for non-critical activities such as flushing in washrooms, gardening and other general cleaning activities. We continue to invest in enhancing our ETP and recycling capacity, and during the year, upgraded the ETPs at GLTP in Kandy and Colombo.



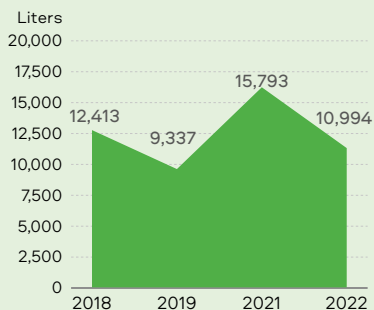
**AWS Certification**

In line with BAT's target of 100% Group certification by 2025, we initiated the AWS certification process during the year. We have now completed the AWS certification audit and are now awaiting results with certification. Meanwhile, ongoing workshops and awareness sessions are being carried out to create wide spread awareness on water management issues.

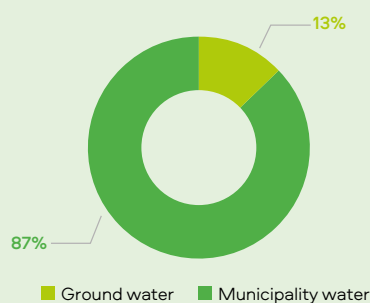
**Water stewardship across our supply chain**

We continue to work closely with our contracted farmers to ensure that sustainable water practices are adopted and practiced for continued access to water. Water use and water management plans of farmers are monitored through our sustainable agriculture and farmer livelihood programme 'Thrive' and ongoing support provided to create awareness and technical knowledge on sustainable water consumption.

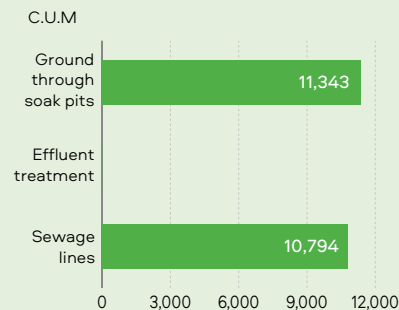
**WATER CONSUMPTION**



**WATER WITHDRAWAL BY SOURCE**



**WATER DISCHARGE BY DESTINATION**



2021		Sri Lanka	2022		Sri Lanka
Total Water Withdrawn	M <sup>3</sup>	37,461	Total Water Withdrawn	M <sup>3</sup>	33,131
Water intensity (Production, m <sup>3</sup> /MCE)	M <sup>3</sup> per Millions cigarettes	6.50	Water intensity (Production, m <sup>3</sup> /MCE)	M <sup>3</sup> per Millions cigarettes	6.71
Total Water Consumption 2022	M <sup>3</sup>	15,793	Total Water Consumption	M <sup>3</sup>	10,994



# Delivering on our ESG Goals

## CTC's Approach to Biodiversity and Ecosystems



**Management Approach:** Biodiversity conservation and reforestation are key focus areas of our wider climate action agenda. We remain committed to spearheading reforestation initiatives and propagating sustainable agricultural practices that minimise the negative impact on the environment and builds climate resilience.

### Udaharitha Reforestation Programme

CTC's Udaharitha programme aims to support the national priority of increasing forest cover from 29% to 32% by 2030 through targeted reforestation and biodiversity conservation efforts across the island.



#### REFORESTATION PROJECTS

**12 Acres**

in Murungahitikanda in collaboration with the Forest Department.

**120 Acres**

Biodiversity site maintained in Naula in collaboration with the University of Peradeniya, with an objective of converting a monoculture eucalyptus forest to a natural indigenous forest.

**87 Acres**

carbon certified reforestation project in Embilipitiya initiated.

#### BIODIVERSITY CONSERVATION



### 'Sustainable Tobacco Programme' (STP)

STP is an industry-wide standard that covers a range of areas including human rights, environmental preservation and safety of people. Following BAT's footsteps, CTC's Leaf operations strictly adhere to these standards ensuring that our agriculture practices incorporate environmental protection, including sustainable management of water, soil and forests, pollution control and energy reduction.

#### Propagation of Sustainable Agriculture Practices Among Rural Communities



Our flagship CSI project, Sustainable Agricultural Development Programme (SADP), is aimed at promoting sustainable agriculture practices across communities in Sri Lanka, by enhancing agriculture knowledge among farmer communities and maximising land utilisation. The programme is currently in its 16<sup>th</sup> year.

#### Focus areas

- Reducing usage of agrochemicals,
- Crop diversification and rotation,
- Soil conservation by applying 'Sloping Agricultural Land Technology' (SALT),
- Enhancements to soil productivity through research into high yielding tobacco varieties and crops.

## CAPITAL TRADE OFFS



Environmentally friendly practices directly contribute to ensuring a sustainable supply of our key agricultural inputs.



Socially responsible behaviour contributes to stronger brand value.



Ongoing investments in latest technology enhances the quality of our facilities.



Our ongoing research into environmentally friendly practices sets us apart in the industry.



Financial investments in environmentally friendly technology and processes bring about long term financial returns in terms of cost savings.

S

Social

Delivering a Positive Social Impact

- Farmer Livelihoods
- Human Rights
- Health and Safety
- People and Culture

CTC's Social Performance

**1,163** Contracted Tobacco Farmer Livelihoods Supported  
**87,000+** Beneficiaries Supported via CSI

**Zero** Instances of Forced Labour along the Supply Chain

**Zero** Serious Injuries and Lost Days

**38%** Representation of Women Across Management Roles

CTC's Approach to Farmer Livelihoods

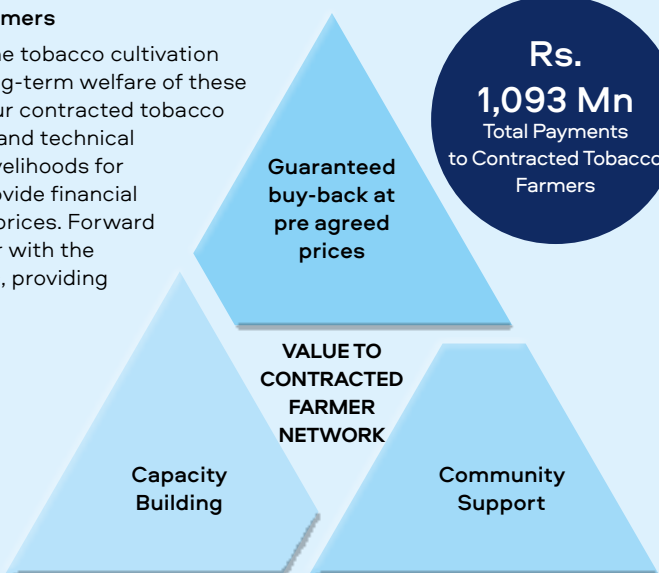


**Management Approach :** We are committed towards driving socio-economic empowerment in rural communities through multi-faceted community engagement initiatives that include providing agricultural knowledge, access to infrastructure and capacity building support to our farmer network and wider communities.

Sustainable Livelihoods for our Contracted Tobacco Farmers

CTC supports over 1,163 contracted farmers involved in the tobacco cultivation value chain and we remain committed to ensuring the long-term welfare of these farmer communities. Our Leaf team works closely with our contracted tobacco farmers to build capacity by providing agricultural inputs and technical support that build long-term resilience and sustainable livelihoods for our contracted farmer communities. We also strive to provide financial security by ensuring guaranteed buy-back at pre-agreed prices. Forward pricing for tobacco leaf purchases is determined together with the 'Farmers' Union' and the relevant Government authorities, providing transparency over future pricing.

**Rs. 1,093 Mn**  
Total Payments to Contracted Tobacco Farmers



## Delivering on our ESG Goals

### Sustainable Livelihoods via Corporate Social Investment (CSI)

CSI at CTC is aimed at driving sustainable and meaningful change through targeted interventions to support vulnerable groups in our communities.



### CTC's CSI Governance

The BAT Group's 'Strategic Framework for Corporate Social Investment' articulates how companies are expected to develop, deliver and monitor community investment programmes. Accordingly, all CSI activities are managed at a local level to effectively cater to community specific challenges and drive needs-based development. CTC's CSI Steering Committee at Board level ensures that our CSI projects are aligned to the Group Framework and that projects are managed in accordance with the SoBC policy.



CTC's flagship CSI project – SADP, was launched in 2006 with the objective of contributing to the national priority of eliminating poverty by uplifting the lives of rural communities. 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, we have introduced variations of the programme to help empower local communities.



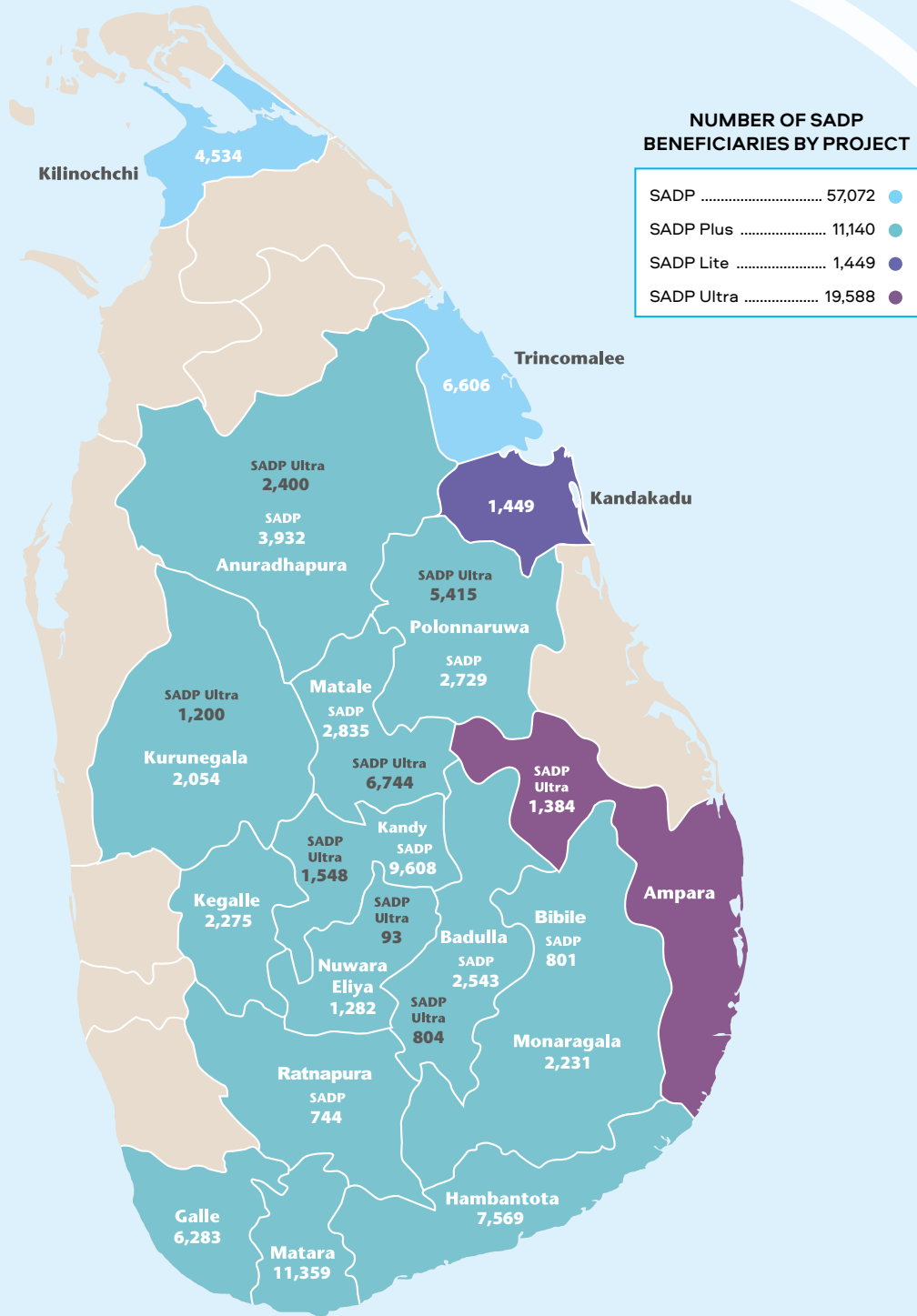
Supports contracted tobacco farmers to grow alternate crops such as fruits, vegetables and maize in their fields.



Provision of agricultural inputs to vulnerable families in the North and East.



Provision of agriculture vocational training to former combatants undergoing rehabilitation.





## Delivering on our ESG Goals

A range of purpose-led initiatives are also carried out by CTC to support communities by addressing national priorities such as poverty alleviation, health and well-being, agriculture and irrigation, nutrition and disaster relief.

Rural farming communities are supported through small scale community projects aimed at improving access to irrigation and other infrastructure. We work in collaboration with farmer organisations to ensure the projects are carried out to benefit the most deserving farming communities.



Progress during the year

<b>38</b>	<b>7,600+</b>
Projects carried out	No. of Beneficiaries

Small-scale, needs based infrastructure projects aimed at enhancing the wellbeing of underserved communities.



Progress during the year

<b>76</b>	<b>10,300+</b>
Projects carried out	No. of Beneficiaries

The Viwasayakaya initiative aspires to uplift communities by offering education and training programmes that impart vocational skills and knowledge to aspiring entrepreneurs of Sri Lanka and equip them with the qualifications they need to thrive in marketable vocations.



Progress during the year

<b>06</b>	<b>350</b>
Projects carried out	No. of Beneficiaries

In an effort to support the national combat against the rise in Chronic Kidney Disease (CKD) across remote farming communities, over 30 Reverse Osmosis (RO) Water Purification Systems that provide 10,000 litres of clean drinking water daily (per plant) have been committed for construction.



Progress during the year

<b>10</b>	<b>30,000+</b>
Projects carried out	No. of Beneficiaries

The Pawura initiative brings together our employees to volunteer in CSI initiatives aimed at supporting communities. Key projects carried out during the year included the renovation of a bus stand in Kandy and the distribution of plastic waste collecting bins.



Progress during the year

<b>02</b>	<b>600</b>
Projects carried out	No. of Beneficiaries

The Divisahana project aims to support those who have been affected by natural disasters and calamities, by providing essential aid and other forms of assistance. Over 2,000 ration packs were distributed this year to economically vulnerable families.



Progress during the year

<b>06</b>	<b>8,920</b>
Projects carried out	No. of Beneficiaries

CTC distributed seeds and fertilizer to rural communities as part of its efforts to ensure food security in rural communities.



Progress during the year

<b>159 Kgs</b>	<b>5,000</b>
Fertilizer distributed	No. of Beneficiaries





### CTC's Approach to Human Rights



**Management Approach :** CTC adheres to BAT's stringent policies on human rights, which demonstrates our commitment to conducting operations in a way that respects the rights of our employees, business partners and the communities in which we operate.

#### Human rights practices across our business

CTC is fully aligned with and implements BAT's stringent policies and procedures to ensure zero tolerance for human rights violations. Accordingly, BAT's Standards of Business Conduct (SoBC) is aligned to the 'UN Guiding Principles on Business and Human Rights' and the ILO's 'Declaration on Fundamental Principles and Rights at Work. BAT Supplier Code of Conduct (SCC) meanwhile complements the SoBC by defining the minimum standards we expect our suppliers to adhere to and includes several conditions pertaining to human rights, including child and forced labour. Supporting this policy framework is robust procedures and a culture that respects and values the rights of employees, business partners and the wider community.



#### Respecting Human Rights across our Value Chain

All our Leaf operations are expected to adhere to the requirements of the STP, which is an industry-wide standard, covering a range of areas including human rights, environmental preservation and safety of people. Compliance is monitored through the FSM App to track 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 for child and forced labour, working conditions, health and safety, and fair treatment. Red flags for risks relating to child labour and forced labour allow immediate reporting and prompt action to be taken to remedy the situation. One incident of a child on a tobacco field was promptly addressed during the year.



# Delivering on our ESG Goals

## CTC's Approach to Health and Safety



**Management Approach :** We are committed to providing a safe and injury-free work environment for all our employees by adhering to the highest health and safety standards.

### Employee Safety and Wellbeing

Stringent health and safety protocols and procedures are in place at all our locations. Capability building of our employees and contractors is a key enabler for a safe working environment and we are committed to conducting training and awareness according to a comprehensive health and safety training agenda.

During the year, we conducted several awareness sessions on a range of health and safety aspects at both our Colombo and Kandy premises.



### Health and Safety Governance

Health and Safety aspects are governed by BAT's integrated EHS guidelines and guided by the Company's comprehensive Health and 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 that is aligned to international standards. A cross-functional EHS Steering Committee, supported by departmental Health and Safety Committees meanwhile ensure that health and safety guidelines are implemented across the Company, monitor performance against parameters and identify areas for improvement.





COVID-19 safety protocols continued during the year as we gradually transitioned to a hybrid working arrangement. Meanwhile, several ergonomic changes were implemented to facilitate the new working model and improve safety conditions as the country gradually opened up post pandemic.

During the year, we placed increasing emphasis on the mental wellbeing of our employees. Several wellness programmes were initiated aimed at improving work-life balance and the holistic wellbeing of our employees. We also provide annual medical screenings for all employees.

#### Workers covered by Occupational Health and Safety Management System

No. of personnel	1,110
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#### Work-related Injuries

	No.	Rate
Fatalities due to work-related injuries	0	0
High-consequence work-related injuries	0	0
Recordable work-related injuries (non-serious)	13	1,132 per 100,000 hours worked

#### 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

#### Health and Safety of CTC's business partners

Our commitment to health and safety extends to our business partners as well. Adherence to STP ensures that health and safety aspects such as working conditions, hygiene, safety and protection and medical facilities of our contracted farmer network are monitored on an ongoing basis. We also provide health insurance facilities for our traders through the 'Abhisheka' trade loyalty programme. Through this scheme, traders are offered medical and hospitalisation insurance cover of up to Rs. 1.5 million. Over 2,200 traders were covered through this scheme by the end of 2022.

## Delivering on our ESG Goals

### CTC's Approach to People and Culture



**Management Approach:** Our HR agenda is built around the philosophy of creating a work environment where employees can continue to thrive and develop through ongoing review and improvements in HR processes and practices.

CTC was awarded 'Top Employer' for the second consecutive year by the Top Employer Institute, the global authority on recognising excellence in people practices. We are proud of this achievement as it is a validation of our commitment to excellence in our HR processes and practices.



### HR Governance

CTC's HR policy framework is aligned to that of the BAT Group and revised to ensure compliance with local regulations and market practices. A dedicated Human Resources department is responsible for strategising and operationalising the Human Resources function with Board oversight through the Board Compensation and Remuneration Committee.

### Building our Team

NEW RECRUITS			
		No.	Rate
By Gender	Male	24	62%
	Female	15	38%
By Age	21-30	25	64%
	30-55	13	33%
	above 56	1	3%
By Region	Western	34	87%
	Central	5	13%

Approximately **82%** of the Senior Management team represent Sri Lankan nationals.

TEAM PROFILE		
Male		Female
By Contract		
225	Permanent	42
51	Contract	7
276	Full time	49

TEAM PROFILE	
21-30	98
30-55	216
Above 56	11
<b>Total</b>	<b>325</b>

TURNOVER			
		No.	Rate
By Gender	Male	16	62%
	Female	10	38%
By Age	21-30	6	23%
	30-55	18	70%
	above 56	2	7%

Despite relatively high levels of migration and labour volatility in the market, retention levels during the year were maintained at 90.3%, a true testament to CTC's unique Employee Value Proposition.



## Creating a Culture of Continuous Improvement

### Training and Development

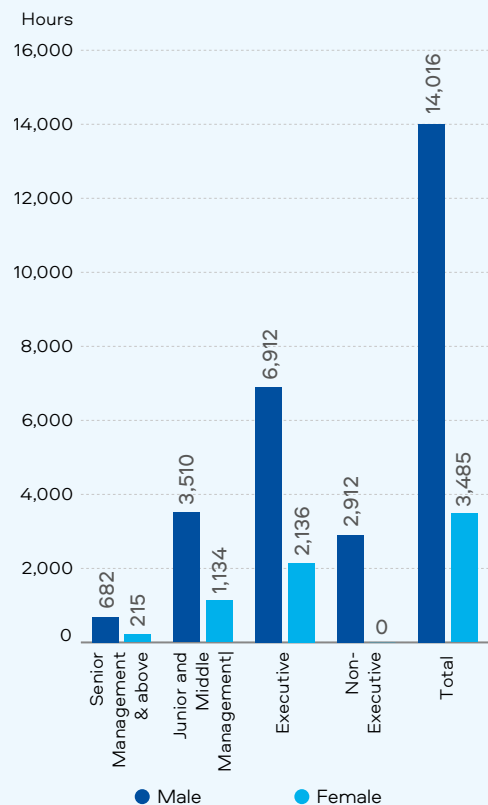
We provide a multitude of training and development opportunities aimed at creating a dynamic culture of continuous learning. Employees of all levels are provided access to global and local learning content through digital platforms, onsite and off-shore training. Meanwhile, we continue to offer opportunities for cross-border exposure through International Assignment (IA) opportunities and global transfers. During the year, eight employees were offered such opportunities.

Key training programmes conducted during the year includes;



Training area	
<b>“Leading Self” and “Leading Others” Leadership Training</b> Provides employees with an accelerated development experience, enabling them to proactively manage their career	<b>25</b> participants
<b>IWS related training</b> Training programmes include awareness and capacity building to achieve IWS milestones	<b>66</b> participants <b>181</b> hours
<b>Young field experts development programme-Phase 2</b> The programme aims to refresh the knowledge of Field staff through knowledge-sharing sessions on standard agricultural practices	<b>34</b> participants
<b>GRID Platform</b> A training platform with training resources from BAT and other external sources available to all Management and Executive level employee grades	<b>7,624</b> hours
<b>EDApp platform</b> Part of a BAT global initiative, this is a mobile app that includes marketing content that is curated and customised for the relevant end-markets	<b>464</b> hours
<b>Global Graduate Academy</b> Global Graduate Academy is aimed to develop commercial acumen, self-awareness and leadership and builds collaboration in our Global Graduates	<b>120</b> hours
<b>Female Leadership Training Programme</b> The programme is aimed at developing leadership skills in entry-level female employees	<b>12</b> participants <b>144</b> hours

**TRAINING HOURS BY GENDER AND EMPLOYMENT CATEGORY**



**Rs. 26 Million**  
 Total Training Investment



## Delivering on our ESG Goals

### Creating a Performance-Driven Culture

#### Rewards and Remuneration

Our rewards and remuneration structures are designed to nurture a performance-driven culture. All permanent employees are provided a range of benefits in addition to fixed pay and performance based bonuses. Key benefits offered to permanent employees include transport allowance, vehicle loan, housing loan, medical, professional membership, and educational assistance. During the year, we provided all permanent and direct contract employees a special cost of living allowance in response to the sharp increase in cost of living.

**Rs. 1.75 Bn**

Total remuneration to employees

Ratio of basic salary and remuneration



**36.1%**

Increase in remuneration to employees

**2 : 1**

Ratios of entry level wage to industry minimum wage

### Performance Management

A fair and transparent performance management system ensures that employees are recognised and rewarded for their performance and that skill and knowledge gaps are identified and addressed on an ongoing basis. As part of our efforts to further improve the performance appraisal process, we conducted a training programme for line managers and employees on how to conduct an effective performance appraisal. The programme was a part of the "Career Summit" conducted in November 2022. Performance appraisals are carried out for all our employees annually.

### Creating a Culture of Inclusivity

Diversity and Inclusion (D&I) is a key global priority for BAT. CTC is committed to driving this global agenda through our recruitment policies, remuneration policies, promotion policies, training and development initiatives, and by fostering an empowering and inclusive culture. In line with the BAT Group's 'Diversity & Inclusion (D&I) Agenda', we increased the representation of women in Management grades to 38%, against a long-term target of 40% by 2023. Management grade employees include all employees at job grade 34 or above including Global Graduates. Meanwhile, ongoing initiatives such as the Women of Worth (WoW) initiative continues to empower women across the organisation by providing meaningful opportunities for engagement and networking, improving visibility on female talent and building female talent pipelines.

A robust grievance mechanism and 'Speak-Up' channel is also in place to ensure that concerns including any incidents of discrimination can be raised and addressed. There were no reported incidents of discrimination during the year.

#### Female Representation

Senior Management & above	31%
Junior and Middle Management	29%
Executive	18%
Non-Executive	2%

**100%**

of women returned to work after maternity leave



## Women of Worth (WoW) Initiative

The WoW initiative is a unique platform that provides the opportunity for engagement, networking, and shared experiences. The initiative is driven by a cross-functional team from CTC's female workforce and has contributed towards collectively addressing issues faced by them in their professional careers and personal lives. Engagement initiatives for the year were determined based on the needs and interests of CTC's female workforce during this period.

Wellness programmes

Tailored communication channels

Recognition



### Creating a culture of open communication

We strive to create a culture where employees are free to raise concerns, share views and build a community. In addition to ongoing forms of engagement such as town hall meetings, digital engagement and recreational activities, annual performance appraisals, a robust grievance mechanism and an open-door policy also provide employees opportunities to make their voices heard. We also conduct the 'Your Voice' employee survey every two years to gauge employee pulse and obtain feedback on people initiatives implemented during the period. The most recent 'Your Voice' survey was conducted in 2021.

### We also encourage an open and ongoing dialogue with our Unions

Approximately 28% of our employees are represented by unions and covered by a Collective Agreement which is reviewed every three years. We maintained favourable relations with all our unions during the year. All significant operational changes are communicated to unions with adequate channels for discussion and debate.

### Virtual Engagement

Virtual engagement has become increasingly important as we embrace new ways of working in a hybrid work environment. Our virtual engagement platform "SAGA" (Sports and Aesthetics Engagement Alliance) which provides virtual content, interactive discussions, competitions and talent shows has been an important platform to connect employees across departments and structures.



# Delivering on our ESG Goals

## Driving Cultural Transformation

In the true spirit of building a people-led culture that is inclusive, collaborative and high-performing, CTC piloted a culture transformation programme for BAT with the aim of driving tangible, sustainable change. The project was led by the appointment of 11 Culture Champions to lead its agenda and through focus groups, culture surveys, and informal sessions, made strides in response to employees' feedback – across simplification, health & wellbeing, engagement and DE&I initiatives. CTC is now poised to actively drive its culture transformation initiative over the new reporting period with the aim of fostering a great place to work for all our employee groups.



### CAPITAL TRADE OFFS



Enhancing our employee proposition enables us to attract and retain the best talent



Investing in our social relationships result in stronger long-term relationships with our employees, business partners and communities



Investing in training and development builds intellectual capital which provides us with an edge in the market

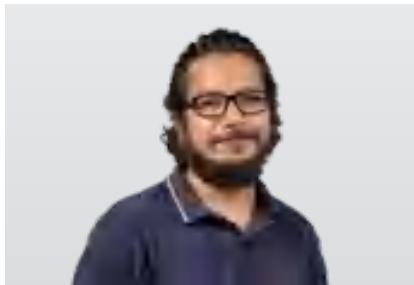


More productive and engaged employees contribute to improved financial performance



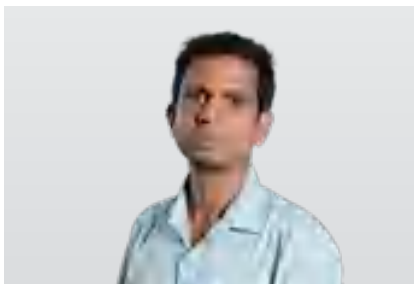
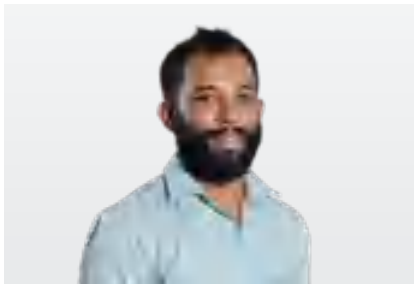
# CTC Trade Union

## Union Committee - Colombo



## CTC Trade Union

### Union Committee - Kandy





## G

## Governance

Robust  
Corporate  
Governance

- Business Ethics
- Responsible Marketing and Transparent Communications

## CTC Performance Impact

**100%**  
of employees completed  
annual SoBC training

**Zero**  
Incidents of non-compliance with marketing  
regulations resulting in a fine/penalty or  
regulatory warning

## CTC's Approach to Business Ethics



**Management Approach :** We are committed to empowering our people to act with integrity and have, over the years, fostered a compliance-conscious culture that prioritises ethical behaviour.

## Internal 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. We continue to review and update these policies to address emerging concerns. During the year, the SoBC was revamped across BAT end-markets with a view towards ensuring consistency in application.

## BAT GROUP'S KEY POLICIES AND STANDARDS

## 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)

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

## 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 &amp; Entertainment Policy

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 towards serious bribery and corruption risks.

## Compliance

Compliance with all external and internal regulations, required standards and guidelines are ensured through a dedicated Compliance Manager, who is responsible for implementing BAT Group's Compliance Strategy. Meanwhile, stringent procedures are in place to ensure that employees and third-parties are aware of and comply with relevant policies and standards.

- Annual employee sign-off on SoBC,
- Risk-based due diligence of all third-parties through an online platform, Coupa Risk Assess (CRA) System,
- All external parties that are subject to assessments through 'Know-Your-Customer' (KYC) and 'Know-Your-Supplier' (KYS) policies.

## Delivering on our ESG Goals

### Grievance Mechanism

'The Speak-Up' channel allows employees and third-parties working with us to raise concerns or grievances regarding non-compliance on SoBC without fear of reprisal. The channel is independently managed and accessible via a designated hotline and an online portal.

**ZERO**  
No. of grievances raised through the 'Speak-Up' channel

### Ethics and Compliance Training

We ensure that our employees are aware of and understand our policies and procedures with regard to ethical behaviour. Periodic refresher sessions, training and other communication including policy cascades and our SoBC App ensure that ethical behaviour is ingrained into our organisation culture. The following ethics and compliance training programmes were conducted during the year:

- LEX Policy Cascade conducted for all permanent and DC Management employees,
- SoBC training for all permanent and DC Non-Executive employees,
- LEX Policy refresher for all permanent and DC Leaf Field staff.

### Anti-Bribery and Corruption

The Third-Party Anti-Financial Crimes Procedure (AFC) was rolled out in 2021 as part of our efforts to ensure transparency and mitigate third-party risks of bribery and corruption, money laundering, terrorist financing, illicit trade, sanctions and tax evasion.

Confirmed incidents of corruption and actions taken	None
Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	None
Political contributions	None

### Industry Engagement

We engage closely with industry stakeholders to drive ethical behaviour not only in our own industry but also in the wider business community. We maintain constructive dialogue with regulatory authorities to drive responsible behaviour by stakeholders. Meanwhile, as part of our efforts to promote best practices in ESG and reporting, we collaborated with the CSE for the 'Beyond Basics' forum. The forum was aimed at providing participants an in-depth understanding of the fundamentals and best practices on Climate Reporting. We also hold membership in several associations including The Ceylon National Chamber of Industries and The International Chamber of Commerce Sri Lanka and continue to work collaboratively to promote responsible and ethical behaviour.



### Project SimpliCT

Introduced as a Company-wide initiative in 2021 and advanced during the year under the name 'Project SimpliCT', the initiative is geared towards simplifying complex business processes and operations within the organisation and enhancing faster decision-making practices. The Project SimpliCT team, representing employees from all functions and with the guidance of the Leadership Team, identified 32 new initiatives during the year, which estimated an approximate savings of around 650 man hours per month once implemented. Key initiatives which were completed surrounded the simplification of policies, digitisation of reporting, and introduction of new platforms.



**CTC's Approach to Responsible Marketing and Transparency in Communications**



**Management Approach :** Given the nature of our products, responsible marketing and transparency in communications is a priority area which we ensure through strict adherence to internal and external marketing guidelines.

**Regulatory Compliance**

In addition to being bound by the NATA Act and its regulations, marketing operations at CTC are also governed by BAT's IMPs which ensure that our products are marketed responsibly. The NATA Act and regulations include clear guidelines on product marketing and labelling which we stringently adhere to. The IMPs meanwhile are centered on the premise that our products are intended strictly for adults and are not designed to engage or appeal to youth.

**NATA Regulations**

- Trilingual text health warnings,
- TAR and Nicotine content disclosures,
- Graphical Health Warning covering the top 80% of the surface area of the front and back of the pack.

**IMP Principles**

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

**Youth Access Prevention**

BAT's Youth Access Prevention (YAP) guidelines ensure that individuals under the legal age (21 in Sri Lanka) do not have access to our products. As part of these guidelines, we ensure that we:

- work directly with retailers to uphold minimum age laws and our internal standards,
- support retailers by providing point of sale material such as YAP stickers,
- provide retailers with training and awareness on applicable laws.

**Aiming for  
100%  
Adherence to YAP  
Guidelines**

**CAPITAL TRADE OFFS**



Fostering a culture that values ethical behaviour, and promotes a fair and equitable workplace which results in more satisfied employees



Ethical and responsible behaviour contributes to our brand value and strengthens our stakeholder relationships



Ethical behaviour and strong compliance ensures the sustainability of the business

**THRIVING**  
**RESPONSIBLY**



At CTC, we are governed by long-term industry expertise, efficient internal controls, and best practices, enabling us to formulate feasible responses to current challenges, while maintaining high industrial expectations.

## RISK MANAGEMENT & GOVERNANCE

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# Risk Management

The risk landscape presented new complexities during the year, reflecting the continued economic, human and social implications of COVID-19 as well as the political instability faced in Sri Lanka. CTC proactively monitors emerging risks that could affect its financial performance, stability, business continuity and supply chain over the short, medium and long-term.

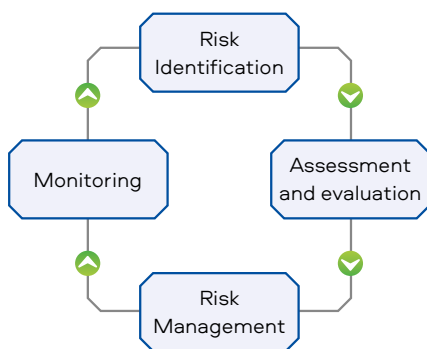
The Company's approach to managing risks and the principal risks of 2022 is set out below:

## 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 Executive Committee 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

## Management approach



subsidiary of BAT, 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 RMC and reviewed regularly by the Executive Committee, bi-annually by the Board and the Audit Committee.

```

      graph TD
        Board[Board of Directors] --- Audit[Audit Committee]
        Board --- RMC[Risk Management Committee]
        Audit --- Internal[Internal Audit]
        Audit --- Regional[Regional Audit Committee]
        RMC --- Executive[Executive Committee]
        Executive --- RMC
      
```

```

      graph TD
        RMC[Risk Management Committee] -- Analysis --> AC[Audit Committee]
        AC -- Review --> RMC
      
```

IMPACT	High (3)	3	6	9
	Medium (2)	2	4	6
	Low (1)	1	2	3
		Low (1)	Medium (2)	High (3)

LIKELIHOOD

IMPACT:

▲ Increased

▼ Decreased

● Same

LIKELIHOOD:

▶ Increased

◀ Decreased

**RISK STATUS**

In Place   On Track   Under Development

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

**NEW AND DELETED RISKS**

○ New Risk

● For deletion

**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 reports 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 the RMC, Executive Committee, 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.

## PRINCIPAL RISKS OF 2022

The table below summarises the Company's key risk exposures for 2022. The risks detailed below are the ones that had and could potentially have 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	Risk assessment compared to last year		Timeline of risk	Risk management mechanisms in place
	Impact	Likelihood		
Macro-economic volatility in transactional foreign exchange rate	●	●	Short to-Medium Term	■
Competition from illicit trade	●	●	Long Term	■
Unfavourable and unplanned excise and taxes	●	●	Medium to Long Term	■
Impact of price increases on consumer affordability	●	●	Short to Medium Term	■
Difficulties in recruiting/retaining talent	●	●	Long Term	■
Business disruptions stemming from COVID-19	▼	◀	Medium Term	■

### Macro-economic volatility in transactional foreign exchange rate

Sri Lanka's economic prospects are dampened by the current foreign exchange crisis and significant external debt repayments that were due in 2022. Efforts to preserve foreign currency reserves through restricting imports have affected local manufacturers who rely on imported raw materials. Other downside risks include rising inflation levels, food shortages and disruptions to power supply given shortages in fuel within the country. While our reliance on imported raw material is limited, these dynamics could impact CTC through implications on consumer

affordability which would ultimately lead to lower volumes. CTC took multiple steps to safeguard its business operations in light of these risks, most notably broadening its banking portfolio and leveraging the banking relationships to diversify FX sources, as well as establishing additional safeguards through the Parent Company's or the Group's support if needed, to overcome any supply disruption risks.

### Competition from illicit trade

The illicit market comprises smuggled products (counterfeit cigarettes and duty-not-paid products) and locally manufactured products on which applicable taxes are evaded. The increasing

price disparity between legal and smuggled cigarettes in recent years have fuelled the growth of the illicit market which now accounts for 6% of the country's total cigarettes consumption. Having acknowledged the implications on Government revenue and public health objectives, the Government has ramped up efforts to curtail growth of the illicit market, by strengthening detection mechanisms and empowering relevant law enforcement agencies.

### Unfavourable and unplanned excise and taxes

Excise duties and taxes on tobacco products are a key source of Government revenue, leading successive governments to view

## Risk Management

the industry as a potential source of additional revenue during periods of fiscal difficulties. From 2017 to 2022, the price of a legal cigarette has increased by 100%, driven by excise and taxes. CTC continues to engage the authorities in light of its strategy for long term sustainability of the legal tax paying industry which is vital for a key stream of Government tax revenues.

### **Impact of price increases on consumer affordability**

The Company's ability to adjust retail prices to reflect rising manufacturing costs is limited, particularly given the excise-driven steep escalation in prices and the adverse impacts on consumer affordability. The moderating economic conditions and impacts on consumer disposable incomes in recent years have further compounded this challenge, which has directly impacted our volumes. In pursuit of its agenda of sustainable performance, the business continues to advocate for sensible taxation and regulation for the industry.

### **Difficulties in attracting/retaining talent**

The Company could be exposed to difficulties in attracting and retaining the right people who have the ability and personal leadership skills to drive its strategic objectives, particularly given social perceptions and stigma surrounding the tobacco industry. The Company continues to invest in its talent brand and to maintain market competitiveness of CTC's overall 'Employee Value Proposition' in order to attract, develop and retain high quality local talent. Our aim is to grow local talent to leadership positions within CTC and to be a source of high-quality talent for the Group, outside of Sri Lanka.

### **Disruptions to business stemming from COVID-19**

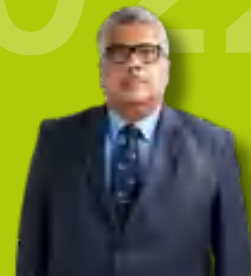
The emergence of new variants of the COVID-19 virus could result in lockdowns and restrictions in mobility. This could lead to potential disruptions to distribution channels and supply chains and a slowdown in consumer demand. However, this risk could be mitigated given the Company's adaptation to new realities of working and its demonstrated ability to conduct business in conditions of limited mobility. While health and safety of employees remains a key risk given the possible resurgence of infections, these risks are mitigated by the Company's stringent and comprehensive safety guidelines.

## Corporate Governance

The Company's sound governance practices proved invaluable as it continued to navigate a volatile business environment. The Board continued to drive the BAT Ethos by ensuring transparency and accountability in all areas of its business while increasing oversight over ESG considerations to create long term value to the Company's stakeholders.

# GOVERNANCE HIGHLIGHTS 2022

Appointment of Mr. Kushan D'Alwis (President's Counsel) as an Independent, Non-Executive Director with effect from 20 April 2022 consequent to the demise of Mr. Anil Tittawella (Independent, Non-Executive Director) on 26 February 2022.



The demise of Mr. Anil Tittawella (President's Counsel) on 26 February 2022 is noted with deep sadness.

Mr. Tittawella served CTC as an Independent, Non-Executive Director since February 2018 until his demise in February 2022. CTC would like to place on record its sincerest appreciation of the invaluable contributions made by Mr. Tittawella to the Company during his tenure.



Re-constitution of the Nominations Committee with the appointment of Mr. Yudhishtiran Kanagasabai (Independent, Non-Executive Director) as the Chairman of the Committee and with the appointment of Ms. Rumana Rahman (Non-Executive Director), to fill the casual vacancy created by the demise of Mr. Anil Tittawella.



Re-election of Ms. Rumana Rahman and Mr. Stuart Kidd who retired by rotation and the re-election of Ms. Monisha Abraham, Mr. Kushan D'Alwis and Mr. Ali Abrar who were appointed since the last Annual General Meeting, under the Articles of Association of the Company.

Mr. Ali Abrar resigned from the Board of Directors and Mr. Towhid Akbar was appointed to the Board of Directors w.e.f. 1 April 2023.

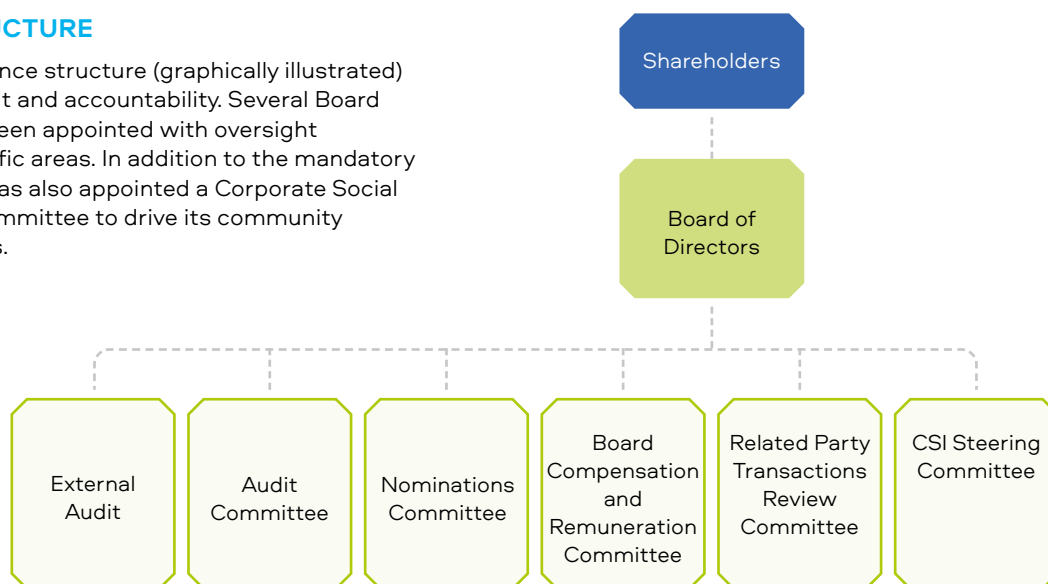


### GOVERNANCE BENCHMARKS AND REGULATORY COMPLIANCE

CTC's governance structures, policies and frameworks are aligned to BAT's best-in-class practices. The framework also complies with local regulatory requirements including the Companies Act No. 7 of 2007, Listing Rules of the CSE, Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka and other relevant laws and regulations.

### GOVERNANCE STRUCTURE

The Company's governance structure (graphically illustrated) promotes empowerment and accountability. Several Board sub-committees have been appointed with oversight responsibility over specific areas. In addition to the mandatory sub-committees, CTC has also appointed a Corporate Social Investment Steering Committee to drive its community engagement aspirations.



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 & compliance and conduct of business in accordance with our SoBC policy
Board Compensation and 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 Executive Committee, and the Management staff of the Company
Nominations Committee	1 Independent NED, 1 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



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 are separate, strengthening the Board's effectiveness and ensuring objective decision-making in the discharge of duties.

## BOARD COMPOSITION

The Board comprises eight Directors (including the Chairman), of whom two are Executive and six are Non-Executive Directors. Three of the Non-Executive Directors are Independent Directors. The BAT Group is represented by three Non-Executive Directors. 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. The 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 from pages 10 to 13.

Non-Executive Directors



Independent, Non-Executive Directors



Executive Directors



## Board Diversity

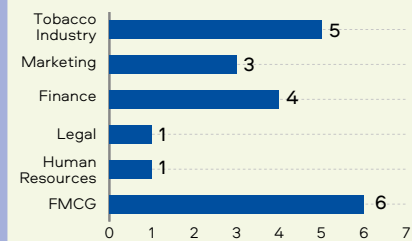
### By Gender

Male	6
Female	2

### By Age

40 - 50	3
51 - 60	2
61 - 70	3
Above 70	None

### By Expertise



## NOMINATIONS TO THE BOARD

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

### Appointments, re-elections and cessations during 2022

	Name of Director	Nature of Directorship	Effective Date
New Appointments	Mr. Kushan D'Alwis	Independent, Non-Executive Director	20 April 2022
Cessations	Mr. Anil Tittawella	Independent, Non-Executive Director	Demised on 26 February 2022
Re-elections	Ms. Rumana Rahman	Non-Executive Director	26 May 2022
	Mr. Stuart Kidd	Non-Executive Director	26 May 2022
	Ms. Monisha Abraham	Executive Director	26 May 2022
	Mr. Ali Abrar	Executive Director	26 May 2022
	Mr. Kushan D'Alwis	Independent, Non-Executive Director	26 May 2022

## INDUCTION AND TRAINING

All incoming Directors joining the Board receive an induction covering their duties and responsibilities 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, Sub-committee Charters and Annual Reports, among others, is provided to all newly-appointed Directors.

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

- 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 & External Affairs,

## Corporate Governance

- Market visits covering multiple channels including general trade, modern trade and hotels/restaurants, and
- Site visit to 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 environments.

### 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 the same to the Company Secretary. From the current Board, three Directors are deemed independent of Management and free of any business or other relationship that could materially affect the exercise of their independent judgement.

### COMMUNICATION OF CRITICAL CONCERNS

'Speak-Up' channels encourage employees and business partners to raise any concerns or grievances confidentially and anonymously. This includes the 'Speak-Up' hotline and 'Speak-Up' portal, which are managed independently and available 24 hours. Allegations that are raised through the external

'Speak-Up' channels ([www.bat.com/speakup](http://www.bat.com/speakup) or the 'Speak-Up' hotline), are automatically entered into the SoBC portal, 'Convercent', access of which is only provided to internal employees.

### 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 Executive Committee 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, at least seven working days prior to the meetings, providing adequate time for preparation, thereby ensuring informed decision-making. During 2022, the Board convened for the four scheduled meetings.

Attendance at Board and sub-committee meetings held during the financial year 2022 is given below:

Director	Board	Audit Committee	Board Compensation and Remuneration Committee	Nominations Committee	CSI Steering Committee	Related Party Transactions Committee
Mr. Suresh Shah	4/4					
Mr. Yudhishtan Kanagasabai	4/4	4/4	1/1	1/1	2/2	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	4/4	4/4*			2/2	4/4*
Mr. Usman Zahur	4/4	4/4	1/1			4/4
Ms. Rumana Rahman	3/4			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.

**BOARD REMUNERATION**

The Board Compensation and 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 Board Compensation and Remuneration Committee are provided on page 104 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 131 of this Report.

**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:

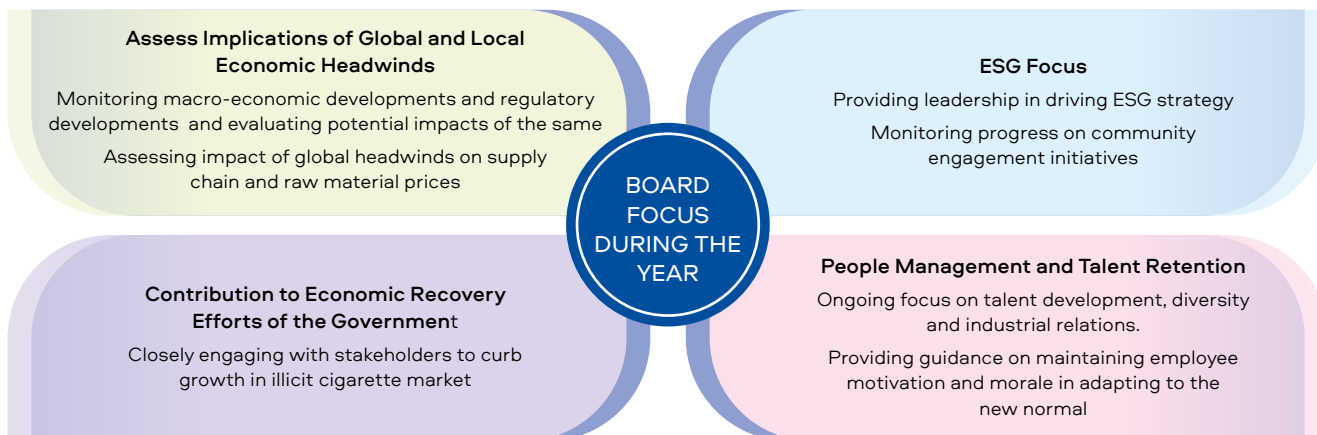


**ROLE OF THE BOARD**

- 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**

Clearly defined governance structures enabled the Board to maintain ongoing and effective oversight and leadership as the medium to long-term impacts of the pandemic continued to unfold in 2022. The Board, directly and through its sub-committees, considered actions to successfully face challenges, manage crisis and harness opportunities while recalibrating strategy, to protect and create value for the Company and its stakeholders. Key areas of Board focus during the year are summarised below:



## 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 84 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 quarterly exercise enables the review of the effectiveness of the Company's risk and internal control systems. (Refer page 96 of this Report for the Director's statement on Internal Controls)

### SHAPING ORGANISATIONAL CULTURE

The Board plays an important role in shaping the organisational culture of CTC. The BAT Ethos which was launched in 2020, 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. In 2022, the SoBC was revamped with a view of ensuring consistency across the end markets of BAT.



### 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 management of ESG issues, given CTC's strategic thrust towards its ESG strategy and Management. Accordingly, the Committee's Terms of References were revised to include driving the Board's social and environmental vision and aspirations, oversight on management of social and environmental issues and ensuring compliance to relevant ESG policies.

During the year the Company made significant progress towards achieving the environmental, social and governance related goals and aspirations set out in its comprehensive ESG strategy, which was launched in 2020. Progress

achieved relating to environmental, social and governance related goals are set out from page 58 to 59 in 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 responsibilities (refer to the Audit Committee Report on page 101). 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 Institute of Chartered Accountants of Sri Lanka (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 100), the Statement of Directors' Responsibility (refer page 100) and Directors' Statement on Internal Controls (refer page 96).

## 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 91<sup>st</sup> AGM was successfully held virtually for the 3<sup>rd</sup> consecutive year. 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 an attractive dividend pay-out, despite the challenging operating conditions that prevailed.

## STATEMENT OF COMPLIANCE

Listing Rule No.	Board	Applicable Requirement	Compliance Status	Applicable section in the Annual Report
710.1(a)	Non-Executive Directors	At least 1/3 of the total number of Directors should be Non Executive Directors	Compliant	89
710.2(a)	Independent Directors	Two or 1/3 of Non-Executive Directors, whichever is higher, should be independent	Compliant	89
710.2(b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence/non-independence	Compliant	90
710.3(a)	Disclosures relating to Directors	a. The Board shall make a determination annually as to the independence or non independence of each Non-Executive Director	Compliant	90
		b. Names of independent Directors should be disclosed in the Annual Report	Compliant	97
710.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the areas of expertise	Compliant	10 to 13
710.3(d)	Disclosure relating to Directors	Upon appointment of a new Director to the Board, a brief resume of each Director should be provided to the CSE.	Compliant	97
710.4	Criteria for defining independence	As per defined criteria of the CSE Listing Rules	Compliant	97
710.5	Remuneration Committee	A Listed Company shall have a Remuneration Committee	Compliant	88
710.5(a)	Composition of the Remuneration Committee	The Committee shall comprise of Non-Executive Directors, a majority of whom shall be independent	Compliant	104
710.5(b)	Report of the Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors	Compliant	104
710.5(c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out; a. Names of Directors comprising the Remuneration Committee	Compliant	104
		b. Statement of remuneration policy	Compliant	91
		c. Aggregate remuneration paid to Executive & Non-Executive Directors	Compliant	131



## Corporate Governance

Listing Rule No.	Board	Applicable Requirement	Compliance Status	Applicable section in the Annual Report
7.10.6	Audit Committee	The Company shall have an Audit Committee	Compliant	88
7.10.6(a)	The composition of the Audit Committee	a. The Committee shall comprise Non-Executive Directors, a majority of whom shall be independent	Compliant	101
		b. The Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings	Compliant	101
		c. The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Compliant	101
7.10.6(b)	Audit Committee Functions	Overseeing of the, (i) Preparation, presentation and adequacy of disclosures in the Financial Statements, in accordance with the Sri Lanka Accounting Standards.	Compliant	101
		ii) Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.	Compliant	101
		iii) Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.	Compliant	101 to 102
		iv) Assessment of the independence and performance of the External Auditors.	Compliant	102
		v) Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors and to approve the remuneration and terms of engagement of the External Auditors.	Compliant	102
7.10.6(c)	Disclosure in the Annual Report relating to Audit Committee	a. Names of Directors comprising the Audit Committee	Compliant	101
		b. The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Compliant	102
		c. The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance of the functions	Compliant	101 to 102
9.2.1	Related Party Transactions Review Committee	The Company shall have a Related Party Transactions Review Committee (RPTRC)	Compliant	88
9.2.2	The composition of RPTRC	The Committee should comprise of a combination of Non Executive Directors and Independent, Non- Executive Directors	Compliant	103
		One Independent Non-Executive Director should be appointed as Chairman of the Committee	Compliant	103
9.3.2.(c)	Disclosure in the Annual Report relating to RPTRC	Names of the Directors comprising the Committee;	Compliant	103
		A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and has communicated the comments/ observations to the Board of Directors	Compliant	103
		The policies and procedures adopted by the Committee for reviewing the Related Party Transactions	Compliant	103
		The number of times the Committee has met during the Financial Year	Compliant	103
9.3.2.(d)	Declaration by Board of Directors	A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions	Compliant	97

# Assessment of Going Concern

The financial statements of CTC for the year ended 31 December 2022, 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 2022.

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 and Safety standards.

## OTHER INDICATORS

- Management pro-activeness and compliance with legal and statutory requirements.
- Low likelihood that legal cases filed against the Company will have a significant adverse effect on its operations.
- Robust risk management process and migratory action plans.
- Robust actions to continue business operations during COVID-19 pandemic and 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; Bold, Fast, Empowered, Responsible and Diverse, 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 ensures that the 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 Executive Committee.

The internal controls system is monitored by the Executive Committee 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 Executive Committee 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 02 year horizon;
- a detailed and up to date Statement of Delegated Authority that enables the Board to exercise appropriate control over the business through the Executive Committee.

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 2022.



**Monisha Abraham**  
Managing Director & CEO



**Towhid Akbar**  
Finance Director

21 April 2023

# 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 2022.

The information table on the level of compliance to the Listing Rules provided by the CSE appearing in page 93 to 94 and Share Information section on pages 151 to 153 form part of this Report of the Board of Directors.

## STRUCTURE AND PRINCIPLE 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 118.

## REVIEW OF PERFORMANCE

A review of performance and future outlook of the Company is available in the Chairman's Review (pages 20 to 23), Managing Director & CEO's Review (pages 24 to 29), Finance Director's Review (pages 108 to 110) and in the section of Value Creation appearing on page 33.

## 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 2022. 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 10 to 13 of the Annual Report.

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

Name	Change	Date
Mr. Syed Muhammad Ali Abrar (Finance Director)	Resigned	1 April 2023
Mr. Towhid Akbar (Finance Director)	Appointed	1 April 2023

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 7.10.3(d).

## INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

In accordance with the Listing Rule No. 7.10.4 of the CSE, the Directors determined Mr. Suresh Shah, Mr. Yudhishtan Kanagasabai, and Mr. Kushan D'Alwis as Independent Directors based on declarations made by them according to Appendix 7A 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. Usman Zahur and Mr. Kushan D'Alwis retire from the Board of Directors by rotation at the next Annual General Meeting and being eligible, be proposed for re-election;
- Mr. Towhid Akbar who was appointed since the last Annual General Meeting, be proposed for re-election at the next Annual General Meeting; and
- Mr. Yudhishtan Kanagasabai who has reached the age of 65 years prior to the next Annual General Meeting and accordingly vacates his post thereat, be proposed for re-appointment as a Director of the Company at the next Annual General Meeting.

## 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 Executive Committee 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 9.3.2 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.

## DIRECTOR'S SHAREHOLDING

No Director disclosed above has any shareholding in the Company.

## Report of the Board of Directors

Results for the year 2022 and appropriation

	Units	2022	2021	Growth
Turnover	Rs. Million	167,194	134,369	24%
Profit for the year	Rs. Million	20,469	16,146	27%
No. of shares	Number	187,323,751	187,323,751	-
Earnings per share	Rs.	109.27	86.20	27%
Net assets per share	Rs.	93.38	47.98	95%
Market price per share	Rs.	625.00	878.00	-29%
Price earnings ratio	Times	5.72	10.19	-44%
Dividends per share (with interims and proposed dividend)	Rs.	109.30	64.35	-55%

### 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 page 153 under 'Share Information'.

### STATED CAPITAL

The stated capital of the Company as at 31 December 2022 amounted to Rs. 1,873 Million (2021 - Rs. 1,873 Million), 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 2022 comprise of revenue reserves amounting to Rs. 15,620 Million. Movements are shown in the Statement of Changes in Equity in the Financial Statements.

### DIVIDENDS

Interim dividends of Rs. 5,432 Million has been declared during the year and another Rs. 11,239 Million was declared subsequently. Along with proposed final dividend of Rs. 20.30 to be approved at the AGM, a total of Rs. 20,474 Million has been declared with the pay-out ratio of 100% for the year.

### MOVEMENT OF RETAINED EARNINGS

	Rs.000's
Retained profit as at 1 January 2022	7,113,882
Adjustment for Surcharge tax levied under Surcharge Act No. 14 of 2022 ( Note 05)	(6,306,320)
Current year's profit after charging all expenses and providing for all known liabilities	20,468,708
Dividends of Rs. 29.00 per share on the Issued Share Capital of 187,323,751 shares	(5,432,389)
First Interim dividend - Rs. 10.00 per share paid on 15/02/2023	
Second Interim dividend - Rs. 10.00 per share paid on 15/02/2023	
Third Interim dividend - Rs. 9.00 per share paid on 15/02/2023	
Write back of unclaimed dividend	6,557
Re-measurement of defined benefit obligations	(230,483)
Balance carried forward to 2023	15,619,955

### 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. 541 Million in PPE including for its modernisation programme. 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 2022 amounted to Rs. 187 Million 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 2022. However, the Group through an International Executive Incentive Scheme (IEIS) offers value of phantom shares in BAT, in cash, to selected members of the Executive Committee 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 3 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 73 to 76 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.

## ENVIRONMENTAL PROTECTION

Policies and endeavours made on environmental preservation by the Company are covered on page 64.

## 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 27 to the Financial Statements on page 147.

## 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).



**Monisha Abraham**  
Managing Director & CEO



**Towhid Akbar**  
Finance Director

21 April 2023

# 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 pages 112 to 113.

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 2022, 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 2022; and
- financial performance of the Company for the financial year ended 31 December 2022.

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

- The appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;
- Financial Statements are presented in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) and all applicable standards as relevant, have been followed;

- Judgements and estimates have been made which are reasonable and prudent;
- 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



**Monisha Abraham**  
Managing Director & CEO

21 April 2023

# Report of the Audit Committee

I take this opportunity to present to you the 2022 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

Mr. Kushan D'Alwis

Mr. Usman Zahur

The Chairman of the Committee is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a former Territory Senior Partner of PricewaterhouseCoopers, Sri Lanka and the Maldives. 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 10 to 13 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 Executive Committee and External Auditors too attend the meetings by invitation.

The attendance of the members at these meetings are given in page 90 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 on page 88.

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.

The remediation 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.

## Report of the Audit Committee

### 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.

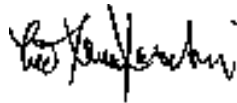
### External audit:

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.



**Yudhishtan Kanagasabai**  
Chairman

The Audit Committee

21 April 2023

# 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 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

Mr. Kushan D'Alwis

Mr. Usman Zahur

Brief profiles of the Committee members are given in pages 10 to 13 of this report.

## MEETINGS

The Committee held 4 meetings in the year 2022. The Managing Director & CEO and other members of the Executive Committee or any other Manager (where relevant) of the Company attend 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 90 of this Report.

## TERMS OF REFERENCE

The Committee, in discharging its functions ensures that:

- There is compliance with the Securities and Exchange Commission of Sri Lanka and Listing Rules and Code of Best Practises,
- Shareholder interests are protected, and
- Fairness and transparency are maintained.

The approved guidelines for conducting Related Party Transactions 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 Executive Committee Members of CTC would form a part of the Key Management Personnel (KMP).

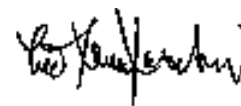
## ACTIVITIES

During the year, the Committee reviewed the RPTs of CTC and their compliance according to SEC, the Listing Rules and Code of Best Practises. There were no non - recurrent new RPTs 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. The Committee communicated the 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.



**Yudhishtan Kanagasabai**  
Chairman

Related Party Transactions Review Committee

21 April 2023



# Report of the Board Compensation and Remuneration Committee

The Board Compensation and 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. Kushan D'Alwis – Chairman

Mr. Yudhishtan Kanagasabai

Mr. Usman Zahur

Brief profiles of the Committee members are given in pages 10 to 13 of this Report.

## TERMS OF REFERENCE

The Terms of Reference of the Committee includes the following:

- Ensure that arrangements are made for regular surveys of remuneration and benefits, with a sufficient sample of comparator companies to obtain a reliable measure of the market.
- Ensure that remuneration systems offer the opportunity of excellent reward for excellent performance.
- Examine reward packages as a whole, seeking overall competitiveness rather than item-by-item comparability.
- Ensure that the remuneration package is at all times fully in compliance with local taxation and legal requirements.
- Establish and maintain an effective system of job evaluation.

Also, the Committee reviews and approves the Remuneration policy for below:

- Basic salaries,
- Perquisites and benefits,
- Performance bonus,
- Pension entitlements,
- Long Term Incentive Plan.

## Meetings & activities

The Board Compensation and 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**  
Chairman

Board Compensation and  
Remuneration Committee

21 April 2023

# Report of the Nominations Committee

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

## COMPOSITION

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

Mr. Yudhishtan Kanagasabai –  
Chairman

Ms. Rumana Rahman

Ms. Monisha Abraham

Brief profiles of the Committee members are given in pages 10 to 13 of this Report.

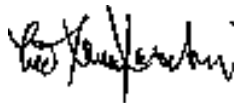
## TERMS OF REFERENCE

The Terms of Reference of the Committee includes the following:

- Propose a suitable Charter for the appointment and the re-appointment of Directors to the Board.
- Provide advice and recommendation to the Board or the Chairman on appointing Directors.
- Select and appoint 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 Committee convened once during the year to consider and recommend the appointment of Mr. Kushan D'Alwis to the Board of Directors, following the demise of Mr. Anil Tittawella.



**Yudhishtan Kanagasabai**  
Chairman

Nominations Committee

21 April 2023

# THRIVING RESULTS

The image features the text "THRIVING RESULTS" in a bold, white, sans-serif font against a solid purple background. The word "THRIVING" is on the top line, and "RESULTS" is on the bottom line. The letter 'V' in "THRIVING" is stylized as an upward-pointing arrow, with a dotted line leading to the arrowhead. The arrow points towards the top right corner of the frame.

CTC's financial achievements in the year under review were determined by the enhanced productivity and resilience of our employees and suppliers who have accelerated the future growth of the company.

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## Finance Director's Review



**32%**

TOTAL REVENUE GROWTH

**Rs. 20.5 Bn**

PROFIT AFTER TAX

**Rs. 109.27**

EARNING PER SHARE



**24%**

Turnover growth

**7%**

of the country's total tax revenue

**Rs. 34.4 Bn**

Profit Before Tax

**27%**

Growth in Profit after tax

**Rs. 109.30**

Total Dividend per share

Despite 2022 being one of the most challenging years faced by the country amidst economic, political and social turmoil, CTC managed to successfully navigate these challenges to deliver a strong performance in terms of value generated to stakeholders. This commendable performance was achieved by remaining agile and adaptable to the evolving conditions and responding proactively and decisively. Finance continued to play a key role in these efforts by providing effective financial planning, capital management and risk management in a volatile business environment.

**Towhid Akbar**  
Finance Director

## VOLUME LED REVENUE GROWTH

An effective distribution strategy that ensured uninterrupted distribution of products amidst the disruptions in the market and targeted reinforcement campaigns in key product segments resulted in a total volume growth of almost 19% during the year. Notably, although prices increased by approximately 20% due to three successive tax increases during the year, the Company managed to grow volumes reflecting the success of our branding and pricing strategy amidst a normalisation of operations post COVID-19. The volume growth together with tax driven price increase resulted in turnover increasing by 24% during the year. In line with the growth in turnover, CTC's contribution to Government revenue increased by 23% to Rs. 136.85 Billion, reiterating our position as one of the largest contributors to Government revenue.

## MANAGING OPERATING EXPENSES

Unprecedented inflationary pressures during the year resulted in a 47% increase in operational expenses with employee related expenses increasing by almost 33% due to additional support extended during the crisis period. Notwithstanding the sharp increase in costs during the year, operating margins improved from 19% to 20% during the year reflecting our strong brand portfolio and effective pricing strategy. Consequently Profit-Before-Tax recorded a growth of 29% to Rs. 34.4 Billion. Net finance income meanwhile increased by almost Rs. 678 Million during the year as a result of our efficient investment strategy. Consequently, Profit for the period recorded an impressive growth of 27% to Rs. 20.5 Billion.

## LIABILITIES AND LIQUIDITY POSITION

Total liabilities of the Company as at 31 December 2022 amounted to Rs. 24.1 Billion compared to Rs. 17.0 Billion during the previous year. Almost 97% of total liabilities comprise of current liabilities including trade and other payables. The Company has consistently maintained a favourable liquidity position with a current ratio well above 1.0 during the year. While the Company obtained a long term loan of USD 1 Million from its parent company BAT, as a prudency measure against FOREX constraints in the market. The Company has no other borrowings from external parties.

## SHAREHOLDER FUNDS

The equity position of the Company increased by almost 95% to Rs. 17.5 Billion as at 31 December 2022 on account of retained earnings more than doubling during the year.

## Finance Director's Review

This significant increase in retained earnings reserve during the year was on account of a lower dividend declaration during FY 2022 and strong profit growth during the current financial year.

### HEALTHY CASHFLOW

The Company's cashflow and liquidity levels remained healthy, with Cash & Cash Equivalents amounting to 24.2 Billion as at 31 December 2022. Buoyed by a strong operational performance during the year cash generated from our operations amounted to Rs. 37.9 Billion. As per the Surcharge Tax Act introduced in 8th April 2022, the Company was liable for a Surcharge Tax of Rs.6.3 Billion which was paid in two equal installments on 20 April 2022 and 20 July 2022. Income tax paid during the year amounted to Rs. 11.4 Billion. As a responsible corporate we ensured all tax payments were made on a timely basis. Consequently Net cash generated from operations amounted to Rs. 21.4 Billion during the year. Net cash outflows from investing activities was Rs. 541 Million due to purchases of PPE while Net cash outflow from financing activities amounted to Rs. 5.3 Billion as a result of dividends paid during the year.

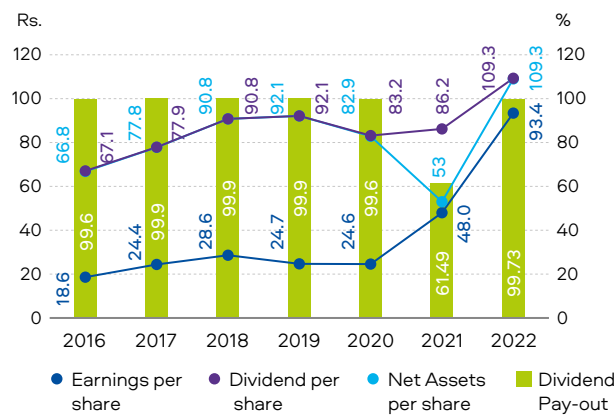
### SHAREHOLDER RETURNS

The Company continued to generate sustainable value to its shareholders delivering an Earnings per share of Rs. 109.3 during the year. The strong performance during the year enabled the Company to declare 4<sup>th</sup> and 5<sup>th</sup> interim dividends of Rs. 30 per share each. Based on our performance during the year we are confident that we will be able to declare a final dividend of Rs. 20 for the year 2022, thereby achieving a dividend payout ratio of 100%.

CTC's share price closed the year at Rs. 625 compared to Rs. 878 during the previous year. Meanwhile with a market capitalisation of Rs. 117,077 Million as at 31 December 2022, CTC continues to rank among Sri Lanka's most valuable listed corporate entities.



### VALUE TO SHAREHOLDERS



### WAY FORWARD

The path ahead remains challenging amidst ongoing margin pressure and market volatility stemming from macro-economic vulnerabilities. We are however confident that our strong financial position and robust strategies will enable us to navigate these challenges and remain on a path of sustainable growth. Notwithstanding these short term challenges, we expect a gradual economic recovery towards the end of 2023 and remain committed to supporting the Government by continuing to uphold our track record as a major contributor to Government revenue.

**Towhid Akbar**  
Finance Director

# Financial Reporting Calendar

First Quarter Results 2022	12 May 2022
Second Quarter Results 2022	12 August 2022
Third Quarter Results 2022	14 November 2022
Fourth Quarter Results 2022	1 March 2023
Annual Report 2022	21 April 2023
92 <sup>nd</sup> Annual General Meeting to be held on	26 May 2023

# Independent Auditor's Report



**KPMG**  
(Chartered Accountants)  
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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 accompanying financial statements of Ceylon Tobacco Company PLC, ("the Company"), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies set out on pages 114 to 147 of this annual report.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, 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 (SLAuS). 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 Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 2.8.15 (accounting policies) and Note 4 (Revenue), the Company recorded revenue of Rs. 44.27 Bn for the year ended 31 December 2022 (2021: Rs. 33.62 Bn).

#### Key audit matter

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's key internal 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.
- Reviewing report on General IT Controls tested centrally at group level and Application Controls tested by our own IT specialist and consider impact at the end market level.
- 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 amount of returns after the year-end.

### 2. INVENTORIES

As described in Note 2.8.7 (accounting policies) and Note 14 (Inventory) the Company recorded Inventory of Rs. 6.30 Bn for the year ended 31 December 2022 (2021: Rs. 4.61 Bn).

#### Key audit matter

Inventory represents 15% of total assets and has increased by 27% year on year mainly due to the rise in the cost of raw materials.

Given the level of judgments, estimates and significance of inventory to the financial statements, this is considered to be a key audit matter.

Our audit procedures included,

- Obtaining an understanding of and assessing the design, implementation, and operating effectiveness of management's key internal controls relating to inventory counts and purchasing and issuing of inventories including testing of GITCs and application controls.
- Perform a three-way match for imported inventory items.
- Considering the principles of accounting for the inventory write-offs and also carrying out a comparison of inventory levels, to sales data to corroborate whether slow-moving and obsolete inventories had been appropriately identified and understand the process of recording inventory at the lower of cost and NRV.
- Attending stock counts as at the year-end. In addition, assessing the effectiveness of the physical count controls in operation at each count location to identify damaged stocks, expired stocks, and stock shortages that are written off in a timely manner and evaluating the results of the other cycle counts performed by the management throughout the period to assess the existence of inventory.

#### 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

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C. P. Jayasinghe FCA  
M. B. Joseph FCA  
B. T. D. L. Perera FCA  
M. B. K. D. N. Rodrigo FCA  
Ms. C. T. K. N. Perera ACA

T. J. S. Rajapakse FCA  
Ms. S. M. B. Jayasinghe FCA  
S. A. U. Karunaratne FCA  
R. H. Rajapakse FCA  
A. M. P. M. Mahipala ACA

M. J. C. Perera FCA  
M. K. D. G. Abeyaratne FCA  
R. M. D. B. Rajapakse FCA  
M. N. M. Srinivasan FCA  
Ms. P. M. K. Sumarasekera FCA

Principal: S. R. L. Perera FCA (UK), LL.B., Attorney-at-Law, LL.B., Governance ACA, Ms. P. R. D. Jayasinghe FCA (UK), FTI

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 and fair presentation of the financial statements in accordance with SLFRS/LKAS 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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.

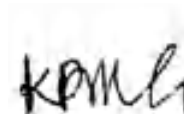
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in 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 1798.



**Chartered Accountants**

Colombo, Sri Lanka

21 April 2023



# Statement of Profit or Loss and other Comprehensive Income

(all amounts in Sri Lanka Rupees thousands)

	Notes	Year ended 31 December	
		2022	2021
Turnover	4	167,194,283	134,368,528
Government levies	4	(122,922,012)	(100,753,295)
Revenue		44,272,271	33,615,233
Raw materials used		(3,438,623)	(2,644,896)
Employee benefit expenses	5	(2,020,172)	(1,518,591)
Depreciation expenses	11	(364,151)	(332,973)
Amortisation expenses	12	(670)	(1,150)
Other operating expenses		(5,288,293)	(3,023,050)
Other operating income	6	36,079	33,039
<b>Operating profit</b>		<b>33,196,441</b>	<b>26,127,612</b>
Finance income	8	1,221,109	538,716
Finance Cost	8	(24,711)	(20,106)
<b>Profit before income tax</b>		<b>34,392,839</b>	<b>26,646,222</b>
Income tax expenses	9 (a)	(13,924,131)	(10,499,737)
<b>Profit for the year</b>		<b>20,468,708</b>	<b>16,146,485</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to Profit or Loss</b>			
Remeasurement of defined benefit obligations	13 (c)	(230,483)	236,808
<b>Total other comprehensive income for the year</b>		<b>(230,483)</b>	<b>236,808</b>
<b>Total comprehensive income</b>		<b>20,238,225</b>	<b>16,383,293</b>
Earnings per share			
- Basic (Rs.)	10	109.27	86.20
- Diluted (Rs.)	10	109.27	86.20

The Notes on pages 118 to 147 form an integral part of these financial statements.

# Statement of Financial Position

(all amounts in Sri Lanka Rupees thousands)

	Notes	As at 31 December	
		2022	2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	5,551,729	5,347,524
Intangible assets	12	-	670
Employee benefit plan asset	13 (b)	158,482	369,610
Other receivables	15	180,687	136,215
<b>Total Non-current assets</b>		<b>5,890,898</b>	<b>5,854,019</b>
<b>Current assets</b>			
Inventories	14	6,302,690	4,611,987
Trade and other receivables	15	5,150,956	7,408,865
Cash and cash equivalents	16	24,216,551	8,592,971
<b>Total current assets</b>		<b>35,670,197</b>	<b>20,613,823</b>
<b>Total assets</b>		<b>41,561,095</b>	<b>26,467,842</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	17	1,873,238	1,873,238
Retained earnings		15,619,955	7,113,882
<b>Total Equity</b>		<b>17,493,193</b>	<b>8,987,120</b>
<b>Non-current liabilities</b>			
Unfunded retirement benefit obligation	13 (a)	163	163
Deferred tax liabilities	18	374,563	377,118
Lease liabilities	21	57,525	100,074
Long term borrowings	22	367,485	-
<b>Total Non-current liabilities</b>		<b>799,736</b>	<b>477,355</b>
<b>Current liabilities</b>			
Trade and other payables	19	9,027,610	5,168,689
Lease liabilities	21	63,295	122,414
Income tax liabilities		6,754,075	4,219,475
Dividend payable	20 (a)	7,107,912	7,220,436
Unclaimed dividends	20 (b)	315,274	272,353
<b>Total current liabilities</b>		<b>23,268,165</b>	<b>17,003,366</b>
<b>Total liabilities</b>		<b>24,067,902</b>	<b>17,480,721</b>
<b>Total equity and liabilities</b>		<b>41,561,095</b>	<b>26,467,842</b>

The Notes on pages 118 to 147 form an integral part of these financial statements.

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



**Towhid Akbar**  
Finance Director

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 21st April 2023.



**Monisha Abraham**  
Managing Director and CEO

21st April 2023



**Towhid Akbar**  
Finance Director

# Statement of Changes in Equity

(all amounts in Sri Lanka Rupees thousands)

	Note	Stated capital	Retained earnings	Total
<b>Balance at 1 January 2021</b>		1,873,238	2,729,151	4,602,389
Profit for the year		-	16,146,485	16,146,485
Other comprehensive income		-	236,808	236,808
<b>Total comprehensive income for the year</b>		-	16,383,293	16,383,293
<b>Transactions with owners of the Company, recognised directly in equity</b>				
Write back of unclaimed dividends	20 (b)	-	55,721	55,721
Dividends	20 (c)	-	(12,054,283)	(12,054,283)
<b>Total transactions with shareholders</b>		-	(11,998,562)	(11,998,562)
<b>Balance at 31 December 2021</b>		1,873,238	7,113,882	8,987,120
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)
<b>Adjusted Balance as at 1 January 2022</b>		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)
<b>Total comprehensive income for the year</b>		-	20,238,225	20,238,225
<b>Transactions with owners of the Company, recognised directly in equity</b>				
Write back of unclaimed dividends	20 (b)	-	6,557	6,557
Dividends	20 (c)	-	(5,432,389)	(5,432,389)
<b>Total transactions with shareholders</b>		-	(5,425,832)	(5,425,832)
<b>Balance at 31 December 2022</b>		1,873,238	15,619,955	17,493,193

The Notes on pages 118 to 147 form an integral part of these financial statements.

# Statement of Cash Flows

(all amounts in Sri Lanka Rupees thousands)

	Notes	Year ended 31 December	
		2022	2021
<b>Cash flows from operating activities</b>			
Cash generated from operations	25	37,910,530	18,770,505
Interest received	8	1,221,109	538,716
Interest paid	8	(19,226)	(20,106)
Income tax paid		(11,392,084)	(11,266,258)
Surcharge tax paid	9 (b)	(6,306,320)	-
<b>Net cash generated from operating activities</b>		<b>21,414,009</b>	<b>8,022,857</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	11	(541,172)	(844,308)
Purchase of intangible assets	12	-	-
<b>Net cash used in investing activities</b>		<b>(541,173)</b>	<b>(844,308)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long term borrowings	22	362,000	-
Dividends paid	20 (a)	(5,489,464)	(8,197,667)
Unclaimed dividends paid	20 (b)	(5,971)	(48,134)
Payment of lease liabilities		(115,821)	(122,124)
<b>Net cash used in financing activities</b>		<b>(5,249,256)</b>	<b>(8,367,925)</b>
<b>Net (Decrease) / Increase in cash and cash equivalents</b>		<b>15,623,580</b>	<b>(1,189,376)</b>
<b>Movement in cash and cash equivalents</b>			
At beginning of year		8,592,971	9,782,347
(Decrease) / Increase in cash and cash equivalents		15,623,580	(1,189,376)
<b>At end of year</b>	16	<b>24,216,551</b>	<b>8,592,971</b>

The Notes on pages 118 to 147 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 Plc ("BAT") is the ultimate parent 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 21st April 2023.

Further the tax liability arising from the Surcharge tax Act. No. 14 of 2022 has been accounted as recommended by Statement of Alternative Treatment (SOAT) issued by Institute of Chartered Accountants of Sri Lanka as disclosed under Note No. 9 (b) on income taxes.

### 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 2022 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

The comparative information has been reclassified where necessary to confirm to the current year's classification in order to provide a better presentation.

### 2.6 Changes in significant accounting policies

There were no changes in accounting policies for the year ended 31 December 2022

### 2.7 Segmental reporting

"The Company operates in 02 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 significant accounting policies

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



### 2.8.1 Foreign currency transactions, translation and balances

Transactions in foreign currencies are translated into the 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.

### 2.8.2 Property, plant and equipment

#### Basis of recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be reliably measured.

#### Basis of measurement

All property, plant and equipment are initially recorded at cost and stated at historical cost less depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items and also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

“Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate only when it is probable that future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.”

#### Depreciation and derecognition

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, 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 of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

The asset’s residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

#### Capital work-in-progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings and major plant and machinery, awaiting capitalisation.

### 2.8.3 Intangible assets

#### Basis of recognition and measurement

Intangible assets wholly consist of cost of computer software acquired by the Company and have finite useful life is measured at cost less accumulated amortisation and impairment losses, if any.

#### Subsequent measurement

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

# Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

## Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss for the period.

Estimated useful life for current and comparative period are as follows:

Computer software	3	years
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Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## 2.8.4 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 information considered includes:

- 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.

#### 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. Interest 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 and 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.

# Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

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.

## 2.8.5 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.

## 2.8.6 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.

## 2.8.7 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.

## 2.8.8 Trade receivables

Trade receivables are amounts due from customers 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 2.8.5.

### 2.8.9 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 03 months or less and bank overdrafts.

### 2.8.10 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.

### 2.8.11 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.

### 2.8.12 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.

#### 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.

#### Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the statement of financial position. Deferred tax is determined using rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The rate used is considered as substantively enacted as at the reporting date.

### 2.8.13 Employee benefits

#### (a) Defined contribution plan

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.

#### (b) Defined benefit plan

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.

Remeasurements 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 interest 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 interest expense related to defined benefit plans are recognised in profit or loss.



# Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

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.

## (c) 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.

## (d) Share based payments

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.

### 2.8.14 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.

### 2.8.15 Revenue recognition

#### Sale of goods

Revenue principally comprises sales of cigarettes and other tobacco products to external customers. 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 customer.

#### Disaggregation of revenue

SLFRS 15 requires an entity to disaggregate revenue from contracts with customers 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 customers 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).

### 2.8.16 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 remeasurements 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.

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.

#### 2.8.17 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.

#### 2.8.18 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.

### 2.9 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 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences

- e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023

#### B Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments, as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 1 January 2023.

#### C Other Standards

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

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).

# Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

## 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.

#### (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 were applied during the year:

Closing exchange rate	As at 31 December	
	2022	2021
US Dollar (USD)	368.50	202.79
Great Britain Pound (GBP)	455.57	274.66
Euro (EUR)	392.20	230.61

Average exchange rate	As at 31 December	
	2022	2021
US Dollar (USD)	324.98	198.50
Great Britain Pound (GBP)	397.71	273.05
Euro (EUR)	339.70	234.69

The Company considered a further 5% strengthening or weakening of the functional currency against non-functional currencies as a reasonably possible change. The impact is calculated with reference to the financial asset or liability held as at the year end. A 5% increase or decrease of functional currency against non-functional currencies would result in Rs. 35.5 Million impact on pre-tax profit.

**(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, 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	
	2022	2021
Trade receivables [Note 15]	4,026,752	6,442,871
Receivables from related parties [Note 25 (iii)]	8,221	76,896
Staff loans [Note 15]	357,466	400,699
Advances to farmers [Note 15]	225,666	188,018
	4,618,105	7,108,484
Provision [Note 15]	(119,328)	(160,891)
Cash and cash equivalents, excluding cash in hand	24,216,551	8,592,663
	28,715,328	15,540,256

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

Aging Category	As at 31 December 2022			
	Gross Receivable	% Provision	Total Provision	Net Receivable
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

## Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

### 3.1 Financial risk factors (Contd.)

Aging Category	As at 31 December 2021			
	Gross Receivable	% Provision	Total Provision	Net Receivable
Not Due	6,373,812	0.10%	6,374	6,367,438
1 - 30 Days	69,059	0.12%	83	68,976
31 - 60 Days	-	0.14%	-	-
61 - 90 Days	-	0.14%	-	-
91 - 120 Days	-	0.16%	-	-
121 - 180 Days	-	0.16%	-	-
181-360 Days	-	0.18%	-	-
>360 Days	-	0.20%	-	-
	6,442,871		6,457	6,436,414

#### 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	
		2022	2021
	AAA (lka)	2,187,372	743,776
	A(lka)	2,469,901	-
	A-	1,427,045	-
	AA-	15,839,966	339,590
	A	30,317	81,885
	A+	2,261,950	-
	AA-	-	7,375,117
	BBB+	-	52,295
<b>Total cash at bank and short term bank deposits</b>		<b>24,216,551</b>	<b>8,592,663</b>

#### (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.

At 31 December 2022	Carrying amount	Undiscounted Contractual Cash Flows			
		Total	Less than 3 months	Between 3 months and 1 year	More than 1 year
Long term borrowings	367,485	367,485	-	-	367,485
Trade and other payables, excluding accrued expenses and Government Levies	883,903	883,903	677,613	206,290	-
Lease Liabilities	120,818	136,973	23,960	49,578	63,436



At 31 December 2021	Carrying amount	Undiscounted Contractual Cash Flows			
		Total	Less than 3 months	Between 3 months and 1 year	More than 1 year
Trade and other payables, excluding accrued expenses and Government Levies	1,568,933	1,568,933	1,324,852	244,081	-
Lease Liabilities	222,480	254,323	41,716	98,772	113,835

### 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.

During 2022, the Company's strategy, which was unchanged from 2020, was to be fully equity funded and have no external borrowings.

### 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:

At 31 December 2022	Financial Assets at amortised cost	Financial Assets measured at fair value through profit or loss	Financial Assets measured at fair value through other comprehensive income	Total
<b>Assets as per statement of financial position</b>				
Trade and other receivables, excluding pre-payments	4,592,206	-	-	4,592,206
Cash and cash equivalents	24,216,551	-	-	24,216,551
<b>Total</b>	<b>28,808,757</b>	<b>-</b>	<b>-</b>	<b>28,808,757</b>

At 31 December 2022	Financial liabilities measured at amortised cost	Financial Liabilities measured at fair value through profit or loss	Total
<b>Liabilities as per statement of financial position</b>			
Long term borrowings	367,485	-	367,485
Trade and other payables, excluding accrued expenses and Government Levies	1,456,675	-	1,456,675
Lease Liability	120,820	-	120,820
<b>Total</b>	<b>1,577,495</b>	<b>-</b>	<b>1,577,495</b>

## Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

### 3.3 Analysis of financial instruments by measurement basis (Contd.)

At 31 December 2021	Financial Assets at amortised cost	Financial Assets measured at fair value through profit or loss	Financial Assets measured at fair value through other comprehensive income	Total
---------------------	------------------------------------	--	--	-------

#### Assets as per statement of financial position

Trade and other receivables, excluding pre-payments	7,470,255	-	-	7,470,255
Cash and cash equivalents	8,592,971	-	-	8,592,971
<b>Total</b>	<b>16,063,226</b>	<b>-</b>	<b>-</b>	<b>16,063,226</b>

At 31 December 2021	Financial liabilities measured at amortised cost	Financial Liabilities measured at fair value through profit or loss	Total
---------------------	--	---	-------

#### Liabilities as per statement of financial position

Trade and other payables, excluding accrued expenses and Government Levies	1,568,933	-	1,568,933
Lease Liability	222,488	-	222,488
<b>Total</b>	<b>1,791,421</b>	<b>-</b>	<b>1,791,421</b>

## 4 REVENUE

	As at 31 December	
	2022	2021
Local turnover	167,129,395	134,317,331
Export turnover	64,888	51,197
<b>Total turnover</b>	<b>167,194,283</b>	<b>134,368,528</b>
<b>Government levies</b>		
Excise special provision tax	(104,905,236)	(90,696,197)
Value added tax	(17,241,275)	(10,041,116)
Social Security Contribution Levy	(755,152)	-
Tobacco tax	(19,989)	(15,982)
<b>Total Government levies</b>	<b>(122,922,012)</b>	<b>(100,753,295)</b>
<b>Revenue</b>	<b>44,272,271</b>	<b>33,615,233</b>

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.

**5 EMPLOYEE BENEFIT EXPENSES**

	As at 31 December	
	2022	2021
Executive Directors' emoluments	264,757	125,966
Non-executive Directors' remuneration	15,137	14,987
Salaries and wages	1,466,662	1,142,262
Defined contribution plans	97,023	85,246
Provision for voluntary separation scheme [(a) below]	195,948	102,028
Defined benefit obligations [Note 13]	(19,355)	48,102
	2,020,173	1,518,591

a) Voluntary Separation Scheme (VSS) was available.

**6 OTHER OPERATING INCOME**

	As at 31 December	
	2022	2021
Sundry sales / gains	36,079	33,204
Recharge income	-	(165)
	36,079	33,039

**7 OPERATING PROFIT**

The operating profit is stated after charging the following other operating expenses :

	As at 31 December	
	2022	2021
Auditors' remuneration		
Audit fees	4,336	3,943
Audit related services	1,554	1,390
Non-audit fees	-	-
Legal fees	85,363	72,583
Donations	187,335	102,440
Technical and advisory fees	110,461	430,442
Fixed assets write-offs	-	2,109
Provision for obsolete inventories	80,051	(27,059)
Provision for doubtful debts	(41,562)	4,056
Repairs and maintenance	289,687	277,425

**8 NET FINANCE INCOME**

	As at 31 December	
	2022	2021
Interest income		
Interest income from bank deposits	1,221,109	538,716
Interest expense		
Interest on lease liabilities [Note 21]	(19,226)	(20,106)
Exchange loss from long term borrowings	(5,485)	
<b>Net Finance income</b>	<b>1,196,398</b>	<b>518,610</b>

## Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

### 9 TAX EXPENSES

#### 9 (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 24% on profits arising from sales and interest income respectively in 2022.

	As at 31 December	
	2022	2021
Current tax on profit for the year	13,926,686	10,518,970
Deferred tax [Note 18]	(2,555)	(19,233)
	<b>13,924,131</b>	<b>10,499,737</b>

	As at 31 December			
	%	2022	%	2021
Profit before tax		34,392,839		26,646,222
Tax calculated at tax rate of 40%	40.00	13,759,329	40.00	10,658,489
Tax effects of:				
Expenses not deductible for tax purposes	2.05	703,412	0.81	216,226
Expenses deductible for tax purposes	(0.98)	(338,485)	(1.01)	(269,548)
Rate differentials	(0.57)	(195,377)	(0.32)	(86,196)
Deferred taxation [Note 18]	(0.01)	(2,555)	(0.07)	(19,233)
<b>Tax charge</b>	<b>40.49</b>	<b>13,924,131</b>	<b>39.40</b>	<b>10,499,737</b>

#### 9 (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	18,918,962

### 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.

	As at 31 December	
	2022	2021
Net profit attributable to shareholders (in thousands)	20,468,708	16,146,485
Weighted average number of ordinary shares in issue	187,323,751	187,323,751
<b>Basic earnings per share (Rs.)</b>	<b>109.27</b>	<b>86.20</b>
<b>Diluted earnings per share (Rs.)</b>	<b>109.27</b>	<b>86.20</b>

## PROPERTY, PLANT AND EQUIPMENT

At 31 December 2021	Freehold land	Freehold buildings	Building improvements/ upgrades	Leasehold buildings	Plant and machinery/ equipment	Motor vehicles	Capital work in progress	Right of use assets	Total
<b>Cost</b>									
At 1 January 2021	96,837	360,722	255,131	25,942	5,708,415	8,643	1,753,074	404,185	8,612,949
Additions of right-of-use-assets	-	-	-	-	-	-	-	155,922	155,922
Transfers from CWIP	-	-	8,347	-	193,711	-	(202,058)	-	-
Additions to CWIP	-	-	-	-	-	-	844,308	-	844,308
Write-offs/Derecognitions	-	-	-	-	(144,142)	-	-	-	(144,142)
<b>At 31 December 2021</b>	<b>96,837</b>	<b>360,722</b>	<b>263,478</b>	<b>25,942</b>	<b>5,757,984</b>	<b>8,643</b>	<b>2,395,324</b>	<b>560,107</b>	<b>9,469,037</b>
<b>Accumulated depreciation</b>									
At 1 January 2021	-	236,531	147,075	25,885	3,282,938	7,780	-	230,364	3,930,573
Depreciation	-	5,346	20,332	30	187,847	-	-	119,418	332,973
Write-offs/Derecognitions	-	-	-	-	(142,033)	-	-	-	(142,033)
<b>At 31 December 2021</b>	<b>-</b>	<b>241,877</b>	<b>167,407</b>	<b>25,915</b>	<b>3,328,752</b>	<b>7,780</b>	<b>-</b>	<b>349,782</b>	<b>4,121,513</b>
<b>Closing net book value</b>	<b>96,837</b>	<b>118,845</b>	<b>96,071</b>	<b>27</b>	<b>2,429,232</b>	<b>863</b>	<b>2,395,324</b>	<b>210,325</b>	<b>5,347,524</b>
<b>Cost</b>									
At 1 January 2022	96,837	360,722	263,478	25,942	5,757,984	8,643	2,395,324	560,107	9,469,037
Addition of right-of-use assets	-	-	-	13,031	-	-	-	14,153	27,184
Transfers from CWIP	-	1,047	60,619	-	213,738	-	(275,404)	-	-
Additions to CWIP	-	-	-	-	-	-	541,172	-	541,172
Write-offs / Derecognitions	-	-	-	-	(25,446)	-	-	-	(25,446)
<b>At 31 December 2022</b>	<b>96,837</b>	<b>361,769</b>	<b>324,097</b>	<b>38,973</b>	<b>5,946,276</b>	<b>8,643</b>	<b>2,661,093</b>	<b>574,260</b>	<b>10,011,946</b>
<b>Accumulated depreciation</b>									
At 1 January 2022	-	241,877	167,407	25,915	3,328,752	7,780	-	349,782	4,121,513
Depreciation	-	5,368	22,145	9,512	211,554	-	-	115,572	364,151
Write-offs / Derecognitions	-	-	-	-	(25,446)	-	-	-	(25,446)
<b>At 31 December 2022</b>	<b>-</b>	<b>247,245</b>	<b>189,552</b>	<b>35,427</b>	<b>3,514,860</b>	<b>7,780</b>	<b>-</b>	<b>465,354</b>	<b>4,460,217</b>
<b>Closing net book value</b>	<b>96,837</b>	<b>114,524</b>	<b>134,545</b>	<b>3,546</b>	<b>2,431,416</b>	<b>863</b>	<b>2,661,093</b>	<b>108,906</b>	<b>5,551,729</b>



## 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. 2,251,524,981 (2021 - 2,049,819,742).

**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 valuers W.D.P. Rupananda, FIV, MRICS & Dr. Prathap Kaluthanthri MRICS, AIV. The valuations carried out on 31 December 2020 have been considered to derive the market values of the respective properties as at 31 December 2022.

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. 7,374,500,000.

Property		Extent of Land			No of Buildings	Revalued Amount Rs. '000
Asset Type	Location	A	R	P		
Land and Buildings	Colombo head office factory	7	2	22.15	15	5,999,000
Land and Buildings	Kandy industrial premises	3	3	26.05	5	520,750
Land and Buildings	Kandy commercial premises	2	1	18.75	2	174,000
Land and Buildings	Haliela depot, stores and quarters	1	1	38.50	7	39,450
Land and Buildings	Anuradhapura depot, stores and quarters	2	1	33.50	5	56,850
Land and Buildings	Nildanhinna depot, stores and quarters	2	1	4.00	9	31,100
Land and Buildings	Hanguranketa depot, stores and quarters	2	3	21.00	8	16,150
Land and Buildings	Melsiripura depot, stores and quarters	1	3	1.25	5	57,500
Land and Buildings	Ambale depot, stores and quarters	2	0	9.66	4	19,500
Land and Buildings	Wendaruwa quarters	0	2	0.00	1	3,700
Land and Buildings	Galewela depot, stores and quarters	5	3	39.88	8	142,500
Land and Buildings	Hunnasgiriya quarters	0	2	0.00	1	2,050
Land and Buildings	Nuwara Eliya	0	1	31.30	1	161,750
Land	Naula	0	0	21.00	-	10,500
Land	Nuwara Eliya Yalta	0	1	23.50	-	139,700

**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 explained in Note 2.8.3.

	2022	2021
<b>Cost</b>		
At 1 January	37,381	66,874
Additions	-	-
Write-offs	-	(29,493)
<b>At 31 December</b>	<b>37,381</b>	<b>37,381</b>
<b>Amortisation</b>		
At 1 January	36,711	65,054
Amortisation during the year	670	1,150
Write-offs	-	(29,493)
<b>At 31 December</b>	<b>37,381</b>	<b>36,711</b>
<b>Net book value</b>	<b>-</b>	<b>670</b>

**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	
	2022	2021
Unfunded obligations	163	163

**b) Funded defined benefit plans**

Subsequent to 1992, an externally funded policy was purchased from AIA Insurance Lanka PLC, which covered all 2022 - 316 (2021 - 307) employees attached to the Company. The plan is fully funded by a policy obtained from AIA Insurance Lanka PLC. 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	
	2022	2021
Defined Benefit Obligation	478,341	266,249
Fair Value of the Plan Asset	(636,823)	(635,859)
<b>Net Defined Benefit (Asset)/Liability</b>	<b>(158,482)</b>	<b>(369,610)</b>

## 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
<b>Included in profit or loss:</b>			
<b>At 1 January 2022</b>	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)
<b>Included in OCI:</b>			
Remeasurements:			
- 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
<b>Other:</b>			
Benefits paid	(94,150)	94,150	-
<b>At 31 December 2022</b>	478,341	(636,823)	(158,482)
<b>Included in profit or loss:</b>			
<b>At 1 January 2021</b>	426,974	(607,878)	(180,904)
Current service cost	41,381	-	41,381
Past service cost - plan amendments	20,651	-	20,651
Interest expense / (income)	30,856	(44,786)	(13,930)
	92,888	(44,786)	48,102
<b>Included in OCI:</b>			
Remeasurements:			
- Return on plan assets, excluding amounts included in interest expense	-	(35,689)	(35,689)
- Actuarial gain from change in financial assumptions	(179,346)	-	(179,346)
- Experience gain	(21,773)	-	(21,773)
	(201,119)	(35,689)	(236,808)
<b>Other:</b>			
Benefits paid	(52,494)	52,494	-
<b>At 31 December 2021</b>	266,249	(635,859)	(369,610)

**(d) The principal assumptions the Company used are as follows:**

	As at 31 December	
	2022	2021
Discount rate per annum	20.00%	11.80%
Annual salary increment rate	20.00%	9.00%
Staff turnover rate	9.00%	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. Further, the salary increment rate of 20% 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 2022		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate per annum	1.00%	(52,605)	62,198
Annual salary increment rate	1.00%	61,686	(53,050)

	Impact on defined benefit obligation 2021		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate per annum	1.00%	(27,576)	32,578
Annual salary increment rate	1.00%	33,171	(28,473)

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 2022, the weighted-average duration of the defined benefit obligation of the permanent cadre was 12 years (2021 - 11 years).

## Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

### 14 INVENTORIES

	As at 31 December	
	2022	2021
Raw materials	4,980,792	4,292,383
Work-in-progress	61,347	43,215
Finished goods	549,596	86,499
Consumables	876,786	275,671
Provision for obsolete and slow moving inventories ( Note 14.1)	(165,831)	(85,781)
	6,302,690	4,611,987

#### 14.1 Provision for obsolete and slow moving inventories

	2022	2021
At 1 January	85,781	112,839
Charge/(reversal)during the year	80,050	(27,058)
Write offs during the year		-
<b>At 31 December</b>	<b>165,831</b>	<b>85,781</b>

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	
	2022	2021
<b>Current</b>		
Trade receivables	4,026,752	6,442,871
Receivables from related parties [Note 25 (iii)]	8,221	76,896
Advances to farmers	225,666	188,018
Staff loans	176,779	264,484
Other receivables	832,866	597,487
Less: provision for impairment of receivables	(119,328)	(160,891)
	5,150,956	7,408,865
<b>Non-current</b>		
Staff loans	180,687	136,215
<b>Total trade and other receivables</b>	<b>5,331,643</b>	<b>7,545,080</b>

- (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	
	2022	2021
Trade receivables	4,026,752	6,442,871
Receivables from related parties	8,221	76,896
Advances to farmers	225,666	188,018
Staff loans	357,466	400,699
Other receivables	832,866	597,487
Less: provision for impairment of receivables	(119,328)	(160,891)
	5,331,643	7,545,080

Movements on the Company's provision for impairment of receivables are as follows:

	As at 31 December	
	2022	2021
At 1 January	160,891	156,835
Provision for the year	86,401	95,094
Write-offs during the year	(127,963)	(90,445)
Reversals during the year	-	(593)
<b>At 31 December</b>	<b>119,328</b>	<b>160,891</b>

## 16 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2022	2021
Cash at bank and in hand	24,216,551	6,566,341
Short term investments	-	2,026,630
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>24,216,551</b>	<b>8,592,971</b>

## 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.



## Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

### 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:

	2022	2021
At 1 January	377,118	396,350
Charge for the year	(2,555)	(19,233)
<b>At 31 December</b>	<b>374,563</b>	<b>377,118</b>

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	Unfunded defined benefit obligation	Provisions	Total
At 1 January 2021	(672,725)	65	276,310	(396,350)
Recognised in profit or loss	(26,246)	-	45,479	19,233
<b>At 31 December 2021</b>	<b>(698,972)</b>	<b>65</b>	<b>321,789</b>	<b>(377,118)</b>
At 1 January 2022	(698,972)	65	321,789	(377,118)
Recognised in profit or loss	(87,460)	-	90,015	2,554
<b>At 31 December 2022</b>	<b>(786,432)</b>	<b>65</b>	<b>411,804</b>	<b>(374,563)</b>

	2022		2021	
	Temporary Differences	Tax Effect	Temporary Differences	Tax Effect
<b>Deferred Tax Liability On</b>				
Property, Plant and Equipment	(1,966,078)	(786,432)	(1,747,429)	(698,972)
	(1,966,078)	(786,432)	(1,747,429)	(698,972)
<b>Deferred Tax Assets On</b>				
Unfunded defined benefit obligation	163	65	163	65
Provision	1,029,509	411,804	804,472	321,789
	1,029,672	411,869	804,635	321,854
	(936,406)	(374,563)	(942,794)	(377,118)

**19 TRADE AND OTHER PAYABLES**

	As at 31 December	
	2022	2021
Trade payables	1,112,881	500,978
Payable to related parties [Note 25 (iii)]	738,642	715,389
Accrued expenses	4,449,120	1,844,917
Other payables including Government levies	2,276,967	2,107,404
	<b>9,027,610</b>	<b>5,168,688</b>

**20 DIVIDENDS PAYABLE****(a) The movement of dividend payable over the year is as follows:**

	2022	2021
At 1 January	7,220,436	3,465,489
Dividends declared [Note (c)]	5,432,389	12,054,283
Dividends paid	(5,489,464)	(8,197,667)
Transfers to unclaimed dividend [Note (b)]	(55,449)	(101,670)
<b>At 31 December</b>	<b>7,107,912</b>	<b>7,220,436</b>

**(b) Unclaimed dividends over the year is as follows:**

	2022	2021
At 1 January	272,353	274,538
Transfers	55,449	101,670
Payments	(5,971)	(48,134)
Write back	(6,557)	(55,721)
<b>At 31 December</b>	<b>315,274</b>	<b>272,353</b>

**(c) The dividend declared during the year is as follows:**

	2022		2021	
	per share	Rs.	per share	Rs.
Final dividend for prior year	-	-	11.35	2,126,125
First interim dividend	10.00	1,873,238	19.00	3,559,151
Second interim dividend	10.00	1,873,238	19.00	3,559,151
Third interim dividend	9.00	1,685,913	15.00	2,809,856
	<b>29.00</b>	<b>5,432,389</b>	<b>64.35</b>	<b>12,054,283</b>

## Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

### 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

	2022	2021
At 1 January	210,325	173,821
Addition to right-of-use assets	14,153	155,922
Derecognition of right-of-use assets	-	-
Depreciation charge for the year	(115,572)	(119,418)
<b>At 31 December</b>	<b>108,906</b>	<b>210,325</b>

#### (b) Lease liabilities

	2022	2021
At 1 January	222,488	188,690
Additions to lease liabilities	14,153	155,922
Derecognition of lease liabilities	-	-
Interest expense	19,226	20,106
Payment of lease liabilities	(135,047)	(142,230)
<b>At 31 December</b>	<b>120,820</b>	<b>222,488</b>
<b>Maturity analysis - contractual undiscounted cash flows</b>		
Less than one year	73,538	140,488
One to five years	63,436	113,835
More than five years	-	-
<b>Total undiscounted liabilities as at 31 December</b>	<b>136,973</b>	<b>254,323</b>
Lease liabilities included in the statement of financial position as at 31 December	120,820	222,488
Current	63,295	122,414
Non-current	57,525	100,074

#### (c) Amounts recognised in profit or loss

	2022	2021
Depreciation of right-of-use assets	115,572	119,418
Interest on lease liabilities	19,226	20,106
Expense relating to short term leases	10,375	8,610

#### (d) Amounts recognised in statement of cash flows

	2022	2021
Total cash outflow for leases	148,079	142,230

**22 LONG TERM BORROWINGS**

	As at 31 December	
	2022	2021
Long term borrowings	362,000	-
Exchange loss [Note 8]	5,485	-
	<b>367,485</b>	<b>-</b>

Uncommitted term loan facility of USD 10 Million was available from British American Tobacco International (Holdings) B.V. 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) Rs. 500 Mn (2021 - 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).
- (d) Shipping and Bank Guarantees have been issued amounting to Rs. 149.93 Mn (2021 - Rs. 77.74 Mn), for goods cleared before the arrival of original bank documents.
- (c) **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****Capital commitments**

There were no capital commitments at the end of the reporting period.

**Financial commitments**

There were no financial commitments at the end of the reporting period.

**25 CASH GENERATED FROM OPERATIONS**

Reconciliation of profit before tax to cash generated from operations:

	As at 31 December	
	2022	2021
Profit before tax	34,392,839	26,646,222
Adjustments for:		
Depreciation [Note 11]	364,150	332,973
Amortisation of intangible assets [Note 12]	670	1,150
Write offs	-	2,109
Interest expense [Note 8]	19,226	20,106
Interest income [Note 8]	(1,221,109)	(538,716)
Net interest on retirement benefit obligations [Note 13]	(19,355)	48,102
Exchange loss from long term borrowings [Note 8]	5,485	-
Provision for obsolete inventories and doubtful debts	38,488	(23,003)
Derecognition of right of use assets	-	-
Changes in working capital :		
- Inventories	(1,770,753)	(852,736)
- Trade and Other Receivables	2,243,804	(4,207,340)
- Trade and Other Payables	3,857,084	(2,658,363)
<b>Cash generated from operations</b>	<b>37,910,530</b>	<b>18,770,505</b>

## Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

### 26 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 2021 audited financial statements requires additional disclosures in the 2022 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 2021 audited financial statements requires additional disclosures in the 2022 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.

Refer Note 22 for Long-term borrowings.

The following transactions were carried out with related parties:

#### (i) Sale of goods / services

	As at 31 December	
	2022	2021
British American Shared Services (GSD) Limited	-	(165)
BAT Sales and MKT Singapore	-	-
BAT Marketing (Singapore) Private Limited	6,190	14,332
British American Tobacco Myanmar Limited	-	-
Pakistan Tobacco Company	-	1,150
British American Tobacco (Malaysia) Berhad	18,626	-
BAT (Holdings) Limited	-	-
BAT AsPac Service Centre Sdn Bhd	-	16,026
BAT Investments LTD	-	-
British American Tobacco Chile	371	325
BAT Global Travel Retail Limited	37,165	7,988
CN Creative Ltd	-	3,905
BAT Jordan	-	5,867
BAT Zimbabwe (Holdings) Limited	-	674
BAT Investments Limited	-	10,415
British American Tobacco Kenya Ltd	322	499
British American Tobacco Mexico S.A.de C.V.	-	81
BAT TDR	-	101
British American Tobacco Tutun	-	106
British American Tobacco So	1,011	297
BAT Nigeria Ltd	193	115
BAT Romania Investment	-	212
	63,879	61,927

**(ii) Purchase of goods / services**

	As at 31 December	
	2022	2021
BAT AsPac Service Centre Sdn Bhd	48,743	167,969
BAT Investments Limited	110,461	430,442
Benson & Hedges (Overseas) Limited	1,261	6,262
BAT (Holdings) Limited	8,796	68,742
British American Shared Services (GSD) Limited	282,833	741,851
BAT Pecs Dohanygyar KFT	-	121
British American Tobacco Kenya Ltd	-	99
British-American Tobacco (Singapore) Pte Ltd	586,486	209,029
PT Bentoel Prima	12,919	11,843
BAT Nigeria Ltd	-	-
Pakistan Tobacco Company Limited	10,382	-
British American Tobacco Tutun	-	447
BAT Romania Investment	-	-
BAT Korea Manufacturing Limited	1,138	118,271
BAT Bangladesh Company Limited	10,701	-
British American Tobacco Exports Li	56,335	423,715
British American Tobacco So	-	47
BAT ME DMCC	(429)	220,869
CN Creative Ltd	14,699	931
British American Tobacco Chile	-	39
British American Tobacco Jordan	-	4,315
CA.Cigarrera Bigott Sucs	4,456	-
British American Tobacco Australia	6,772	-
JSC-BAT-SPG	9,775	-
	1,165,329	2,404,989

**(iii) Outstanding balances arising from sale and purchase of goods / services**

	As at 31 December	
	2022	2021
<b>Receivable from related parties [Note 15]</b>		
BAT (Holdings) Limited	-	-
BAT Investments LTD	-	8,259
BAT Marketing (Singapore) Private Limited	-	-
British American Tobacco Asia-Pacific Region Ltd	-	-
British-American Tobacco (Singapore) Pte Ltd	3,236	3,236
VINA-BAT JV HCMC Branch	3,146	1,739
BAT AsPac Service Centre Sdn Bhd	18	16,071
Pakistan Tobacco Company Limited	280	29,993
British American Tobacco Myanmar Li	66	66
BAT Global Travel Retail Limited	-	8,893
CN Creative Ltd	-	7,733
BAT Mexico	-	81
British American Tobacco Tutun	4	4
BAT TDR	1	1
BAT Romania Investment	-	29
BAT Zimbabwe (Holdings) Limited	1,087	675
BAT Bangladesh Company Limited	-	-
BAT Nigeria Ltd	382	115
	8,221	76,896



## Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

### 26 RELATED PARTY TRANSACTIONS (CONTD.)

	As at 31 December	
	2022	2021
<b>Payable to related parties [Note 19]</b>		
BAT Investments Limited	29,384	11,530
BAT ASPAC Service Centre Sdn Bhd	14,208	112
BAT (Holdings) Limited	9,780	63,176
British American Shared Services (GSD) Limited	135,642	195,973
Benson & Hedges (Overseas) Limited	205	1,770
Pakistan Tobacco Company	7,083	-
BAT Korea Manufacturing Limited	2,810	1,033
British-American Tobacco (Singapore) Pte Ltd	382,153	126,062
BAT Switzerland S.A.	171	96
British American Tobacco Mexico S.A. de C.V.	20,302	12,615
BAT Pecci Dohanygyar KFT	-	89
British American Tobacco Kenya Ltd	770	769
PT Bentoel Prima	40,913	17,969
British American Tobacco (Cambodia) Ltd	31,174	17,202
BAT Nigeria Ltd	1,365	754
BAT Romania Investment	997	586
British American Tobacco Tutun	3,152	1,858
BAT Bangladesh Company Limited	2,953	2,957
British American Tobacco So	903	29,817
CTBAT International Co. Limited	42	42
CN Creative Ltd	15,762	909
British American Tobacco Australia	6,631	-
BAT Asia Pacific Region Limited	1,036	766
CA.Cigarrera Bigott Suks	6,319	-
British American Tobacco Chile	71	39
JSC-BAT-SPG	16,560	-
PT Bentoel Prima International Investama	-	4,323
	<b>738,642</b>	<b>715,389</b>

#### (iv) Key management compensation

Key Management personnel include members of the Board of Ceylon Tobacco Company PLC and the members of the Executive Committee. The compensation paid or payable to key management:

	As at 31 December	
	2022	2021
Salaries and other short-term employee benefits	404,224	231,249
Terminal benefit payments	-	-
Share based payments	18,734	6,774

**(v) Post-employment benefits**

	As at 31 December	
	2022	2021
Ceylon Tobacco Company PLC Group Provident Fund	97,023	85,246

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 Executive Committee 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 2022, the fair value of the phantom shares granted was Rs. 13.5 million (2021 - Rs. 7.9 million).

**27 EVENTS AFTER THE REPORTING PERIOD**

Fourth interim dividend of Rs. 30.00 per share and a fifth interim dividend of Rs. 30.00 per share was declared for the financial year 2022 on 31st January 2023 and 1st March 2023 respectively.

The directors recommend a final dividend of Rs. 20.30 per share for 2022. The final dividend is subject to the approval of the shareholders at the Annual General Meeting to be held on 26th May 2023. Once approved by the shareholders, the final dividend will be payable on 16th June 2023.

No other material events have occurred since the end of the reporting date which would require adjustments to, or disclosure in the financial statements.

**THRIVING  
SUCCESS**

The image features the text "THRIVING SUCCESS" in a bold, white, sans-serif font against a solid magenta background. The word "THRIVING" is on the top line, and "SUCCESS" is on the bottom line. The letter "V" in "THRIVING" is stylized with a white arrow pointing upwards and to the right, starting from the bottom of the "V" and extending above the top of the "I".

Despite unprecedented complexities during the year, CTC strives to consistently deliver strong shareholder value. We remain one of the most valuable Listed companies in Sri Lanka, with our operating model being shaped towards delivering superior shareholder value.

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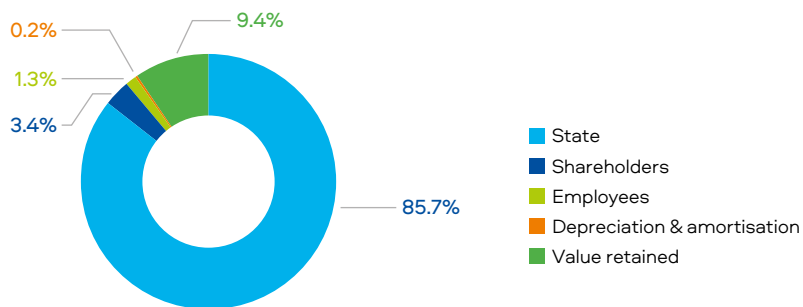
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Corporate Information

# Statement of Value Added

(all amounts in Sri Lanka Rupees thousands)

	Year ended 31 December	
	2022	2021
Turnover	167,194,283	134,368,528
Supplied material and services	(8,726,917)	(5,667,946)
Net interest income	1,196,398	518,610
Other operating income	36,079	33,039
	<b>159,699,843</b>	<b>129,252,231</b>
State	136,846,143	111,253,032
Shareholders	5,432,389	12,054,283
Employees	2,020,172	1,518,591
Depreciation & amortisation	364,820	334,123
Value retained / (distributed) in business through profit earned	15,036,319	4,092,202
	<b>159,699,843</b>	<b>129,252,231</b>



# 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 2022 was 4,639 (4,440 as at 31 December 2021).

## ORDINARY SHAREHOLDING

Stated Capital - Rs. million	1,873
Number of shares representing the Entity's stated capital	187,323,751
Number of Shareholders as at 31 December 2022	4,639
Number of Shareholders as at 31 December 2021	4,440

## CATEGORISATION OF SHAREHOLDING

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
<b>Total</b>	<b>4,521</b>	<b>7,444,180</b>	<b>3.97</b>	<b>118</b>	<b>179,879,571</b>	<b>96.03</b>	<b>4,639</b>	<b>187,323,751</b>	<b>100</b>

2021	Resident			Non Resident			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1-1000	3,404	605,161	0.32	41	13,126	0.01	3,445	618,287	0.33
1001-10,000	823	2,377,639	1.27	40	180,226	0.1	863	2,557,865	1.37
10,001-100,000	91	2,493,428	1.33	23	787,742	0.42	114	3,281,170	1.75
100,001-1,000,000	5	1,063,348	0.57	9	2,853,857	1.52	14	3,917,205	2.09
Over 1,000,000	-	-	-	4	176,949,224	94.46	4	176,949,224	94.46
<b>Total</b>	<b>4,323</b>	<b>6,539,576</b>	<b>3.49</b>	<b>117</b>	<b>180,784,175</b>	<b>96.51</b>	<b>4,440</b>	<b>187,323,751</b>	<b>100</b>

	2022			2021		
	No. of Shareholders	No. of Shares	% of Shares	No. of Shareholders	No. of Shares	% of Shares
Individuals	6,235,112	4,409	3.33	5,860,721	4,220	3.13
Institutions	181,088,639	230	96.67	181,463,030	220	96.87
	<b>187,323,751</b>	<b>4,639</b>	<b>100</b>	<b>187,323,751</b>	<b>4,440</b>	<b>100</b>



## Share Information

### MARKET VALUE OF SHARE (RS.)

	2022	2021
<b>Price Movements (Rs.)</b>		
Highest	939.50	1,150.00
Lowest	520.00	850.00
Closing Price	625.00	878.00
<b>Market Capitalisation (Rs. million)</b>	117,077	164,470
No. of share transactions for the year	7,611	11,592
No. of shares traded	3,037,859	1,659,167

CSE quarterly reports

### DIVIDEND PAYMENTS

	2022 Rs. per share	2021 Rs. per share
Final dividend for prior year	-	11.35
First interim dividend	10.00	19.00
Second interim dividend	10.00	19.00
Third interim dividend	9.00	15.00

### DIRECTORS SHAREHOLDING (INCLUDING SPOUSES & CHILDREN)

	No. of Shares As at 31 December	
	2022	2021
Mr. S K Shah	-	-
Ms. M Abraham	-	-
Mr. Y Kanagasabai	-	-
Mr. K D' Alwis	-	-
Mr. A Tittawella (demised on 26 February 2022)	-	-
Mr. S M A Abrar	-	-
Mr. U Zahur	-	-
Ms. R Rahman	-	-
Mr. S Kidd	-	-

## PUBLIC SHAREHOLDING

	No. of Shares As at 31 December	
	2022	2021
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	15.872%	15.872%
Number of shareholders holding the Public Holding	4,638	4,439
Market Capitalisation of Public Holding (Rs. million)	18,583	26,105

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

	31 December 2022		31 December 2021	
	No. of Shares	%	No. of Shares	%
1 British American Tobacco International Holdings B.V.	157,590,931	84.13	157,590,931	84.13
2 Philip Morris Brand SARL	15,585,910	8.32	15,585,910	8.32
3 CB NY S/A Allan Gray Frontier Markets Equity Fund Limited	3,267,374	1.74	2,167,374	1.16
4 Pershing LLC S/A Averbach Grauson & Co.	1,588,538	0.85	1,605,009	0.86
5 SSBT-AL MEHWAR Commercial Investments L.L.C	-	-	698,258	0.37
6 Northern Trust Company S/A Fundsmith Emerging Equities Trust PLC	-	-	637,085	0.34
7 J.B. Cocoshell (PVT) LTD	503,380	0.27	468,380	0.25
8 RBC Investor Services Bank-COELI SICAV1 - Frontier Markets Fund	-	-	398,735	0.21
9 Mrs. Jasbinderjit Kaur Piara Singh	306,802	0.16	306,802	0.16
10 Miss Neesha Harnam	211,030	0.11	211,030	0.11
11 Mr. Jayawardena Sanjeeva Praneeth	195,566	0.10	173,103	0.09
12 Deutsche Bank AG Singapore A/C 02	175,600	0.09	175,600	0.09
13 Deutsche Bank AG as Trustee For JB Vantage Value Equity Fund	169,831	0.09	134,831	0.07
14 Union Assurance PLC -Universal Life Fund	161,634	0.09	-	-
15 Harnam Holdings SDN BHD	150,000	0.08	150,000	0.08
16 SSBT-Frank Russel Trust Company Comingled Benefit Funds Trust GNA-6QH3	-	-	146,660	0.08
17 Seylan Bank PLC/W.D.N.H. Perera	-	-	143,859	0.08
18 Bank Of Ceylon No. 1 Account	143,175	0.08	143,175	0.08
19 BNYM RE-GHI Holdings Mauritius	129,687	0.07	129,687	0.07
20 Deutsche Bank AG as Trustee to Capital Alliance Quantitative Equity Fund	117,476	0.06	-	-
21 Mr. A.M. Weerasinghe	103,500	0.06	-	-
22 J D Bandaranayake	103,062	0.06	-	-
23 Mr. Ratnayake Susantha Chaminda	100,000	0.05	100,000	0.05
24 J D Bandaranayake	97,100	0.05	-	-
25 SSBT-PARAMETRIC Tax-Managed Emerging Markets Fund	96,609	0.05	96,609	0.05
<b>Sub Totals</b>	<b>180,797,205</b>	<b>96.51</b>	<b>181,063,038</b>	<b>96.65</b>
Others	6,526,546	3.49	6,260,713	3.35
<b>Total Shares</b>	<b>187,323,751</b>	<b>100</b>	<b>187,323,751</b>	<b>100</b>

# Notice of Meeting

**NOTICE IS HEREBY** given that the Ninety Second Annual General Meeting of Ceylon Tobacco Company PLC will be held at the Auditorium of Ceylon Tobacco Company PLC, No. 178, Srimath Ramanathan Mawatha, Colombo 15, on **Friday, 26<sup>th</sup> May 2023 at 10.00 am** for the following purposes:

- (i) To receive consider and adopt the Report of the Directors and the Statement of Accounts for the year ended 31 December 2022 and the Report of the Auditors thereon.
- (ii) To declare a Final Dividend for 2022.
- (iii) To re-elect or re-appoint the following Directors.
  - To re-elect as Director, Mr. Towhid Akbar, who was appointed since the last Annual General Meeting and comes up for re-election under the Articles of Association of the Company.
  - To re-elect as Director, Mr. Usman Zahur, who retires by rotation in terms of the Articles of Association of the Company.
  - To re-elect as Director, Mr. Kushan D'Alwis, who retires by rotation in terms of the Articles of Association of the Company.
  - To re-appoint as Director, Mr. Yudhishtan Kanagasabai, who has given notice to the Company of his attainment of the age of 65 years and accordingly, vacates his post at the 92<sup>nd</sup> Annual General Meeting.

## **Ordinary Resolution**

*That the age limit of 65 years referred to in Article 86 of the Articles of Association of the Company shall not apply to Mr. Yudhishtan Kanagasabai who has reached the age of 65 years prior to the 92<sup>nd</sup> Annual General Meeting and accordingly that Mr. Yudhishtan Kanagasabai be and is hereby re-appointed a Director of the Company until the next Annual General Meeting.*

- (iv) To authorise the Directors to determine and make donations.
- (v) To re-appoint Messrs. KPMG as the Company's Auditors and to authorise the Directors to determine their remuneration.

By Order of the Board



**Sudesh Peter**  
COMPANY SECRETARY

21<sup>st</sup> April 2023

# 92<sup>nd</sup> AGM of Ceylon Tobacco Company PLC

## Instructions to Shareholders

### NOTES

- 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.
- A Form of Proxy is attached to the Report.
- 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 [CTCAGM2023@bat.com](mailto:CTCAGM2023@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 only 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 security checks.
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 [CTCAGM2023@bat.com](mailto:CTCAGM2023@bat.com) on or before 5 pm on Wednesday 17<sup>th</sup> May 2023.

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.









## 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. Yudhishtan Kanagasabai whom failing

Mr. Kushan D'Alwis whom failing

Ms. Monisha Abraham whom failing

Mr. Towhid Akbar whom failing

Mr. Usman Zahur 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 Friday, 26<sup>th</sup> May 2023 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 December 2022.	<input type="radio"/>	<input type="radio"/>
(ii) To declare a Final Dividend	<input type="radio"/>	<input type="radio"/>
(iii) To re-elect as Director, Mr. Towhid Akbar, who was appointed since the last Annual General Meeting and comes up for re-election under the Articles of Association of the Company.	<input type="radio"/>	<input type="radio"/>
(iv) To re-elect as Director, Mr. Usman Zahur, who retires by rotation in terms of the Articles of Association of the Company.	<input type="radio"/>	<input type="radio"/>
(v) To re-elect as Director, Mr. Kushan D'Alwis, who retires by rotation in terms of the Articles of Association of the Company	<input type="radio"/>	<input type="radio"/>
(vi) To re-appoint as Director, Mr. Yudhishtan Kanagasabai, who has attained 65 years of age and vacates his post in terms of the Articles of Association of the Company.	<input type="radio"/>	<input type="radio"/>
(vii) To authorise the Directors to determine and make donations.	<input type="radio"/>	<input type="radio"/>
(viii) To appoint Messrs. KPMG as the Company's Auditors and authorise the Directors to determine their remuneration.	<input type="radio"/>	<input type="radio"/>

.....

Signature

Signed this ..... day of ..... Two Thousand and Twenty Three.

Note: Instructions as to completion appear on the reverse of this Form of Proxy

## 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 CTCAGM2023@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 PLC, 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 organisation that good environmental practice is good business practice and therefore we commit that we will:

- Comply with all applicable national environmental laws and regulations and BAT's EHS Guidelines,
- Use our established framework of policy, good practices and procedures to manage our environmental performance and monitor compliance with them through internal auditing capabilities,
- Understand our impacts on the environment in which we operate and proactively put in place plans to minimise 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 organisation,
- 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, and
- Continuously seek to conform to best international environmental standards in line with business objectives

Specific to our business we will focus on the following two priority areas,

### Agriculture

#### We are committed to:

- Working with internal and external suppliers to mitigate environmental impacts of producing the tobacco we source.
- Incorporating biodiversity protection and conservation into our recommended practices.
- Aligning with other stakeholders in areas we operate to assist farmers adopt sustainable agriculture practices, with special focus on soil fertility and water.

### Operations and trade

#### We are committed to:

- Setting absolute targets of reduction in emissions from our manufacturing sites.
- Identifying initiatives and projects to deliver these sustainable reductions and review the business cases for investment in these initiatives against reduction targets.
- Focusing on transport & warehouse energy efficiency projects and driving innovations with our logistics partners.

The Executive Committee has overall responsibility for the environment under our control and owns this policy. All staff regardless of their level in the organisation will take reasonable care of the environment under our control and co-operate fully with the Company in all environment related matters.

#### Monisha Abraham

Managing Director & CEO  
Ceylon Tobacco Company PLC

21 April 2023

## 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 'Monisha Abraham'.

**Monisha Abraham**

Managing Director & CEO  
Ceylon Tobacco Company PLC

21 April 2023



## 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.

**Monisha Abraham**

Managing Director & CEO  
Ceylon Tobacco Company PLC

21 April 2023



## 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 'Monisha', with a horizontal line underneath.

**Monisha Abraham**

Managing Director & CEO  
Ceylon Tobacco Company PLC

21 April 2023

# Material Topics

Material topics and why it matters to us	Relevant GRI Standard	Topic boundary
<p><b>Climate change</b></p> <p>Organisations are being called to accelerate their carbon reduction journeys, while climate change also presents significant risks for our supply chain and operations</p>	<p>GRI 302: Energy</p> <p>GRI 305: Emissions</p>	Relates to the emissions generated from our procurement, manufacturing, and other operations
<p><b>Health and safety</b></p> <p>Safety risks continue to be a priority following the emergence of new COVID-19 variants and potential impacts on our manufacturing operations and across our supply chain.</p>	GRI 403: Occupational Health and Safety	Relates primarily to our employees
<p><b>Sustainable livelihoods</b></p> <p>Ensuring sustainable livelihoods for our contracted tobacco farmers allows us to secure our supply chain while driving our social sustainability aspirations.</p>	<p>GRI 201: Indirect Economic Impacts</p> <p>GRI 202 Market Presence</p> <p>GRI 203 Indirect Economic impacts</p> <p>GRI 413: Local Communities</p>	Boundary extends to contracted tobacco farmers and communities in which we operate and retail
<p><b>Ethics and business conduct</b></p> <p>Operating with the highest standards of integrity and transparency is not only the right thing to do, but important in managing a range of internal and external risks.</p>	<p>GRI 205 Anti Corruption</p> <p>GRI 206 Anti Competitive behaviour</p> <p>GRI 207 Tax</p> <p>GRI 415 Public Policy</p>	Refers to the Company's operations and dealings with third parties
<p><b>Regulatory compliance</b></p> <p>Maintaining 100% compliance to all relevant regulations is vital in managing our risks and preserving our reputation.</p>	GRI 2-27	Relates to the Company's operations
<p><b>Human rights</b></p> <p>We are exposed to the risk of human rights issues across our supply chain.</p>	<p>GRI 408: Child Labour</p> <p>GRI 409: Forced or Compulsory Labour</p> <p>GRI 406 Non-Discrimination</p>	Boundary extends across our supply chain and includes contracted tobacco farmers and other suppliers
<p><b>Harm reduction</b></p> <p>In line with BAT's long-term aspirations, we are committed to considering the reduction of the health impacts of our business.</p>	GRI 417: Marketing & Labelling	Relates to the Company's products
<p><b>Risk management</b></p> <p>Effectively managing our financial, social, and environmental risks are critical in ensuring commercial sustainability and maintaining our social license to operate.</p>		Internal and external risks
<p><b>Water and waste</b></p> <p>We are committed to responsibly managing our environmental footprint, which in turn will ensure access to resources while minimising adverse impacts.</p>	<p>GRI 303 Water and Effluents</p> <p>GRI 306 Waste</p>	Relates to the Company's operations
<p><b>Sustainable agriculture</b></p> <p>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.</p>	<p>GRI 301: Materials</p> <p>GRI 308: Supplier Environmental Assessment</p> <p>GRI 414 Supplier Social Assessment</p> <p>GRI 304-1 Biodiversity</p>	Boundary extends to our suppliers
<p><b>Value infusion to economy</b></p> <p>Our 'win-win-win' approach to value creation centres on contributing to the Country's economic growth while driving shareholder value.</p>	<p>GRI 201: Economic Performance</p> <p>GRI 204: Procurement Practices</p>	Boundary extends to external stakeholders including contracted tobacco farmers, suppliers, and other communities
<p><b>Circular economy</b></p> <p>We believe adopting the principles of circular economy provides opportunities in reducing costs, driving innovation, and offering better value to customers.</p>		Relates to the Company's operations
<p><b>People and culture</b></p> <p>Our employees are a critical element of our success and offering them a rewarding and dynamic work environment is a strategic priority.</p>	<p>GRI 401: Employment</p> <p>GRI 404: Training &amp; Education</p> <p>GRI 405: Diversity &amp; Equal Opportunity</p>	Relates to the Company's operations

# GRI Content Index

<b>Statement of use</b>	Ceylon Tobacco Company PLC has reported in accordance with the GRI Standards for the period 1 January 2022 to 31 December 2022
<b>GRI 1 used</b>	GRI 1: Foundation 2021
<b>Applicable GRI Sector Standard(s)</b>	Not Applicable

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION (Page)	REQUIREMENT(S) OMITTED	REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
<b>General disclosures</b>						
<b>GRI 2: General Disclosures 2021</b>	2-1 Organisational details	6	A grey 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	7				
	2-7 Employees	72 - 78				
	2-8 Workers who are not employees				Not applicable	
	2-9 Governance structure and composition	87- 90				
	2-10 Nomination and selection of the highest governance body	90				
	2-11 Chair of the highest governance body	90				
	2-12 Role of the highest governance body in overseeing the management of impacts	92				
	2-13 Delegation of responsibility for managing impacts	92				
	2-14 Role of the highest governance body in sustainability reporting	92				
	2-15 Conflicts of interest	90				
	2-16 Communication of critical concerns	90				
	2-17 Collective knowledge of the highest governance body	89				
	2-18 Evaluation of the performance of the highest governance body	90				
	2-19 Remuneration policies	91				
	2-20 Process to determine remuneration	104				
	2-21 Annual total compensation ratio				Confidentiality constraints	
	2-22 Statement on sustainable development strategy	60				
	2-23 Policy commitments	81				
	2-24 Embedding policy commitments	81				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION (Page)	REQUIREMENT(S) OMITTED	REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
	2-25 Processes to remediate negative impacts	81				
	2-26 Mechanisms for seeking advice and raising concerns	80				
	2-27 Compliance with laws and regulations	81				
	2-28 Membership associations	80				
	2-29 Approach to stakeholder engagement	38				
	2-30 Collective bargaining agreements	75				
<b>Material topics</b>						
<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics	164	A grey 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	164				
	3-3 Management of material topics	164				
<b>Economic performance</b>						
<b>GRI 201: Economic Performance 2016</b>	201-1 Direct economic value generated and distributed	8				
	201-2 Financial implications and other risks and opportunities due to climate change	36, 37				
	201-3 Defined benefit plan obligations and other retirement plans	115, 123				
	201-4 Financial assistance received from Government			Not applicable		
<b>Market presence</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	44				
<b>GRI 202: Market Presence 2016</b>	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	74				
	202-2 Proportion of senior management hired from the local community	72				
<b>Indirect economic impacts</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	33				
<b>GRI 203: Indirect Economic Impacts 2016</b>	203-1 Infrastructure investments and services supported	33				
	203-2 Significant indirect economic impacts	33				
<b>Procurement practices</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	53				
<b>GRI 204: Procurement Practices 2016</b>	204-1 Proportion of spending on local suppliers	53				

## GRI Content Index

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION (Page)	REQUIREMENT(S) OMITTED	REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
<b>Anti-corruption</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	79				
<b>GRI 205: Anti-corruption 2016</b>	205-1 Operations assessed for risks related to corruption	79				
	205-2 Communication and training about anti-corruption policies and procedures	80				
	205-3 Confirmed incidents of corruption and actions taken	80				
<b>Anti-competitive behaviour</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	79				
<b>GRI 206: Anti-competitive Behaviour 2016</b>	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	79				
<b>Tax</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	84				
<b>GRI 207: Tax 2019</b>	207-1 Approach to tax	130				
	207-2 Tax governance, control, and risk management	85				
	207-3 Stakeholder engagement and management of concerns related to tax	85				
	207-4 Country-by-country reporting			Not applicable		
<b>Materials</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	62				
<b>GRI 301: Materials 2016</b>	301-1 Materials used by weight or volume	62				
	301-2 Recycled input materials used	62				
	301-3 Reclaimed products and their packaging materials			Not applicable		
<b>Energy</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	61				
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organisation	61				
	302-2 Energy consumption outside of the organisation			Information unavailable/incomplete		
	302-3 Energy intensity	61				
	302-4 Reduction of energy consumption	61				
	302-5 Reductions in energy requirements of products and services			Not applicable		

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION (Page)	REQUIREMENT(S) OMITTED	REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
<b>Water and effluents</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	63				
<b>GRI 303: Water and Effluents 2018</b>	303-1 Interactions with water as a shared resource	63				
	303-2 Management of water discharge-related impacts	63				
	303-3 Water withdrawal	63				
	303-4 Water discharge	63				
	303-5 Water consumption	63				
<b>Biodiversity</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	64				
<b>GRI 304: Biodiversity 2016</b>	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	64				
	304-3 Habitats protected or restored	64				
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations			Not applicable		
<b>Emissions</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	61				
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	61				
	305-2 Energy indirect (Scope 2) GHG emissions	61				
	305-3 Other indirect (Scope 3) GHG emissions			Information unavailable/incomplete		
	305-4 GHG emissions intensity	61				
	305-5 Reduction of GHG emissions	61				
	305-6 Emissions of ozone-depleting substances (ODS)			Not applicable		
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions			Not applicable		
<b>Waste</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	62				
<b>GRI 306: Waste 2020</b>	306-1 Waste generation and significant waste-related impacts	62				
	306-2 Management of significant waste-related impacts	62				



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GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION (Page)	REQUIREMENT(S) OMITTED	REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
	306-3 Waste generated	62				
	306-4 Waste diverted from disposal	62				
	306-5 Waste directed to disposal	62				
<b>Supplier environmental assessment</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	53, 69				
<b>GRI 308: Supplier Environmental Assessment 2016</b>	308-1 New suppliers that were screened using environmental criteria	54, 69				
	308-2 Negative environmental impacts in the supply chain and actions taken	69				
<b>Employment</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	72				
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	72				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	74				
	401-3 Parental leave	74				
<b>Occupational health and safety</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	70				
<b>GRI 403: Occupational Health and Safety 2018</b>	403-1 Occupational health and safety management system	71				
	403-2 Hazard identification, risk assessment, and incident investigation	70				
	403-3 Occupational health services	71				
	403-4 Worker participation, consultation, and communication on occupational health and safety	71				
	403-5 Worker training on occupational health and safety	71				
	403-6 Promotion of worker health	71				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	71				
	403-8 Workers covered by an occupational health and safety management system	71				
	403-9 Work-related injuries	71				
	403-10 Work-related ill health	71				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION (Page)	REQUIREMENT(S) OMITTED	REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
<b>Training and education</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	73				
<b>GRI 404: Training and Education 2016</b>	404-1 Average hours of training per year per employee	73				
	404-2 Programs for upgrading employee skills and transition assistance programs	73				
	404-3 Percentage of employees receiving regular performance and career development reviews	73				
<b>Diversity and equal opportunity</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	74 - 76				
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	74				
	405-2 Ratio of basic salary and remuneration of women to men	74				
<b>Non-discrimination</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	74				
<b>GRI 406: Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken	47				
<b>Child labour</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	69				
<b>GRI 408: Child Labour 2016</b>	408-1 Operations and suppliers at significant risk for incidents of child labour	69				
<b>Forced or compulsory labour</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	69				
<b>GRI 409: Forced or Compulsory Labour 2016</b>	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	69				
<b>Local communities</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	65 - 68				
<b>GRI 413: Local Communities 2016</b>	413-1 Operations with local community engagement, impact assessments, and development programs	56 - 68				
	413-2 Operations with significant actual and potential negative impacts on local communities			Not applicable		

## GRI Content Index

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION (Page)	REQUIREMENT(S) OMITTED	REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
<b>Supplier social assessment</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	55				
<b>GRI 414: Supplier Social Assessment 2016</b>	414-1 New suppliers that were screened using social criteria	54				
	414-2 Negative social impacts in the supply chain and actions taken	55				
<b>Public policy</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	80				
<b>GRI 415: Public Policy 2016</b>	415-1 Political contributions	80				
<b>Marketing and labelling</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	81				
<b>GRI 417: Marketing and Labeling 2016</b>	417-1 Requirements for product and service information and labelling	81				
	417-2 Incidents of non-compliance concerning product and service information and labelling	81				
	417-3 Incidents of non-compliance concerning marketing communications	81				

# 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  
HSBC  
People's Bank  
Standard Chartered Bank

## HOLDING COMPANY

British American Tobacco Plc through  
British American Tobacco International  
Holdings BV

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