



# THE DNA OF CHAMPIONS

CEYLON TOBACCO COMPANY PLC  
ANNUAL REPORT 2025







# THE DNA OF CHAMPIONS

The future at Ceylon Tobacco Company PLC (CTC) is a commitment shaped in the present. Guided by a strong strategy and a drive for excellence, we continue to evolve with clarity and purpose.

Across our operations, from manufacturing to talent, innovation to governance, we are building systems that balance performance with responsibility. Our focus is on creating sustainable value, strengthening communities, and upholding the highest standards of transparency and ethics.

Amid uncertainty, our resilience continues to define us. Through prudent management, strategic foresight and the effective use of technology, we remain adaptive and focused on progress. With sustainability at our core and innovation as our catalyst, the future at CTC is firmly in focus.



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# About This Report

We are pleased to present herewith our Integrated Annual Report for the financial year ended 31 December 2025. The Report is 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. In deciding what to disclose, we have adopted the principle of materiality, highlighting those matters that most significantly influence our economic, environmental and social impact. The methodology used to determine material topics is outlined in detail on page 36 of this Report.



## SCOPE AND BOUNDARY OF THIS REPORT

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 2025 to 31 December 2025, including material developments until the sign-off date of 20 April 2026. The Company adopts an annual reporting cycle, and this Report builds on the Company’s previous Report for the year ending 31 December 2024. 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.



## ASSURANCE

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

## REPORTING FRAMEWORK ADOPTED

### FINANCIAL REPORTING

#### Mandatory

- Sri Lanka Financial Reporting Standards
- Companies Act No. 7 of 2007 (as amended)
- Listing Rules of the Colombo Stock Exchange (CSE)

### CORPORATE GOVERNANCE

#### Mandatory

- Listing Rules of the Colombo Stock Exchange (CSE)

#### Voluntary

- Code of Best Practice on Corporate Governance issued by Chartered Accountants (CA) Sri Lanka (2023)

### SUSTAINABILITY REPORTING

#### Mandatory

- Sri Lanka Financial Reporting Standards (SLFRS) S1 General Requirements for Disclosures of sustainability-related Financial Information and SLFRS S2 climate-related Disclosures

#### Voluntary

- Integrated Reporting Framework of the International Integrated Reporting Council
- Global Reporting Initiative (GRI) Standards
- United Nations Sustainable Development Goals (SDG)
- Sustainability Guide on ESG Reporting issued by the CSE

## NAVIGATING OUR REPORT

This report has been structured around our strategic priorities. The Report uses the following icons to clearly depict the connectivity between our strategic priorities and the capitals defined in this Report.

### STRATEGIC PRIORITIES



Strengthening Brand Resonance



Mitigating The Illicit Cigarette and Beedi Threat



Future Proofing Our Supply Chain



Driving Distribution Efficiencies



Manufacturing Excellence



Embedding Sustainability

### CAPITAL NAVIGATION



Financial Capital



Human Capital



Social and Relationship Capital



Manufactured Capital



Intellectual Capital



Natural Capital

## DIRECTORS' RESPONSIBILITY

The Board hereby confirms that CTC's Integrated Annual Report of 2025 addresses all material issues and fairly reflects the Company's integrated performance and value creation during the year. The Board also confirms that this Report has been prepared in accordance with the Integrated Reporting Framework. The Board approves this Report and its publication on 20 April 2026.

**HARIN DE SILVA WIJEYERATNE**

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

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

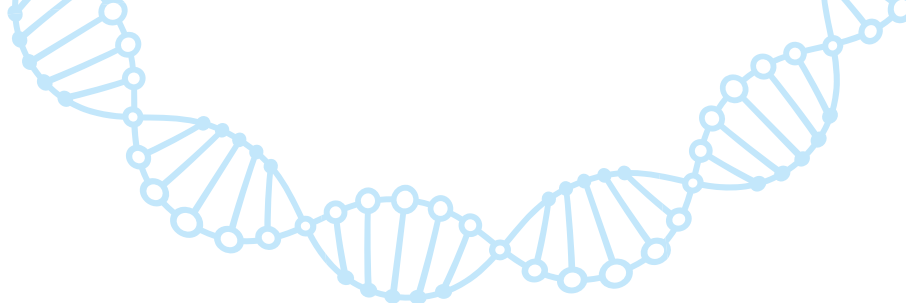


Telephone No : +94 112 496200



E-mail : [hansini\\_wijesinghe@bat.com](mailto:hansini_wijesinghe@bat.com)

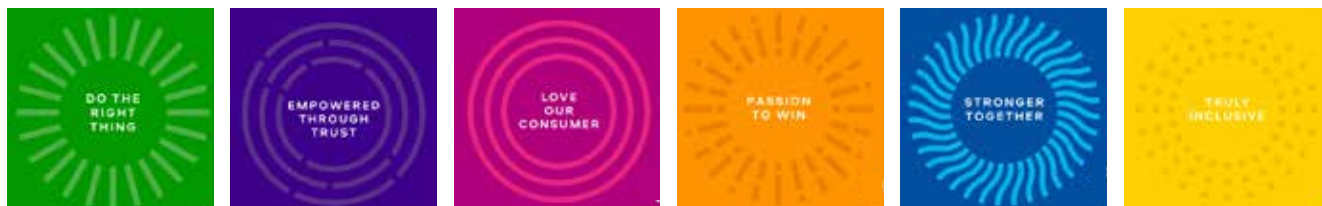
# Our Story







A member of the British American Tobacco p.l.c ('BAT'), CTC is Sri Lanka's sole legal manufacturer of cigarettes. Ranked among the most valuable corporate entities on the Colombo Stock Exchange (CSE), CTC contributes to the nation's long-term socio-economic resilience, not only as the largest individual taxpayer to the government but also as a key enabler of sustainable rural livelihoods.

Driven by our global purpose of creating "A Better Tomorrow™" and guided by our corporate values (depicted below), we remain committed to delivering sustainable growth and long-term value. We achieve this by leveraging our core strengths; our people, whose skills and dedication drive performance; our partnerships, which enable shared progress and stakeholder trust; and our products, through which we continue to innovate responsibly and create lasting value.

## OUR VALUES



 <h3>OUR PEOPLE</h3> <p>Our team of over 300 employees consistently drive excellence in all aspects of our operation.</p>	<p>Total Employees</p> <h1>301</h1>	<p>Male  Female </p> <p><b>250</b> <b>51</b></p>
 <h3>OUR PRODUCTS</h3> <p>We continue to fine tune our product portfolio to satisfy the evolving needs of our adult consumers.</p>	<p>Stock Keeping Units (SKU's)</p> <h1>8</h1>	<p>Brands</p> <h1>4</h1>
 <h3>OUR PARTNERSHIPS</h3> <p>Mutually beneficial partnerships enable us to act responsibly, build stakeholder trust, and create long-term shared value.</p>	<p>Direct Contracted Farmers</p> <h1>807</h1>	<p>Distributor Network</p> <h1>11</h1>

## A LEGACY OF RESPONSIBLE PROGRESS

Our unwavering commitment to responsible business practices, sustainability, and value creation has strengthened our position as a trusted industry leader and a responsible corporate entity that places stakeholder wellbeing at the core. This is reflected in our path of sustainable growth.





<h1>2002</h1>	<p>CTC adopted the Statement of Business Principles developed by BAT reflecting our strong commitment to upholding Global Best Practices.</p>
<h1>2006</h1>	<p>The launch of the Sustainable Agriculture Development Programme (SADP) a landmark initiative within Sri Lanka's tobacco industry, aimed at uplifting rural livelihoods, promoting sustainable farming practices, and empowering local communities while safeguarding the environment.</p> 

<b>2021</b>	CTC became the first country within the BAT Group to achieve carbon neutrality in Scopes 1 and 2 GHG emissions across its depots, Green Leaf Threshing Plant (GLTP), Colombo Factory, and commercial operations, underscoring the progress achieved in advancing our climate action agenda.
<b>2024</b>	We reached yet another significant milestone in our sustainability journey, with 100% of our operational sites achieving AWS Certification. 
<b>2025</b>	CTC continues to be recognised for fostering an exceptional work environment, having been certified for the 6 <sup>th</sup> consecutive year by the Top Employers Institute, Netherlands. 

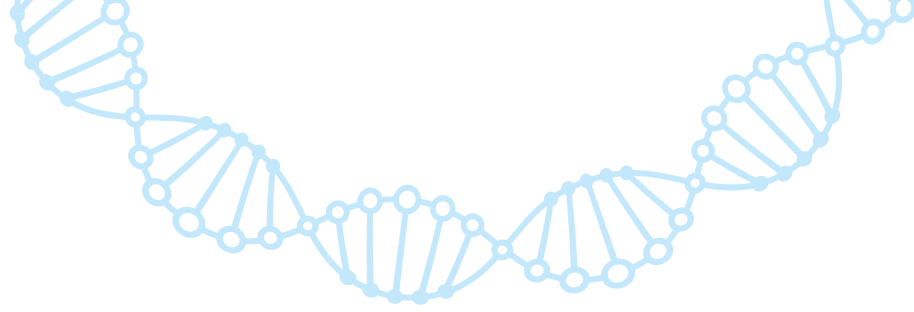
### OUR SOCIO - ECONOMIC CONTRIBUTION

The scope and depth of our operations enable us to play a significant role in Sri Lanka’s socio-economic progress. Beyond delivering value to our shareholders, we generate widespread impact by supporting thousands of direct and indirect livelihoods across our value chain including employees, tobacco farmers, suppliers, and distributors. Our business contributes substantially to the national economy through excise duties and other tax payments, which remain a key source of Government revenue. At the same time, we invest in strengthening agricultural practices, developing skills, and empowering communities connected to our operations. In doing so, we create long-term economic value while ensuring our growth remains aligned with the country’s broader socio-economic development priorities.

### ECONOMIC VALUE CREATED AND DISTRIBUTED IN 2025

ECONOMIC VALUE GENERATED			
Turnover <b>Rs. 215.7 Bn</b>	Revenue <b>Rs. 66.6 Bn</b>		
ECONOMIC VALUE DISTRIBUTED			
Payments to Employees <b>Rs. 3.1 Bn</b>	Dividends Paid to Shareholders <b>Rs. 29.3 Bn</b>	Government Levies <b>Rs. 149.1 Bn</b>	
 <b>71,700+</b> jobs created under legal cigarette industry	 Economic empowerment of contracted tobacco farmers through <b>Rs. 1 Bn</b> in payments	 One of the largest individual taxpayers to the Government accounting for approximately <b>4% (Rs. 173.8 Bn)</b> of total Government tax revenue in 2025	 <b>20,000+</b> beneficiaries from social investment initiatives in 2025

# Celebrating Excellence



We drive an ethos of excellence through a strong culture of recognition, reinforced by both internal performance-based rewards and prestigious external awards.

## CHAIRMAN'S AWARDS 2025

CTC held the annual Line of Sight 2026 during which 13 employees and 3 teams were awarded the Chairman's Awards for outstanding performance and high-impact contributions. The event celebrated excellence in stakeholder management, compliance, cost optimisation, commercial execution and cross-functional collaboration, reinforcing CTC's commitment to acknowledging professionalism, collaboration and consistent delivery across the organisation.



## PINNACLE AWARDS 2025

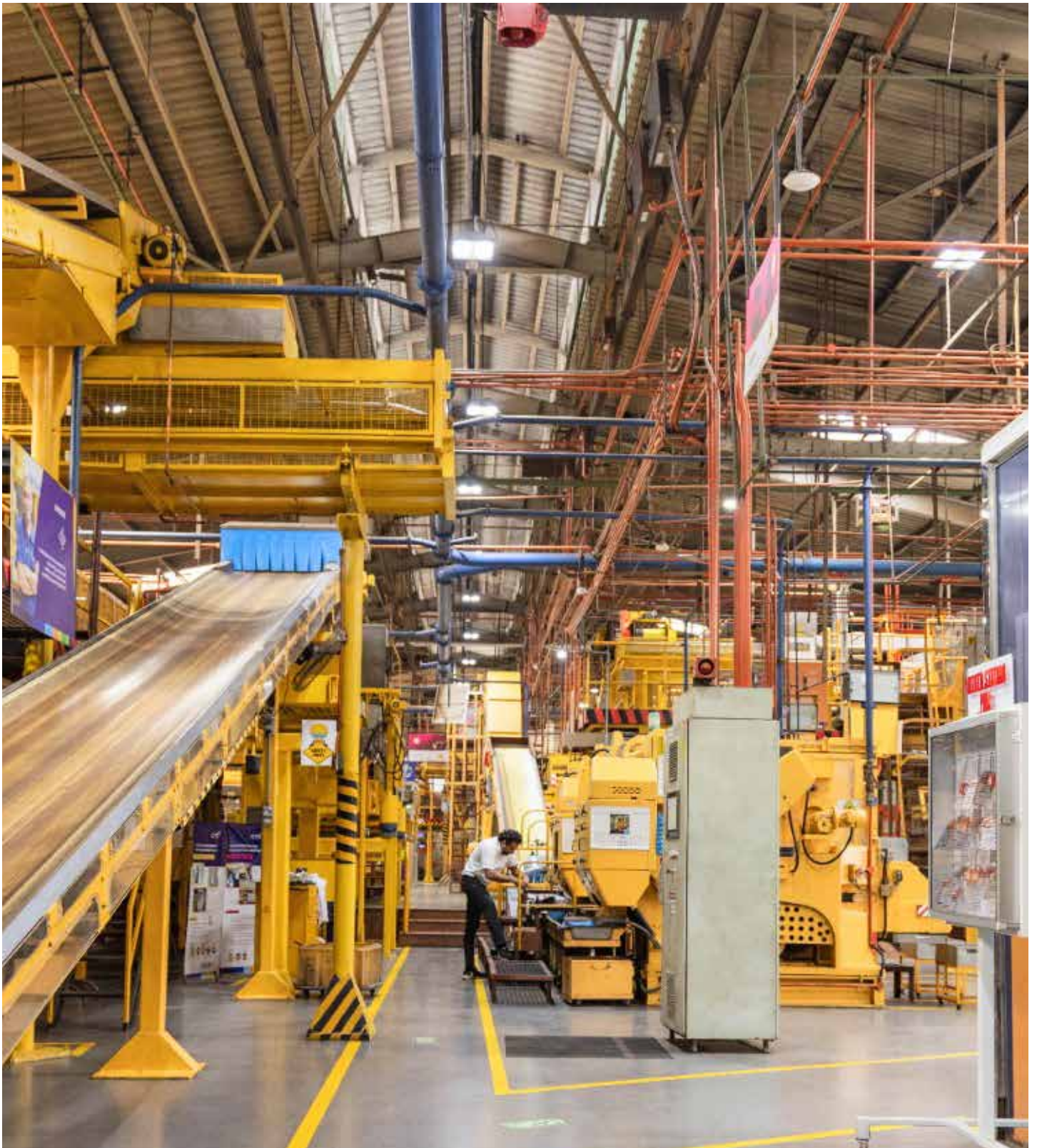
As part of our continued commitment to recognising excellence, the annual Pinnacle Awards ceremony was held on 5 April 2025, honouring outstanding performance across the Commercial Function. Six frontliners from the commercial team were recognised for their contribution and commitment.



During the year, we received several prestigious external awards, reflecting our continued commitment to excellence across our operations. Key awards received during the year include;

- DEI Champions Award – Most Inclusive Workplace Culture - Ceylon Chamber of Commerce
- National Best Employer Awards – Honorable Mention - Employer Federation of Ceylon
- Top Employer Award 2025 – Top Employer Institute, Netherlands
- Great HR Award: Winner – FMCG and Retail Sector - Chartered Institute of Personnel Management
- Women Friendly Workforce Awards – One of Sri Lanka's Most Outstanding Women Friendly Workplaces - SATYNMAG.COM





THE SCOPE AND DEPTH OF OUR OPERATIONS ENABLE US TO PLAY A SIGNIFICANT ROLE IN SRI LANKA'S SOCIO-ECONOMIC PROGRESS. BEYOND DELIVERING VALUE TO OUR SHAREHOLDERS, WE GENERATE WIDESPREAD IMPACT BY SUPPORTING THOUSANDS OF DIRECT AND INDIRECT LIVELIHOODS ACROSS OUR VALUE CHAIN INCLUDING EMPLOYEES, TOBACCO FARMERS, SUPPLIERS, AND DISTRIBUTORS.

# Strategy In Action

## OUR VALUE CREATION PROCESS

We create value for our stakeholders by strategically leveraging our capital inputs; financial, human, intellectual, natural, manufactured, and social to deliver sustainable growth, strengthen resilience, and generate positive economic, environmental, and social outcomes.

### OUR CAPITAL INPUTS

#### Financial Capital

Shareholders' funds: **Rs. 11,048 Mn**  
Capital expenditure: **Rs. 798 Mn**

#### Manufactured Capital

Manufacturing facilities: **2**  
Property, plant and equipment: **Rs. 6,888 Mn**

#### Human Capital

Employees: **301**

#### Social and Relationship Capital

Contracted tobacco farmers: **807**  
Sub-growers: **1,051**  
Distributors: **11**  
Direct store service (DSS) outlets: **60,000**  
Community relationships

#### Intellectual Capital

Brands  
Market insights  
Access to world-class R&D capabilities

#### Natural Capital

Tobacco leaf used for production: **1,486,117.752 Kg**  
Total energy use: **34,419 GJ**  
Total water withdrawn: **24,510 CM<sup>3</sup>**

### OUR VALUE CREATION PROCESS



### OUR STRATEGIC PRIORITIES IN 2025

#### Strengthening Brand Resonance

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#### Driving Distribution Efficiencies

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#### Mitigating the Threat of Illicit

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#### Manufacturing Excellence

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#### Future-Proofing our Supply Chain

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#### Embedding Sustainability

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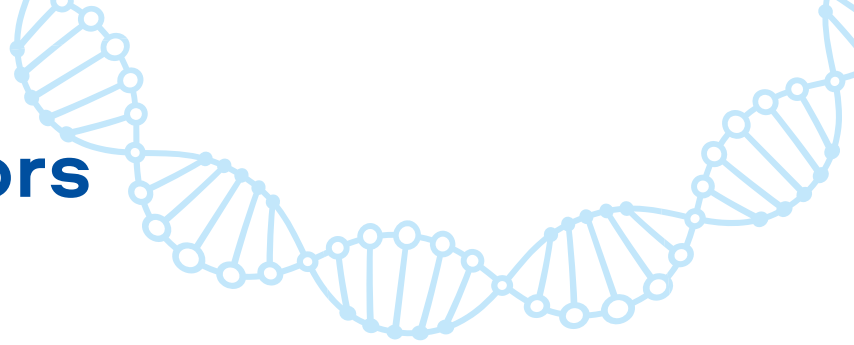
A BETTER TOMORROW™ FOR

VALUE CREATED FOR STAKEHOLDERS

MEASURED BY

	<b>Consumers</b>	A diverse range of products to suit adult consumer preferences	8 SKU's across 4 brands
	<b>Suppliers and Business Partners</b>	Economic empowerment for farmer network and distributor network	Payments to contracted tobacco farmers <b>Rs. 1 Bn</b>
	<b>Our People</b>	A dynamic, inspiring and purposeful place to work for employees	Employee satisfaction score <b>88%</b>
	<b>Society</b>	Community development and reduced overall environmental impact	CSI investments <b>Rs. 66.1 Bn</b>  Scope 1 & 2 emissions down by <b>65.4% vs 2020</b>
	<b>Shareholders and Investors</b>	Sustainable and superior returns to shareholders	Dividend per share <b>Rs. 155.54</b>
	<b>Government</b>	Single largest tax contributor	Contribution to Government taxes <b>Rs. 173.8 Bn</b>

# Board of Directors



**SURESH KUMAR SHAH**  
Chairman and Independent  
Non-Executive Director



**KUSHAN D'ALWIS PC**  
Independent Non-Executive Director



**HARIN DE SILVA WIJEYERATNE**  
Independent Non-Executive Director



**STUART ROBERT KIDD**  
Non-Executive Director



**GARY TARRANT**  
Non-Executive Director



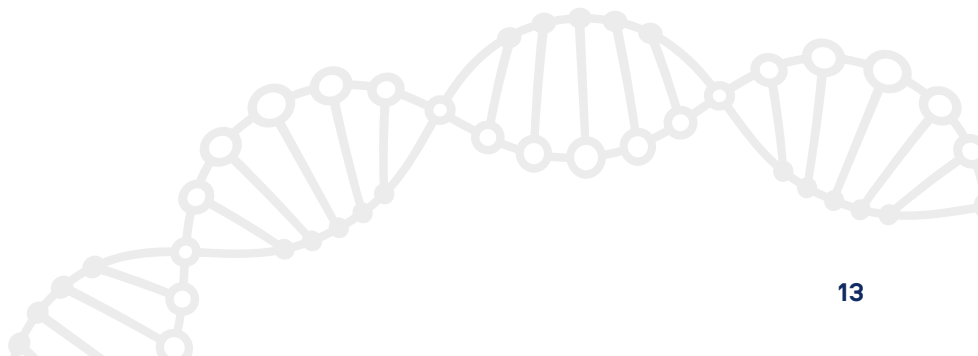
**SAMANMALEE PRIYANVADA  
CHANDRASIRI**  
Non-Executive Director



**FARIYHA SUBHANI**  
Managing Director &  
Chief Executive Officer



**TOWHID AKBAR**  
Executive Director



# Board of Directors

## SURESH KUMAR SHAH

Chairman and Independent  
Non-Executive Director

### Current Appointments

Chairman of Hatton National Bank PLC, Board Member of Carson Cumberbatch PLC, Nature's Trail (Pvt) Ltd and The Hill Club Company Ltd.

### Past Appointments

Mr. Suresh Shah has held several prominent leadership roles throughout his distinguished career, bringing a wealth of multifaceted experience from serving as the CEO of a listed company for 30 years. He has also contributed to the broader private sector through his involvement in corporate and employer apex organisations, as well as to the public sector in various capacities. Mr Shah served as Director/CEO of Ceylon Beverage Holdings PLC and Lion Brewery Ceylon PLC. He was the Chairman of the Ceylon Chamber of Commerce and the Employers' Federation of Ceylon. He also served as a Commissioner of the Securities and Exchange Commission of Sri Lanka. He was also a Board Member of Bukit Darah PLC.

Mr. Shah has served as a Member of the Monetary Policy Consultative Committee of the Central Bank of Sri Lanka and headed the State-Owned Enterprise Restructuring Unit of the Government of Sri Lanka. Additionally, he was a Member of the Council of the University of Moratuwa and has held the position of CFO at Lankem Ceylon PLC and United Motors Lanka PLC.

### Qualifications

Mr. Shah is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

## KUSHAN D'ALWIS PC

Independent Non-Executive  
Director

### Current Appointments

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

### Past Appointments

Board Member of National Development Bank PLC.

Mr. Kushan D'Alwis was a Member of the Law Commission of Sri Lanka from 2011 to 2015. He was a Member of the Panel of Legal Advisors to the Tax Appeals Commission in addition to serving as a Member of the Public Representations Committee on Constitutional Reform, appointed by the Cabinet of Ministers. He also served as the Vice Chairman of the Civil Aviation Authority of Sri Lanka while also serving as Chairman of the Office of the National Unity and Reconciliation (ONUR) of Sri Lanka.

He was appointed as a Director of the Colombo Lotus Tower Management Company (Pvt) Ltd, and served as a Member of the Financial System Stability Consultative Committee of the Central Bank of Sri Lanka.

Mr. D'Alwis also served as a Member of the Board of Investment of Sri Lanka and was appointed to the Presidential Committee tasked with reformulating guidelines for the appointment of President's Counsels. Additionally, he was a Member of the Committee under the Ministry of Defense, responsible for reviewing the issuance of frequency permits for television and radio broadcasting and related procedures. Mr. D'Alwis also contributed to the Standing Committee on Accreditation and Quality Assurance under the Ministry of Education. Furthermore, he served on the Board of Directors of Lanka Hospitals Corporation PLC.

### Qualifications

Mr. D'Alwis took oaths as an Attorney-at-Law in 1985 and has been in active practice for over 40 years. He was conferred Silk and took oaths as President's Counsel in November 2012.

**HARIN DE SILVA WIJEYERATNE****Independent Non-Executive Director**

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

**Current Appointments**

Director of DFCC Bank, Trans Asia Hotels PLC, and Ceylon Cold Stores PLC and Chairman of the Audit Committee of the same Organisations. Audit Committee Chairman of MAS Holdings and Director of the Gamini Corea Trust. Remains the Founder/ Owner of Avastha Financial Advisory Services and is the Co-founder of Kalyana, a mental health advocacy group.

**Past Appointments**

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

**Qualifications**

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

**STUART ROBERT KIDD****Non-Executive Director****Current Appointments**

Finance Director, Asia Pacific, Middle East and Asia (APMEA) – BAT and Non-Executive Director of BAT Bangladesh.

**Past Appointments**

Mr. Stuart Robert Kidd brings over 20 years of experience across diverse BAT markets, having held several senior finance roles in New Zealand, Vietnam, the United Kingdom, Hong Kong, Switzerland, and Japan. He has successfully served as Finance Director in multiple markets, most recently in Japan, where he played a key role in driving BAT's New Category growth and business transformation agenda. Mr. Kidd has also been actively involved in mergers and acquisitions across the region, further strengthening his expertise in financial strategy and corporate development.

**Qualifications**

Mr. Kidd holds a Bachelor of Commerce from the University of Auckland and is a Certified Chartered Accountant.

**GARY TARRANT****Non-Executive Director**

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

**Current Appointments**

Group Head of Regulation, Non-Executive Director of BAT Bangladesh, Non-Executive Director of Pakistan Tobacco Company and Non-Executive Director of BAT Singapore.

**Past Appointments**

Prior to taking on his current role in January this year, Mr. Gary Tarrant was Regional Head of Legal & External Affairs for the Asia Pacific, Middle East and Africa region since 2023 where he was responsible for all legal, corporate affairs and regulatory matters for the region. Prior to that Mr. Tarrant served as Head of Legal & External Affairs for the Middle East, South Asia and North Africa Area. Mr. Tarrant began his professional career in 1993 with Unilever's legal department and later worked at a London-based law firm before joining BAT in 2004 as Senior Trademark Manager at the Company's London head office. Throughout his career at BAT, he has held various leadership roles within the Legal and External Affairs function, spanning multiple countries in the Middle East, West Africa, and North Asia. Recognised for his ability to blend legal expertise with commercial acumen, Mr. Tarrant has a proven track record of advancing the Legal, Corporate and Regulatory Affairs strategic agenda, while also placing a strong emphasis on developing future leaders within the organisation.

**Qualifications**

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

# Board of Directors

## SAMANMALEE PRIYANVADA CHANDRASIRI

### Non-Executive Director

Member of the Remuneration Committee.

#### Current Appointments

Group Head of HR and Inclusion – Global Operations and R&D

#### Past Appointments

Ms. Samanmalee Priyanvada Chandrasiri is a globally experienced Human Resources (HR) leader with a proven track record of driving impactful business transformations across multiple markets and functional areas. Ms. Chandrasiri began her management career in 2006 with HR business partnering roles at CTC, gaining experience across multiple functions. She went on to serve as the Area Head of Talent for BAT South Asia, where she oversaw talent strategies across Pakistan, Bangladesh, and Sri Lanka. In 2011, she moved to BAT Indonesia as Organisation Effectiveness Advisor, before taking on the role of HR Director at Ceylon Tobacco Company PLC, followed by a similar position for Malaysia and Singapore.

In July 2019 Ms. Chandrasiri assumed duties as Group Head of Organisation Effectiveness & Talent Management. She thereafter served as Group Head of HR for Global Marketing, Scientific Research & Development, after which she held the position of Group Head of Talent, Organisation Effectiveness, and Inclusion, where she led BAT's global Centre of Expertise in these areas.

#### Qualifications

Ms. Chandrasiri holds an MBA from Edith Cowan University and a BSc in Management from the University of London.

## FARIYHA SUBHANI

### Managing Director & Chief Executive Officer

Member of the Corporate Social Investment Steering Committee.

#### Current Appointments

Country Manager, Sri Lanka

#### Past Appointments

Ms. Fariyha Subhani started her career at Unilever PLC in Pakistan in 1989. She has extensive experience in Brand Development & Management across various categories and leadership positions. She also spent significant time in Regional & Global roles based in Thailand, where she developed growth strategy and innovations for Home care categories across Asia. She returned to Pakistan in 2006 as the Head of Retail Food and by 2009, she was heading the entire food business, which she helped to transform over the next 5 years. She also joined two boards as a CEO and Director.

In 2018, she moved from Unilever to Upfield, a new business setup post acquisition of Unilever spreads by an American private equity firm. She joined Upfield as GM for South and Central Asia and setup a new team, office, systems, distributor network, developed growth strategy, launched innovation and extended supply chain. She not only grew the business in many directions in 5 years, but also ensured that sustainable business and effective people management practices were adopted and followed. She also, passionately led the ESG & DEI agenda for Upfield in her market unit.

#### Qualifications

Ms. Subhani is a Graduate with an MSc in International Relations and an MBA from the Lahore University of Management Sciences.

## TOWHID AKBAR

### Executive Director

Member of the Corporate Social Investment Steering Committee.

#### Current Appointments

Finance Director, Ceylon Tobacco Company PLC.

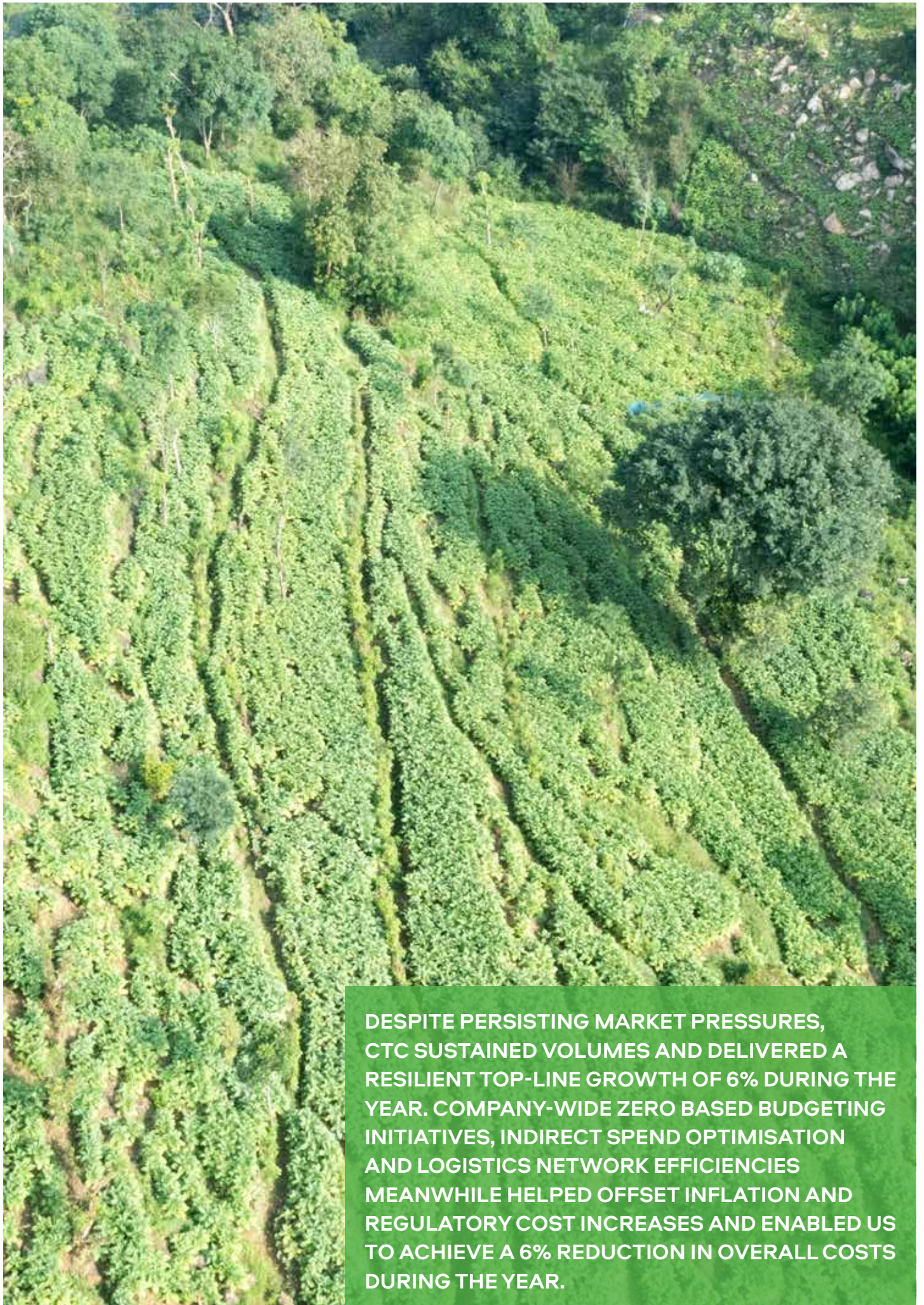
#### Past Appointments

Mr. Towhid Akbar joined British American Tobacco (BAT) in 2007 as a Territory Officer in the Trade Marketing team. Following a cross-functional move to Finance, Mr. Akbar gained a wealth of experience, working in diverse markets and roles across the BAT operations. His multiple roles across Taiwan, Vietnam, the Global Business Services hub in Malaysia, and Group Internal Audit have provided him with broad international exposure and cross-functional expertise, positioning him as an agile and strategically astute professional. As a Senior Manager, Towhid supported the unlocking of sustainable value growth across the business and 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.

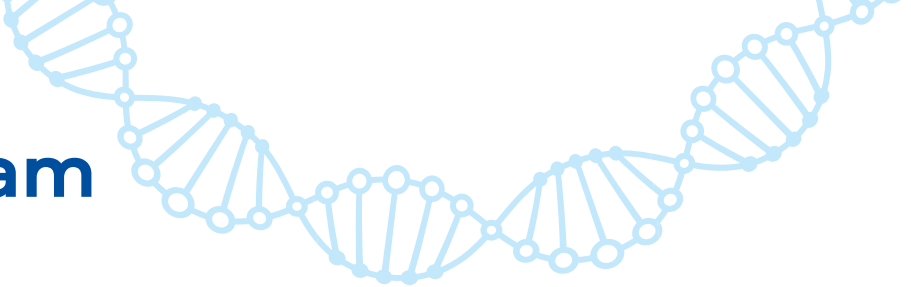
#### Qualifications

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



**DESPITE PERSISTING MARKET PRESSURES, CTC SUSTAINED VOLUMES AND DELIVERED A RESILIENT TOP-LINE GROWTH OF 6% DURING THE YEAR. COMPANY-WIDE ZERO BASED BUDGETING INITIATIVES, INDIRECT SPEND OPTIMISATION AND LOGISTICS NETWORK EFFICIENCIES MEANWHILE HELPED OFFSET INFLATION AND REGULATORY COST INCREASES AND ENABLED US TO ACHIEVE A 6% REDUCTION IN OVERALL COSTS DURING THE YEAR.**

# Leadership Team



**JESSICA BAI**  
Head of Operations



**KAVINDA NANAYAKKARA**  
Deputy Chief Executive Officer



**ZAHRAH CADER**  
Head of Legal, Corporate & Regulatory Affairs & Company Secretary



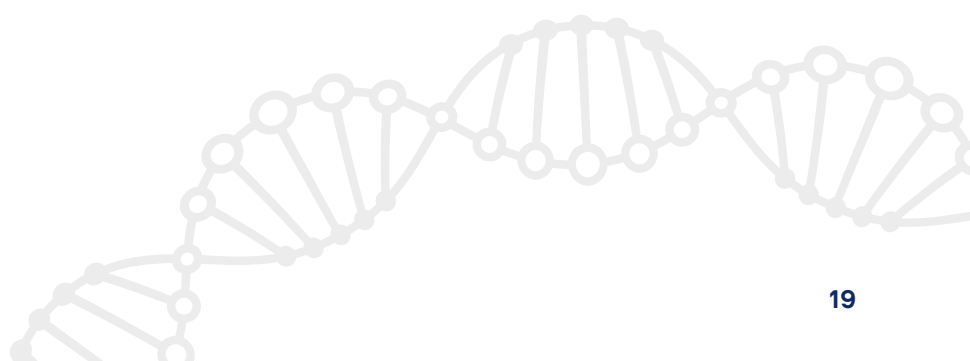
**FARIYHA SUBHANI**  
Managing Director & Chief Executive Officer



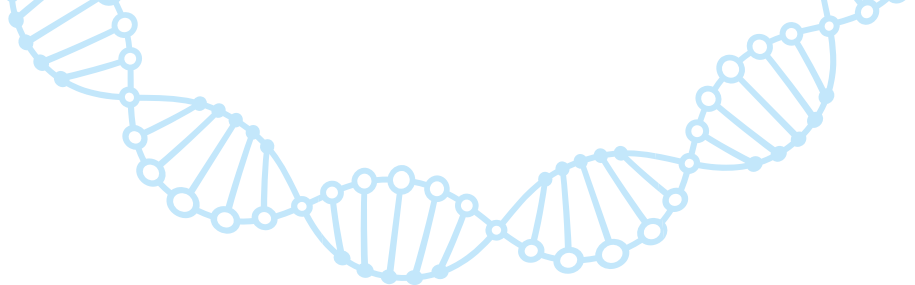
**TOWHID AKBAR**  
Finance Director

**NISHAN FERNANDO**  
Head of Commercial

**KUSHANI DASSANAYAKE**  
Head of Talent, Culture &  
Inclusion



# Key Highlights



## FINANCIAL PERFORMANCE

Year Ended 31 December		2025	2024	2023	2022	2021
<b>Financial Performance and Position</b>						
Turnover	Rs. Mn	215,670	204,281	200,019	167,194	134,369
Government levies	Rs. Mn	149,107	141,752	142,299	122,922	100,753
Revenue	Rs. Mn	66,563	62,529	57,721	44,272	33,615
Profit before tax	Rs. Mn	53,862	48,977	46,140	34,393	26,646
Profit after tax	Rs. Mn	29,136	29,643	27,656	20,469	16,146
Net assets	Rs. Mn	110,475	111,367	11,765	17,493	8,987
<b>Investor Information</b>						
Earnings per share	Rs.	155.54	158.24	147.64	109.27	86.20
Interim dividends	Rs. Mn	29,286	30,298	33,362	5,432	12,054
Proposed final dividend	Rs. Mn	3,286	3,229	3,529	3,803	-
Dividend per share (interim and proposed final dividend)	Rs.	155.54	158.24	147.64	109.27	86.20
Dividend payout	%	100	100	100	100	61
Market value per share (closing)	Rs.	1,725.00	1,397.25	953.75	953.75	878.00
Market capitalisation	Rs. Mn	323,133	261,738	178,660	117,077	164,470
Net assets per share	Rs.	60.00	59.00	62.80	93.38	47.98



## SOCIAL PERFORMANCE

Year Ended 31 December		2025	2024	2023	2022	2021
Permanent employees	No.	252	244	249	267	269
Average training hours	Hours	13,500	12,300	7,599	17,501	17,445
Female participation in management roles	%	32	38	35	38	30



## ENVIRONMENTAL PERFORMANCE

Year Ended 31 December		2025	2024	2023	2022	2021
Energy Consumption	GJ	33,998	34,419	34,895	38,996	34,608
Water Withdrawn	m <sup>3</sup>	29,175	24,511	12,027	10,994	15,793
GHG Emissions	tCO <sub>2</sub> e	1,271	1,398	1,315	1,594	1,334
Emission Intensity	tCO <sub>2</sub> e per MCE	0.34	0.37	0.34	0.32	0.23
Waste Recycled	%	95.11	96.27	90.00	89.51	22.74

# Distribution of Value

We continued to generate meaningful value for our stakeholders during the year, actively contributing to the socio-economic progress of the country.

## Government

**Rs. 173.8 Bn**

in tax revenue



## Shareholders

**Rs. 29.3 Bn**

paid in dividends

**2%**

decrease in Earnings Per Share (EPS)



## Employees

**Rs. 3.1 Bn**

total employment cost

**Over 13,566**

hours of training & development



## Community

**24,298**

livelihoods supported via CSI initiatives



## Economy

**Over 71,000**

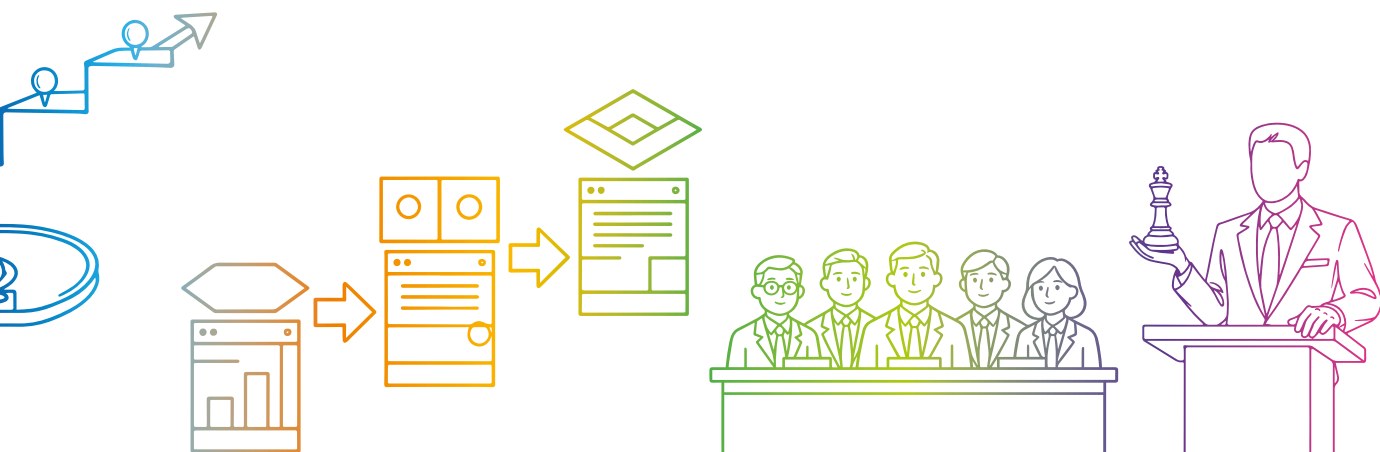
employment opportunities generated across the value chain





CEYLON TOBACCO  
COMPANY





# The DNA of Visionary Leadership

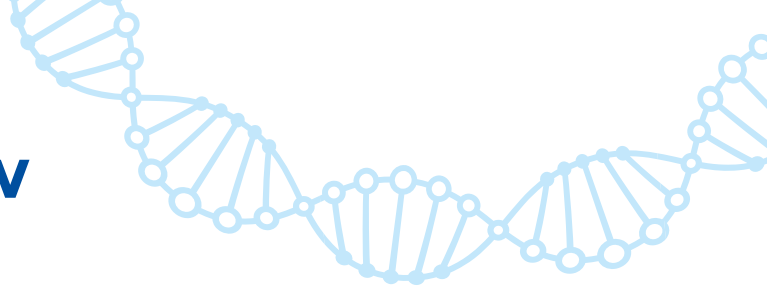
## MANAGEMENT DISCUSSION AND ANALYSIS

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# Chairman's Review



## Taxes Paid

Rs. **173.8** Bn

## Dividends Paid

Rs. **23.3** Bn

## Turnover Growth

**6%**

Dear Shareholder,

I am pleased to share with you that CTC delivered commendable performance in 2025, responding swiftly to challenges and proactively seizing opportunities to continue to create value for its stakeholders. The strong performance, delivered despite ongoing headwinds including continued volume and pricing pressures, is a testament to the agility, resilience and strength of our operations.

### OPERATING CONTEXT

Sri Lanka's economy recorded a strong recovery in 2025, with a year-on-year Gross Domestic Product (GDP) growth of 5%. Inflation also remained well-contained, stabilising at 2.1% by year-end following the deflationary pressures observed in late 2024. Following the significant appreciation in 2024, the Sri Lankan Rupee reversed its trend and recorded a depreciation of 5.6% in 2025. Although Cyclone Ditwah, which struck in late 2025, caused significant damage to critical infrastructure and temporarily disrupted economic activity, prompt policy measures helped stabilise conditions and maintain overall economic momentum.



**CTC CONTINUES TO BE THE SINGLE LARGEST TAX CONTRIBUTOR TO THE GOVERNMENT; IN 2025 WE CONTRIBUTED RS. 173.8 BILLION TO THE TREASURY, WHICH WAS APPROXIMATELY 4% OF THE GOVERNMENT'S TOTAL TAX REVENUE FOR THE YEAR.**



Despite the improvement in macroeconomic conditions, persisting pressure on consumer discretionary spending continued to impact demand conditions for CTC. The 6% increase in excise duties in January 2025 elevated retail prices of legal cigarettes, creating pressure on demand. Meanwhile, the persistent threat posed by the illicit market, driven by the widening price gap between legal cigarettes and their illicit counterparts remained a challenge during the year.

### PERFORMANCE

CTC continued to successfully navigate volume and cost pressures, delivering a resolute performance during the year. Revenue grew by 6% Year-To-Year while Profit Before Tax recorded a 10% growth during the year. Profit After Tax however

declined by 2% mainly on account of the increase in the applicable corporate tax rate from 40% to 45%. Consequently, the total corporate tax paid to the Government in 2025 grew by 28%. Meanwhile, CTC continued to deliver returns to its shareholders with an Earnings Per Share of Rs. 155.54 and a total dividend declared during the year 2025 was Rs. 29.1 Billion.

### DELIVERING MULTI-STAKEHOLDER VALUE

We continued to deliver multi-stakeholder value during the year, supporting the country's economic progress by directly contributing to Government revenue, creating employment opportunities, and empowering communities across CTC's value chain. CTC continues to be the single largest tax contributor to the Government; in 2025 we contributed Rs. 173.8 Billion to the Treasury, which was approximately 4% of the Government's total tax revenue for the year. We supported over 71,000 employment opportunities across our value chain and injected more than Rs. 1 Billion into the rural economy through tobacco leaf purchases. In parallel, our purpose-led CSI initiatives continued to empower communities by addressing national priorities including poverty alleviation, agriculture and irrigation and access to clean water.

### STRENGTHENING ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORTING

While continuing to achieve steady progress on our ESG agenda, we also focused on strengthening our governance and reporting frameworks to ensure alignment with SLFRS S1 and S2 disclosure requirements.

During the year CTC rolled out a readiness programme for the alignment and adoption of SLFRS S1 and SLFRS S2 disclosure standards that came into effect from 1 January 2025. Key focus areas included undertaking a comprehensive materiality assessment integrating financial and sustainability-related risks and opportunities, as well as strengthening data architecture and internal controls across critical

metrics including emissions, energy, water and supply chain impacts. Meanwhile, we continued to strengthen governance around ESG by enhancing Board and management oversight of ESG matters in alignment with SLFRS disclosure standards and CSE Listing Rules. This involved revising the Terms of Reference (ToR) of the CSI Steering Committee to strengthen Board ESG oversight and establishing a Sustainability Compliance Steering Committee comprising of members of executive management to support the Board in overseeing ESG reporting and ensuring compliance with evolving regulatory requirements.

### RISK MANAGEMENT

We also continued to strengthen our risk management processes and oversight mechanisms during the year. Board and committee oversight was deepened with a more rigorous focus on key risk areas, including excise and regulatory risks as well as macroeconomic risks. We also continued to build on our existing risk and governance frameworks, strengthening our risk management processes advocate for stronger mechanisms for illegal product detection. We also leveraged Artificial Intelligence (AI) tools to develop best practices and improve access to information across our operations so as to optimise employee time. During the year we also rolled out the Responsible Decision Making Framework aimed at further embedding compliance across CTC by empowering our people with the right tools and practical guidance.

As part of our continued focus on strengthening risk and governance frameworks, several internal policies were updated during the year in line with BAT global standards. These included revisions to the Standards of Business Conduct (SoBC) and Supplier Code of Conduct (SCoC), together with updates to policies relating to Gifts and Entertainment (G&E), Data Privacy, Anti-Illicit Trade (AIT) Intelligence Compliance, Mergers and Acquisitions Transactions Compliance, Records and Information Management and SoBC Assurance Procedures.

### OUTLOOK

While the Sri Lankan economy has shown steady progress towards stabilisation, escalating global tensions could give rise to renewed uncertainty, making the operating environment increasingly complex and challenging. In addition, CTC must continue to deal with specific challenges in the domestic front such as tax and regulatory uncertainty together with the persisting threat from the illicit market.

Notwithstanding these challenges, we remain confident that CTC, with its clear strategic vision and strong operational foundations, is well positioned to navigate the evolving business landscape while continuing to create sustainable value for all its stakeholders.

### ACKNOWLEDGEMENTS

In closing, I place on record my sincere appreciation to my fellow Board members for their continued guidance and unwavering support. My thanks also go to the Management Team ably led by our Managing Director and all employees for their dedication, professionalism and commitment in driving CTC forward. Finally, I extend my gratitude to our valued shareholders and stakeholders for their continued trust and confidence.



**SURESH SHAH**  
Chairman

20 April 2026

# Managing Director & Chief Executive Officer's Review



## Revenue Growth

6%

## Profit Before Tax Growth

10%

## 'Top Employer'

Certification for the  
**06<sup>th</sup>** consecutive year

Dear Shareholder,

I am pleased to present herewith the highlights of our performance in 2025. CTC recorded a resilient performance during the year, successfully navigating volume pressure while protecting profitability through disciplined cost and capital management. As a result, the Company continued to deliver broad-based stakeholder value by generating returns to shareholders, supporting employees and value-chain partners and continuing to contribute to government revenues.

### FINANCIAL PERFORMANCE

Despite persisting market pressures, CTC sustained volumes and delivered a resilient top-line growth of 6% during the year. Company-wide zero based budgeting initiatives, indirect spend optimisation and logistics network efficiencies meanwhile helped offset inflation and regulatory cost increases and enabled us to achieve a 6% reduction in overall costs during the year. Despite a 10% increase in



**DISCIPLINED CAPITAL MANAGEMENT, AND AN EFFICIENT INVESTMENT STRATEGY ENABLED CTC TO MAINTAIN ITS STRONG FINANCIAL POSITION, AS INDICATIVE FROM FAVOURABLE LIQUIDITY LEVELS AND A HEALTHY BALANCE SHEET. DURING THE YEAR CTC PAID RS. 173.8 BILLION IN TAXES, WHICH AMOUNTS TO 4% OF THE GOVERNMENT'S TOTAL TAX REVENUE IN 2025. TOTAL DIVIDEND FOR THE YEAR 2025 MEANWHILE AMOUNTED TO RS. 29.3 BILLION, ENSURING A DIVIDEND PAY-OUT RATIO OF 100% DURING THE YEAR.**





Profit Before Tax, Profit After Tax (PAT) declined by 2% to Rs. 29.1 Billion. This was mainly due to a 28% rise in income tax expense, driven by higher revenue and an increase in the corporate tax rate from 40% to 45%. Disciplined capital management and an efficient investment strategy enabled CTC to maintain its strong financial position, as indicative from favourable liquidity levels and a healthy balance sheet. During the year CTC paid Rs. 173.8 Billion in taxes, which amounts to 4% of the Government's total tax revenue in 2025. Total dividend paid for the year 2025.

### STRENGTHENING PORTFOLIO RESILIENCE

Maintaining pricing and portfolio agility remained a key priority amidst continued volume pressure. This was achieved through a combined strategy of targeted portfolio interventions, strategic trade marketing initiatives and manufacturing flexibility which enabled us to effectively safeguard volumes. During the year, we continued to refine our portfolio architecture by deepening brand resonance and optimising our existing tiered pricing structures.

Within our premium segment Dunhill, we undertook a strategic packaging refresh to strengthen consumer appeal by modernising the look and feel of the brand. Accordingly, the packaging of Dunhill Blue and Dunhill Tube were updated in line with the latest global Dunhill Brand Code. These interventions enabled us to retain approximately 69% of volumes, representing a 10% improvement in retention compared to the previous year.

The price-laddering strategy adopted in the John Player Brand House meanwhile continued to deliver results, effectively retaining consumers within the brand house by catering to multiple consumer segments through different price points. During the year we also launched an equity campaign for John Player Gold Leaf as part of our efforts to revitalise the Aspirational Premium segment. Consequently, the John Player

family witnessed a 5% overall growth during the year.

Portfolio agility was supported to a great extent by manufacturing flexibility which allowed us to align production with evolving market conditions. Responding to the need to increase production capacity in the 67 mm cigarette category, we implemented targeted machinery interventions to optimise the performance of existing equipment and upgraded an existing production line to expand production capacity. Strategic measures to optimise our farmer base and enhance duration management meanwhile enabled us to realign leaf production with market demand and restore a more efficient stock position during the year.

As part of our continued focus on building portfolio resilience, we launched the Strategic Development and Deployment System (SDDS) during the year. This initiative provides a structured roadmap through 2027, outlining a clear and phased plan to scale manufacturing operations in line with evolving demand conditions.

### REINFORCING ROUTE-TO-MARKET RESILIENCE

Building on last year's efforts to enhance our trade capabilities and strengthen governance around trade marketing, we continued to focus on driving channel excellence and strengthen route-to-market resilience during the year. As part of these efforts, we expanded our Direct Store Service (DSS) network by nearly 66%, onboarding approximately 24,000 new DSS partners during the year. We also strengthened our internal trade marketing capabilities by increasing front-line staff and delivering targeted training through the PACE + POSITIVE programme. IT enabled visibility, supported through the Retailer Connect B2B App has also notably enhanced channel efficiencies by streamlining stock management, strengthening sales tracking and delivering deeper insights into our retail operations.

### OPTIMISING OPERATIONAL PERFORMANCE

Optimising operational performance through continuous efficiency and productivity gains remains at the core of our relentless focus on cost discipline. During the year, we undertook a comprehensive end-to-end loss analysis to pinpoint inefficiencies and unlock improvement opportunities across the production process. This led to targeted machinery upgrades and process refinements which led to cost savings of almost Rs. 300 Million. These initiatives were further reinforced by the IWS Phase 2 programme, aimed at enhancing productivity, cost efficiency, and technical capability across operations. As a result, Overall Equipment Effectiveness (OEE) improved by 2% compared to 2024, while Mean Time Between Failures (MTBF) was sustained at last-year levels. Waste performance also strengthened, with wrapping material waste reducing by nearly 10% year-on-year. Productivity and efficiency gains were also realised in our Leaf operation through the introduction of innovative technologies, including the in-house engineered "Twin Tiller Pro" solution and automated fertiliser applicators deployed in the field. These innovations have brought about notable results in terms of labour cost savings and productivity gains. In our threshing plant we achieved a 12% reduction in overhead costs through targeted efficiency improvements and tighter cost controls.

### EMBEDDING SUSTAINABILITY

As a responsible organisation committed to driving inclusive growth within our communities, we continue to strengthen our business practices by integrating environmental, social and governance considerations into every aspect of our operations.

Our commitment to environmental responsibility is reflected in the progress made in achieving our environmental agenda that focuses not only on reducing our direct footprint but also on promoting sustainable practices, climate resilience and broader environmental awareness.

# Managing Director & Chief Executive Officer's Review

During the year, we continued to advance energy efficiency across our operations, investing nearly Rs. 153.1 Million in upgraded technologies, including energy-efficient chillers at our Colombo plant. Building on our efforts to reduce Scope 3 emissions along our value chain meanwhile we continue to introduce the more energy efficient Loose Leaf Barn (LLB) technology to our farmer network. As of 2025, 21% of the barns operated in Yala were LLBs. During the year, we further expanded this initiative by piloting customised LLB solutions for our Maha farms as well.

During the year we also improved water efficiency across our operations by increasing the use of recycled water and investing in more water-efficient technologies. The expansion of the treated water network at our Colombo premises during the year contributed to a 26% increase in recycled water usage while the installation of more efficient technologies such as sensor taps resulted in water savings of almost 530 m<sup>3</sup> during the year.

Waste reduction initiatives also continued supported by targeted actions such as enhancing machinery efficiency and strengthening material management practices, which collectively contribute to improved resource utilisation and reduced waste generation.

We continued our efforts to protect biodiversity and ecosystems connected to our operations and beyond. Reforestation projects carried out under the "Udaharitha" Programme continued with almost 219 acres of degraded forest land across the country being rejuvenated through the Project. We also work closely with our farmer network to proactively identify biodiversity related risks and implement Biodiversity Management Plans (BMPs) for high-risk tobacco farms. During the year we also commenced initial steps towards the gradual transition from paddy husks to *Gliricidia* as the primary curing fuel for the Maha crop. This effort is part of our action towards adopting a more sustainable and traceable fuel source for the curing process.

## WE CONTINUE TO STRENGTHEN THE SKILLS AND KNOWLEDGE OF OUR EMPLOYEES BY PROVIDING ONGOING LEARNING AND DEVELOPMENT OPPORTUNITIES THAT ENABLE THEM TO ENHANCE THEIR CAPABILITIES AND CONTRIBUTE MORE EFFECTIVELY TO OUR LONG-TERM SUCCESS.

A key element of embedding ESG into our operations is strengthening data integrity, controls, and governance around sustainability-related disclosures. In 2025, we made steady progress towards SLFRS Sustainability Disclosure Standards with increased emphasis on enhancing data quality and strengthening internal controls to support its compliance.

### VALUE CREATED FOR OUR COMMUNITIES

Supporting and empowering our communities including our employees, directly contracted farmers, suppliers and distributors is a key element of our sustainability agenda.

We continue to strengthen the skills and knowledge of our employees by providing ongoing learning and development opportunities that enable them to enhance their capabilities and contribute more effectively to our long-term success. These opportunities included international training programmes, International Assignment (IA) placements, targeted technical skill building for operations and Leaf teams through our Operations Excellence Centre and cross functional training through programmes such as LeadUp, License to Hire and Ignite, our signature internship programme. A key development during the year was the roll-out of the CTC Talent Management Framework for all management grade employees aimed at providing a more structured approach to succession planning.

Ensuring physical, mental, social and financial wellbeing of our employees remains a key priority and we continue to invest in enhancing our Employee Value Proposition. During the year we aligned our benefits offering and platform with the BAT global benefits and wellbeing framework, "LiveWell" and introduced several enhancements to our rewards and benefits schemes. As part of our ongoing efforts to provide a safe and comfortable work environment for our employees we also embarked on a project to uplift the Colombo office space with improvements to workplace functionality, comfort and ergonomics. As part of our ongoing employee engagement activities, we conducted two employee surveys to assess engagement and inclusion across the organisation. The strong scores achieved on both these surveys reflect the success of our employee related initiatives.

Our commitment to the tobacco farming community goes beyond strengthening financial resilience. We focus equally on advancing the social wellbeing of farmers and their families through targeted initiatives that promote inclusive and sustainable socio-economic development. To address irrigation challenges resulting from erratic weather conditions, we introduced solar-powered pumping solutions, enabling farmers to cultivate land with a lower cost using sustainable energy. Other ongoing initiatives, including the "Janadiriya"

crop diversification project and the crop insurance scheme, continue to strengthen farmers' climate resilience. Ongoing programmes such as the THRIVE Programme and the Sustainable Tobacco Programme (STP) meanwhile continue to propagate sustainable agriculture practices and advance the social wellbeing of farmers. These programmes are strengthened by Agri-360, our integrated monitoring platform, which covers all contracted farmers and is progressively being extended to our sub-grower network as well.

Our distribution partners form an integral part of our wider community. We continue to contribute to their social wellbeing through our trade loyalty programme. During the year, over 2,500 trade partners benefited from the programme which offers a comprehensive suite of benefits, including capacity-building opportunities, medical insurance, and hospitalisation cover.

Driving socio-economic empowerment in rural communities has long been a focus of our sustainability agenda and we continued to make a meaningful impact through our CSI projects. Over 1,400 rural families were supported through the SADP organic home gardening project during the year. We also continued working on Reverse Osmosis (RO) Plants through the "Suwajeewana" project. A total of 23 RO plants have already been established through this project which aims to combat the rising incidence of Chronic Kidney Disease among rural communities. 14,811 individuals meanwhile received support through the "Divisahana" Programme, our disaster relief programme.

#### AWARDS AND ACCOLADES

During the year, we were proud to receive several awards in recognition of our continued commitment to creating value for our stakeholders. A full list of the awards and accolades received can be found on page 8 of this report.



#### WAY FORWARD

Improving economic conditions together with the normalisation of inflation towards target levels is expected to improve consumer affordability, in turn, strengthening demand conditions for CTC. However, uncertainty arising from global developments, including the ongoing conflict in the Middle East, is likely to continue to weigh in on the operating environment. These uncertainties together with ongoing changes to excise policy and enforcement require us to remain agile in our pricing, portfolio management, and route-to-market strategies.

Going into 2026 therefore we will continue to focus on strengthening brand equity, enhancing manufacturing agility and optimising distribution efficiencies to further reinforce portfolio resilience. Cost optimisation will remain a priority and we will achieve this through manufacturing productivity, energy efficiency and digital plant initiatives. With the mandatory adoption of SLFRS S1 and S2 Disclosures from 2025 bringing sustainability reporting to the forefront, we will continue to enhance our data integrity and governance frameworks to ensure compliance.

Finally, while we acknowledge the significant progress made by the authorities in 2025 to address the

threat from the illicit market and we believe further improvements are possible. We will therefore continue to engage in evidence-based dialogue to support balanced regulation and detection mechanisms and help address the risks of illicit trade.

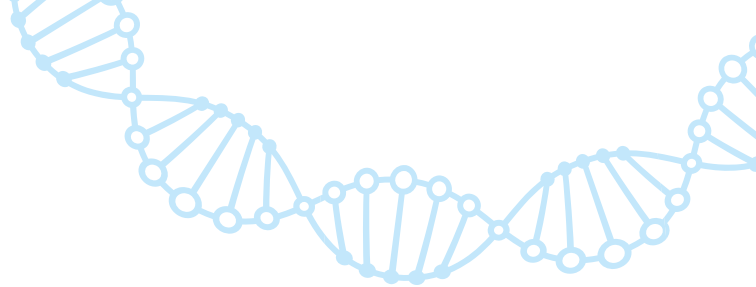
#### ACKNOWLEDGEMENTS

In conclusion, I wish to place on record my sincere thanks to the Chairman and Board of Directors for their continued guidance and wise counsel. I also extend my gratitude to our dedicated employees, whose commitment and hard work make all our achievements possible. Finally, I thank our shareholders, value-chain partners, suppliers and all other stakeholders for their steadfast support and confidence in our Company.

**FARIYHA SUBHANI**  
Managing Director &  
Chief Executive Officer

20 April 2026

# Finance Director's Review



## Turnover Growth

6%

## Increase in Profit Before Tax

10%

## Cash Generated from Operations

Rs. 55 Bn

Dear Shareholder,

I present herewith an overview of our financial results for the year 2025. The results achieved during the year reflect our strong financial discipline, operational resilience, and ability to adapt effectively to changing market conditions

### REVENUE GROWTH

Efficient distribution, timely portfolio interventions, excise-led price increase and continued focus on superior product quality enabled CTC to maintain sales volumes and record a turnover growth of 6% during the year despite the continued challenge from the illicit market. Government levies increased to Rs. 149.1 Billion and consequently, CTC's revenue for the year amounted to Rs. 66.6 Billion, a 6% increase compared to 2024.

### PROFITABILITY

Our continued emphasis on cost optimisation, productivity improvements, and disciplined

**“CTC CONTINUED TO DELIVER SUSTAINABLE VALUE TO ITS STAKEHOLDERS, RECORDING A STRONG UNDERLYING FINANCIAL PERFORMANCE DURING THE YEAR. TURNOVER GREW BY 6%, REFLECTING THE RESILIENCE OF OUR PORTFOLIO AND STRENGTH OF OUR TRADE MARKETING INITIATIVES, WHILE PROFIT BEFORE TAX (PBT) INCREASED BY 10%, DRIVEN BY DISCIPLINED COST MANAGEMENT AND IMPROVED OPERATIONAL EFFICIENCIES.”**

management of discretionary expenditure enabled us to achieve a 6% reduction in total costs during the year. Despite the 9% increase in employee benefits expenses during the year, reductions in raw material costs, depreciation, and other operating expenses resulted in an overall 8% decline in total operating costs. Consequently operating profit margin increased from 23% in FY 2024 to 25% in 2025. Proactive financial management meanwhile resulted in a net finance income of Rs. 1 Billion during the year. Consequently, profit before tax increased by 10% to Rs. 53.9 Billion.

## Net Finance Income

Rs. **1** Bn

## Dividend Paid During the Year 2025

Rs. **29.3** Bn

Income tax expenses during the year increased by 28% to Rs. 24.7 Billion due to the combined effect of higher revenue and an increase in the applicable corporate tax rate from 40% to 45%. As a result, Profit After Tax for the year amounted to Rs. 29.1 Billion, a 2% decrease compared to FY 2024.

### LIABILITIES

Total liabilities as at 31 December 2025 amounted to Rs. 39.8 Billion of which almost 98% comprise of current liabilities arising from regular business operations. Non-current liabilities which comprise mainly of deferred tax and lease liabilities, decreased compared to FY 2025 as a result of the full settlement of loan from parent company BAT. The company had no external borrowing and maintained a healthy current ratio at the end of the year.

### SHAREHOLDER FUNDS

Total equity attributable to shareholders amounted to Rs. 11.0 Billion as at 31 December 2025 compared to Rs. 11.1 Billion as at 31 December 2024. The dividend payment during the year comprised of the interim and final dividends declared for year 2024, amounting to Rs. 46.34 per share, and the interim dividends for year 2025 amounting to Rs. 110.00 per share.

### CASHFLOW AND LIQUIDITY

The Company's liquidity position improved further this year with Cash & Cash Equivalents as at 31 December 2025 increasing to Rs. 31.4 Billion



compared to Rs. 27.6 Billion as at end December 2024. Cash generated from operations also increased to Rs. 55.0 Billion compared to Rs. 53.1 Billion in FY 2024. A higher income tax payment compared to the previous year however resulted in Net Cash generated from operating activities declining marginally from 31.4 Billion as at 31 Dec 2024 to Rs. 31.0 Billion as at 31 December 2025. Net cash outflows from investing activities was Rs. 794.4 Million on account of purchases of property, plant and equipment. Net cash outflow from financing activities meanwhile amounted to Rs. 26.4 Billion mainly on account of dividends payment amounting to Rs. 26.0 Billion during the year. The resulting net increase in cash and cash equivalents amounting to Rs. 3.8 Billion contributed to the favourable cash position at the end of the year.

### SHAREHOLDER RETURNS

Earnings per share during the year amounted to Rs. 155.54 compared to Rs. 158.24 in FY 2024. Total dividend paid during the year 2025 meanwhile amounted to Rs. 29.3 Billion. CTC's share price closed the year at Rs. 1,725 compared to Rs. 1,397 during the previous year. With a market capitalisation of Rs. 323.1 Billion as at 31 December 2025, CTC continues to rank among Sri Lanka's most valuable listed corporate entities.

### WAY FORWARD

Looking ahead, our key priorities will centre on safeguarding profitability amid tax and inflationary pressures that continue to constrain margins.

We will therefore continue to focus on optimising costs and efficiencies through disciplined expense management, productivity enhancements, and strategic capital allocation. Stringent governance and risk management will be central to our approach and we will continue to leverage technologies to support smarter way of working. We will also continue to advance our sustainability reporting journey, having made notable progress during the year toward adopting the SLFRS S1 and S2 Disclosure Standards. While challenges persist in terms of the continued threat from the illicit market and resulting demand dynamics, we are confident that strong operational performance together with our resilient financial position, places us well to navigate these challenges.

**TOWHID AKBAR**  
Finance Director

20 April 2026



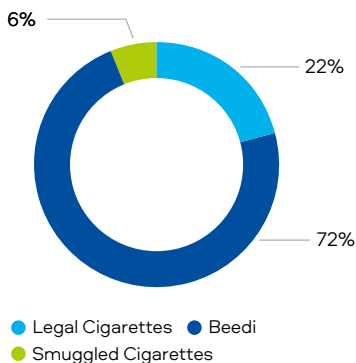


# Operating Environment and Market Dynamics

## SRI LANKA'S TOBACCO MARKET

Sri Lanka's combustible market in 2025 as estimated by CTC is approximately 8.9 Billion sticks. Of this, the legal cigarette market is estimated to account for 22% while the beedi market and illicit (smuggled cigarettes) markets are estimated to account for 72% and 6% of the market respectively in 2025.

### Composition of Combustible Market



### KEY DRIVERS OF COMBUSTIBLE MARKET IN SRI LANKA

- Regulatory and tax environment**  
 Consecutive tax increases that exceed inflation rates on legal cigarettes, continue to adversely impact the legal cigarette industry.
- Consumer affordability**  
 Demand for cigarettes remains sensitive to changes in consumer affordability particularly amidst rising living costs.
- Growing access to alternate tobacco products**  
 Increasing demand for products such as beedi and illicit cigarettes, driven by their comparatively lower prices and availability.

## MARKET DYNAMICS

### Impact of Illicit Market

While the illicit cigarette market remains a significant challenge to the legal cigarette industry, enhanced enforcement by authorities, together with wider public awareness and strengthened inter-agency collaboration, resulted in a notable decline in the volume of illicit cigarettes entering the market during the year. As per CTC estimates the volume of illicit in the market in 2025 amounted to 0.5 Billion.

### Improved Discretionary Spending

Macroeconomic stability, controlled inflation and mandatory wage and salary increases in 2025 have positively contributed a stabilisation of consumer spending on goods and services.

### Regulatory Developments

Tobacco products were subject to a 6% excise increase in January 2025 resulting in a further increase in the price of legal cigarettes.

### Impact of Cyclone Ditwah

Cyclone Ditwah had a significant adverse impact on agricultural production, resulting in higher food prices and increased cost-of-living pressures. These developments constrained private consumption during the latter part of the year and may present a downside risk to consumer demand in the near term, particularly if weather-related disruptions persist or inflationary pressures re-emerge.

### Impact on Government Tax Revenue

The legal tobacco industry, represented by CTC, remains the single largest contributor to Government tax revenue, accounting for 4% (Rs. 173.8 Billion) of total tax revenue in 2025. Over the past decade, the industry has contributed approximately Rs. 1.2 Trillion in taxes. The continued threat from the illicit market as well as the under-regulated beedi segment which has grown by nearly 100% since 2015 and has significantly impacted Government revenue while simultaneously eroding the share of the tax paying regulated market.

## INDUSTRY OUTLOOK

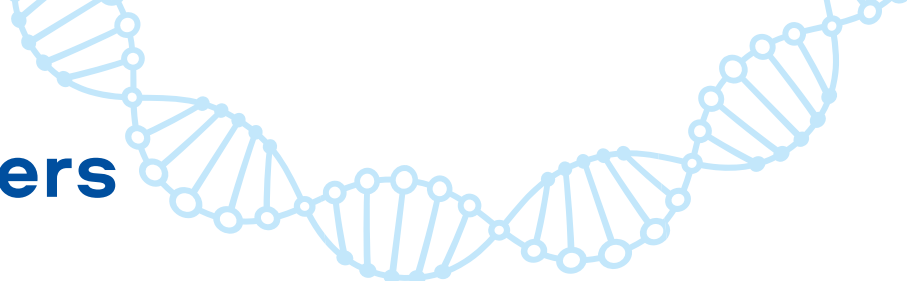
Looking ahead, a continuation of economic normalisation and the gradual recovery in private consumption are expected to support the industry's performance in the medium to long term. In the short term, however, cost-of-living pressures, exacerbated by the impact of natural disasters are likely to weigh on discretionary spending, in turn impacting demand conditions for products such as cigarettes. While progress achieved on curbing the illicit market is encouraging, the price differential between legal cigarettes and illicit products continues to be a key challenge that needs to be addressed. Ensuring the long-term sustainability of the legal tobacco industry will therefore depend on a stable fiscal policy and balanced regulatory framework complemented by enhanced enforcement and targeted measures to effectively combat illicit trade.

# Stakeholder Engagement

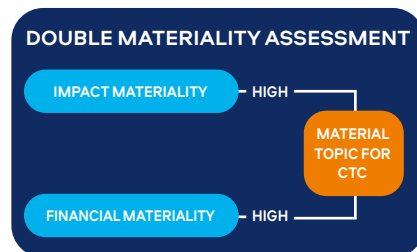
Engaging with our stakeholders allows us to better understand their perspectives and concerns and respond in ways that align with their expectations. These interactions provide valuable insights and feedback that help shape our strategy, policies, and practices, ensuring they remain relevant and effective. Stakeholder engagement activities carried out during the year together with key stakeholder issues and concerns identified are provided below.

Key Stakeholder Group	Engagement Mechanisms	Key Areas of Concern	Our Response
Employees	<ul style="list-style-type: none"> <li>Biennial employee surveys</li> <li>Annual performance appraisals</li> <li>Negotiations with trade unions</li> <li>Staff meetings</li> <li>Quarterly townhall meetings</li> <li>Women of Worth (WoW) forum</li> </ul>	<ul style="list-style-type: none"> <li>Remuneration and benefits</li> <li>Career advancement opportunities</li> <li>Opportunities for training and development</li> <li>Inclusive work environment</li> <li>Safe working environment</li> <li>Business ethics</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing training and development programs</li> <li>Review of remuneration and benefits</li> <li>Strong diversity and anti-discrimination policy</li> </ul>
Contracted Tobacco Farmers	<ul style="list-style-type: none"> <li>Sustainable Tobacco Programme (STP) reviews</li> <li>Farmer appreciation programmes</li> <li>Specially designed Community Investment projects</li> <li>Farmer meetings</li> <li>Agri-360 App</li> </ul>	<ul style="list-style-type: none"> <li>Building climate resilience</li> <li>Fair pricing and buy-back guarantees for crops</li> <li>Sustainable livelihoods</li> <li>Preserving human rights</li> <li>Sustainable agricultural practices</li> <li>Health and safety</li> <li>Capacity building support</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing support through Sustainable Tobacco Programme and CSI programmes</li> <li>Capacity building and knowledge sharing for farmers</li> </ul>
Distributors and Traders	<ul style="list-style-type: none"> <li>Ongoing engagement with trade marketing team</li> <li>Periodic distributor surveys</li> <li>Trade loyalty programmes</li> </ul>	<ul style="list-style-type: none"> <li>Availability of products</li> <li>Service quality</li> <li>Credit/payment terms</li> <li>Value added services</li> </ul>	<ul style="list-style-type: none"> <li>Distributor loyalty programme</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>Annual Report (AR)</li> <li>Quarterly performance updates</li> <li>Periodic announcements to the CSE</li> <li>Annual General Meeting (AGM)</li> </ul>	<ul style="list-style-type: none"> <li>Business performance</li> <li>Environmental, Social and Governance (ESG) agenda</li> <li>Business ethics and corporate governance</li> <li>Transparency and credibility of disclosures</li> <li>Leadership and succession planning</li> </ul>	<ul style="list-style-type: none"> <li>Robust corporate governance</li> <li>Strong financial performance</li> <li>Strengthening of leadership team</li> </ul>
Public Stakeholders	<ul style="list-style-type: none"> <li>Education and awareness</li> <li>Engagement with public institutions</li> </ul>	<ul style="list-style-type: none"> <li>Growing threat from illicit trade</li> <li>Impact on tax revenue</li> </ul>	<ul style="list-style-type: none"> <li>Strong tax and public policy compliance</li> </ul>
Adult Consumers	The Company does not directly engage with the end-consumers of its products, except as provided for under the National Authority on Tobacco and Alcohol Act No. 27 of 2006 (NATA Act)	<ul style="list-style-type: none"> <li>Responsible marketing of products</li> <li>Product affordability</li> <li>Health impacts of products</li> <li>Quality of products</li> </ul>	<ul style="list-style-type: none"> <li>Product stewardship, quality and safety standards</li> <li>Ensuring clear and accurate product information</li> <li>Adherence to Responsible Marketing Framework (RMF)</li> <li>Implementation of circular economy strategy and initiatives</li> </ul>

# Material Matters



Material matters represent the organisation’s most significant economic, environmental, and social impacts, including those related to human rights. We identify these through a Double Materiality Assessment, which considers both impact materiality—how our operations affect the economy, environment, society, and human rights—and financial materiality—how sustainability issues such as climate change can affect our financial performance and long-term resilience. By combining these two perspectives, we are able to determine the topics of greatest significance to our operation and stakeholders, which in turn provide the foundation for internal decision-making and external reporting.



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

Material Topic	Why it is Material to us	Movement from last year	Relevant GRI Standard	Management of material topic
Continued threat of illicit	The growth of illicit trade directly affects our volumes and has broader implications for stakeholders such as exposing consumers to unregulated products, reducing tax revenue and undermining legitimate businesses			Page 46
Employees, diversity & culture	Attracting, developing and retaining diverse talent is of critical importance in driving our performance and ensuring long-term sustainability		GRI 401: Employment GRI 404: Training & Education GRI 405: Diversity & Equal Opportunity	Page 61
Marketing and communication	Responsible marketing and communication is essential for maintaining our reputation as a responsible tobacco company, ensuring that our products are marketed only to adult consumers while minimising potential negative impacts on consumers and wider society		GRI 417: Marketing & Labelling	Page 44
Farmer livelihood and communities	Ensuring sustainable livelihoods for our contracted tobacco farmers allow us to secure our supply chain while directly contributing to the growth of the economy		GRI 201: Indirect Economic Impacts GRI 202 Market Presence GRI 413: Local Communities	Page 69
Climate change	Climate change has a significant impact on our operation due to our dependence on agricultural inputs. Climate change also has wider implications on our stakeholders including our farmer network		GRI 302: Energy GRI 305: Emissions	Page 56



Material Topic	Why it is Material to us	Movement from last year	Relevant GRI Standard	Management of material topic
Water	Water is a critical resource for our operation due to the dependence on agricultural inputs		GRI 303: Water and Effluents	Page 57
Biodiversity and eco systems	Our operations rely on natural resources such as soil, water, and forests. Protecting them is both an ethical and strategic priority, as environmental degradation can disrupt ecosystems, increase costs, and compromise product quality		GRI 304-1: Biodiversity	Page 58
Supplier engagement	Close engagement with our extensive supplier network is important as it helps ensure responsible and sustainable practices across our value chain, mitigates operational and reputational risks, and supports long-term business continuity		GRI 414: Supplier Social Assessment GRI 308: Supplier Environmental Assessment GRI 204: Procurement Practices	Page 68
Circular economy	Rising production costs, resource scarcity, and waste-related environmental impacts continue to be growing challenges, reinforcing the need to transition to a circular economy that improves resource efficiency, reduces waste, and strengthens long-term resilience		GRI 306: Waste GRI 301: Materials	Page 60
Human rights	Protecting human rights across our value chain supports a more sustainable supply chain while also improving livelihoods, and promoting social equity		GRI 403: Occupational Health and Safety GRI 408: Child Labour GRI 409: Forced or Compulsory Labour GRI 406: Non-Discrimination	Page 66
Ethics and business conduct	Maintaining the highest standards in ethics and business conduct reduces the risk of negative impacts and reputational damage while setting the standards for good governance		GRI 205: Anti Corruption GRI 206: Anti Competitive behaviour GRI 207: Tax GRI 415: Public Policy	Page 67

# Our Strategic Navigator

CTC's strategy is guided by BAT's global strategy, which is anchored on three pillars; Quality Growth, Sustainable Future, and Dynamic Business; collectively aimed at creating A Better Tomorrow™ for all stakeholders.



## BAT'S STRATEGIC PILLARS



### Quality Growth

Transitioning to a more balanced focus on top-line and bottom line delivery, focusing on our brand and innovation and continuing to seek long term opportunities beyond nicotine



### Sustainable Future

Seeking to actively migrate consumers away from cigarettes and to smokeless alternatives, responsibly and with integrity



### Dynamic Business

Building a future-fit, data-driven organisation and ensuring we are efficient and effective in all our operations. This will create the greatest financial flexibility possible to invest in our people, products and provide returns to our investors.



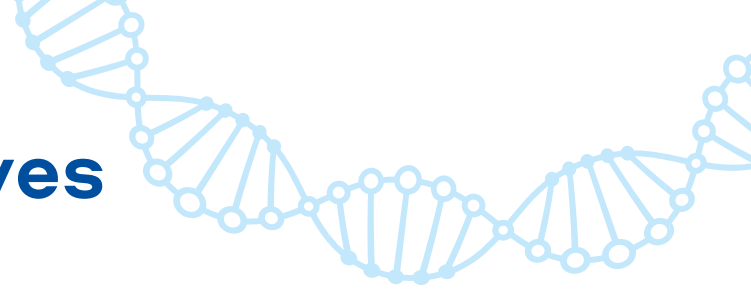
# The DNA of Operational Discipline

## OUR BUSINESS IMPERATIVES

- Strengthening Brand Resonance **40**
- Driving Distribution Efficiencies **44**
- Mitigating the Impact of Illicits **46**
- Manufacturing Excellence **47**
- Future-Proofing our Supply Chain **51**

# Business Imperatives

## Strengthening Brand Resonance



**DURING THE YEAR WE ENHANCED CONSUMER RESONANCE OF OUR PREMIUM AND ASPIRATIONAL SEGMENTS BY INTRODUCING REFRESHED PACKAGING AND SHARPER BRAND MESSAGING**

### OUR BRAND PORTFOLIO

Premium Range	Aspirational Premium Range	Value For Money Range	Low Segment

### OUR BRAND PROMISE

**ETHICAL PRODUCTION**

We uphold rigorous environmental and social standards across every stage of our production process.

**SUPERIOR QUALITY**

We uphold stringent product quality and safety standards across our entire value chain, ensuring that all products meet the BAT Group's requirements as well as all applicable local regulatory standards.

**RESPONSIBLE MARKETING**

We maintain strict compliance with the product marketing and labelling guidelines set out in the NATA Act, while adhering to BAT's Responsible Marketing Framework (RMF) and global Underage Access Prevention (UAP) Guidelines. These standards ensure that our products are marketed responsibly and never targeted at underage consumers.

During the reporting period, CTC recorded 0 incidents of non-compliance concerning product and service information and labelling and 0 incidents of non-compliance concerning marketing communications.

## BRAND STRATEGY AND PERFORMANCE

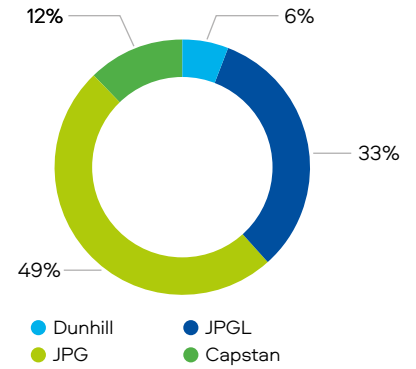
The improvement of economic conditions in 2025, coupled with a gradual rise in consumer spending, resulted in an overall volume growth of 1% during the year.

With volume retention a key priority in our premium category, we focused our efforts on modernising the Dunhill portfolio by upgrading our packaging to the latest Dunhill Brand code deployed globally to ensure stronger product relevance and resonance with our discerning premium consumers. This transition repositioned Dunhill from a heritage led expression to a more modern, refined, and aspirational brand, strengthening long-term brand equity by connecting to more aspirational consumer needs. Accordingly, Dunhill Blue and Dunhill Tube underwent a full refresh, featuring a more modernised look and feel with updated packaging aligned to global brand guidelines.

These interventions enabled us to retain approximately 69% of volumes, representing a 10% improvement in retention compared to last year.

The price-laddering strategy adopted in the John Player Brand House, successfully retained consumers within the brand house by catering to multiple consumer segments through different price points. Accordingly, John Player Gold Leaf (JPGL) is positioned for the more affluent consumer segment, while the 72 mm (JP Gold Pro) and 67 mm (John Player Gold) variants cater to more price-sensitive segments. As part of our broader efforts to revitalise the Aspirational Premium segment, we launched an equity campaign for JPGL to strengthen consumer relevance of our heritage brand, which carries a legacy of over 6 decades in Sri Lanka. The brand equity campaign together with stronger distribution resulted in higher than forecasted volume & value growth in this segment. Tiered price points and targeted distribution

## Revenue Composition by Brand 2025



meanwhile enabled JP Gold Pro and John Player Gold to retain volumes within the brand house. Consequently the John Player family witnessed a 5% overall growth during the year.

For Capstan, our shortest length cigarette, we have continued to strengthen our distribution by penetrating deep rural pockets. This has ensured the overall sustainability of the brand amidst growing pressure from low-priced beedi products.

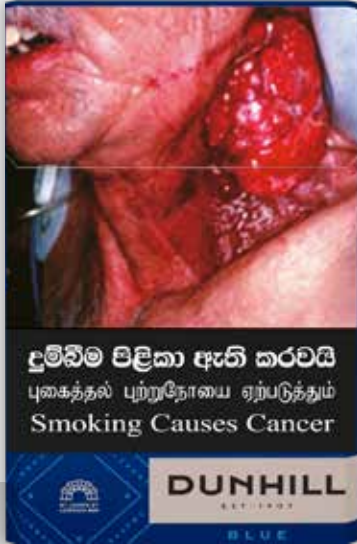
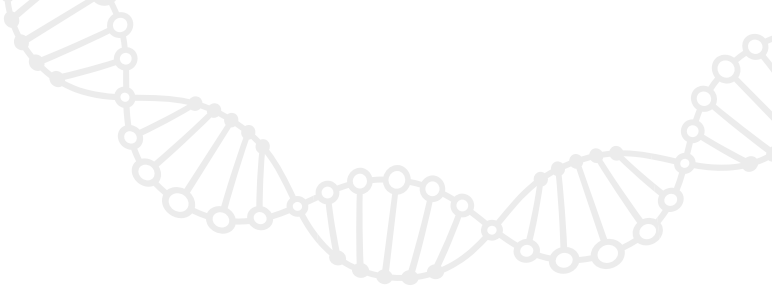


### WAY FORWARD

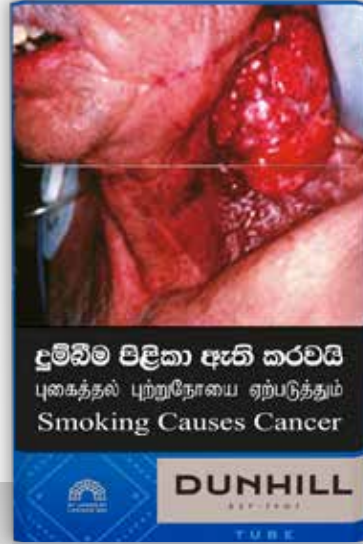
The growth in illicit cigarettes resulting from historic tax increases on legal products continues to pressure our market share and remains a key challenge. As we look ahead to 2026, we will focus on growing our high-value segments through tangible innovation and equity-building campaigns to strengthen consumer resonance with our premium range. At the same time, we will continue to drive distribution efficiencies to sustain volume and market share across all categories.

# Business Imperatives

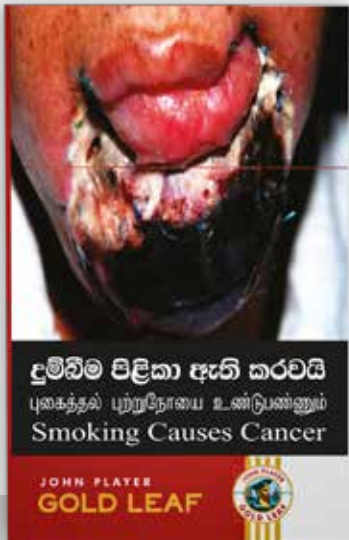
Strengthening Brand Resonance



DUNHILL BLUE 20S



DUNHILL TUBE 20S



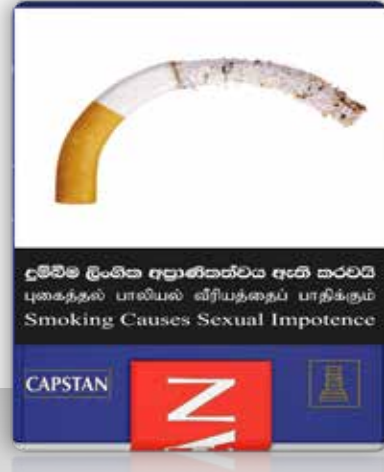
JOHN PLAYER GOLD LEAF 20S



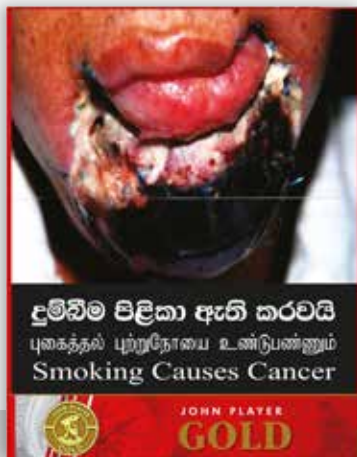
JOHN PLAYER GOLD LEAF 12S



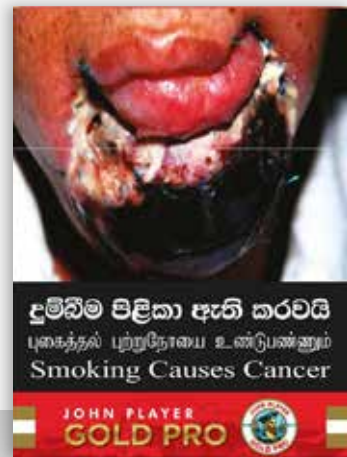
BENSON & HEDGES 20S



CAPSTAN 20S



JOHN PLAYER GOLD 20S



JOHN PLAYER GOLD PRO 20S

# Business Imperatives

## Driving Distribution Efficiencies



**ENHANCING DISTRIBUTION EFFICIENCIES WAS A KEY PRIORITY DURING THE YEAR AS WE SOUGHT TO OPTIMISE COSTS AND STRENGTHEN BRAND PRESENCE**

### OUR DISTRIBUTION NETWORK

Our distribution network comprises of 11 distributors and 60,000 Direct Store Service (DSS) Outlets spread out across the country. These partnerships have been nurtured over the years and play an integral role in ensuring a responsible and efficient route-to-market.

### STRATEGIC EXPANSION OF DSS NETWORK

As part of our ongoing focus on strengthening market reach and channel performance, we expanded our DSS network by almost 66%, onboarding approximately 24,000 new DSS partners during the year.

### DISTRIBUTOR ENGAGEMENT

Close and ongoing engagement with our distribution partners has been instrumental in driving higher volume retention across our outlet network. The Retailer Connect B2B App which has considerably enhanced the level of engagement, continues to drive distribution efficiencies by streamlining stock management, enabling effective sales tracking and delivering comprehensive insights into retail operations.

The Trade Loyalty Programme meanwhile continues to reinforce distributor welfare through a wide range of benefits, including capacity-building opportunities, medical insurance, and hospitalisation covers. Over 2,500 of our distributors (trade partners) benefited from this programme during the year.





**GOING INTO 2026, WE WILL CONTINUE TO STRENGTHEN OUR DISTRIBUTION CHANNELS TO SUPPORT MARKET REQUIREMENTS BY ENSURING IMPROVED PRODUCT AVAILABILITY AND STRONGER BRAND VISIBILITY**

**24,000+**  
new DSS partners in 2025



**60,000+**  
Direct Store Service  
(DSS) outlets spread out  
across the country



**Strengthening our Trade Marketing Capabilities**

During the year, we strengthened our trade marketing team with additional front-line staff. We also continued to invest in capability building through the PACE + POSITIVE programme, designed to upskill our Trade Marketing Executives, support their professional growth, and elevate overall marketing excellence.

**WAY FORWARD**

Going into 2026, we will continue to strengthen our distribution channels to support market requirements by ensuring improved product availability and stronger brand visibility. Meanwhile with cost pressures expected to persist, we will continue to deepen engagement with our distribution partners to drive greater cost and operational efficiencies.

# Business Imperatives

## Mitigating the Impact of Illicits



**WE TAKE A HOLISTIC APPROACH TO ADDRESSING THE RISKS POSED BY ILLICIT TRADE, COMBINING STRONG INTERNAL GOVERNANCE AND SUPPLY CHAIN COMPLIANCE WITH DATA-DRIVEN INSIGHTS AND PROACTIVE STAKEHOLDER ENGAGEMENT TO ENABLE INFORMED DECISION-MAKING AND EFFECTIVE RESPONSES**

### THE CHALLENGE FROM THE ILLICIT MARKET

The illicit cigarette market remains a key challenge for CTC, notwithstanding the encouraging progress achieved by authorities during the year to curb the growth in illicit trade. The illicit market is fueled mainly by the wide price gap between legal cigarettes and illegal alternatives, arising from successive and disproportionate tax increases on legal products. As retail prices increase, consumer demand, particularly within more price-sensitive segments progressively shift towards Duty Not Paid (DNP) illegal cigarettes. The decline in the share of legal cigarettes in turn reduces Government tax revenue from the industry. In 2025, it is estimated that 0.5 Billion cigarettes were smuggled into the country, costing the Government a maximum of Rs.51 Billion in revenue.

### CTC ACTIONS TO MITIGATE THE RISK FROM ILLICIT CIGARETTES

In 2024, CTC invested significantly in developing a more holistic approach to mitigating the impact of illicit cigarettes on the legal cigarette industry. These efforts continued in 2025, with continued investments in strengthening our research and analytics capabilities. The focus on data and analytics has enabled us to better measure and monitor the impact of illicit trade and understand market dynamics, which in turn supported, informed discussions with policymakers and other stakeholders.

As part of our efforts to drive greater awareness of the negative implications of the illicit cigarette market, we ensure that the key decision makers are aware of the challenges posed by the illegal cigarette industry and its far-reaching impact including the loss of potential Government revenue from the tobacco industry.

We actively engage with law enforcement agencies to support enforcement actions against illicit trade and continue to work toward strengthening the mechanisms for enforcement.

### CTC'S POLICY FRAMEWORK TO DETER ILLICIT TRADE

Controls required to prevent and deter illicit trade are clearly set out in the Anti-Illicit Trade (AIT) chapter, which forms an integral part of our Standards of Business Conduct (SoBC). Our Supply Chain Compliance Procedures (SCCP) meanwhile provide guidance for our customers to comply with our AIT chapter. These requirements are incorporated into all our contracts with suppliers and customers.

### WAY FORWARD

The impact of illicit cigarettes is likely to remain a key challenge, driven by widening price differentials arising from taxation imbalances, regulatory inconsistencies and continued strain on consumer purchasing power. Having identified the need for a data-driven, holistic and collaborative strategy to meaningfully address this persisting challenge, we will continue to strengthen internal capabilities and partnerships to facilitate coordinated and targeted action.

## Manufacturing Excellence



**AT THE CORE OF BAT'S 'QUALITY GROWTH' PILLAR IS OUR COMMITMENT TO HIGH-QUALITY, SUSTAINABLY PRODUCED PRODUCTS. CTC STRENGTHENED THIS COMMITMENT WITHIN ITS MANUFACTURING OPERATIONS DRIVING GREATER EFFICIENCY, ELEVATING QUALITY STANDARDS, AND STRENGTHENING THE CAPABILITIES ESSENTIAL FOR CONSISTENT, HIGH-QUALITY OUTPUT**

### PERFORMANCE DURING THE YEAR

The year began with our Strategic Development and Deployment System (SDDS), where the operations team came together to shape a clear plan to scale up operations to meet evolving demand conditions. Through this collaborative effort, we finalised our strategic roadmap to 2027 and developed updated targets under the new Compelling Business Need (CBN) framework.

Our focus on technology and capability improvement remained strong. We continued optimising factory performance to align our manufacturing capabilities with our evolving product strategy. This included planned investments in machinery upgrades, conversions, and new equipment to further strengthen production capacity and efficiency. At the same time, we advanced our Integrated Work Systems (IWS) phase 2 initiatives, driving improvements in productivity, cost efficiency and technical competency.

### PRODUCTION CAPACITY ENHANCEMENT

Responding to the need to increase production capacity in the 67 mm cigarette category, we continued the capacity enhancement initiatives begun last year, focusing first on optimising the performance of existing machinery through targeted local interventions to increase speed and overall output. In the second half of the year, we expanded capacity by a further 30% by upgrading an existing line.

# Business Imperatives

## Manufacturing Excellence

### DRIVING MANUFACTURING AND COST EFFICIENCIES

Manufacturing cost remained a key challenge, driven largely by labour, energy, and other operational expenses. As part of our efforts to address this challenge, the team undertook a comprehensive end-to-end loss analysis to identify inefficiencies and uncover improvement opportunities across the production process. These insights informed a series of targeted actions, including machinery adaptations and process enhancements, which collectively delivered cost savings of over Rs. 300 Million during the year through efficiency gains, crew optimisation and waste reduction.

#### MACHINERY ENHANCEMENT

Key investments during the year included:

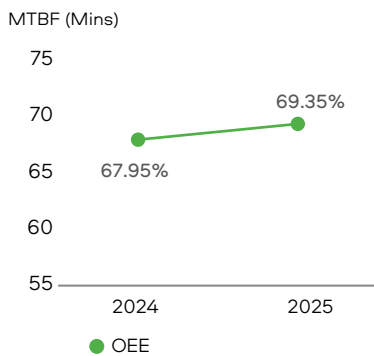
- Installation of a Fluid Bed Dryer and a Wetting Cylinder in the Primary Manufacturing Department (PMD).
- Introduction of a tray loader modification for the 67 mm line.

#### PROCESS AND WORKFLOW IMPROVEMENTS

- A key cost-efficiency improvement was our shift from calendar-based to run-hour-based maintenance, enabling more targeted servicing, reducing downtime, improving equipment reliability, and lowering manufacturing costs.
- Increased localisation of components, and suppliers to bring down cost.
- A key innovation introduced during the year to improve efficiency of GD X2 packer machine was recognised by BAT as a Current Best Approach (CBA) to be reapplied across other markets.

Our continued focus on efficiency delivered strong results, with Overall Equipment Effectiveness (OEE) improving by 2% compared to 2024. Mean Time Between Failure (MTBF) was also sustained at last year's levels. Waste indicators also showed positive performance, with waste wrapping material reducing by nearly 10% compared to 2024.

#### Machinery Efficiency



#### PEOPLE DEVELOPMENT

Building a future-ready workforce is central to our journey of excellence, and therefore a key focus as we entered Phase 2 of the IWS journey in 2025. In 2025, we launched our Operations Excellence Centre, a new training and

development facility designed to further strengthen the technical skills of our people and build a culture of continuous improvement across the operation.

We also continue to leverage on our global network to provide global exposure for our teams. During the year, we were able to send employees to eight different countries for learning and development opportunities. This included 30% of our management team and 19% of our shop floor employees, helping them gain valuable insights and experience from best practices around the world. Our Leadership Team meanwhile conducts regular coaching sessions to identify improvement opportunities and guide the shop floor teams in maintaining a strong Zero Loss mindset. As part of our efforts to bring greater alignment between our strategic objectives and employee performance meanwhile we introduced a new reward scheme tied to IWS Key Performance Indicators (KPI) based performance.

#### FOCUS ON QUALITY

Ensuring the delivery of high-standard, sustainably produced products lies at the heart of BAT's Quality Growth Pillar, and we continue to advance this agenda by strengthening our systems and capabilities for ensuring quality production.

During the year, several process reviews were conducted aimed at strengthening operational quality. Key among these was the Operations Control Stewardship Assessment which involved evaluating 360 processes throughout our operation. Having successfully completed this review, all our processes are now calibrated to global standards.

The Global Quality Audit was also conducted during the year, recording a 11% improvement in the compliance score compared to 2020, with notable improvements across multiple quality pillars and establishing a record-breaking benchmark for the CTC Colombo Factory.

In addition to the quality compliance improvements outlined above, the "quality to consumer" metric improved by 2.5%, reflecting continuous efforts to enhance product quality and better meet consumer expectations. Reflecting our sustained focus on quality at CTC was the recipient of BAT's Global Quality Excellence Award for the 4<sup>th</sup> consecutive year.



### RESPONSIBLE MANUFACTURING

We continue to enhance our manufacturing operation by integrating environmental and social best practices into our manufacturing operations. Improvements in terms of energy efficiency, water conservation and advance waste management continued across our facilities in addition to investments to upgrade our working spaces. Key developments from the year are outlined below, with further details provided in section “Embedding Sustainability”.

First AWS surveillance audit successfully conducted for Colombo



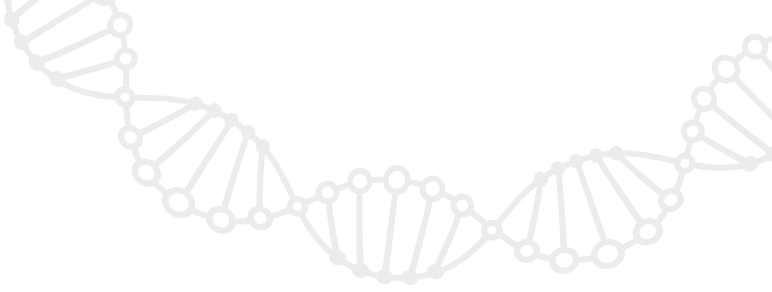
### EHS MASTERCLASS

Environmental, health and safety masterclass training for all operations staff



# Business Imperatives

## Manufacturing Excellence



Installation of Variable Speed Drive (VSD) chillers to replace the non-VSD chillers at Secondary Manufacturing Department (SMD) and administration building at the Colombo site



Expansion of the treated water network in our Colombo premises



Installation of sensor taps for 90% of washrooms in our Colombo premises

### WAY FORWARD



Looking ahead, we will continue to deepen our focus on quality excellence while driving further efficiency gains across our operations. Sustainability will remain a priority as we work to reduce our environmental footprint and embed responsible practices throughout our operations. Technology and skill enhancement will play a critical role in advancing these ambitions, and we will continue to strategically invest in these areas to achieve our objectives.

## Future-Proofing our Supply Chain



**WE CONTINUE TO ALIGN OUR SUPPLY CHAIN WITH OUR MEDIUM TO LONG-TERM CROP REQUIREMENTS BY FOCUSING ON QUALITY, PRODUCTIVITY, AND SUSTAINABILITY. THIS APPROACH STRENGTHENS OPERATIONAL RESILIENCE WHILE SUPPORTING OUR BROADER SOCIAL AGENDA OF BUILDING SUSTAINABLE LIVELIHOODS FOR OUR STRONG FARMER NETWORK**

### OUR SUPPLY CHAIN

100% of our tobacco leaf requirements are sourced from 807 locally contracted farmers and 1,051 sub-growers across the country.

### PERFORMANCE OF LEAF OPERATION IN 2025

Despite erratic weather conditions impacting crop volumes in 2025, strategic measures to optimise our farmer base and enhance duration management enabled us to realign production with market demand and restore a more efficient stock position during the year,

### LEAF TRANSFORM

During the year, we embarked on a holistic transformation journey aimed at enhancing the efficiency, quality, and overall performance of our Leaf operations. Several initiatives were rolled out in 2025 as the initial phase of this two-year transformation plan as further discussed below.

### FARMER BASE MANAGEMENT

As part of the transformation plan, we undertook a carefully structured right-sizing of our farmer base to better align leaf production with our medium- to long-term crop volume aspirations. We approached this responsibly through a performance-based methodology, retaining the highest-performing farmers while phasing out those who did not meet the required standards. The right sizing exercise also involved increasing the proportion of premium quality leaf production in response to increased marketing focus on this segment.

### DRIVING COST EFFICIENCIES

We continued to focus on driving cost efficiencies during the year, successfully achieving a 12% reduction in overheads. Meanwhile on the field, we continued to introduce innovative technology which yielded notable results in terms of cost and efficiency gains. A key development was the in-house engineered "Twin Tiller Pro," solution aimed at speeding up the tobacco planting window by combining

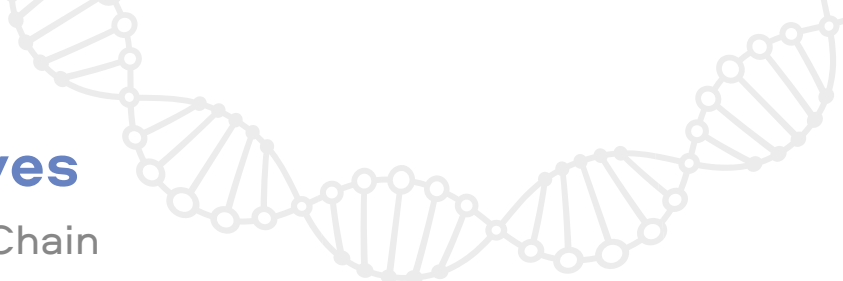
two-land preparation processes into one. We also introduced fertiliser applicators that reduce manual labour requirements and enhance application accuracy. Together, these initiatives have contributed meaningfully to productivity gains and further cost reductions across our operations.

### CAPABILITY ENHANCEMENT OF LEAF TEAM

During the year we also focused on developing the skills and capabilities of our Leaf team through targeted learning opportunities within our broader operations as well as structured overseas exposure. These initiatives are aimed at empowering our people and embedding global best practices across our operations. During the year we also introduced the 'Speechcraft' programme to our leaf staff, specifically designed to enhance participants' public speaking and presentation skills, enabling them to develop skills to be competent in their current and future roles.

# Business Imperatives

## Future-Proofing our Supply Chain



### STRENGTHENING SUPPLY CHAIN SUSTAINABILITY

Our Leaf operations remain fully aligned with the Sustainable Tobacco Programme (STP), the industry benchmark for environmental and social sustainability, and we continued to enhance our adherence to these standards during the year. The actions and initiatives undertaken further reinforce CTC’s overarching sustainability strategy. The following provides a synopsis of key actions undertaken by the Leaf team during the year with further details available in the “Embedding Sustainability” section of this report.



#### CLIMATE

##### Emission Management

Out of the barns operating in Yala, 21% are Loose Leaf Barns (LLBs), improving fuel efficiency and helping to lower Scope 3 emissions. In 2025, we expanded this initiative, piloting a project to introduce customised LLB’s for our Maha farms as well.

##### Use of Clean Energy Sources

We introduced solar irrigation practices such as solar-powered pumping solutions to contracted farmers as means of sustainable energy utilisation.



#### NATURE

##### Water Management

Reaffirming our ongoing commitment to the responsible management of water resources. GLTP successfully obtained AWS re-certification in 2025 for the GLTP Kandy site.

##### Biodiversity and Eco-system Preservation

We are gradually transitioning from paddy husks to *Glyricidia* as the primary curing fuel for the Maha crop as part of our efforts to ensure sustainable and traceable wood for curing.

##### Biodiversity Risk Mapping

We conduct biodiversity risk mapping across our entire farmer base and based on the findings develop Biodiversity Risk Management Plans (BRMP) to mitigate the impacts on the surrounding biodiversity. During the year we strengthened this process with a dedicated resource to manage the process.



#### CIRCULARITY

##### Tobacco Leaf Recycling

All tobacco leaf waste from GLTP is sent to a certified third-party partner who converts it into a compostable fertiliser solution, which is then offered to our farmers as a more sustainable and cost-effective alternative to chemical fertilisers.

##### Crop Protection Agent (CPA) Container Recycling

The CPA container recycling initiative continued to gain momentum with over 60% of empty plastic and glass containers collected and recycled during the year.



#### COMMUNITIES

##### Farmer Livelihoods & Communities

All our contracted farmers are monitored through Agri-360, our enhanced Farmer Sustainability Management App, and we continue to extend its coverage across our sub-grower network to further strengthen sustainability management across our supply chain.

##### Providing Income Diversification Opportunities for Farmer Communities

Through our “Janadiriya” programme, we provide free seeds of Other Field Crops (OFCs) to support farmers in diversifying their income sources. We also promote mushroom cultivation as an additional livelihood opportunity, helping strengthen community resilience and enhance household earnings.

##### Prioritising Farmer and Employee Wellbeing

Reinforcing our commitment to the health and safety of our workforce and farming communities, we provided personal protective gear to 100% of our farmers and GLTP employees, ensuring the safe and responsible handling of agricultural inputs. In addition, an EHS masterclass was conducted during the year to further enhance awareness and knowledge on key health and safety practices.

### WAY FORWARD

Having successfully right-sized our farmer base to better align leaf production with our medium to long-term crop volume aspirations, our priorities for 2026 will focus on maintaining crop quality, managing production costs, and further strengthening sustainability across our supply chain. The continued reapplication of best practices from our global network, supported by active knowledge sharing and a strong culture of continuous improvement will be instrumental in driving these enhancements and ensuring sustained operational excellence over the long term.

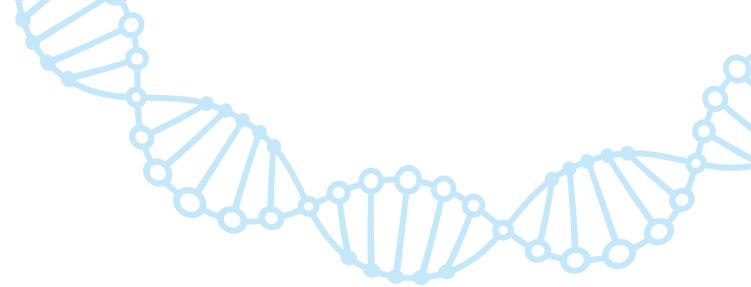


# The DNA of Sustainable Transparency

## ESG IN FOCUS

- Embedding Sustainability **54**
- Climate **56**
- Nature **57**
- Circularity **60**
- Communities **61**
- Advancing Governance and Compliance Practices **72**
- CTC Trade Union **74**

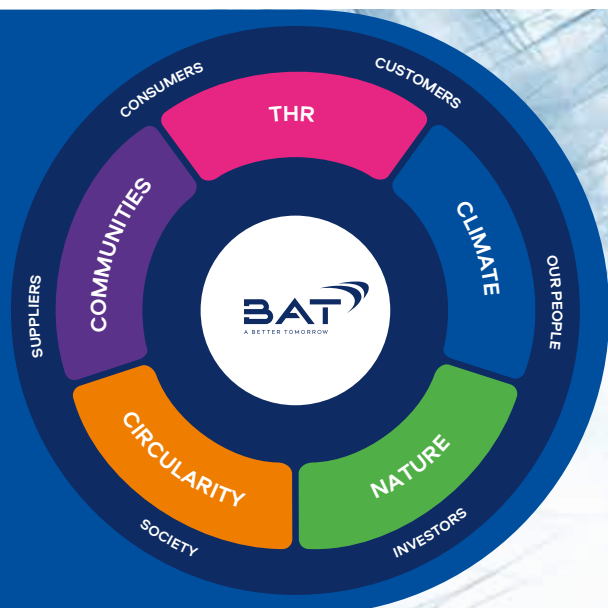
# Embedding Sustainability



## OUR SUSTAINABILITY STRATEGY

CTC's sustainability agenda is aligned with the BAT Group sustainability strategy and is structured around strategic impact areas that guide our Environmental, Social and Governance (ESG) commitments. This framework reflects the priorities of our key stakeholders, including employees, consumers, communities, investors, suppliers and business partners and ensures that our actions remain relevant, responsible and resilient in a rapidly evolving global landscape.

## BAT GROUP SUSTAINABILITY STRATEGY



**TOBACCO HARM REDUCTION**  
 WE SEEK TO ENGAGE WITH PUBLIC HEALTH AUTHORITIES AND REGULATORS, TO SUPPORT THE DEVELOPMENT OF POLICIES AND STRATEGIES THAT BALANCE TOBACCO HARM REDUCTION OBJECTIVES WITH KEY CONCERNS, SUCH AS UNDERAGE ACCESS, ENVIRONMENTAL IMPACTS AND PRODUCT SAFETY



### CLIMATE

We are committed to reducing our Scope 1 and 2 greenhouse gas (GHG) emissions by enhancing energy efficiency and expanding the use of renewable energy wherever feasible. As part of our efforts to minimise the carbon footprint of our value chain, we continue to focus on responsible sourcing practices and actively collaborate with suppliers to address Scope 3 emissions through targeted engagement and capacity-building initiatives.



### NATURE

As part of our nature strategy, we actively engage with suppliers and partners to promote sustainable farming practice across our agricultural supply chain. Targeted investments in biodiversity conservation and water management initiatives are carried out to preserve environmental resources.



### CIRCULARITY

We drive circularity in our operation by prioritising the use of materials that have a lower carbon footprint.



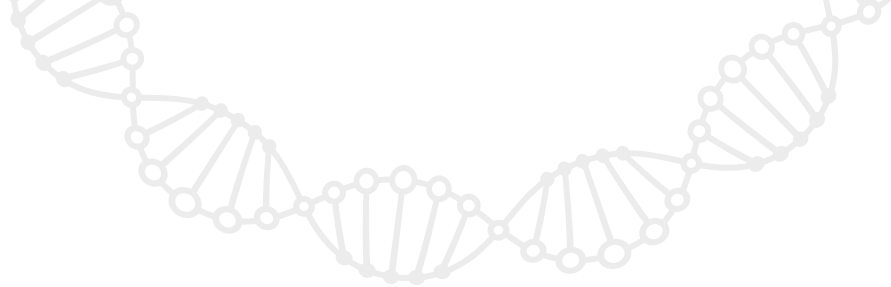
### COMMUNITIES

We are committed to furthering long-term value and business resilience within communities. By empowering our farmers to strengthen their livelihoods and build resilience, we promote responsible sourcing practices that uphold human rights and community well-being. Our employees are an integral part of our communities and we continue to foster an inclusive culture where every individual is respected, supported and valued for their unique contributions.

## 2025 SUSTAINABILITY HIGHLIGHTS

Impact Area	Key Initiatives in 2025	Measuring our Impact															
CLIMATE	<ul style="list-style-type: none"> <li>Installed new energy-efficient chillers at our Colombo plant.</li> <li>Introduced solar-powered pumping solutions to farmer network.</li> <li>Launched a pilot project to introduce more energy efficient Loose-Leaf Barns for our Maha farms.</li> </ul>	<p><b>Emission Reduction</b></p> <p>tCo<sub>2</sub>e                      tCo<sub>2</sub>e</p> <p><b>2,959                      1,594</b></p> <table border="1"> <caption>Emission Reduction Data (tCo<sub>2</sub>e)</caption> <thead> <tr> <th>Year</th> <th>Scope 1 Emissions</th> <th>Scope 2 Emissions (Location based)</th> </tr> </thead> <tbody> <tr> <td>2025</td> <td>2,959</td> <td>1,594</td> </tr> <tr> <td>2024</td> <td>2,399</td> <td>1,555</td> </tr> <tr> <td>2023</td> <td>1,743</td> <td>1,271</td> </tr> <tr> <td>2022</td> <td>1,512</td> <td>1,398</td> </tr> </tbody> </table> <p>● Scope 1 Emissions ● Scope 2 Emissions (Location based)</p>	Year	Scope 1 Emissions	Scope 2 Emissions (Location based)	2025	2,959	1,594	2024	2,399	1,555	2023	1,743	1,271	2022	1,512	1,398
Year	Scope 1 Emissions	Scope 2 Emissions (Location based)															
2025	2,959	1,594															
2024	2,399	1,555															
2023	1,743	1,271															
2022	1,512	1,398															
NATURE	<ul style="list-style-type: none"> <li>Obtained Alliance for Water Stewardship (AWS) re-certification for our Green Leaf Threshing Plant (GLTP).</li> <li>Expanded the treated water network in our Colombo premises to include the administration buildings and washrooms.</li> <li>Replaced 90% of washroom taps in Colombo premises with water efficient sensor taps.</li> <li>Strengthened biodiversity risk management process for farmer network.</li> <li>Initiated steps towards the gradual transition from paddy husks to <i>Gliricidia</i> as the primary curing fuel for the Maha crop.</li> <li>Continuation of re-forestation projects.</li> </ul>	<p><b>Water Withdrawal</b></p> <p>Litres</p> <p><b>24,511</b></p> <table border="1"> <caption>Water Withdrawal Data (Litres)</caption> <thead> <tr> <th>Year</th> <th>Water Withdrawal</th> </tr> </thead> <tbody> <tr> <td>2025</td> <td>24,511</td> </tr> <tr> <td>2024</td> <td>29,175</td> </tr> <tr> <td>2023</td> <td>32,260</td> </tr> </tbody> </table>	Year	Water Withdrawal	2025	24,511	2024	29,175	2023	32,260							
Year	Water Withdrawal																
2025	24,511																
2024	29,175																
2023	32,260																
CIRCULARITY	<ul style="list-style-type: none"> <li>Continued machinery enhancements to reduce processed waste such as wrapping material waste and tobacco waste.</li> <li>Explored the use of leaf and tobacco waste to manufacture organic fertiliser for the tobacco supply chain.</li> <li>Expanded the empty Crop Protection Agent (CPA) container recycling initiative.</li> </ul>	<p><b>Waste Generated and Recycled</b></p> <p>Kg</p> <p><b>744.72</b></p> <table border="1"> <caption>Waste Generated and Recycled Data (Kg)</caption> <thead> <tr> <th>Year</th> <th>Waste Generated and Recycled</th> </tr> </thead> <tbody> <tr> <td>2025</td> <td>744.72</td> </tr> <tr> <td>2024</td> <td>428.19</td> </tr> <tr> <td>2023</td> <td>534.89</td> </tr> </tbody> </table>	Year	Waste Generated and Recycled	2025	744.72	2024	428.19	2023	534.89							
Year	Waste Generated and Recycled																
2025	744.72																
2024	428.19																
2023	534.89																
COMMUNITIES	<ul style="list-style-type: none"> <li>Provided over 13,566 hours of training to employees.</li> <li>Reviewed and enhanced Employee Rewards Scheme.</li> <li>Upgraded facilities in Colombo premises.</li> <li>Carried out over 16 initiatives through our rebranded wellness drive “Live Well”.</li> <li>Increased value to the local economy by sourcing more from local suppliers.</li> <li>Supported over 5,935 families through CSI initiatives, such as “Divisahana”, “Udaharitha” and “Suwajeewana”.</li> </ul>	<p>Female representation on senior leadership team</p> <p><b>57%</b></p> <hr/> <p>No. of beneficiaries of CSI initiatives</p> <p><b>24,298</b></p>															

# Embedding Sustainability



## CLIMATE

### CLIMATE ACTION

#### Why it matters to CTC

The unprecedented rainfall and cyclonic conditions recently experienced in Sri Lanka highlight the growing impacts of climate change. Disruptions from extreme weather conditions affect both the quality and availability of our key raw material, tobacco leaf, by damaging crops, hindering harvesting, and compromising leaf quality. Extreme weather also impedes transportation and logistics networks, resulting in supply chain bottlenecks, delivery delays and higher operational costs.

#### CTC'S Topic Management Strategy

We are committed to building a climate-resilient value chain by accelerating the transition to renewable energy, continuously driving energy efficiency across operations and by supporting our partners in adopting low-carbon solutions.

### CTC'S ENERGY UTILISATION

CTC's total energy consumption in 2025 amounted to 34,419 GJ compared to 33,998 GJ in 2024. Notably, 96.86% of our electricity consumption is sourced from renewable energy, comprising 32.56% from on-site solar generation and 64.3% through I-REC purchases.

### CTC'S CLIMATE ACTION INITIATIVES IN 2025

Energy Consumption by Source		2025	2024
- Diesel	GJ	3,115	3,320
- Petrol	GJ	4,457	4,390
- Heavy Fuel Oil	GJ	7,725	6,605
- LPG	GJ	997	966
<b>Renewable</b>			
Purchased Electricity			
- Renewable	GJ	11,323	13,522
- Solar	GJ	5,735	4,482
Energy Intensity	GJ/million cigarettes	10.33	10.14

### TRANSITIONING TO ENERGY-SMART PRACTICES

Our efforts to drive energy efficiency across our direct operations continued during the year. As part of these efforts, we replaced the chiller used for our administration building in the Colombo site which was a non-Variable Speed Drive (VSD) chiller and hence consumes more electricity compared to a VSD Chiller. The new VSD chiller consumes on average 38% less energy than previous one.

### SOLAR IRRIGATION SOLUTIONS

To address irrigation challenges resulting from erratic weather conditions, we introduced solar-powered pumping solutions, enabling farmers to cultivate land with a lower cost using sustainable energy. The use of solar irrigation not only helps support more reliable crop management but also promotes the adoption of renewable energy across our farming network.

### REDUCING VALUE CHAIN EMISSIONS (SCOPE 3)

Working hand in hand with our directly contracted farmers, we are driving emission reductions in agriculture through the adoption of carbon-smart practices. Central to this effort is the Loose Leaf Barn (LLB) project, which replaces traditional barns with fuel-efficient alternatives. This transformation improves energy efficiency and lowers Scope 3 emissions. In 2025, 21% of the Barns operated in Yala were LLBs. We expanded this initiative during the year, piloting a project to introduce customised LLB's for our Maha farms.



## NATURE

### WATER MANAGEMENT

#### Why it matters to CTC

Given the high water dependency of tobacco cultivation and processing, fluctuations in water availability can significantly impact productivity and product quality. With climate change accelerating water scarcity, enhancing water efficiency and stewardship has become central to sustaining operations while protecting shared resources.

#### CTC's Topic Management Strategy

Our water management strategy is centred on enhancing operational water efficiency, expanding water recycling initiatives and promoting sustainable water use across our value chain. These efforts are guided by the principles of the Alliance for Water Stewardship (AWS) framework, ensuring a structured and accountable approach to responsible water stewardship.

### CTC'S WATER IMPACT

We systematically monitor our water impact by tracking consumption across all our operations. At our Colombo premises, water usage is monitored in real time through a building management system equipped with over 30 tracking points. At our GLTP in Kandy and across our depots, Level 2 metering systems enable monthly monitoring of water use. In addition, analytical tools such as Sankey diagrams and loss analyses help us identify high-loss areas and implement targeted actions to reduce water wastage.

Water Withdrawal By Source (m <sup>3</sup> )	2025	2024
Ground water	2,653	3,340
Municipality water	21,745	25,268
Other	112	568
Total water withdrawn	24,510	29,176
WATER DISCHARGE BY DESTINATION ( m <sup>3</sup> )		
Ground	7,254	11,738
Municipal/third party treatment plants	6,810	6,724
Total water discharge	14,064	18,462

### CTC'S WATER MANAGEMENT ACTION IN 2025

#### Alliance for Water Stewardship (AWS) Certification

Both CTC manufacturing sites, including the GLTP and Colombo Factory, are Alliance for Water Stewardship (AWS) Core Certified—a globally recognised benchmark for responsible water management. The certification is an indication of our commitment to understanding our water impacts and driving collective action for sustainable water use. In 2025, GLTP successfully obtained AWS re-certification following the AWS re-certification audit carried out in 2025.

**26% INCREASE**  
IN WATER RECYCLING ACROSS  
DIRECT OPERATIONS

### WATER RECYCLING

As part of our efforts to increase the use of recycled water, we expanded the treated water network in our Colombo premises to include the administration building and washrooms. This has resulted in the amount of recycled water increasing by 26% during the year.

### WATER EFFICIENCY

We also installed sensor taps in 90% of washrooms in Colombo, resulting in water savings of approximately 530m<sup>3</sup>.

# Embedding Sustainability



## NATURE

### PRESERVING BIODIVERSITY AND ECO SYSTEMS

#### Why it matters to CTC

Our operations are intrinsically linked to natural resources such as soil, water and forests. Safeguarding these resources is both an ethical responsibility and a strategic necessity, as environmental degradation from deforestation and soil pollution to biodiversity loss can disrupt ecosystems, raise production costs and compromise product quality.

#### CTC's Topic Management Strategy

With a strategic focus on climate resilience and environmental stewardship, we lead reforestation initiatives and promote sustainable agricultural practices across our farmer network. These actions help minimise environmental impacts while protecting biodiversity and ecosystems linked to our operations.

### BIODIVERSITY RISK MANAGEMENT

We employ the Biodiversity Risk Screening (BRISK) to assess the state of local ecosystems, identify biodiversity-related risks and formulate targeted action plans to protect and restore natural habitats. Insights from these assessments guide the implementation of Biodiversity Management Plans (BMPs) for high-risk tobacco farms. As part of this ongoing initiative, all directly contracted farmers undergo comprehensive biodiversity risk evaluations, while our field technicians continuously monitor progress to ensure the effective execution of biodiversity management measures. During the year we strengthened this process further, allocating a dedicated in-house resource to oversee these activities.

### EMBEDDING SUSTAINABLE AGRICULTURAL PRACTICES ACROSS OUR VALUE CHAIN

#### Sustainable Tobacco Programme (STP)

Our Leaf operations adhere to the STP, a global industry initiative that sets out clear criteria for environmental conservation and the sustainable management of water, soil and natural habitats. This commitment supports our broader efforts in biodiversity conservation by ensuring that agricultural practices adopted across our value chain protect ecosystems and enhance the resilience of local environments.

#### Advancing Curing Fuel Traceability in our Supply Chain

During the year, we explored the gradual transition from paddy husks to *Gliricidia* as the primary curing fuel for the Maha crop. By adopting a more sustainable and fully traceable fuel source, we are advancing responsible sourcing through better monitoring and management of our fuel supply.

#### Sustainable Agricultural Development Programme (SADP)

Our Corporate Social Investment (CSI) project SADP is aimed at promoting sustainable farming practices across rural communities in Sri Lanka. Through this initiative, a dedicated team of field technicians works closely with farmers, providing technical assistance and training on practices such as reducing agrochemical use, enhancing crop diversification and improving soil conservation. Now in its 19<sup>th</sup> year, the programme continues to strengthen community livelihoods while contributing to the preservation of Sri Lanka's natural ecosystems.

### PROTECTING FOREST LAND THROUGH CTC'S "UDAHARITHA" PROGRAMME

CTC's "Udaharitha" Programme contributes to the national vision of increasing Sri Lanka's forest cover from 29% to 32% by 2030 through targeted reforestation and biodiversity conservation initiatives. Through strategic collaborations with key stakeholders, the programme has restored and revitalised extensive areas of degraded land, reinforcing our long-term commitment to ecosystem restoration and climate resilience.



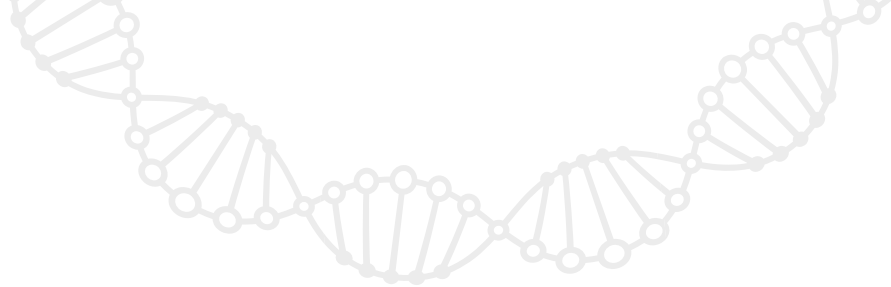
**87 Acres** of degraded forest land is being rejuvenated through the "Udaharitha" Programme.



In Panamure, Embilipitiya, a **87 acre** stretch of degraded forest is being restored through a landmark reforestation initiative. Carried out in collaboration with the Sri Lanka Climate Fund, this project stands as the largest carbon-certified reforestation effort led by a Sri Lankan company.



# Embedding Sustainability



## CIRCULARITY

### WASTE MANAGEMENT

#### Why it matters to CTC

The rising cost of production, increasing scarcity of natural resources, and environmental degradation caused by waste are pressing challenges affecting not only our business but industries worldwide. Driving collective action towards circularity has therefore become essential to building a more sustainable and resilient economy.

#### CTC'S Topic Management Strategy

We seek to advance circularity by prioritising renewable materials, minimising resource use and strengthening recycling and waste reduction efforts across our operations and supply chain.

### TACKLING OPERATIONAL WASTE

The principal waste types generated from our manufacturing operations include tobacco waste and residue from green leaf threshing. Other non-hazardous waste includes polythene, cardboard and food waste. Hazardous waste mainly consists of electronic waste including printer toners and Light-Emitting Diode (LED) bulbs and oil waste. Each waste category is measured and monitored.

	2025	2024
Total Waste Generated (Tonnes)	744.72*	428.19
Percentage of Waste Recycled	96.27%	95.11%
Percentage of Waste Disposed (to landfills)	0.07	0.04

\* In 2025 CTC conducted multiple renovation and machine installation projects which resulted in an increase of the metal scrap waste and construction waste.

### WASTE REDUCTION INITIATIVES

We continue to implement waste reduction initiatives aimed at minimising operational waste across our operations. These efforts are supported by targeted actions such as enhancing machinery efficiency and strengthening material management practices, which collectively contribute to improved resource utilisation and reduced waste generation. Details of key investments to enhance machinery and process efficiency are discussed in "Manufacturing Excellence" on page 47 of this report.

#### Recycling

With the completion of Project Papyrus where we switched from Alu foil to a paper based alternative, all our packaging material is recyclable, in line with the BAT Group target of 100% packaging to be reusable, recyclable or compostable.

### FROM WASTE TO WORTH: A CIRCULAR APPROACH TO TOBACCO WASTE

We currently channel all tobacco leaf waste for composting, reinforcing our commitment to circularity by transforming waste into nutrient-rich fertiliser. All tobacco leaf waste generated at GLTP is directed to a certified third-party partner, who processes it into a compostable fertiliser solution which is then offered to our farmers.

### RESPONSIBLE WASTE PRACTICES ALONG OUR SUPPLY CHAIN

We continue to work closely with our directly contracted tobacco farmers to reinforce sustainable waste management practices across their operations. One key ongoing initiative encourages farmers to repurpose paddy ash from the curing process as a natural soil enhancer. Our empty Crop Protection Agent (CPA) container recycling initiative, carried out in collaboration with CropLife, also continued during the year. Over 60% of the empty CPA containers are collected and recycled with the support of Crop Life through this project.



## COMMUNITIES

### EMPLOYEES, DIVERSITY & CULTURE

#### Why it matters to CTC

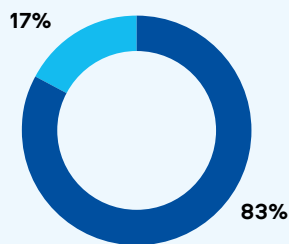
Our employees are an integral part of the CTC community, as their diverse backgrounds, experiences and perspectives are a key source of our strength as an organisation.

#### CTC'S Topic Management Strategy

Guided by the BAT Group's People Strategy, Employment Principles, SoBC and Health and Safety Policy, we aim to build a dynamic and inclusive culture that inspires our people to thrive, collaborate and achieve their fullest potential.

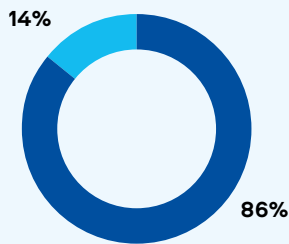
### BY EMPLOYMENT CATEGORY

#### Permanent



● Male No. 208  
● Female No. 44

#### Contract

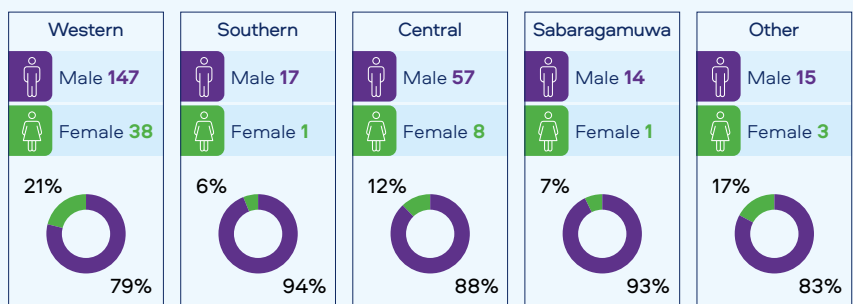


● Male No. 42  
● Female No. 7

#### Employment Grade

Male		Grade	Female	
No.	%		No.	%
8	57%	Senior Management	6	43%
43	70%	Junior and Middle Management	18	30%
79	81%	Executive	19	19%
120	94%	Non-Executive	8	6%

#### By Region



#### By Age

Male		Age	Female	
No.	%		No.	%
62	75%	21-30	21	25%
180	86%	31-55	29	14%
8	89%	Above 56	1	11%

### CHAMPIONING WORKPLACE INCLUSIVITY

We champion Diversity and Inclusion (D&I) by cultivating diverse talent pipelines and by creating an inclusive and empowering workplace culture for all.

# Embedding Sustainability



## TOWARDS GENDER PARITY

Meaningful action towards achieving gender parity, through policies, progressive practices and innovative initiatives have contributed to the progress being achieved.

### ENABLERS

**CTC POLICIES**

- Diversity and Inclusion Policy
- Flexible Working Policy
- Operating Procedure for Assisting Vulnerable Employees
- Sabbatical Leave Policy
- Leave Policy (Including Maternity and Paternity Leave)

**PRACTICES**

- Flexible working arrangements
- Above average maternity leave (100 working days)
- Paternity leave (10 Days)
- Fertility leave

### KEY INITIATIVES

**SUPERNOVA**

A mentorship programme specifically aimed at developing female talent in Science, Technology, Engineering and Mathematics (STEM) fields. The programme provides university students mentorship opportunities within CTC in traditionally male-dominated fields such as Research and Development, Operations, and Leaf.

**WOMEN OF WORTH (WOW) PROGRAMME**

Driven by a cross-functional team from CTC's women workforce, the Women of Worth (WoW) programme continues to empower women across the organisation through a range of engagement initiatives. Serving as a unique platform for connection, the WoW initiative enables women to engage, network and share experiences as a community.



**WOW KEY ACTIVITIES CARRIED OUT IN 2025 ARE OUTLINED BELOW**

**International Women’s Day 2025**

International Women’s Day 2025 was meaningfully celebrated with a half-day programme that brought together both female and male colleagues from across the organisation. Key events included discussion forums with female corporate leaders, interactive activities and a networking session aimed at promoting female empowerment through awareness and active participation.



**Mother’s Day**

A group of female employees who are mothers took part in a wellness session facilitated by a practicing psychologist, aimed at addressing their wellbeing concerns.



**WoW Unplugged**

A series of expert-led discussions were conducted, focusing on female empowerment and providing a platform for women to network, share experiences and build connections with peers from different companies and professional backgrounds.



**Personal Styling and Etiquette Workshop**

A workshop on personal style was conducted to provide female employees with access to expertise on professional wardrobe etiquette of the workplace.



**Father’s Day Competition**

A Father’s Day competition was held in line with the International Father’s Day as part of employee engagement activities fostering a sense of connection and inclusivity within the workplace by encouraging employees to share personal stories and celebrate fatherhood together.

# Embedding Sustainability



## CREATING A PERFORMANCE DRIVEN CULTURE

Central to our People Strategy, we have a performance driven culture that promotes a level playing field and merit-based advancement for all our employees.

### Nurturing Capabilities

#### LeadUp

Performance Management Masterclass with all management employees across the Company.



#### License to Hire Programme

60 employees participated in License to Hire Programme aimed at equipping hiring managers with best-practice recruitment knowledge, enhancing awareness of bias-free decision-making and strengthening adherence to recruitment governance standards.



Skill and knowledge enhancement is an important element of our employee value proposition. Accordingly, employees across functions are provided with ongoing opportunities for learning and development.

During the year, we expanded opportunities for our employees to gain global exposure through international training programmes and International Assignment (IA) placements. These experiences broaden employee horizons and enable them to transfer valuable insights and global best practices back into the organisation. Targeted training, including technical

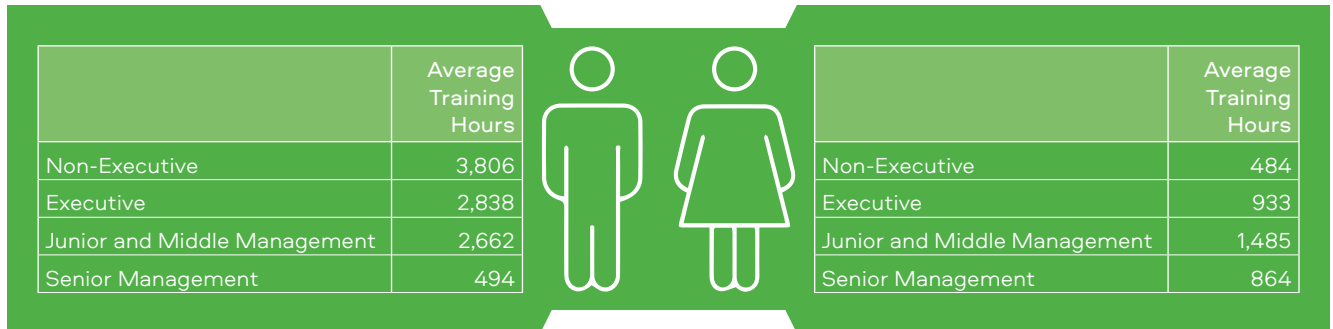
skill development continued to be enhanced across Operations and Leaf through the Operations Excellence Centre, our new training and development facility designed to continuously strengthen the technical capabilities of our people.

We also rolled out the BAT Talent Management Framework for all management grade employees during the year. The framework provides a structured approach to talent segmentation and succession planning aims to nurture a pipeline of fit-for-purpose talent that is aligned with the strategic direction of CTC.

IGNITE, our signature internship programme meanwhile continued with a second batch of talented undergraduates as part of our wider talent branding and building strategy.

A range of technical, soft skills and leadership development programmes were also conducted with over 5,500 training hours carried out in total during the year.

## ANALYSIS OF TRAINING HOURS BY GENDER AND EMPLOYMENT CATEGORY



### PERFORMANCE MANAGEMENT

We uphold a fair and transparent performance management system that recognises and rewards employee achievements while proactively identifying and addressing skill and knowledge gaps. Performance evaluations are conducted for all employees on a biannual basis.

### PURPOSEFUL REWARD MANAGEMENT

We continue to refine our reward mechanisms to ensure a fair and competitive remuneration structure that reinforces our performance-driven culture. Accordingly, several enhancements were introduced to our rewards and benefits framework during the year. Upward adjustments were made to performance bonuses, together with well above inflation salary increments following the annual salary review. We also introduced a special allowance to provide additional financial support to employees.

### EMPLOYEE BENEFITS

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 insurance, hospitalisation benefits, professional membership and educational assistance.

This year we also introduced new forms of leave-including fertility leave, birthday leave, and compassionate leave while also increasing paternity leave from 3 to 10 days.

#### Sustainable Engagement Index

Measures the intensity of employee connection to CTC and collectively committed effort to achieve goals

**91%**

#### Inclusion Index

Measures the sense of belonging, fairness and psychological safety

**88%**

#### Wellbeing Index

Measures the effectiveness of wellbeing initiatives supporting employee mental and physical wellbeing

**86%**

#### Employer Net Promoter Score

Measures employee loyalty and satisfaction by identifying how likely they are to recommend their workplace

**54**  
(57 point increase compared to 2024)

### LISTENING TO OUR EMPLOYEES

Creating an inclusive work environment requires actively listening to our employees and proactively responding to their needs. We encourage our employees to voice their ideas, concerns and feedback freely and without fear of retaliation and have in place multiple channels of communication. Our open door policy

is supported by programmes such as “WeConnect” where employees can directly engage with the Senior Leadership Team. A 24/7 ‘Speak Up’ channel is also available for employees to raise concerns confidential basis.

During the year, we carried out 2 separate employee surveys to assess engagement and inclusion levels across the organisation. The insights

gained helped identify key areas for improvement and inform actions to strengthen our workplace experience.

Relations with our unions, which represent approximately 27% of our employees, remained positive throughout the year. We also successfully signed a new Collective Agreement, which will remain in effect for the next 3 years.

# Embedding Sustainability



## ENSURING A SAFE WORKPLACE

CTC's comprehensive Environmental, Health and Safety (EHS) policy fully complies with local regulatory requirements while integrating global best practices. The Company has also implemented and where necessary localised, the BAT Group's Environment and Health and Safety Policy Manual and Health and Safety

Policy Statement, ensuring that global standards are effectively calibrated to the local context. Oversight for EHS implementation is provided by a cross-functional EHS Steering Committee, supported by the sustainability team and pillar members.

EHS training is provided to all employees, ensuring they are fully aware of the required standards and their responsibilities in maintaining a safe working environment. In 2025 over 100 employees participated in the EHS Masterclass, a comprehensive training programme that covers environment, health and safety issues, standards and procedures.

Work-related injuries	No.	Rate
Fatalities due to work-related injuries	0	0
High-consequence work-related injuries	0	0
Recordable work-related injuries	17	4.3%

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

Our occupational health and safety management system enables us to closely monitor key safety indicators and take proactive measures to minimise risks and enhance workplace safety conditions.

We continuously invest in upgrading employee working spaces and facilities. During the year we embarked on a project to uplift the Colombo premises. The project involved improvements to workplace functionality, comfort and ergonomics. We also completed the installation of safety telematics across our entire vehicle fleet, achieving 100% coverage in 2025. This system enables real-time monitoring of driver behaviour and since its implementation, we have recorded a 51% improvement in overall driving practices.

## Promoting Health and Wellbeing

We remain committed to a holistic approach to employee wellbeing, offering a wide range of initiatives across physical, mental, social and financial wellbeing pillars. This year, we have aligned our benefits offering and platform with the global benefits and wellbeing framework, LiveWell. A selection of the initiatives carried under each wellbeing pillar are shown below:

PHYSICAL WELLBEING	MENTAL WELLBEING	SOCIAL WELLBEING	FINANCIAL WELLBEING
ACTION TAKEN	ACTION TAKEN	ACTION TAKEN	ACTION TAKEN
<ul style="list-style-type: none"> <li>Medical services, health screenings and insurance</li> <li>Annual sporting events and crossfit sessions</li> </ul>	<ul style="list-style-type: none"> <li>Mental health support and counselling services</li> <li>Family friendly policies and initiatives such as flexible working</li> </ul>	<ul style="list-style-type: none"> <li>Cultural celebrations to promote sense of community and celebrate cultural diversity</li> </ul>	<ul style="list-style-type: none"> <li>Personal finance management session</li> <li>Discounted offerings for employees</li> </ul>





## COMMUNITIES

### HUMAN RIGHTS

#### Why it matters to CTC

Respecting human rights is fundamental to empowering individuals strengthening our communities and creating lasting positive impacts that extend across our value chain.

#### CTC's Topic Management Strategy

Our approach to managing human rights is guided by the United Nations Guiding Principles on Business and Human Rights. We seek to prevent and address potential impacts across our value chain through due diligence and remediation processes, supported by our governance frameworks and Group policies, including the Group's Standards of Business Conduct (SoBC) and Supplier Code of Conduct (SCoC).

#### Embedding Human Rights into Our Business Practices

Our 3-pronged approach to managing human rights impacts across our business operations includes a strong policy framework, stringent due diligence processes and robust remediation mechanisms.

##### GROUP POLICIES

- BAT Group's SoBC
- BAT Group's SCoC

##### DUE DILIGENCE

- Risk assessments to identify human rights risks of our operations and suppliers
- Monitoring and review through audits and engagement through Leaf field team
- Agri-360 App and THRIVE Assessments

##### REPORTING AND REMEDIATION MECHANISMS

- 24/7 confidential 'Speak Up' channel for employees, suppliers and business partners to report misconduct anonymously
- Documented and clearly communicated grievance procedure

#### Policy Framework

We uphold human rights through a comprehensive set of policies, including the Group's SoBC and the SCoC. The SoBC, which is aligned with the UN Guiding Principles on Business and Human Rights and the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work, outlines the Group's commitment to protecting the rights and wellbeing of our employees. Complementing this, the SCoC establishes the minimum standards expected of our suppliers, including our commitment to working towards zero child labour, the requirement for suppliers to minimise the risk of modern slavery and labour exploitation and the expectation that suppliers conduct their operations in a manner that respects fundamental human rights across the supply chain.

#### Due Diligence

The Human Rights due diligence process involves proactive risk assessments to identify human rights risks of our operations and as well as those of our suppliers as ongoing monitoring through audits and field team engagement. Farmer compliance with human rights obligations is monitored through the Agri-360 App which covers 100% of our directly contracted tobacco farmer base and 30% of our sub-grower base.

#### Reporting and Remediation Mechanisms

Engagement mechanisms such as the 'Speak Up' channel for employees and farmer engagement via the Agri-360 App and THRIVE Assessments provide accessible and transparent platforms for raising concerns or reporting grievances. These mechanisms enable us to identify issues early, respond effectively and take timely corrective action on human rights issues.

#### Human Rights Awareness and Training

CTC ensures that employees are kept informed of updates to BAT Group's policies, actively fostering awareness and understanding of human rights principles across the organisation. In addition, directly contracted tobacco farmers and suppliers receive regular training on their contractual obligations including areas related to key human rights such as the prevention of child and forced labour, safe and fair working conditions and the promotion of health, safety and fair treatment.

#### Human Rights Due Diligence Carried out during the year

Percentage of contracted farmers monitored through Agri-360 App

100%

Percentage of sub-grower farmers monitored through Agri-360 App

30%

Reported incidents of forced labour or child labour

0

# Embedding Sustainability



## COMMUNITIES

### SUPPLIER ENGAGEMENT

#### Why it matters to CTC

Engaging with our suppliers is critical to help ensure responsible and sustainable business practices across our value chain. By working closely with our suppliers, we support their management of supply chain impacts, help address social and environmental risks and enhance traceability.

#### CTC's Topic Management Strategy

We maintain an ongoing partnership-driven approach to supplier engagement, actively collaborating with our suppliers to create mutual value and promote responsible operations throughout the supply chain.

### CTC'S SUPPLIER BASE

#### For non-leaf suppliers

Beyond tobacco leaf suppliers, our supply chain extends to a diverse network of partners, including direct and indirect suppliers who collectively support our operations.

#### POLICY FRAMEWORK FOR SUPPLIER ENGAGEMENT

The Group's SCoC extends to all suppliers and outlines the essential principles and expectations for ethical, sustainable, and transparent business conduct, supporting consistency and integrity across our global network. The Group's SoBC and the SCoC guide all our interactions with suppliers, ensuring that our engagements align with standards of responsible and transparent business conduct.

#### LOCALISATION OF DIRECT SUPPLIER BASE

As part of our efforts to drive greater cost savings and strengthen supply chain resilience, we are actively shifting our sourcing strategy to increase engagement with local suppliers. In 2025, we laid the groundwork for this transition, particularly in relation to our direct material suppliers, where approximately 70% are still overseas suppliers. We are currently in the trial phase of our localisation initiative, with early results indicating strong potential for both operational efficiency and long-term value creation.



#### PROCESS OPTIMISATION THROUGH DIGITALISATION

During the year, we accelerated the digitalisation of our procurement function, introducing electronic platforms to streamline several core processes. As part of this transformation, we also provide training to internal and external stakeholders to ensure suppliers are familiar with the new systems and able to seamlessly adapt to our evolving digital workflows. The digitalisation drive not only enhances operational efficiency but also strengthens compliance by introducing more streamlined and transparent workflows.

#### SOCIAL DUE DILIGENCE OF NON-LEAF SUPPLY CHAIN

We take a risk-based approach to social due diligence in our product material supply chain, carrying out detailed supplier Social Responsibility Audits for strategic direct suppliers prioritised according to their operational importance and procurement value. Accordingly, Social Responsibility Audits were conducted for 2 of our strategic direct suppliers in 2025.

We also collect ESG data from all our suppliers as part of the Request For Quotation (RFQ) process to better understand their performance and to support them in strengthening their sustainability practices.



## COMMUNITIES

### SUPPORTING FARMER LIVELIHOOD AND COMMUNITIES

#### Why it matters to CTC

Ensuring sustainable livelihoods for tobacco farmers within our supply chain is central to ensuring resilience in our business.

#### Management CTC's Topic Strategy

Our commitment to our tobacco farming community extends far beyond financial resilience. We are dedicated to enhancing the overall social wellbeing of our farmers and their families through targeted programmes and initiatives that foster inclusive and sustainable socio-economic development.

#### THRIVE Programme

The Group's THRIVE system gathers data on topics including human rights and uses a framework based on the 5 capitals outlined below to address challenges in farming communities. Currently, all our directly contracted farmers are monitored through Agri-360 App and we continue to extend its coverage across our sub-grower network to further strengthen sustainability management across our supply chain.

#### Farmer Engagement

We engage with our directly contracted farmer base through a number of channels including a dedicated hotline, complaints boxes at depots and through the Farmer Union. In addition ongoing visits including unannounced visits by leaf technicians are also opportunities for the farmer community to closely engage with the Company.

#### Supporting Income Diversification

We support our farmers in diversifying their crops and income streams to enhance year-round income stability, strengthen resilience and promote sustainable farming practices. In 2025, through the "Janadiriya" Programme, more than 1,800 farmers, sub-growers and other stakeholders received free seeds of Other Field Crops (OFCs).

#### Guaranteed Buy-Back System

We seek to ensure income stability and fair compensation for our directly contracted farmers through a guaranteed buy-back system, where prices are mutually agreed upon in consultation with the Farmers' Union and relevant Government authorities.



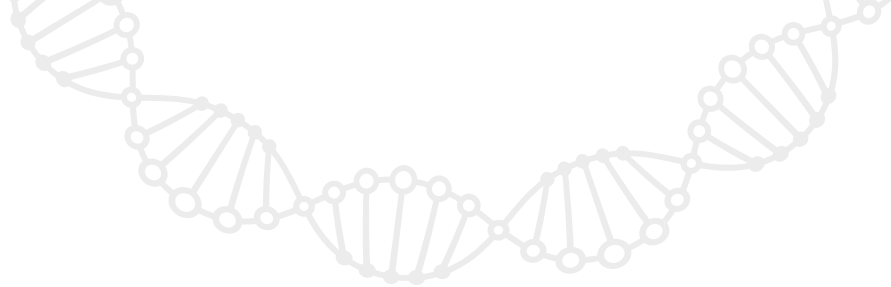
#### Crop Insurance

As part of our ongoing efforts protecting farmers' resilience and towards strengthening them from potential losses, we provide crop insurance support to selected high-performing farmers. This support was complemented by awareness sessions on the benefits of crop insurance and assistance in obtaining coverage through our partnership with a third-party insurer.

#### Capacity Development

Farmer capacity building is carried out as part of the Sustainable Tobacco Programme (STP), a global industry initiative to promote responsible tobacco growing practices. As part of this programme field technicians from our Leaf team work closely with our directly contracted farmers to build capacity by supporting them to enhance their knowledge and skills throughout the growing cycle, helping them develop skills, boost yields and build resilience.

# Embedding Sustainability







## SUPPORTING RURAL COMMUNITIES THROUGH CSI

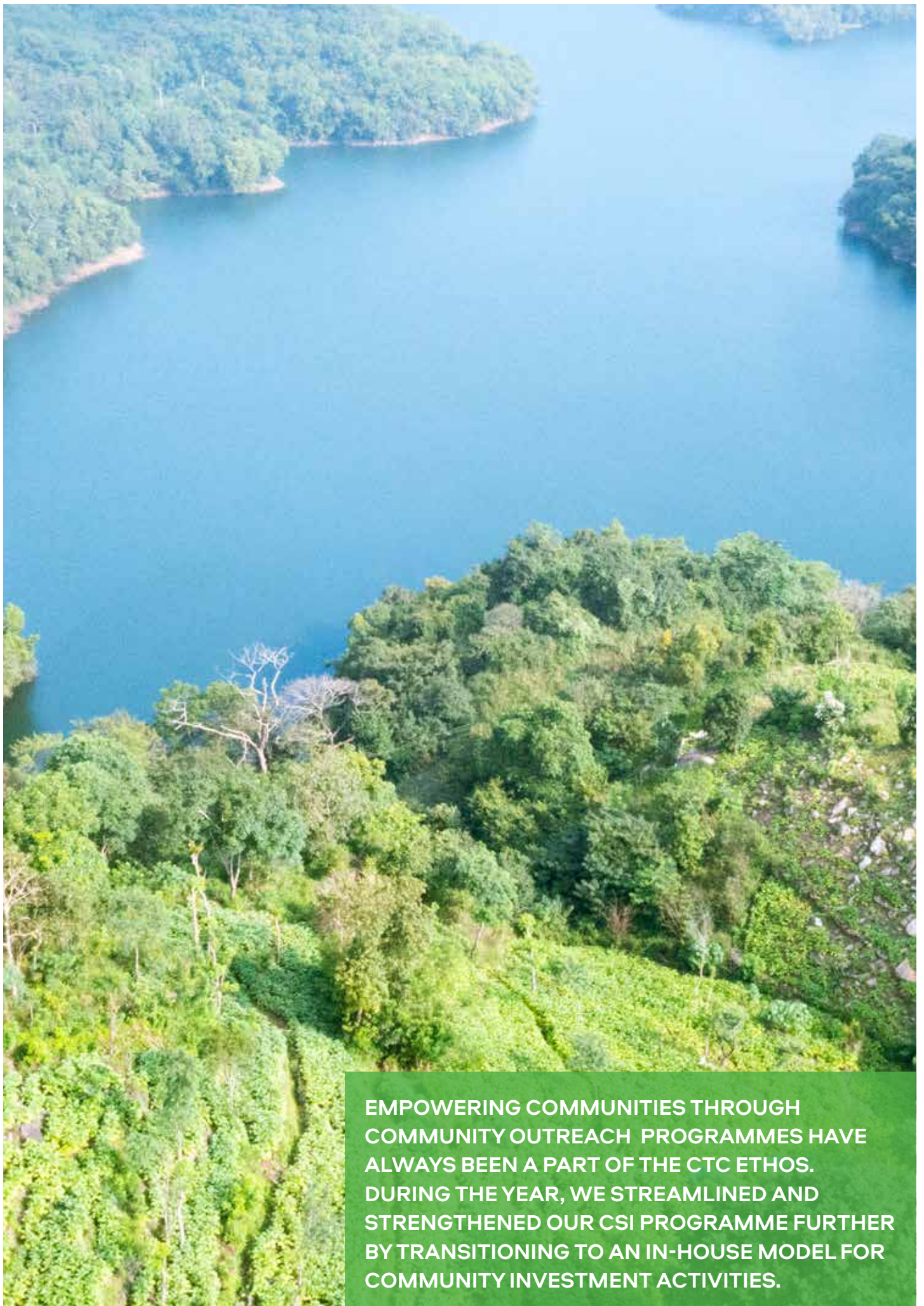
Empowering communities through community outreach programmes has always been a part of the CTC ethos. During the year, we streamlined and strengthened our CSI programme further by transitioning to an in-house model for community investment activities. As part of this shift, we introduced a formal Community Investment Framework aligned with the BAT Community Investment Framework, ensuring that all initiatives operate under clearly defined compliance parameters. All ongoing projects were reviewed and realigned in compliance within this framework. We adopt a compliance-first approach, supported by a transparent and credible process that ensures all programmes conducted under CTC reflect our standards and governance expectations.



A summary of our key CSI programmes are listed below;

Programme Name	Description	Beneficiaries in 2025	Total Beneficiaries to Date
	CTC's "Udaharitha" programme is designed to contribute to the national goal of expanding forest cover from 29% to 32% by 2030 through focused reforestation initiatives and biodiversity conservation programmes across the island.	520	520
	The "Divisahana" programme aims to provide relief essentials such as dry rations to the communities affected by natural disasters or unexpected calamities. Over Rs.13.7 Million worth of dry rations were provided to the communities impacted by severe floods and cyclones during the year as part of this programme.	8,820	45,704
	The "Suwajeewana" initiative supports national efforts to address the rising incidence of Chronic Kidney Disease (CKD) in rural communities by improving access to clean drinking water through the construction of Reverse Osmosis (RO) plants. In 2025 3 RO plants were completed through this programme bringing the total number of RO plants constructed since the inception of the programme in 2019 to 23.	9,320	66,320
	For over 19 years, Sustainable Agriculture Development Project (SADP), has been promoting sustainable agricultural practices among rural communities across Sri Lanka. The programme identifies and supports families living below the poverty line by providing them with agricultural resources and other assistance to help them achieve food self-sufficiency.	5,638	71,314





**EMPOWERING COMMUNITIES THROUGH COMMUNITY OUTREACH PROGRAMMES HAVE ALWAYS BEEN A PART OF THE CTC ETHOS. DURING THE YEAR, WE STREAMLINED AND STRENGTHENED OUR CSI PROGRAMME FURTHER BY TRANSITIONING TO AN IN-HOUSE MODEL FOR COMMUNITY INVESTMENT ACTIVITIES.**

# Advancing Governance and Compliance Practices

We remain committed to building a strong culture of integrity, accountability and responsible decision-making across CTC, and do so by embedding compliance, ethical conduct and sound governance practices into everyday decision-making. In 2025 we made steady progress in this journey, rolling out several targeted programmes aimed at creating wide-spread awareness and understanding on our policies, frameworks and instilling a strong compliance culture.

## Operation Elevate: Building the Foundation for a Compliance-Led Culture

During the year we launched Operation Elevate, a strategic initiative designed to identify and address barriers to compliance and process discipline. Accordingly, a cross-functional team comprising of subject-matter experts, senior leadership and functional champions first conducted a detailed analysis to identify behavioural, process and system gaps that pose as barriers for compliance and process discipline. Following this we implemented targeted action under the 4E's Model which comprises Educate, Empower, Execute and Establish, to streamline process ownership across the organisation.

Key Outcomes of the initiative included

- Simplified and aligned process checks across Procurement-to-Pay operations
- Enhanced governance and knowledge of Coupa Risk Assessment, Contracts and Procurement
- Clearer accountability for process steps and decision checkpoints

## Compliance Quest: Making Learning Engaging and Impactful

We also launched "Compliance Quest", a learning-through-experience programme aimed at creating a compliance mindset in an engaging and practical manner.

The programme included a series of initiatives such as :

- Interactive workshops
- Bite-sized learning videos
- Practical presentations
- Immersive, escape-room style challenges focused on real life compliance scenarios



## ComplyMate – Practical Guidance at Employees' Fingertips

As part of our efforts to make compliance related information easily accessible, we introduced 'ComplyMate', a series of easy-to-use guides that translate policies, systems and procedures into simple, practical steps. These resources have helped employees navigate compliance more confidently, reducing errors and strengthening adherence.



### Launch of First Ever Chatbot: ClarifAI

During the year we launched ClarifAI (Clara), the first policy-driven chatbot, designed to answer employee questions related to policies, compliance and procedures. Clara serves as a first point of contact for compliance related clarifications across all key policies and procedures across the organisation including legal, HR, procurement and finance.



### Responsible Decision-Making (RDM): Making Compliance Part of Our DNA

A key milestone in 2025 was the launch of our enhanced Responsible Decision-Making (RDM) framework. The framework reinforces that ‘Compliance is as easy as ABC’ and aims to cultivate ownership of compliance throughout the organisation. This initiative simplifies compliance expectations through the ABC structure, Awareness, Behaviour, Check — making responsible decision-making straightforward and actionable throughout the organisation. The programme which was led by the Senior Leadership team reinforced the principle that what we do is just as important as how we do it.



### Controls Week

“Controls Week” was conducted during the year to increase organisational awareness and ownership of our control processes.

Over the course of the week cross functional teams came together to:

- Refresh their understanding of key control policies and procedures
- Identify operational risks within their areas
- Share improvement ideas and best practices
- Collaboratively strengthen existing controls and design new ones where needed
- The programme also involved building Controls Champions, equipping employees with the knowledge, mindset and confidence to identify risks early, apply controls effectively and model integrity in everyday decisions.



# CTC Trade Union

## Union Committee - Colombo



**PRASHAN CHINTHAKA**  
President



**MOJITH INDIKA**  
Secretary



**RANGA KULATHILAKA**  
Treasurer



**NISHANTHA KUMARA**  
Vice President



**JEEWAKA ALAHAKOON**  
Co-Secretary



**JANUKA PERERA**  
Co-Secretary



**CHAMARA HETTIARACHCHI**  
Deputy Treasurer



**UDARA JAYASINGHE**  
Shift Organiser



**CHAMINDA KIWULEGEDARA**  
PMD Organiser



**HASITHA UDAYANGA**  
Committee Member



**JEEWAKA HERATH**  
Committee Member



**HARSHA PIERIS**  
Committee Member



**NILANTHA PIYASENA**  
Committee Member



**SAMEERA PEIRIS**  
Committee Member



**KAMAL INDIKA**  
Committee Member

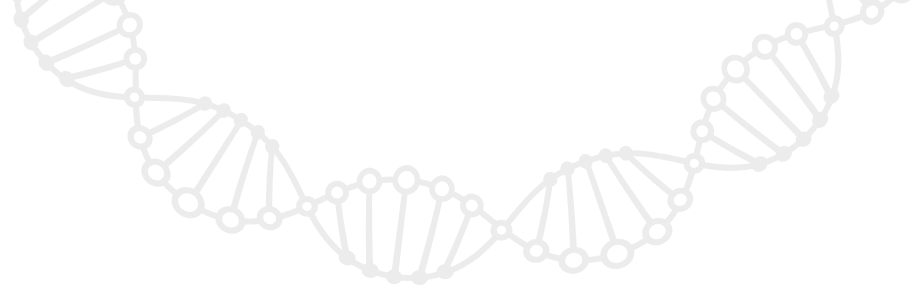


**DILEEPA THARINDU**  
Committee Member



**SANJEEVA KUMARAJITH**  
Committee Member

# CTC Trade Union



## Union Committee - Kandy



**NILANTHA JAYAWEDENA**  
President



**KUMARA DAYASIRI**  
Secretary



**DANUSHKA BANDARA**  
Treasurer



**NEUMAL SILVA**  
Committee Member



**DASANTHA GUNARATNE**  
Committee Member



**ASELA GUNASINGHE**  
Committee Member



# The DNA of Principled Integrity

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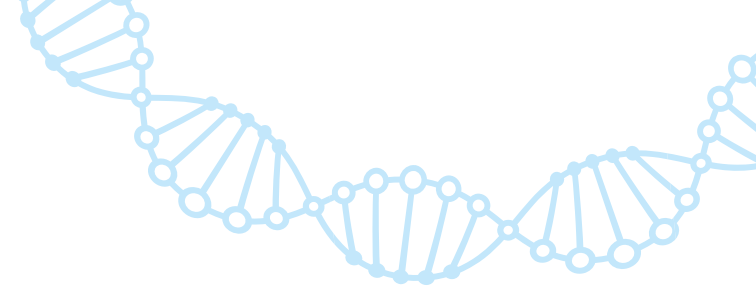
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# Risk Management



**WE CONTINUED TO STRENGTHEN OUR RISK MANAGEMENT MECHANISMS, IN ORDER TO PROACTIVELY MONITOR EMERGING DEVELOPMENTS AND EFFECTIVELY IDENTIFY EMERGING RISKS THAT COULD AFFECT OUR PERFORMANCE, STABILITY, BUSINESS MODEL AND SUPPLY CHAIN**

## RISK MANAGEMENT FRAMEWORK

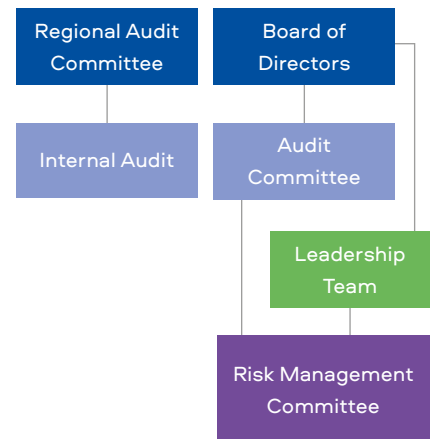
As a subsidiary of the BAT Group, CTC's risk management framework is aligned with global best practices and is underpinned by clearly defined Group mandates, a policy architecture appropriately adapted to the local context, and a robust governance structure that continues to foster a disciplined approach to risk management.

## RISK GOVERNANCE STRUCTURE

The Board exercises risk oversight to ensure that key risks are systematically identified, assessed, and mitigated. In discharging its risk management responsibilities, the Board is supported by the Audit Committee and a dedicated Risk Management Committee (RMC), chaired by the Company's Finance Director and comprising of senior managers representing key functions. The Audit Committee conducts biannual reviews of the effectiveness of the Company's risk management and internal control systems, while the RMC provides regular updates on functional risk indicators to the Leadership Team.

## RISK MANAGEMENT PROCESS

CTC has in place a streamlined process for effectively identifying, assessing, managing and monitoring potential risks. Each step is based on the BAT Group level guidelines for risk management. During the year we further enhanced our risk management process, adopting BAT's updated global Risk Management framework which includes a 5X5 risk management matrix for risk assessment and evaluation.



## Risk Management Framework



Probable (5)					
Likely (4)					
Possible (3)					
Unlikely (2)					
Remote (1)					
Likelihood Impact	Insignificant (1) (£1-3 Mn)	Minor (2) (£3-10 Mn)	Moderate (3) (£10-30 Mn)	Significant (4) (£30-50 Mn)	Severe (5) (£50+Mn)



## Risk Status

**In Place**  
 The current activities in place to manage the risk are sufficient and appropriate.

**On Track**  
 Some current activities to manage the risk are in place, but further activities have been agreed and plans to implement them are on track.

**Under Development/Delayed**  
 Current activities to manage the risk are insufficient and inappropriate or plans to implement further activities are behind schedule.

## RISK IDENTIFICATION



Annual risk assessments are conducted to identify the principal uncertainties facing CTC that could threaten its business model, future performance, solvency or liquidity. Risks within key impact categories including financial, reputational, operational, legal and safety are identified at a functional level, with inputs from relevant employees. The identified risks are reviewed for completeness by the RMC on a regular basis and reported to the Audit Committee. Additionally, the potential impacts of global trends and emerging risks are captured through inputs from the Regional Audit Committee.

## RISK ASSESSMENT AND EVALUATION



Risk Registers, which are standardised across the BAT Group, are used to assess and evaluate risks. All identified risks are assessed at 5 levels 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 Leadership Team and biannually by the Board and the Audit Committee.

## RISK MANAGEMENT



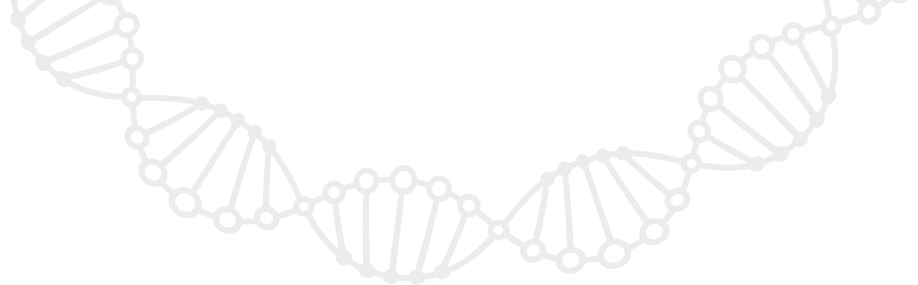
Risks are prioritised based on scores derived from the Risk Register, with respective functions developing and implementing mitigation strategies. Accountability for managing each identified risk is assigned to the relevant functional head, designated as the risk owner. Performance of defined risk parameters is closely monitored and regularly reported to the RMC by designated risk owners. The Regional Audit Committee also provides inputs on strengthening internal controls in line with global best practices.

## RISK MONITORING



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

# Risk Management



## PRINCIPAL RISKS IN 2025

The table below summarises CTC's principal risk exposures for the year 2025. These risks represent those that have had, or could potentially have, the most significant impact on CTC's ability to create value. Certain risks are outside the control of CTC, and additional factors beyond those identified may also influence the Company's performance. Some risks may be unknown at present, while others that are currently immaterial could become material in the future.

Risk Factor	Strategic Impact	Timeframe of Risk	Risk Assessment Compared to Last Year		Risk Level	CTC's Response/ Risk Management Mechanism in Place
			Impact	Likelihood		
Disproportionate tax increases on the legal cigarette industry	Disproportionate tax increases on the legal cigarette industry widen price differentials between regulated products and unregulated illicit and under-regulated beedi products, adversely impacting demand for the CTCs products.	Medium to Long	Same	Same	High	We continue to advocate for balanced taxation and regulation to support the long-term sustainability of the legal, tax-compliant industry, which serves as a vital source of Government tax revenue.
Threat from illicit trade	The illicit market erodes our market share, reduces our ability to take price increases and increases our operational costs.	Medium to Long	Same	Same	High	Following the establishment of a dedicated Anti-Illicit Trade Unit within CTC in 2024, we continued to expand the capabilities of the unit in order to develop and implement a more holistic anti-illicit strategy and drive regulatory reforms to strengthen efforts against illegal cigarette trade.
Continued pressure on disposable income levels	Continued pressure on disposable income levels reduce discretionary spending and drives consumers towards lower priced substitutes.	Short to Medium	Same	Same	Medium	We have adopted a vertical laddering approach within brand houses which allows us to offer quality products at affordable price points.

# Corporate Governance

A robust governance framework, based on BAT's best-in-class governance practices, remains the cornerstone of our business, guiding the Board and employees in upholding the highest standards across all business activities. We remain committed to strengthening these practices, to ensure transparency and accountability across all aspects of the business, while driving sustainable value creation for our stakeholders.

## GOVERNANCE HIGHLIGHTS - 2025



The Terms of Reference of the CSI Steering Committee were revised during the year to further strengthen Board ESG oversight in line with the SLFRS Standards and CSE Listing Rules



Establishment of a Sustainability Compliance Steering Committee comprising executive management to support the Board on ESG reporting and regulatory compliance



Updates to Standards of Business Conduct (SoBC) and based on BAT global updates



Updates to Gift & Entertainment Procedure (G&E), Anti-Illicit Trade (AIT) Intelligence Compliance, Group Data Privacy, Mergers & Acquisitions Transactions Compliance, Group Records & Information Management and SoBC Assurance Procedures based on BAT Global updates



### GOVERNANCE BENCHMARKS AND REGULATORY COMPLIANCE

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

### POLICY FRAMEWORK

CTC has implemented a comprehensive suite of ethics, policies and standards, based on BAT's global policies and principles, to establish clear guidelines for ethical behavior and decision-making. These policies ensure compliance with legal requirements, promote transparency, and uphold the highest standards of integrity across all aspects of the business. We continue to update these policies and procedures to better reflect evolving operating conditions.

# Corporate Governance

The following policies and procedures were updated in the year 2025 as part of global BAT updates.

Code/ Policy	Effective date
Group Records & Information Management Procedure	1 <sup>st</sup> January 2025
SoBC Assurance Procedure	1 <sup>st</sup> January 2025
Gifts & Entertainment Procedure	1 <sup>st</sup> January 2025
Anti-Illicit Trade Intelligence Compliance Procedure (AITICP)	1 <sup>st</sup> January 2025
Mergers & Acquisitions Transactions Compliance Procedure	1 <sup>st</sup> April 2025
Standards of Business Conduct (SoBC)	1 <sup>st</sup> April 2025
Supplier Code of Conduct (SCoC)	1 <sup>st</sup> April 2025
Community Investment Framework	30 <sup>th</sup> May 2025
Group Data Privacy Procedure	1 <sup>st</sup> July 2025

## GOVERNANCE STRUCTURE AND COMPOSITION

CTC's governance structure includes several Board sub-committees with oversight responsibility over specific areas. Each Committee has its own Terms of Reference (ToR), which is regularly reviewed and updated as necessary.

### Board Committees and Composition as at 20 April 2026

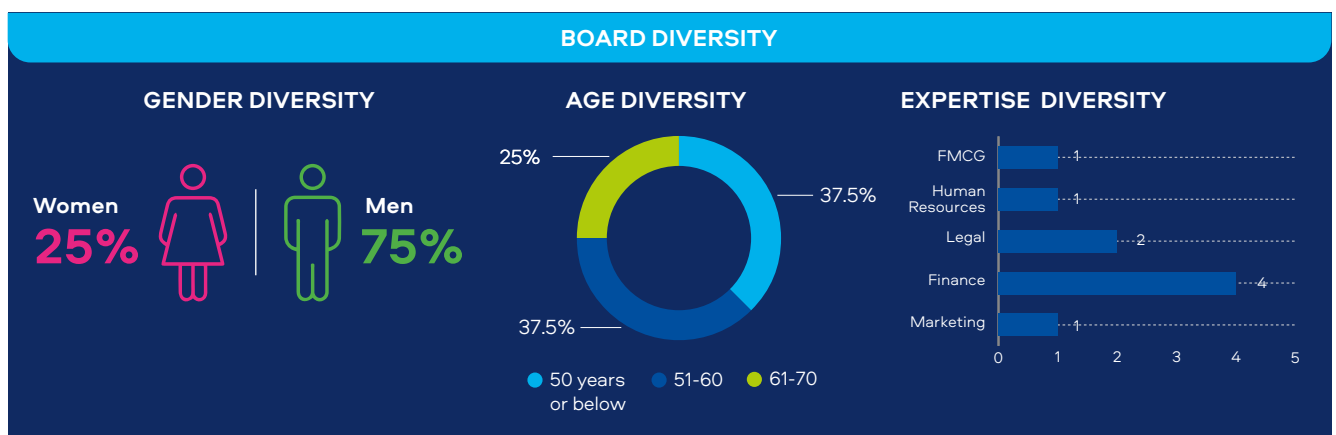
Sub-Committee	Composition	Mandate	
Audit Committee	Harin de Silva Wijeyeratne (Chairman)	I-NED	Support the Board and the BAT Group's relevant Audit Committees in ensuring the integrity of Financial Statements, management of business risks, internal control and compliance, and conduct of business in accordance with our SoBC policy.
	Kushan D'Alwis	I-NED	
	Gary Tarrant	NED	
Related Party Transactions Review Committee	Harin de Silva Wijeyeratne (Chairman)	I-NED	Review and provide recommendations on Related Party Transactions in line with the Listing Rules and Code of Best Practice on Related Party Transactions.
	Kushan D'Alwis	I-NED	
	Gary Tarrant	NED	
Remuneration Committee	Kushan D'Alwis (Chairman)	I-NED	Responsible for determining the framework and policy on the terms of engagement and remuneration of the Chairman, the Board of Directors, the Leadership Team and the Management staff of the Company.
	Harin de Silva Wijeyeratne	I-NED	
	Samanmalee Priyanvada Chandrasiri (with effect from 25 <sup>th</sup> February 2025)	NED	
Nominations Committee	Harin de Silva Wijeyeratne (Chairman)	I-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.
	Gary Tarrant	NED	
	Kushan D'Alwis	I-NED	
CSI Steering Committee	Kushan D'Alwis (Chairman)	I-NED	Support the Board in overseeing the Company's sustainability strategy, including the identification and effective management of Environmental, Social and Governance (ESG) matters, to ensure that business is conducted in a socially responsible manner. Also ensures alignment with the Sri Lanka Financial Reporting Standards (SLFRS) Sustainability Disclosure Standards. In 2025, the TOR of the CSI steering committee was revised to strengthen Board ESG oversight in line with the SLFRS Standards and CSE Listing Rules.
	Harin de Silva Wijeyeratne	I-NED	
	Fariyha Subhani	ED	
	Towhid Akbar	ED	

\*NED - Non-Executive Director, I-NED- Independent Non-Executive Director, ED - Executive Director

## BOARD COMPOSITION

The Board comprises of 8 Directors (including the Chairman), of whom, 2 are Executive and 6 are Non-Executive Directors. 3 of the Non-Executive Directors are Independent Directors while 3 Non-Executive Directors represent the BAT Group.

The composition of the Board, including the balance between Executive and Non-Executive Directors and the calibre of the Non-Executive Directors, ensures an appropriate balance of skills, experience, and independence. This composition is in full compliance with the CSE Listing Rules on Board Composition. Board Composition is regularly reviewed to ensure adequate diversity and to ensure that the skills representation is in alignment with current and future strategic needs of the Company. Profiles of the Board members are set out on page 12. Declarations are obtained annually from Directors and Chief Executive Officer confirming fit and proper criteria have been satisfied.



## ROLES OF CHAIRMAN AND CEO

Key roles of Chairman and Managing Director/Chief Executive Officer are separate, strengthening the Board's effectiveness and ensuring objective decision making in the discharge of duties. A clear division of roles and responsibilities ensures balanced authority, preventing any single Director from exercising disproportionate influence over the Board's decision-making process.

## 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 resignations during 2025			
	Name of Director	Nature of Directorship	Effective Date
New Appointments	None	N/A	N/A
Resignations	None	N/A	N/A
Re-elections	Samanmalee Priyanvada Chandrasiri	Non-Executive Director	27 <sup>th</sup> May 2025
	Fariyha Subhani	Executive Director	27 <sup>th</sup> May 2025
	Kushan D'Alwis	Independent Non-Executive Director	27 <sup>th</sup> May 2025
	Towhid Akbar	Executive Director	27 <sup>th</sup> May 2025

# Corporate Governance

All incoming directors joining the Board receive an induction covering their duties and responsibilities as Directors are provided with information encompassing matters pertaining to the Company and the industry. An induction pack, consisting of the Company's Articles of Association, Sub-Committee TOR, the National Authority on Tobacco and Alcohol Act No. 27 of 2006 (NATA), Board Charters and Annual Reports, among others, is provided to all newly-appointed Directors. Directors are also periodically educated on any legal and/or regulatory changes that have impact on the business.

Non-Executive Directors undergo a 3 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, Legal, Corporate and Regulatory Affairs,
- 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 environment.

## 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

**DURING THE YEAR, THE ENTIRE BOARD OF DIRECTORS PARTICIPATED IN A TRAINING PROGRAMME CONDUCTED BY ERNST & YOUNG, THE COMPANY'S CONSULTANTS ON REPORTING STANDARDS. THE SESSION FOCUSED ON THE SRI LANKA FINANCIAL REPORTING STANDARDS (SLFRS) SUSTAINABILITY DISCLOSURE STANDARDS, PROVIDING DIRECTORS WITH ENHANCED UNDERSTANDING OF EMERGING SUSTAINABILITY REPORTING REQUIREMENTS AND BEST PRACTICES. THIS TRAINING SUPPORTED THE BOARD IN STRENGTHENING ITS OVERSIGHT OF THE COMPANY'S SUSTAINABILITY REPORTING FRAMEWORK AND ENSURING ALIGNMENT WITH EVOLVING REGULATORY EXPECTATIONS.**

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, 03 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. Concerns 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', for subsequent investigation.

The Audit Committee of the Board is updated on all whistleblower complaints handled by Sri Lanka, including the status of each case and the actions taken on a quarterly basis. These updates are coordinated and presented by the Company Secretary to ensure appropriate oversight and timely resolution of all reported concerns.

## BOARD MEETINGS

The Board meets quarterly, with special meetings convened as and when the need arises. The Board agenda is set by the Chairman in consultation with the Managing Director/Chief Executive Officer 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, prior to the meetings, providing adequate time for preparation, thereby ensuring informed decision making. During 2025, the Board convened 4 times as scheduled.

Attendance at Board meetings held during the financial year 2025 is given below:

Director	Board	Audit Committee	Remuneration Committee	CSI Steering Committee	Related Party Transactions Committee
Mr. Suresh Shah	4/4				
Mr. Harin de Silva Wijeyeratne	4/4	4/4	1/1	2/2	4/4
Mr. Kushan D'Alwis	4/4	4/4	1/1	2/2	4/4
Ms. Fariyha Subhani	4/4	4/4*		2/2	
Mr. Towhid Akbar	4/4	4/4*		2/2	4/4*
Mr. Gary Tarrant	4/4	4/4			4/4
Mr. Stuart Robert Kidd	3/4				
Ms. Samanmalee Priyanvada Chandrasiri	4/4		1/1		

\*Attended as invitee

#### DIRECTOR REMUNERATION

The Remuneration Committee is responsible for determining the framework and policy on terms of engagement (including remuneration) of the Chairman, Executive Directors and Senior Management. The Terms of Reference of the Committee comply with the guidelines prescribed by the Code of Best Practice, and CSE Listing Rules and Guidelines. The Company's Remuneration Policy is designed to provide a structured and balanced remuneration package, with the objective of attracting and retaining top

talent. The Remuneration Policy covers performance-based variable rewards, 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 131 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 138 of this Report.

#### ROLE AND AREAS OF BOARD FOCUS IN 2025

The Board is collectively accountable to the shareholders for ensuring the company's sustained success. By defining purpose, setting strategic direction, and upholding core values, the Board provides the leadership necessary to advance both business performance and sustainability priorities. The key areas of Board involvement in 2025 are discussed below.

# Corporate Governance



Board Role	Focus During the Year
<p><b>Driving Strategy</b></p> <p>The Board holds ultimate responsibility for formulating the Company's business strategy and ensuring that the necessary financial and human resources are in place to meet its objectives.</p>	<p>During the year the Board, both directly and through its sub-committees, guided the company by identifying risks and opportunities and refining strategy to safeguard and enhance value for the business and its stakeholders. During the year, the Board's key priorities included addressing the continued growth of the illicit market, strengthening talent development, diversity and industrial relations, and steering the Company's ESG agenda.</p>
<p><b>Risk Management</b></p> <p>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.</p>	<p>The Board continued to define the Company's risk appetite and provide guidance on mitigation mechanisms. 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 established parameters and reviewed by the Board through the Audit Committee. This biannual process facilitates an assessment of the effectiveness of the Company's risk management and internal control systems. (Refer page 123 of this Report for the Directors' Statement on Internal Controls)</p> <p>A discussion on the Company's key risk exposures and mitigation mechanisms is also provided in the Risk Management Report on page 80 of this Report.</p>
<p><b>Shaping Organisational Culture</b></p> <p>The Board plays a crucial role in aligning CTC's organisational culture with the Group's purpose and values.</p>	<p>During the year, the Board played an active role in ensuring the seamless integration of BAT's values and principles into the business. This was achieved through the adoption of policies and strategies that emphasized diversity, inclusion, empowerment, and responsible behavior. The Board also monitored the alignment of culture with stated values by reviewing key governance indicators such as employee engagement and compliance reports. In addition, initiatives such as the annual Policy Cascade were supported by the Board to raise awareness of Company policies and embed core values across the workforce.</p>
<p><b>Embedding Sustainability and ESG focus</b></p> <p>The Board, through the CSI Steering Committee, provides oversight and guidance on CTC's sustainability strategy, ensuring that BAT Group's sustainability agenda is localized to align with CTC's context and effectively integrated into all aspects of the operation.</p>	<p>The Board provides oversight to the Company's sustainability agenda ensuring effective management of sustainability-related risks and opportunities. During the year, Board oversight of ESG was further strengthened in line with requirements of SLFRS S1 and S2. Key improvements included the revision of the Terms of Reference of the CSI Steering Committee to strengthen Board oversight of ESG matters, together with the establishment of a Sustainability Compliance Steering Committee comprising executive management to support the Board on ESG reporting and regulatory compliance.</p> <p>For more information on CTC's ESG governance structure refer page 54.</p>
<p><b>Accountability and Audit</b></p> <p>The Board through the Audit Committee has oversight responsibility in ensuring the integrity of the Company's Financial Statements as well as internal controls and compliance. 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 Committee is chaired by an Independent Non-Executive Director who is a member of a recognised professional accounting body and has extensive experience in relevant areas. The Chairman works closely with the Company's Finance Director in discharging his responsibilities.</p>	<p>The Audit Committee is responsible for reviewing and monitoring,</p> <ul style="list-style-type: none"> <li>• 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,</li> <li>• The consistency of the Company's accounting policies,</li> <li>• The effectiveness of the Company's accounting, risk, and internal control systems,</li> <li>• The effectiveness of the Company's Internal Audit function, and</li> <li>• 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.</li> </ul> <p>(refer to the Audit Committee Report on page 128).</p> <p>CTC's Financial Statements are prepared in accordance with the Sri Lanka Financial Reporting Standards (SLFRS) laid down by the ICASL. The Report also contains a declaration of the Board of Directors on the affairs of the Company (refer page 128), the Statement of Directors' Responsibility (refer page 127) and Directors' Statement on Internal Controls (refer page 123).</p>

## SHAREHOLDER ENGAGEMENT

The Board is committed to maintaining open and transparent dialogue with shareholders, ensuring that their views are appropriately considered. Accordingly, the Company engages with shareholders in a continuous and transparent manner. The Annual General Meeting (AGM) serves as the primary 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 94<sup>th</sup> AGM was successfully concluded on 27<sup>th</sup> May 2025.

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.

## STATEMENT OF COMPLIANCE

### Section 9 of CSE Listing Rules

Attendance at Board meetings held during the financial year 2025 is given below:

Rule No.	Corporate Governance Requirement	Compliance Status	Applicable section in the Annual Report
<b>9.1</b>	<b>Applicability of Corporate Governance Rules</b>		
9.1.3	Statement of Compliance  The Company to publish a statement confirming the extent of compliance with the Corporate Governance Rules in the Annual Report  <b>A statement is published confirming the extent of compliance with the CSE Corporate Governance Rules, in the Report of the Board of Directors.</b>	Compliant	Page 126
<b>9.2</b>	<b>Policies</b>		
9.2.1	Establish and maintain the following policies and disclose its existence and details of implementation on the website:  Policy on the matters relating to the Board of Directors  Policy on Board Committees  Policy on Corporate Governance, Nominations and Re-election  Policy on Remuneration  Policy on Internal Code of Business Conduct and Ethics for all Directors and employees, including policies on trading in the Company's listed securities  Policy on Risk Management and Internal Controls  Policy on Relations with Shareholders and Investors  Policy on Environmental, Social and Governance Sustainability  Policy on Control and Management of Company Assets and Shareholder Investments  Policy on Corporate Disclosures  Policy on Whistleblowing  Policy on Anti-Bribery and Corruption	Compliant	N/A
9.2.4	Policies above to be made available to shareholders upon request	Compliant	N/A

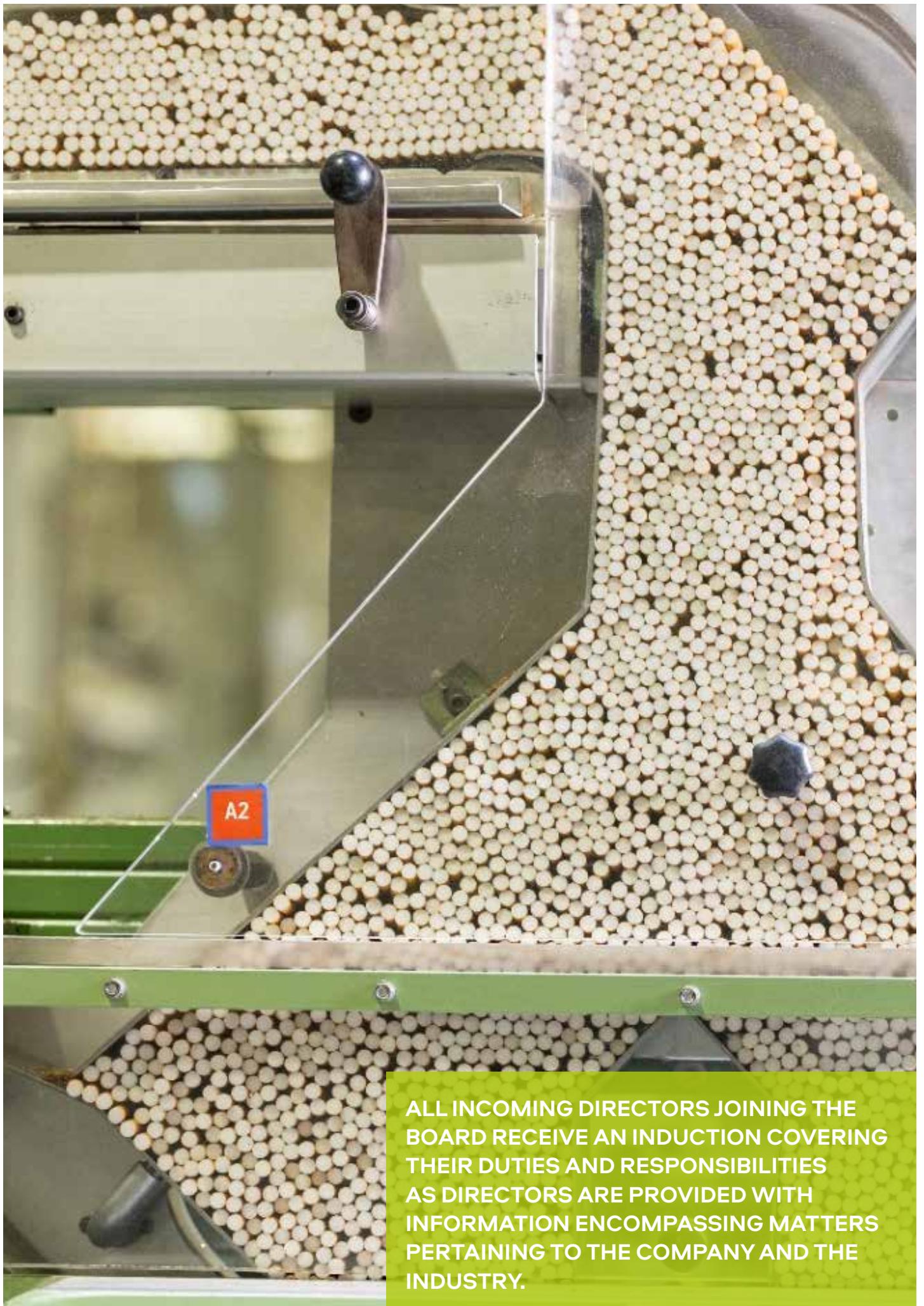
# Corporate Governance

Rule No.	Corporate Governance Requirement	Compliance Status	Applicable section in the Annual Report
<b>9.3.</b>	<b>Board Committees</b>		
9.3.1 / 9.3.2	Following Board Committees to be established and Company to be compliant with the composition, responsibilities and disclosure requirements set out in the Rules:	Compliant	Page 82
	Nominations & Governance Committee	Compliant	Page 132
	Compensation and Remuneration Committee	Compliant	Page 131
	Audit Committee	Compliant	Page 128
	Related Party Transaction Review Committee	Compliant	Page 130
9.3.3	The Chairman of the Board of Directors of the Company shall not be the Chairman of the Board Committees referred to in Rule 9.3.1	Compliant	Page 82
<b>9.4</b>	<b>Principles of Democracy in Shareholder Dealings</b>		
9.4.1	Maintain records of all resolutions and information pertaining to its adoption <b>The Company Secretary maintains records of all shareholder resolutions and requisite information and is able to provide extracts of such resolutions to the SEC and CSE if required.</b>	Compliant	N/A
9.4.2	(a) Policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Company.	Compliant	
	(b) Company shall disclose the contact person for such communication. <b>Details of the contact personnel are provided in the “Corporate Information” section on the inner back cover of this Report.</b>	Compliant	Inner Back Cover
	(c) The shareholder communications and relations policy shall include a process to make all directors aware of major issues and concerns of shareholders and this process to be disclosed in Annual Report and website <b>The Company Secretary keeps the Board apprised of major issues and concerns raised by the shareholders to ensure that they are addressed in an appropriate manner keeping in line with the corporate values of the Company. Shareholder correspondences on major issues are handled by the Chairman with the concurrence of the Board/the CEO as appropriate.</b>	Compliant	N/A
	(d) Shareholder meetings conducted virtually/in hybrid mode to comply with the Guidelines issued by CSE. <b>The Company ensures that virtual shareholder meetings are conducted in compliance with the Guidelines issued by the CSE as incorporated in the Articles of Association of the Company</b>	Compliant	N/A
<b>9.5</b>	<b>Policy on Board Related Matters</b>		
9.5.1	Company to establish and maintain a formal policy governing matters relating to the Board of Directors covering the requisites in 9.5.1	Compliant	N/A
<b>9.6</b>	<b>Chairman &amp; Chief Executive Officer</b>		
9.6.1	Chairman of the Company should be a Non-Executive Director and the position of Chairman and Chief Executive Officer shall not be held by the same person	Compliant	Page 83
9.6.3	If Chairman and Chief Executive Officer are the same person; or if the Chairman and Chief Executive Officer are close family members or related parties, Company to appoint a Senior Independent Director (SID) and comply with the requirements in 9.6.3	Compliant	N/A

Rule No.	Corporate Governance Requirement	Compliance Status	Applicable section in the Annual Report
<b>9.7</b>	<b>Fitness of Directors &amp; CEOs</b>		
9.71 / 9.7.2 / 9.7.3 / 9.7.4	Company to ensure that the Directors and Chief Executive Officer and the persons recommended by the Nominations and Governance Committee are at all times, fit and proper persons as per the criteria in 9.7.3. Company to obtain declarations from all directors and Chief Executive Officer on an annual basis confirming their fitness and propriety. The Company Secretary obtains declarations from the Directors on an annual basis.	Compliant	N/A
<b>9.8</b>	<b>Board Composition</b>		
9.8.1	Minimum number of Directors shall be 5. The number of Directors during the year 2025 was in compliance with the thresholds detailed in these Rules.	Compliant	Page 83
9.8.2	Minimum number of Independent Directors shall be 2 or 1/3 <sup>rd</sup> of the total number of Directors (whichever is higher). Any change to be rectified within 90 days.	Compliant	Page 83
9.8.3	Criteria for determining independence  <b>The Company Secretary obtains declarations from the Directors on an annual basis. In view of these Rules, a declaration confirming each Director's independence in the form prescribed in the Listing Rules has been included in these annual declarations from 2023 onwards</b>	Compliant	N/A
<b>9.9</b>	<b>Alternate Directors</b>		
9.9	Company to follow the requirements laid down in 9.9 when appointing Alternate Directors and incorporate such requirements in the Company's Articles of Association.	Compliant	N/A
<b>9.10</b>	<b>Director Disclosures</b>		
9.10.1	Company to disclose policy on the maximum number of directorships allowed to be held by a Director. If such number is exceeded, an explanation to be provided in the Annual Report	Compliant	N/A
9.10.3	Company shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.	Compliant	N/A
9.10.4	Disclosures in relation to Directors	Compliant	Page 84
<b>9.11</b>	<b>Nominations and Governance Committee</b>		
	Composition, functions, and annual report disclosures	Compliant	Page 132
<b>9.12</b>	<b>Remuneration Committee</b>		
9.12	Company shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of these Rules.	Compliant	Page 131
<b>9.13</b>	<b>Audit Committee</b>		
9.13.1	Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13 of these Rules.  <b>Please see detailed report on pages 125 to 126 on the functions and disclosures of the Audit Committee</b>	Compliant	Page 128
9.13.2	The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties.	Compliant	N/A

# Corporate Governance

Rule No.	Corporate Governance Requirement	Compliance Status	Applicable section in the Annual Report
9.14	<b>Related Party Transactions Review Committee (RPTRC)</b>		
9.14.1	Company shall have a Related Party Transactions Review Committee that conforms to the requirements set out in Rule 9.14.	Compliant	Page 130
9.14.2 / 9.14.3	<p>Functions and Composition of the RPTRC</p> <ul style="list-style-type: none"> <li>comprise a minimum 3 directors out of which 2 shall be independent</li> <li>may include Executive Directors</li> <li>chairman to be an independent director</li> </ul> <p>Please see detailed report on page 130</p>	Compliant	Page 130
	Where parent and subsidiary are both listed the RPTRC of the parent may be permitted to function as the RPTRC of the subsidiary	Not applicable	N/A
9.14.4	Frequency of meetings shall be at least quarterly	Compliant	Page 130
	Minutes of meetings are properly documented and communicated to the Board of Directors. The minutes of the RPTRC are tabled at the meetings of the Board of Directors on a periodic basis.	Compliant	Page 130
	Members of the RPTRC to ensure they have or have access to adequate knowledge expertise and advice	Compliant	Page 130
	The RPTRC ensures this through this being enshrined in the Terms of Reference of the RPTRC, the members being aware of the same exercises this right as and when needed	Compliant	Page 130
	Where necessary, the RPTRC shall request the Board of Directors to approve the Related Party Transactions (RPT's) which are under review by the RPTRC. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant RPT's	Compliant	Page 130
	<b>Interested Directors did not vote on or participate in any discussions during deliberations on the interested matters in 2025.</b>	Compliant	N/A
9.14.5	Review of RPT's by the RPTRC	Compliant	Page 130
9.14.6	Company to obtain shareholder approval by Special Resolution for the RPTs specified in 9.14.6	Compliant	N/A
9.14.8	Annual Report disclosures in relation to Related Party Transactions	Compliant	Page 130
9.14.9	Acquisition and disposal of substantial assets from/to related parties to be done with shareholder approval as per Rule 9.14.9	Compliant	N/A
9.17	Additional disclosures	Compliant	Page 130



ALL INCOMING DIRECTORS JOINING THE BOARD RECEIVE AN INDUCTION COVERING THEIR DUTIES AND RESPONSIBILITIES AS DIRECTORS ARE PROVIDED WITH INFORMATION ENCOMPASSING MATTERS PERTAINING TO THE COMPANY AND THE INDUSTRY.

# SLFRS Sustainability - Related Financial Disclosures

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## 1

## BASIS OF PREPARATION

**1.1 Reporting Entity, Organisation Boundary and Value Chain**

Ceylon Tobacco Company PLC is incorporated under the Companies Act No. 07 of 2007 in Sri Lanka and manufactures cigarettes. As a member of the British American Tobacco Group (BAT Group), CTC stands among the largest publicly traded companies on the Colombo Stock Exchange, with a legacy spanning over 119 years. For purposes of clarity, any reference in this report to “we”, “us”, “our”, “the Company”, “the organisation” or “CTC” shall be deemed to refer to Ceylon Tobacco Company PLC.

Under its control, CTC manages the following key areas:

- Leaf Depots & Green Leaf Threshing Plant (GLTP)
- Factory & Head Office in Colombo
- Trade Marketing & Distribution

The scope of CTC’s operations cover activities across the value chain. Initial activities include inbound leaf and material supply as well as leaf processing. Core operations comprise primary and secondary manufacturing, together with finished product storage prior to distribution. Subsequent activities include finished goods distribution and where applicable, exports from the factory through warehouses. CTC operates across a full seed-to-smoke value chain, with all tobacco leaf sourced domestically except for occasional contingency imports. Tobacco is grown during the Yala and Maha seasons and delivered to our depots and buying centres, where ownership transfers to CTC. Green leaf is briefly stored before processing at the Green Leaf Threshing Plant (GLTP) in Kandy. Redried leaf is then transferred to the Colombo Factory based on weekly manufacturing demand. Finished goods are distributed islandwide through 11 distributors from warehouses at the Colombo Factory and GLTP.

**1.2 Basis of Materiality**

CTC contributes to advancing the BAT Group’s overarching climate agenda. In doing so, the assessment of these risks and their significance have been conducted using the same principles applied in CTC’s business Risk Register. This aims to ensure that the baseline for Climate-Related Risks and Opportunities (CRROs) is integrated within CTC’s overall Risk Management Framework, enabling informed decision-making and long-term resilience.

For the assessment and quantification of CRROs, CTC applies financial impact thresholds aligned with the CTC’s approved Risk Register and its associated risk matrix. This matrix evaluates relevant risks and their potential impacts prior to the application of mitigating controls, ensuring a consistent and comprehensive approach. During the reporting period, CTC adopted an updated risk matrix by globally recognised risk management frameworks, as outlined in the Risk Review section.

**Probability**

Description	Likelihood of Occurrence (1 to 5 scale)
Probable	5 : Belief that the event will occur
Likely	4 : High chance of occurrence
Possible	3 : Could occur but may or may not occur in the defined period
Unlikely	2 : Low chance of occurrence
Remote	1 : Only occurs in exceptional circumstances

**1.3 Financial Materiality (Inward)**

The financial materiality thresholds have been defined in line with the CTC business Risk Register. Further explanations on materiality thresholds are given in the “Risk Assessment Methodology Section”.

For the assessment and quantification of CRROs, CTC applies financial impact thresholds aligned with CTC’s approved risk register and its associated risk matrix. This matrix evaluates all relevant risks and their potential impacts on an inherent basis i.e. prior to the application of mitigating controls, providing a clear and consistent view of the natural level of risk to the business in the absence of any direct or targeted management actions.

Description	Financial Impact
Severe	Rs. 19 Bn+
Significant	Rs. 12 Bn – 19 Bn
Moderate	Rs. 4 Bn – 12 Bn
Minor	Rs. 1 Bn – 4 Bn
Insignificant	Rs. 0.4 Bn – 1 Bn



## 2

## GOVERNANCE

This section outlines the governance structures, oversight mechanisms and responsibilities of the Board, its Committees and management in guiding the Company's sustainability agenda, safeguarding the integrity of Environmental, Social and Governance (ESG) information and ensuring compliance with evolving regulatory and reporting requirements.

These responsibilities are aligned with the Audit Committee, which include oversight of business risk identification and management, monitoring the effectiveness of internal controls, ensuring compliance with Group policies and reviewing the reliability of management information.

The Board also has an oversight role regarding risk management. In addition to the Audit Committee reviewing the Risk Register, the Corporate Social Investment (CSI) Steering Committee, comprising 2 Independent Non-Executive Directors and 2 Executive Directors, has been tasked with overseeing the Company's sustainability strategy and ensuring compliance with SLFRS Sustainability Disclosure Standards. The CSI Terms of Reference (ToR) further outlines responsibilities relating to the identification and management of sustainability - related risks and opportunities, monitoring the effectiveness of ESG related systems and controls, ensuring the reliability of ESG performance information and overseeing sustainability reporting processes.

While the Board of Directors retains ultimate accountability, the CSI Steering Committee provides strategic direction and ensures CRROs are integrated into decision-making processes, including overseeing the development of the sustainability strategy, monitoring CRROs, guiding sustainability initiatives and ensuring adherence to reporting and regulatory requirements.

### 2.1 Skills and Competencies

The CSI Steering Committee members, along with the Board of Directors, have undergone a workshop on SLFRS Sustainability Disclosure Standards conducted by an external sustainability consultant. This training supported

the Committee and the Board's understanding of sustainability-related matters effectively. The Board is periodically made aware of any regulatory or legal changes that impact the area of sustainability and provide guidance to the Company on best practices.

The Company carried out a sustainability training workshop for all members of the Board of Directors, preceded by an initial assessment to evaluate their existing understanding of sustainability - related matters, CRROs and the governance implications arising therefrom. Based on the outcomes of this assessment, a tailored training session was delivered to strengthen identified areas of improvement to support alignment with governance expectations under the SLFRS Sustainability Disclosure Standards.

In addition, the CSI Steering Committee includes members with professional backgrounds relevant to sustainability oversight, including an Attorney-at-Law and a Chartered Accountant. Both individuals currently serve on the Boards of other public listed companies, bringing extensive experience in corporate governance, risk management and regulatory compliance. In line with the CSI Committee's ToR, appropriate training and induction will be provided to Committee members as necessary, to enable them to fully discharge their responsibilities.

### 2.2 MANAGEMENT ROLE

The Company Sustainability Steering Committee and the CSI Steering Committee are authorised by the Board to review all CSI activity within the Company. It is responsible for overseeing the execution of the Company's sustainability strategy, managing sustainability disclosures, tracking Scope 1 and 2 emissions and supporting sustainability reporting during quarterly reviews. They also conduct quarterly sustainability compliance reviews and aim to ensure the integration of sustainability considerations into the Enterprise Risk Management (ERM) Framework.

The Sustainability Steering Committee's key responsibilities are;

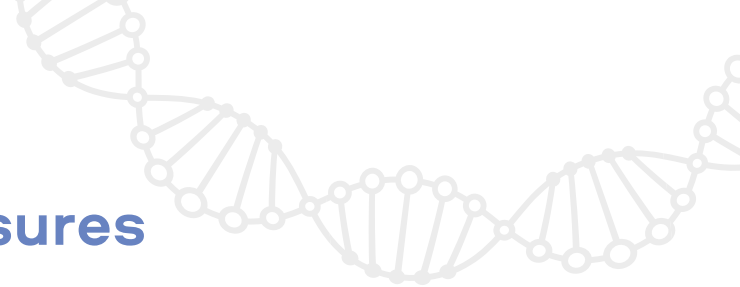
- Develop appropriate strategies to respond to SRROs.
- Evaluate and enhance existing processes, procedures and policies to ensure effective implementation of the Sustainability Policy across the organisation.
- Ensure sustainability principles are integrated into the Company's business model, culture and operations.
- To review the progress/decision making on the reporting content on the sustainability disclosures within CTC and on the Annual Report.
- To ensure, by review of CSI activities, that the Company has implemented, the procedures instituted and carried out by management in relation to social and environmental issues.
- Ensuring that appropriate processes are in place for;
  - a) identification and management of key Environmental, Social and Governance issues;
  - b) identification of and engagement with key stakeholders;
  - c) monitoring efficiency and effectiveness of CSI management systems and controls; and
  - d) ensuring the reliability of Environmental, Social and Governance performance management information.

The Committee's primary purpose is to drive the development and implementation of sustainability strategies and policies, integration of sustainability considerations into the Company's operations and the management of SRROs.

The sustainability committee consists of:

- Corporate Finance Manager
- Senior Manager Business Communications and Sustainability
- Engineering Site Services and Sustainability Manager
- Assistant Company Secretary
- Tax Compliance Manager
- Sustainability Manager
- Leaf Agronomy and Sustainability Manager

# SLFRS Sustainability - Related Financial Disclosures



## 3 STRATEGY

CTC is committed to reducing the environmental impact of its operations and addressing climate-related challenges. Recognising climate change, CTC has adopted a structured approach to identify, assess, prioritise and manage CRROs in alignment with Sri Lanka Sustainability Disclosure Standards SLFRS S1 and S2 and the broader strategic framework of BAT Group.

Our climate strategy focuses on mitigating potential adverse impacts on CTC's operations and aligning to BAT Group's climate strategy key actions include:

- **Risk and Opportunity Identification:** CRROs have been systematically assessed based on materiality, considering the inward (operational) impact.
- **Strategic Alignment:** All initiatives intend to align with BAT Group's global sustainability priorities, ensuring consistency and scalability.
- **Resource Allocation:** Dedicated financial and human resources have been deployed within and beyond the organisation to implement targeted action plans effectively.
- **Impact Management:** Controls and measures have been defined to address both physical and transitional climate risks, safeguarding operational continuity and stakeholder value.

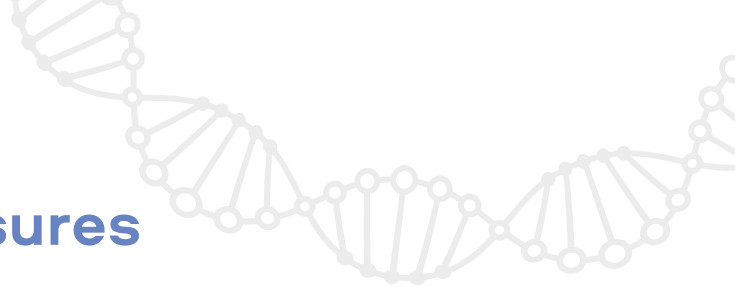
CRRO 1	Extreme Weather Events	
CRROs Impact on Prospects	Description	Acute events such as floods and extreme weather may disrupt crops and operations, while chronic risks such as drought and rising temperatures affect productivity and quality. These challenges may raise costs and create supply-chain instability, underscoring the importance of proactive resilience strategies.
	Physical risk or transition risk	Physical Risk
	Time horizon	<b>S M L</b>
	Define time horizon	Refer section 1.8 - Time Horizon
Business Model and Value Chain	Current effects on business model and value chain	<p><b>Tobacco Growing</b></p> <ol style="list-style-type: none"> <li>1. Reduced crop yields <ul style="list-style-type: none"> <li>• Crop yield may reduce due to climate-related impacts such as drought and water scarcity limiting irrigation, extreme heat affecting plant growth and leaf quality. Excessive rainfall or flooding may cause crop damage, soil erosion, nutrient loss and root system degradation.</li> </ul> </li> <li>2. Lower leaf quality <ul style="list-style-type: none"> <li>• Lower leaf quality may result from heat stress and inconsistent rainfall.</li> </ul> </li> <li>3. Soil erosion &amp; nutrient loss <ul style="list-style-type: none"> <li>• Heavy rain may cause runoff and topsoil degradation.</li> </ul> </li> <li>4. More pests &amp; diseases <ul style="list-style-type: none"> <li>• Warmer, humid conditions may favour the pests and fungal diseases.</li> </ul> </li> </ol> <p><b>Manufacturing</b></p> <ol style="list-style-type: none"> <li>1. Processed leaf grade lend inconsistency <ul style="list-style-type: none"> <li>• Climate-affected leaf quality may lead to uneven nicotine, sugar and moisture levels of processed leaf.</li> </ul> </li> <li>2. Higher processing costs <ul style="list-style-type: none"> <li>• Lower-quality leaves may need extra conditioning and drying.</li> <li>• Higher proportion of processed leaf rehandling and refeeding may increase waste and reduce efficiency.</li> <li>• Lower usable output may affect productivity.</li> </ul> </li> </ol>



CRRO 1	Extreme Weather Events	
		<p><b>Supply Chain</b></p> <ol style="list-style-type: none"> <li>1. Logistics disruptions <ul style="list-style-type: none"> <li>• Flooded or damaged transportation networks may delay deliveries and raise logistics costs.</li> </ul> </li> <li>2. Higher insurance &amp; risk costs <ul style="list-style-type: none"> <li>• Increased weather risks may lead to higher premiums and contingency spending.</li> </ul> </li> <li>3. Farmer income &amp; retention risks <ul style="list-style-type: none"> <li>• Yield losses may reduce farmer earnings and breakeven viability.</li> <li>• Farmers<sup>1</sup> may shift to alternative crops, creating supply risks.</li> </ul> </li> </ol>
	Anticipated effects on business model and value chain	<p><b>Tobacco Growing in Yala &amp; Maha Cultivating Areas</b></p> <ol style="list-style-type: none"> <li>1. Yield &amp; quality decline <ul style="list-style-type: none"> <li>• Higher temperatures, drought, water scarcity and soil degradation may reduce yield and leaf quality.</li> </ul> </li> <li>2. Land becoming unsuitable <ul style="list-style-type: none"> <li>• Climate stress may force cultivation away from traditional growing areas.</li> </ul> </li> <li>3. Water availability risk <ul style="list-style-type: none"> <li>• Water rationing and prioritisation of staple crops may restrict supply.</li> </ul> </li> <li>4. Rising input costs <ul style="list-style-type: none"> <li>• Fertiliser, water and labour costs may increase as land suitability declines.</li> </ul> </li> </ol> <p><b>Manufacturing</b></p> <ol style="list-style-type: none"> <li>1. Lower productivity &amp; higher costs <ul style="list-style-type: none"> <li>• Reduced usable leaf volumes may lead to productivity losses and higher processing costs.</li> </ul> </li> <li>2. Blend &amp; Quality Inconsistency <ul style="list-style-type: none"> <li>• Poor leaf quality and chemical variability may cause deviations from product standards.</li> </ul> </li> <li>3. Higher waste &amp; lower output <ul style="list-style-type: none"> <li>• Lower quality leaf may increase waste, reduce efficiency and may impact production volumes.</li> </ul> </li> </ol> <p><b>Supply Chain</b></p> <ol style="list-style-type: none"> <li>1. Higher logistics costs <ul style="list-style-type: none"> <li>• Shifting growing areas may increase transportation distances and complexity.</li> </ul> </li> <li>2. Greater supply risk <ul style="list-style-type: none"> <li>• Farmer vulnerability from yield losses may raise costs, threatening supply stability.</li> </ul> </li> <li>3. Procurement challenges <ul style="list-style-type: none"> <li>• Climate-stable growing regions may become limited, requiring diversification in sourcing.</li> </ul> </li> <li>4. Higher insurance &amp; financial exposure <ul style="list-style-type: none"> <li>• Climate volatility increases premiums and contingency planning costs.</li> </ul> </li> </ol>

<sup>1</sup>Tobacco cultivation is undertaken by sub-farmers working under registered farmers rather than third-party farmers. Accordingly, all Company initiatives are designed to include and apply to both registered farmers and their sub-farmers.

# SLFRS Sustainability - Related Financial Disclosures



CRRO 1	Extreme Weather Events	
	Where are the impacts concentrated?	<p><b><u>Tobacco Growing in Yala &amp; Maha Cultivating Areas</u></b></p> <p>Chronic issues - rising temperatures, drought, water scarcity and soil degradation may reduce yields and crop quality.</p> <ul style="list-style-type: none"> <li>• Traditional tobacco growing lands may become unsuitable, requiring shifts to new and costlier regions.</li> <li>• Water access may decline due to national prioritisation of staple crops.</li> <li>• Input costs may increase as farmers adapt to poorer soil and harsher conditions.</li> </ul> <p><b><u>Manufacturing Sites</u></b></p> <ul style="list-style-type: none"> <li>• Factories may experience productivity losses and higher processing costs due to reduced usable leaf volumes.</li> <li>• Blend inconsistency may increase as leaf quality becomes more variable.</li> <li>• Efficiency may decline with higher rejection rates and more intensive processing needs.</li> </ul> <p><b><u>Supply Chain</u></b></p> <ul style="list-style-type: none"> <li>• Logistics costs may rise as growing areas shift farther from traditional zones.</li> <li>• Supply risks may increase as farmers face yield losses, debt and higher cultivation costs.</li> <li>• Procurement may become harder as climate-suitable regions shrink.</li> <li>• Insurance and financial exposure may grow with increasing climate volatility.</li> </ul>
Strategy and Decision Making	Plans to respond to strategy, risk management, transition plans and climate-related targets	<p><b><u>Direct Mitigation Measures</u></b></p> <p>Direct mitigations are not applicable for physical risks.</p> <p><b><u>Direct Adaptation Measures</u></b></p> <p>Actions to improve resilience to climate impacts:</p> <ul style="list-style-type: none"> <li>• Adoption of sustainable farming practices.</li> <li>• Adjusting planting windows using weather forecasts.</li> <li>• Using short-term hybrid varieties.</li> <li>• Moving cultivation to irrigable land in drought-prone areas.</li> <li>• Implementing water-efficiency programmes.</li> <li>• Sourcing from more climate-resilient regions.</li> <li>• Advancing carbon-smart farming and reviewing inventory practices.</li> </ul> <p><b><u>Indirect Mitigation Measures</u></b></p> <p>Indirect mitigations are not applicable for physical risks.</p> <p><b><u>Indirect Adaptation Measures</u></b></p> <p>These actions support resilience through planning, risk management and system-wide strategies:</p> <ul style="list-style-type: none"> <li>• Business continuity plans across sourcing, manufacturing, distribution and key suppliers.</li> <li>• Loss-prevention programmes to protect assets from extreme weather.</li> <li>• Adjusted procurement strategies to source from climate-resilient regions.</li> <li>• Training employees and farmers on climate risks, adaptive agronomy and disaster preparedness.</li> </ul>

CRRO 1	Extreme Weather Events	
	<p>How the Company is resourcing and plans to resource activities</p>	<p><b><u>Financial Resources</u></b></p> <p>The Company is investing in technologies and infrastructure that directly support climate mitigation and adaptation:</p> <ul style="list-style-type: none"> <li>• Biomass fuels: Transitioning to <i>Gliricidia</i> sepium from paddy husk in Maha.</li> <li>• Solar water pumping: Reducing fossil-fuel dependence through solar pumping systems with an investment in 2025.</li> <li>• International Renewable Energy Certificate (IRECs): Invested on IRECs to offset emissions from electricity use across all CTC sites.</li> <li>• Energy-efficient technologies: Invested in a new VSD chiller, completing the shift to VSD technology for all chillers and compressors.</li> <li>• Afforestation: Continued investment in afforestation to support carbon sequestration and ecosystem restoration.</li> </ul> <p><b><u>Strategic Partnerships</u></b></p> <p>Collaborations are key to scaling climate action and building resilience:</p> <ul style="list-style-type: none"> <li>• Partnering with local experts for solar installation and maintenance.</li> <li>• Working with universities on soil protection and water stewardship.</li> <li>• Collaborating with the Sri Lanka Climate Fund on afforestation and restoration in Panamure.</li> <li>• Investing in more fuel-efficient fleets for operations.</li> </ul> <p><b><u>Research &amp; Development</u></b></p> <p>Focused on innovation and data-driven decision-making:</p> <ul style="list-style-type: none"> <li>• Digital tools to improve climate data tracking and agronomy planning.</li> <li>• Investment in climate-resilient crop varieties.</li> </ul> <p><b><u>Human Resources</u></b></p> <p>Building internal and external capacity to deliver climate strategy:</p> <ul style="list-style-type: none"> <li>• Skilled staff deployed for farmer support to implement regenerative agricultural practices.</li> <li>• Training provided to local leaf management focusing on social aspects, biodiversity and decarbonisation.</li> <li>• Expert teams driving sustainable agronomy and climate programs.</li> </ul>
	<p>Progress (qualitative and quantitative)</p>	<ul style="list-style-type: none"> <li>• 64% of Maha farmers used <i>Gliricidia</i> as curing fuel, exceeding the 50% target.</li> <li>• 26% of land adopted zero/minimum tillage, above the 25% target.</li> <li>• Short-term hybrids were used to 35% of the extent, surpassing the 30% target.</li> <li>• 100% of farmers received training on curing efficiency, irrigation, soil management and Scope 3 reduction. The farmers were also introduced to weather apps for agronomy planning.</li> <li>• All farmer activities are monitored through Agri-360 App, covering 100% of the farmer base.</li> <li>• CTC achieved AWS core certification for both Kandy and Colombo sites, contributing to the BAT Group's target of 100% of operations sites to be Alliance for Water Stewardship (AWS) certified by 2025.</li> <li>• CTC operates with 52.66% renewable energy, contributing to the BAT Group's target of 50% renewable energy use by 2030.</li> <li>• CTC Scope 1 &amp; 2 emissions total 1,398 tCO<sub>2</sub>, a 65.41% reduction versus the 2020 baseline.</li> </ul>

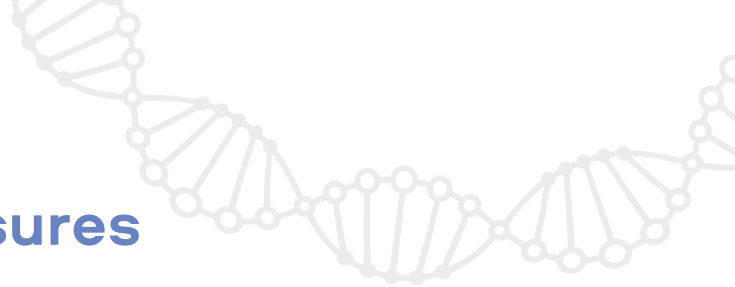
# SLFRS Sustainability - Related Financial Disclosures

CRRO 1		Extreme Weather Events
Financial Effects	Current year financial effects to Profit and Loss Statement, Balance Sheet and Cash Flow	Current year is immaterial from 1 January 2025 to 31 December 2025
	Significant risk of material adjustments to carrying value of assets and liabilities in the next financial year	As this has a minor impact there is no material impact to the assets and liabilities.
	Anticipated financial effect over short, medium and long term to Profit and Loss Statement, Balance Sheet and Cash Flow	Anticipated financials effect disclosure has not been performed in 2025 considering the transitional relief given as per SLFRS S1 & S2 standards. Refer to the transitional relief section 1.9 of this report.
Climate Resilience	Resilience assessment	Resilience assessment has not been performed in 2025 considering the transitional relief given as per SLFRS S1 & S2 standards. Refer to the transitional relief section 1.9 of this report.
	How and when climate scenario analysis was performed. Disclosure of (i) inputs; (ii) key assumptions, and (iii) reporting period in which scenario analysis was carried out	Scenario analysis has not been performed in 2025 considering the transitional relief given as per SLFRS S1 & S2 standards. Refer to the transitional relief section 1.9 of this report.
Judgements and Uncertainties	Judgements	Refer the judgment and uncertainties section 1.10 of this report
	Uncertainties	Refer the judgment and uncertainties section 1.10 of this report
CRRO 2		Product Sustainability and Regulatory Constraints
CRROs Impact on Prospects	Description	<p>Growing consumer demand for products with lower environmental impact is reshaping market expectations, with stronger growth in reduced-risk<sup>2</sup> and new category products. At the same time, environmental regulations may influence material and packaging requirements.</p> <p>These dynamics pose a risk of:</p> <ul style="list-style-type: none"> <li>• Possible reduced sales in markets due to stricter environmental-focused regulations limiting product availability or market access. Additional expenses incurred in change management process to adopt recyclable packaging.</li> <li>• Additional transition expenses for sustainable sourcing and compliance.</li> <li>• Lower competitiveness and reputational risk, limiting future growth if adaptation lags.</li> </ul>
	Physical risk or transition risk	Transition Risk
	Time horizon	<b>M L</b>
	Define time horizon	Refer section 1.8 - Time Horizon

<sup>2</sup> Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

CRRO 2	Product Sustainability and Regulatory Constraints	
<b>Business Model and Value Chain</b>	<p>Current effects on business model and value chain</p>	<p><b><u>Market Disruption &amp; Regulatory Pressure</u></b></p> <ul style="list-style-type: none"> <li>• Growth of illicit products weakens regulated markets.</li> <li>• Increasing regulatory pressure on legal combustibles may create uncertainty for long-term product viability and investment.</li> </ul> <p><b><u>Manufacturing Challenges</u></b></p> <ul style="list-style-type: none"> <li>• Transitioning in recyclable packaging can reduce efficiency and lead to higher costs.</li> <li>• Recyclable materials may affect product quality, consistency, shelf life and consumer experience.</li> </ul> <p><b><u>Agricultural &amp; Environmental Pressures</u></b></p> <ul style="list-style-type: none"> <li>• Moving away from chemical inputs may lower yields as organic/sustainable alternatives can be less effective.</li> <li>• Pressure groups may increase scrutiny of tobacco farming’s environmental impacts, including land use, water consumption and deforestation.</li> </ul> <p><b><u>Reputational &amp; Supply Chain Impact</u></b></p> <ul style="list-style-type: none"> <li>• Heightened scrutiny of tobacco’s environmental impact may increase reputational and stakeholder risk.</li> <li>• Climate-resilient sourcing may become challenging across procurement and logistics.</li> </ul>
	<p>Anticipated effects on business model and value chain</p>	<p><b><u>Regulatory &amp; Market Pressures</u></b></p> <ul style="list-style-type: none"> <li>• Stricter climate and health rules may limit traditional products and require redesign.</li> <li>• Lifecycle emissions scrutiny may trigger mandatory disclosures and reduction targets.</li> <li>• Phasing out non-sustainable recyclable inputs may raise costs and require product and sourcing innovation.</li> </ul> <p><b><u>Manufacturing &amp; Operational Impacts</u></b></p> <ul style="list-style-type: none"> <li>• Recyclable material use may reduce efficiency and require changes to processes and equipment.</li> <li>• Material changes may affect product quality and consistency.</li> <li>• Low-emission and renewable technologies may increase operational costs.</li> </ul> <p><b><u>Agricultural &amp; Input-Related Impacts</u></b></p> <ul style="list-style-type: none"> <li>• Moving away from chemical inputs may reduce yields and limit the availability of high-quality leaf.</li> </ul> <p><b><u>Reputational &amp; Strategic Risks</u></b></p> <ul style="list-style-type: none"> <li>• Reputational risks may arise from delayed or insufficient responses to climate-related expectations, particularly as consumers increasingly prioritising products with lower environmental impact.</li> <li>• Consumer demand may shift toward more sustainable products and require accelerated innovation and transparency across the value chain.</li> </ul>

# SLFRS Sustainability - Related Financial Disclosures



CRRO 2	Product Sustainability and Regulatory Constraints	
	Where are the impacts concentrated?	<p><b><u>Manufacturing Operations</u></b></p> <ul style="list-style-type: none"> <li>Switching to recyclable packaging may require new machinery, slower processing and higher operating costs.</li> <li>Recyclable materials may affect product quality and consistency, requiring reformulation and tighter quality control.</li> </ul> <p><b><u>Growing &amp; Agricultural Inputs</u></b></p> <ul style="list-style-type: none"> <li>Lower crop yields and leaf quality as non-chemical fertiliser inputs may perform less effectively under climate stress.</li> <li>Reduced availability of high quality raw materials may affect the ability to meet product standards.</li> </ul> <p><b><u>Supply Chain and Distribution</u></b></p> <ul style="list-style-type: none"> <li>Regulatory actions or unlawful enforcement related to environmental requirements may disrupt operations across the value chain, including tobacco growing, manufacturing activities and product sales.</li> </ul>
Strategy and Decision Making	Plans to respond to strategy, risk management, transition plans and climate-related targets	<p><b><u>Direct Mitigation Measures</u></b></p> <p>These measures directly reduce the environmental footprint of products and improve compliance with sustainability regulations.</p> <ul style="list-style-type: none"> <li>Developing products with lower environmental impact.</li> <li>Designing products with end-of-life recyclability to meet regulations.</li> <li>Upgrading machinery to handle recyclable and low grammage packaging efficiently.</li> <li>Partnering with local suppliers for consistent recyclable materials.</li> <li>Advancing plant-based, green agricultural inputs (e.g - dust waste solutions, biochar).</li> </ul> <p><b><u>Direct Adaptation Measures</u></b></p> <p>These measures help the business adjust to regulatory changes and consumer expectations.</p> <ul style="list-style-type: none"> <li>Product reformulation and design adjustments to maintain quality and performance while meeting.</li> <li>Shift to recyclable packaging (from aluminium-based to paper-based) to meet consumer expectations.</li> <li>Reformulate and redesign products to maintain quality while reducing material grammage and meeting sustainability criteria.</li> <li>Introduce reduced-risk products aligned with emerging climate and health regulations.</li> </ul> <p><b><u>Indirect Mitigation Measures</u></b></p> <p>These measures support sustainability goals through collaboration and influence.</p> <ul style="list-style-type: none"> <li>Expand circularity initiatives, including closed-loop systems and material recovery programs.</li> <li>Collaborate with government bodies to co-develop regulations enabling legal deployment of new-generation products.</li> </ul>

CRRO 2	Product Sustainability and Regulatory Constraints	
		<p><b><u>Indirect Adaptation Measures</u></b></p> <p>These measures build long-term resilience to regulatory and market shifts:</p> <ul style="list-style-type: none"> <li>• Training and development programmes for staff to support sustainable product innovation and regulatory compliance.</li> <li>• Farmer education and support to align agricultural practices with non-chemical-based fertiliser based on plant raw materials such as DWS (nutrient supplement), Biochar (made from rice husk) and product quality standards.</li> <li>• Monitoring and reporting systems to track product sustainability performance and ensure transparency in regulatory disclosures.</li> </ul>
	How the Company is resourcing and plan to resource activities	<p><b><u>Strategic Investments</u></b></p> <ul style="list-style-type: none"> <li>• Globally driven investment adopted locally, in replacing aluminium foil with paper-based packaging, making cigarette packs fully recyclable. This aligns with circular economy principles for sustainable product design.</li> <li>• Supplier Partnerships: Engagement with new waste recycling suppliers to enhance site-level recycling infrastructure and reduce landfill dependency in rural leaf operations.</li> </ul> <p><b><u>Regulatory Engagement</u></b></p> <ul style="list-style-type: none"> <li>• Policy Advocacy: Continued education of government stakeholders to establish regulatory frameworks for introducing new category products into the market.</li> <li>• Alignment with Global Standards: Adoption of SLFRS sustainability disclosure standards for CRROs, ensuring transparency and comparability.</li> </ul>
	Progress (qualitative and quantitative)	<ul style="list-style-type: none"> <li>• CTC's 2025 waste to landfill was 0.07%, achieving the &lt;1% target.</li> <li>• Recycling reached 96.27%, contributing to the BAT Group's target of 90% recycling rate of total waste generated across its own operations by 2025.</li> <li>• Completion of switching to Alu foil inner bundles to paper contributing to the BAT Group's target of 100% of its packaging to be reusable, recyclable, or compostable where facilities exist by 2025.</li> <li>• 100% of farmers received annual training on emission reduction and soil/water conservation.</li> <li>• 80% of empty Crop Protection Agent (CPA) containers were collected and sent to Crop Life Sri Lanka for recycling.</li> <li>• Total waste in 2025 was 744.72 tons, but CTC did not meet the 25% reduction target vs. the 2017 baseline, ending with a 58.93% increase due to construction and renovation-related waste.</li> </ul>
<b>Financial Effects</b>	Current year financial effects to Profit and Loss Statement, Balance Sheet and Cash Flow	Current year impact is immaterial.
	Significant risk of material adjustments to carrying value of assets and liabilities in the next financial year	There is no material impact to the assets and liabilities.

# SLFRS Sustainability - Related Financial Disclosures

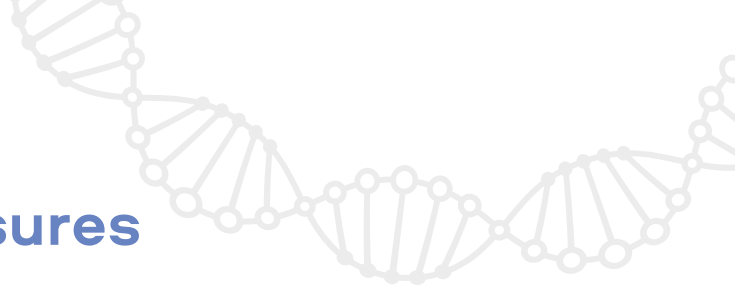
CRRO 2	Product Sustainability and Regulatory Constraints	
	Anticipated financial effect over short, medium and long term to Profit and Loss Statement, Balance Sheet and Cash Flow	Anticipated financials effect assessment has not been performed in 2025 considering the transitional relief given as per SLFRS S1 & S2 standards. Refer to the transitional relief section 1.9 of this report.
Climate Resilience	Resilience assessment	Resilience assessment has not been performed in 2025 considering the transitional relief given as per SLFRS S1 & S2 standards. Refer to the transitional relief section 1.9 of this report.
	How and when climate scenario analysis was performed. disclosure of (i) inputs; (ii) key assumptions, and (iii) reporting period in which scenario analysis was carried out	Scenario analysis has not been performed in 2025 considering the transitional relief given SLFRS S1 & S2 standards. Refer to the transitional relief section 1.9 of this report.
Judgements and Uncertainties	Judgements	Refer the Judgment and uncertainties section 1.10 of this report
	Uncertainties	Refer the Judgment and uncertainties section 1.10 of this report

CRRO 3	Sustainable agriculture and nature-positive practices in key sourcing regions	
CRROs Impact on Prospects	Description	<p>Implementing deforestation monitoring, biodiversity protection and soil management practices across tobacco-growing areas presents an opportunity to improve agricultural productivity, reduce input costs and enhance the long-term resilience of the supply base. These practices can contribute to lower cost of production through reduced chemical inputs, improved soil health and more efficient water and nutrient management, while supporting farmer profitability through improved yields and more stable production.</p> <p>In parallel, these actions support reductions in Scope 3 emissions and nature-related impacts, helping to mitigate longer-term climate and biodiversity-related risks and strengthen alignment with emerging regulatory and stakeholder expectations.</p>
	Physical risk or transition risk	N/A (Opportunity)
	Time horizon	<b>S</b> <b>M</b> <b>L</b>
	Define time horizon	Refer section 1.8 - Time Horizon

CRRO 3		Sustainable agriculture and nature-positive practices in key sourcing regions	
<b>Business Model and Value Chain</b>	Current effects on business model and value chain <sup>3</sup>	<p><b><u>Biodiversity Risk/Impact Reduction</u></b></p> <ul style="list-style-type: none"> <li>• Preservation of ecosystems around tobacco-growing areas.</li> <li>• Protection of native species and habitats through deforestation monitoring and biodiversity action plans.</li> </ul> <p><b><u>Reduction of Chemical Usage</u></b></p> <ul style="list-style-type: none"> <li>• Adoption of Integrated Pest Management (IPM) reduces reliance on synthetic pesticides.</li> <li>• Lower chemical runoff improves soil and water quality.</li> </ul> <p><b><u>Reduction of Resource Utilisation</u></b></p> <ul style="list-style-type: none"> <li>• Optimised irrigation and nutrient-management practices may reduce water and fertiliser consumption.</li> <li>• Circular practices such as recycling of anti-chemical bottles to minimise waste and improve input efficiency.</li> </ul>	
	Anticipated effects on business model and value chain	<p><b><u>Reduction in Carbon Footprint</u></b></p> <ul style="list-style-type: none"> <li>• Soil management best practices (cover cropping, reduced tillage) enhance carbon sequestration.</li> <li>• Lower emissions from reduced chemical production and application.</li> </ul> <p><b><u>Cost of Production (COP) Reduction</u></b></p> <ul style="list-style-type: none"> <li>• Efficient resource use and reduced chemical dependency lower input costs.</li> <li>• Improved soil health reduces need for expensive fertilisers.</li> </ul> <p><b><u>Increase in Farmer Profitability</u></b></p> <ul style="list-style-type: none"> <li>• Lower input costs combined with improved yields from healthier soils.</li> </ul>	
	Where is it (the effect of opportunity) concentrated?	Tobacco growing areas	
<b>Strategy and Decision Making</b>	Plans to respond to strategy, risk management, transition plans and climate-related targets	<p><b><u>Direct Mitigation Measures</u></b></p> <ul style="list-style-type: none"> <li>• Increase efficiency of fertiliser use: Optimises nutrient applications, reducing chemical runoff and emissions.</li> <li>• Moving to alternative fertiliser with lower carbon factor: Directly lowers Scope 3 emissions from fertiliser production and use.</li> <li>• Implementing soil conservation best practices (Sloping Agricultural Land Technology (SALT) &amp; stone terraces): prevents erosion, maintains soil health, and enhances carbon storage.</li> <li>• Implementation of Loose-Leaf Barns (LLB) for Yala crop: Improves curing efficiency, reducing energy consumption and emissions.</li> </ul>	

<sup>3</sup>References to opportunities and their positive impacts in this report are forward-looking in nature and reflect management's current expectations. Actual outcomes may differ depending on external factors, implementation effectiveness, and evolving regulatory, market, and environmental conditions.

# SLFRS Sustainability - Related Financial Disclosures

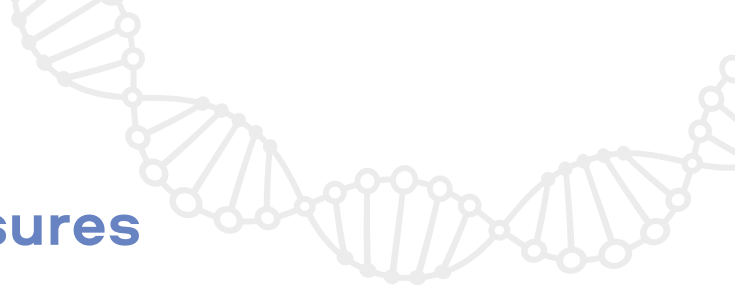


CRRO 3	Sustainable agriculture and nature-positive practices in key sourcing regions
	<p><b><u>Direct Adaptation Measures</u></b></p> <ul style="list-style-type: none"> <li>• Working towards minimum or zero tillage of soil during the land preparation for tobacco cultivation: Reduces soil disturbance, improves carbon sequestration, and lowers emissions.</li> <li>• Pre-evaluation of farming lands before contracting: Ensures land suitability, avoids high-risk areas for deforestation and soil degradation.</li> <li>• Implementation of Biodiversity Management Plan (BMP): Protects ecosystems and adapts farming in line with BAT Group’s biodiversity standards.</li> <li>• Crop succession: Maintains soil fertility and resilience against climate variability.</li> </ul> <p><b><u>Indirect Mitigation Measures</u></b></p> <ul style="list-style-type: none"> <li>• Farmer training on soil conservation and fertiliser efficiency: Builds capacity for sustainable practices and reducing emissions indirectly.</li> <li>• Engagement with local authorities on biodiversity protection: Influences policy to support ecosystem conservation.</li> </ul> <p><b><u>Indirect Adaptation Measures</u></b></p> <ul style="list-style-type: none"> <li>• Monitoring systems for land use and biodiversity risk: Tracks compliance and adapts to evolving regulations.</li> <li>• Knowledge-sharing platforms for best practices SALT, IPM, crop succession: Ensures continuous improvement and resilience in farming communities.</li> </ul>
How the Company is resourcing and plan to resource activities	<p><b><u>Governance and Oversight</u></b></p> <ul style="list-style-type: none"> <li>• BMP: CTC has adopted BAT Group’s BMP framework, to embed biodiversity considerations in operational decisions.</li> <li>• Participation in Global Standards: Alignment with BAT Group’s Sustainable Tobacco Programme (STP)</li> </ul> <p><b><u>Strategic Investments</u></b></p> <ul style="list-style-type: none"> <li>• Technology for monitoring: Investment in geo-coordinate tracking systems for zero-deforestation verification and biodiversity risk mapping across all contracted farms.</li> <li>• Infrastructure for sustainable practices: Implementation of loose-leaf barns for Yala crop to reduce wood fuel dependency and emissions.</li> </ul> <p><b><u>Operational Resourcing</u></b></p> <ul style="list-style-type: none"> <li>• Pre-evaluation and risk assessment: All farming land is pre-evaluated for biodiversity risks before contracting. High-risk farms have tailored monitoring and mitigation plans.</li> <li>• Soil conservation practices: Deployment of SALT, stone terraces and reduced tillage methods to prevent erosion and enhance soil health.</li> <li>• Fertiliser optimisation: Research and implementation of efficient fertiliser usage and alternative fertilisers with lower carbon factors.</li> </ul> <p><b><u>Capacity Building</u></b></p> <ul style="list-style-type: none"> <li>• Farmer Training Programmes: Continuous engagement with farmers on sustainable agricultural practices, soil conservation and crop succession techniques.</li> </ul>



CRRO 3	Sustainable agriculture and nature-positive practices in key sourcing regions	
	Progress (qualitative and quantitative)	<ul style="list-style-type: none"> <li>• 26% of the extent adopted minimum/zero tillage, surpassing the 25% CTC's target for reducing Forest, Land and Agriculture (FLAG) emissions.</li> <li>• 100% of farmers in high risk-biodiversity areas underwent biodiversity risk assessments, with BMPs implemented across all such locations.</li> <li>• No farms were linked to deforestation or land conversion, verified through geo-coordinate mapping.</li> <li>• All farmers used Company-recommended fertilisers, with usage tracked individually and additional fertiliser trials were initiated to further lower FLAG emissions.</li> <li>• 50% of Maha land is covered with SALT for soil-erosion control, with a target of 100% by 2027.</li> <li>• 30% of Yala extent was cured using the loose-leaf system.</li> <li>• In 2025, 5 new Loose-Leaf Barns were constructed.</li> </ul>
Financial Effects	Current year financial effects to Profit and Loss Statement, Balance Sheet and Cash Flow	Current year is immaterial from 1 January 2025 to 31 December 2025
	Significant risk of material adjustments to carrying value of assets and liabilities in the next financial year	Current year is immaterial from 1 January 2025 to 31 December 2025
	Anticipated financial effect over short, medium and long term to Profit and Loss Statement, Balance Sheet and Cash Flow	Anticipated financials has not been performed in 2025 considering the transitional relief given as per SLFRS S1 & S2 standards. Refer to the transitional relief sections of the report.
Climate Resilience	Resilience assessment	Resilience assessment has not been performed in 2025 considering the transitional relief given as per SLFRS S1 & S2 standards. Refer to the transitional relief section 1.9 of this report.
	How and when climate scenario analysis was performed. Disclosure of (i) inputs; (ii) key assumptions, and (iii) reporting period in which scenario analysis was carried out	Scenario analysis has not been performed in 2025 considering the transitional relief given as per SLFRS S1 & S2 standards. Refer to the transitional relief section 1.9 of this report.
Judgements and Uncertainties	Judgements	Refer the Judgment and uncertainties section 1.10 of this report
	Uncertainties	Refer the Judgment and uncertainties section 1.10 of this report

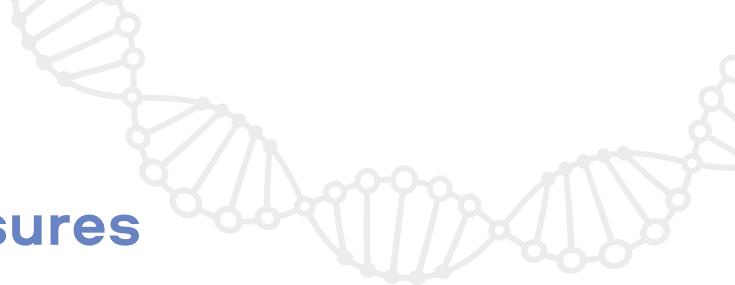
# SLFRS Sustainability - Related Financial Disclosures



CRRO 4		Advancing Low-Carbon Energy and Efficiency
CRROs Impact on Prospects	Description	Transition to a low-carbon economy may present CTC with an opportunity to reduce operational emissions, enhance energy efficiency, and strengthen resilience against climate-related risks. By investing in renewable energy and electrification, CTC seeks to align with stakeholder expectations, regulatory requirements, and BAT Group's sustainability targets. These initiatives may also support cost stability over time.
	Physical risk or transition risk	N/A – Opportunity
	Time horizon	<b>S M L</b>
	Define time horizon	Refer section 1.8 - Time Horizon
Business Model and Value Chain	Current effects on business model and value chain	<p><b><u>Energy Efficiency</u></b></p> <ul style="list-style-type: none"> <li>CTC has implemented energy-efficient technologies such as VSD chillers and compressors and installed energy meters across sites to monitor and optimise consumption.</li> </ul> <p><b><u>Renewable Energy</u></b></p> <ul style="list-style-type: none"> <li>Solar panels have been installed at key facilities, contributing to on-site renewable energy generation. Solar-powered water pumps have replaced fuel-powered pumps for irrigation in leaf operations.</li> </ul> <p><b><u>Fleet Transition</u></b></p> <ul style="list-style-type: none"> <li>Plans are underway to introduce hybrid and electric vehicles into the Company fleet, reducing Scope 1 emissions from transportation.</li> </ul>
	Anticipated effects on business model and value chain	<p><b><u>Environmental</u></b></p> <ul style="list-style-type: none"> <li>Reduction in Scope 1 and 2 GHG emissions, supporting global climate goals.</li> </ul> <p><b><u>Economic</u></b></p> <ul style="list-style-type: none"> <li>Lower operational costs through energy savings and reduced fuel dependency.</li> </ul> <p><b><u>Reputational</u></b></p> <ul style="list-style-type: none"> <li>Enhanced brand image and compliance with emerging sustainability disclosure standards (SLFRS S1 &amp; S2).</li> </ul> <p><b><u>Regulatory</u></b></p> <ul style="list-style-type: none"> <li>Improved readiness for future carbon pricing and environmental regulations.</li> </ul>
	Where is it (the effect of opportunity) concentrated?	<p><b><u>Direct Operations</u></b></p> <ul style="list-style-type: none"> <li>Manufacturing sites and leaf operations will see reduced energy intensity and emissions.</li> </ul> <p><b><u>Supply Chain</u></b></p> <ul style="list-style-type: none"> <li>Renewable energy adoption and fleet electrification will lower upstream and downstream carbon footprints.</li> </ul> <p><b><u>Community and Stakeholders</u></b></p> <ul style="list-style-type: none"> <li>Demonstrates leadership in climate action, fostering trust among regulators, investors and consumers.</li> </ul>

CRRO 4 Advancing Low-Carbon Energy and Efficiency	
Strategy and Decision Making	<p>Plans to respond to strategy, risk management, transition plans and climate-related targets</p> <p><b>Integration into Strategy</b></p> <ul style="list-style-type: none"> <li>Energy efficiency and renewable energy initiatives are embedded in CTC's sustainability roadmap and capital investment plans.</li> </ul> <p><b>Governance</b></p> <ul style="list-style-type: none"> <li>Oversight by the Sustainability Manager and ESG Steering Committee ensures alignment with BAT Group's global targets and local compliance.</li> </ul> <p><b>Innovation</b></p> <ul style="list-style-type: none"> <li>Exploring advanced technologies and partnerships for renewable energy sourcing and fleet electrification.</li> </ul>
How the Company is resourcing and plan to resource activities	<p><b>Financial Resources</b></p> <ul style="list-style-type: none"> <li>Allocated funding for renewable energy installations, such as solar, energy efficiency upgrades, such as optimisation of chillers and fleet decarbonisation, such as hybrid vehicles.</li> <li>In 2025 we converted our chiller at administration building at the Colombo premises to a VSD chiller with an investment of Rs. 85.81 Million and with that all our chillers and compressors are now optimised.</li> </ul> <p><b>Human Resources</b></p> <ul style="list-style-type: none"> <li>Cross-functional teams in sustainability, engineering, manufacturing, leaf and procurement driving implementation.</li> </ul> <p><b>Partnerships</b></p> <ul style="list-style-type: none"> <li>Collaboration with technology providers for solar solutions and electric vehicle infrastructure. During 2024, we connected the solar panels at both our Kandy site and Colombo site to the grid and during 2025, we have installed onsite 1,593MWh of electricity generated from it and this accounts for 32.56% of the total electrical energy usage at CTC.</li> </ul> <p><b>Monitoring Systems</b></p> <ul style="list-style-type: none"> <li>Deployment of energy meters and energy monitoring platforms such as Supervisory Control and Data Acquisition (SCADA) for real-time tracking and reporting.</li> </ul>
Progress (qualitative and quantitative)	<p>CTC is currently operating 52.66% renewable energy in direct operations and have achieved CTC target of 50% renewable energy in direct operations by 2030, years in advance.</p> <p>The total Scope 1 &amp; 2 GHG emissions of CTC is 1,398 tCO<sub>2</sub> and it is 65.41% less than that of 2020 baseline. CTC has achieved the BAT Group's target of 50% absolute reduction in Scope 1 and 2 GHG emissions by 2030 versus 2020 baseline.</p>

# SLFRS Sustainability - Related Financial Disclosures



CRRO 4		Advancing Low-Carbon Energy and Efficiency
Financial Effects	Current year financial effects to Profit and Loss Statement, Balance Sheet and Cash Flow	Current year is immaterial from 1 January 2025 to 31 December 2025.
	Significant risk of material adjustments to carrying value of assets and liabilities in the next financial year	Current year is immaterial from 1 January 2025 to 31 December 2025. With respect to the financial year spanning 1 January 2026 to 31 December 2026, the Company does not anticipate any material risks.
	Anticipated financial effect over short, medium and long term to Profit and Loss Statement, Balance Sheet and Cash Flow	Anticipated financials have not been performed in 2025 considering the transitional relief given as per SLFRS S1 & S2 standards. Refer to the transitional relief section 1.9 of this report.
Climate Resilience	Resilience assessment	Resilience assessment has not been performed in 2025 considering the transitional relief given as per SLFRS S1 & S2 standards. Refer to the transitional relief section 1.9 of this report.
	How and when climate scenario analysis was performed. disclosure of (i) inputs; (ii) key assumptions, and (iii) reporting period in which scenario analysis was carried out	Scenario analysis has not been performed in 2025 considering the transitional relief given as per SLFRS S1 & S2 standards. Refer to the transitional relief section 1.9 of this report.
Judgements and Uncertainties	Judgements	Refer the Judgment and uncertainties section 1.10 of this report
	Uncertainties	Refer the Judgment and uncertainties section 1.10 of this report

## 4

## RISK MANAGEMENT

## 4.1 Processes &amp; Policies Related to Climate Related Risks

CTC has implemented a governance framework to support management control and Board-level oversight of sustainability matters. This provides the policies, procedures and standards to determine and guide how we operate our business in Sri Lanka aligning to the local and BAT Group's sustainability agenda. These policies, procedures and standards adapted locally as appropriate.

The below list of policies, procedures and standards are reflecting the scope limited to climate-related governance.

Policies, Procedures & Standards	Summary of Areas Covered	Key Stakeholder Groups
BAT Group's Supplier Code of Conduct	Covers compliance, human rights, environmental sustainability, trade and marketing, business integrity and cybersecurity, confidentiality and information security.	Customers, suppliers, Governments and wider society
BAT Group's Environment Policy	Commits to following standards of environmental protection, adhering to the principles of sustainable development and protecting biodiversity in our direct operations and supply chain. Includes an assessment of our value chain impact, circular economy principles, biodiversity commitments, metrics and targets.	Employees, consumers, suppliers, customers, Governments and wider society
BAT Group's Product Stewardship Framework	Sets out the steps we take for responsible product development and manufacturing and reflects our commitment to meet high quality and safety standards. Guides product development and testing, helping to promote a rigorous and systematic approach.	Consumers, suppliers, customers, Governments and wider society
CTC Biodiversity Statement	Sets out the principles we follow to manage our impact on biodiversity and the wider environment.	Employees, suppliers, Governments and wider society
BAT Group's Biodiversity Operational Standard on Tobacco Farming	Sets out requirements that all of the BAT Group's own leaf operations must adhere to for the following tobacco crop activities: use of wood as fuel for tobacco curing and for the construction of curing barns; new farmland development for growing tobacco; and tobacco farming and associated agricultural practices. Third-party leaf suppliers are also required to follow this standard within their own practices and operations.	Employees, suppliers, Governments and wider society
BAT Group's Climate Change and Energy Standard	Provides guidance for our employees who have responsibility for implementing climate change-related initiatives.	Employees, suppliers, customers, Governments and wider society
BAT Group's Green Mobility Standard	Outlines our strategy for reducing the environmental impact of our car fleet, namely carbon dioxide equivalent emissions (CO <sub>2</sub> e), air pollution, and noise reduction through the deployment of electric vehicles.	Employees, suppliers, Governments and wider society
CTC Low Carbon Transition Plan	Describes our climate strategy and how we intend to transition our processes, operations, and business models to meet our climate commitments.	Employees, suppliers, customers, Governments and wider society
CTC Environment, Health and Safety (EHS) Policy Manual	Sets out comprehensive guidance and procedures for BAT Group companies on the implementation of EHS policy commitments.	Employees, suppliers, Governments and wider society
BAT Group's Water Security Standard	Sets out guidance for BAT Group companies on water conservation, managing water-risk, and actions for our sites in water stressed areas.	Employees, suppliers, Governments and wider society
BAT Group's Soil and Groundwater Protection Standard	Defines the controls and standards required for BAT Group companies to prevent and protect against spillages and leakages that could impact soil or groundwater.	Employees, suppliers, Governments and wider society
BAT Group's Leaf Supplier Manual (LSM)	Sets out the detailed standards we expect our leaf suppliers to adhere to. These include a range of criteria relating to standards in agricultural practices, quality specifications and processing, such as relating to agrochemicals compliance and the prevention of child labour.	Suppliers, Governments and wider society

# SLFRS Sustainability - Related Financial Disclosures

## 4.2 CTC's Risk Management Approach

CTC maintains a consistent approach to BAT Group's and local risk management framework to assess and quantify the CRROs. The BAT Group applies a consistent methodology for assessing and quantifying SRROs, utilising our risk management framework. Climate change remains a principal risk to the BAT Group. Accordingly, CTC's alignment in climate actions to BAT Group and careful selection of our actions with material impact to local context was a key focus for us.

The risk identification, assessment and prioritisation followed a consistent approach to the CTC's business Risk Register, where the key inputs are gathered from the Group risks itself and localising the context with the alignment of impacts, from CRROs to national priorities as well as with cross functional inputs. The Materiality Assessment is used to assess and prioritise risks and opportunities, enabling the identification of actions across the short, medium and long time-horizons.

## 4.3 Integration of Climate Risk with CTC Risk Register

Climate related risks identified and assessed through the materiality assessment exercise include both physical and transition climate risks and their inwards impacts to CTC. Additionally, the CRROs are aligned with BAT Group risk mitigation actions and are then considered as drivers or impacts to each relevant CTC risk (e.g. supply chain disruptions and supplies of leaf) as part of the risk assessment process. This approach aims to ensure that every risk reflects relevant sustainability considerations. The climate change risk on the CTC risk register is an aggregation of multiple physical (acute and chronic) and transition risks identified through the materiality assessment exercise and includes mitigation activities. This provides visibility of the risk profile to the CTC Risk Management Committee.

### GROUP

Direct and indirect adverse impacts associated with climate change is recognised as a principal risk to the BAT Group. The BAT Group relevant climate-related objectives, targets and metrics are articulated and monitored. Climate and other sustainability risks are captured as risk factors within the individual Group risks.

### CTC

CTC's overall CRROs are identified, assessed and prioritised for actions and declaration.

### FUNCTIONAL

Functions are required to identify and assess risks and opportunities, including climate-related physical and transitional risks. The materiality thresholds are set out in the CTC Risk Register and are used by the CTC when assessing risks. Functions are required to review all physical asset values and associated business interruption impact across the business to understand the potential impact from climate change.

## 4.4 Risk Management Process

In combination with the risk management process CTC uses a standardised Risk Register to identify, assess, manage and monitor both financial and non-financial risks including climate related risks.

CTC's risk management framework assesses risks on both an inherent and residual basis. This 2-stage assessment provides a clear view of risk exposure in the absence of controls, as well as the effectiveness of mitigation actions in managing those risks. Risks are assessed and prioritised using a 5-level impact and likelihood scale, supporting more robust, consistent and transparent risk scoring and reporting. CTC's Risk Management Committee oversees these processes and ensures ongoing alignment with the Group's Enterprise Risk Management (ERM) methodology.

## 4.5 Risk Assessment Methodology

Impact is measured through a combination of qualitative and quantitative metrics. Impact ratings are applied to risks across five levels (severe, significant, moderate, minor, insignificant).

Description	Financial Impact
Severe	Rs. 19 Bn+
Significant	Rs. 12 Bn – 19 Bn
Moderate	Rs. 4 Bn – 12 Bn
Minor	Rs. 1 Bn – 4 Bn
Insignificant	Rs. 0.4 Bn – 1 Bn

Risks below Rs. 1 Billion are not considered as they are not falling within the materiality threshold. The qualitative impact is assessed based upon the scale of the detrimental effect of the risk. Similarly, likelihood is assessed using 5 categories: remote, unlikely, possible, likely, and probable. Following the application of these standardised risk assessment procedures, risks (including climate-related risks) are prioritised based on their relative significance to the CTC as a whole.

### Identify

- Events, situations or circumstances that would adversely affect the achievement of business objectives, including the failure to capitalise on opportunities, are considered.
- CRROs (including existing and emerging regulatory requirements) are identified through a combination of internal stakeholder consultation, desktop research, external consultation and insights from our climate scenario modelling and climate impact assessments.
- When a potential risk is identified, the causes are examined thoroughly and any potential consequences, time frame and mitigation activities are identified.

### Assess

- The potential size, scope and duration of climate-related risks are assessed in the same manner as the BAT Group's other risks and as part of CTC's standardised risk management practices.
- Risks are prioritised at five levels by reference to their impact (severe/significant/moderate/minor/insignificant) and likelihood (remote/unlikely/possible/likely/probable) as defined in the BAT Group Risk Management Manual.
- Risks are scored based on a combination of their impact and likelihood ratings and captured within associated risk matrices.

## RISK MANAGEMENT PROCESS

### Manage

- Mitigation measures are devised and assigned ownership along with implementation timelines.
- The effectiveness of current activities and the allocation of further activities is agreed by relevant risk managers and the Leadership Team.
- Decisions on how to manage the risks (including how to mitigate, transfer, accept or control risks) are based on a variety of considerations, including risk score, the ability to influence or control the risk and cost and effectiveness of mitigation. Effective mitigation activities can also be considered as cost avoidance opportunities.

### Monitor

- Ongoing tracking, monitoring and reporting of climate-related risks is promoted through our risk management framework.
- Risk mitigation activities are monitored by risk managers to help ensure the actions remain relevant and effective and to confirm that information captured remains accurate and up to date.
- The effectiveness of mitigation activities and the status of outstanding actions is tracked and reviewed by the Leadership Team and at various Risk Committees.

### 4.6 Risk Monitoring Methodology

Risk data, including assessment information and risk scores, are collected and recorded within the CTC's Risk Management System the ERM. The system applies an aggregation of risk impact/likelihood scores and provides a standardised risk reporting suite which supports the risk tracking and monitoring process. The CTC Risk Register is reviewed biannually by the CTC Risk Management Committee, chaired by the Finance Director and subsequently reviewed biannually by the Audit Committee and Leadership Team.

### 4.7 Inform

The CSI Steering Committee meets biannually and on an as-needed basis to monitor progress against sustainability targets, review risks and opportunities and ensure alignment with industry best practices. Additionally, the Board is presented with the Company Risk Register on a biannual basis which includes CRROs and mitigations.

### 4.8 Address

The Committee evaluates SRROs and associated trade-offs on a materiality basis, balancing economic, environmental and social objectives. These assessments consider short-term versus long-term impacts, financial implications, stakeholder interests and compliance requirements.

At CTC, this process is operationalised through the CSI Steering Committee's structured review of sustainability - related risks during its scheduled meetings. CRROs are presented to the Committee through updates on regulatory developments, stakeholder feedback, ESG performance metrics and operational impacts. The Committee evaluates these matters in line with its ToR, which require it to oversee the identification and management of sustainability - related risks, ensure the reliability of ESG information and escalate material issues for timely Board consideration.

### 4.9 Monitor

The assessed risks have mitigation plans that are developed and monitored by the management on a quarterly basis. The Board is provided with a status update on the progress versus the mitigation plans on a biannual basis.

During the 3<sup>rd</sup> quarter of 2025, this oversight was exercised through a detailed update presented to the Board on CTC's readiness for CRRO disclosures. The Board reviewed the identified CRROs, the aligned BAT Group climate targets and the status of ongoing mitigation initiatives including progress on GHG emission reduction, renewable energy transition, supply chain engagement, biodiversity protection and product sustainability objectives. The Board also discussed the next steps required to strengthen mitigation plans and ensure continued alignment with Group commitments and regulatory expectations, demonstrating active monitoring of risk management activities as reflected in the meeting minutes.

# SLFRS Sustainability - Related Financial Disclosures

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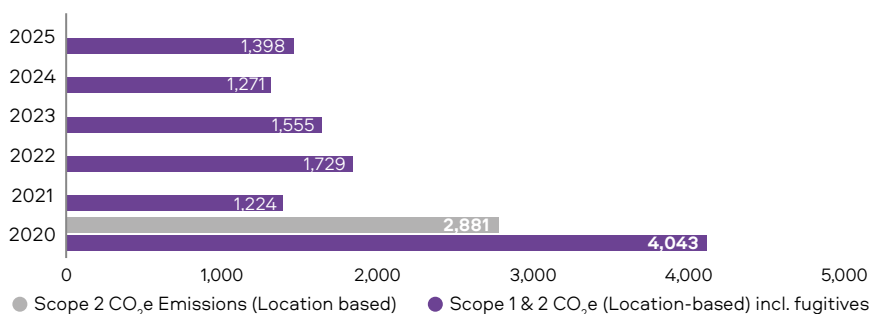
## METRICS AND TARGETS

CTC measures and tracks a wide range of sustainability metrics and targets which help the business to assess and manage CRROs. CTC's climate metrics and targets link both to the opportunities identified in 'Energy Sourcing and Efficiency' and to our transition and physical risks. Our sustainable packaging and waste management related metrics and targets link to the opportunities we have identified in products and services. Below mentioned are the CRROs and their relevant targets set aligning to the respective targets set at Group level.

### 5.1 Summary of GHG Emissions

CTC follows the climate-related targets applicable to the risks and opportunities set in line with a local relevance and BAT Group alignment. (BAT Group has set near-term, 2030, 1.5°C-aligned absolute emissions reduction targets in line with Net Zero GHG criteria and definitions.) In 2022, the Science Based Target Initiatives (SBTi) introduced the first FLAG target-setting guidance to assist companies in land-intensive sectors with establishing science-based targets that encompass land-based emissions and removals. As a result, in 2024, BAT Group submitted near-term 2030 industrial/non-FLAG and FLAG Scope 3 emissions targets to the SBTi alongside our long-term net zero target. CTC's climate targets are aligned with the Group's climate targets.

#### tCO<sub>2</sub>e Scope 1 and Scope 2 Emissions



### 5.2 UNDERSTANDING SCOPE 1, 2 AND 3 EMISSIONS

Scope 1, 2 and 3 emissions are categories of GHG emissions that an organisation's activities create.

#### Scope 1 emissions:

Direct emissions occur from sources owned or controlled by an organisation.

#### Scope 2 emissions:

Indirect emissions are generated from purchased electricity, heat, steam or cooling. These can be 'location-based' which uses a quantification method based on average energy generation emission factors for defined locations, including local, subnational, or national boundaries; or 'market-based' which uses a quantification method based on GHG emissions emitted by the generators from which the reporter contractually purchases electricity bundled with instruments, or unbundled instruments on their own.

#### Scope 3 emissions:

Scope 3 emissions are all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting organisation, including both upstream and downstream emissions and excluding biogenic emissions. Scope 3 biogenic emissions: CO<sub>2</sub> emissions from the combustion or biodegradation of biomass.

#### Biomass:

Any material or fuel produced by biological processes of living organisms, including organic non-fossil material of biological origin (e.g - plant material), biofuels (e.g - liquid fuels produced from biomass feedstocks), biogenic gas (e.g - landfill gas), and biogenic waste (e.g - municipal solid waste from biogenic sources).

#### PATH TO NET ZERO GHG EMISSIONS BY 2050

##### BAT Group's Climate Targets

- 50% absolute reduction in Scope 1 and 2 GHG emissions by 2030 (versus 2020 baseline).
- 30.3% absolute reduction in Scope 3 FLAG GHG emissions and 42% absolute reduction in Scope 3 industrial (non-FLAG) GHG emissions by 2030 (versus 2020 baseline).
- Net zero GHG emissions in our value chain by 2050.
- 50% renewable energy use by 2030.
- 20% of our purchased goods and services suppliers by spend to have set science-based targets by 2025.

#### HOW WE INTEND TO REDUCE SCOPE 1 AND 2 GHG EMISSIONS

- Driving the CTC decarbonisation roadmap and investing in energy efficiency projects and management systems.
- Increasing renewable energy use through purchasing renewable energy certificates and implementation of solar power projects for onsite generation of renewable energy.
- Rolling out electric and hybrid vehicles in our fleet.

### BAT GROUP DRIVEN & ALIGNED ACTIONS FOLLOWED BY CTC TO REDUCE SCOPE 3 EMISSIONS

- Building a climate-resilient supply chain with direct and indirect suppliers.
- Using sustainable curing fuels (e.g. sustainable wood fuel, agricultural waste). Designing for the reuse and recycling of end-of-life products.

### 5.3 Reporting Methodology for CO<sub>2</sub> Emissions

CTC uses the World Business Council for Sustainable Development GHG Protocol Corporate Standard to guide our reporting of carbon dioxide equivalent (CO<sub>2</sub>e) emissions. CTC also uses supporting standards including: – GHG Protocol Scope 2 Guidance. Additionally, CTC includes fugitive emissions and process emissions from on-site wastewater and waste treatment in CO<sub>2</sub>e emissions reporting.

While CTC accounts for the contribution of all 7 GHG gases; carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF<sub>6</sub>) and nitrogen trifluoride (NF<sub>3</sub>), we do not disclose the breakdown of CO<sub>2</sub>e data on an individual GHG basis.

### 5.4 Baseline

Currently, we use a 2020 baseline year for emissions reporting, which comprises a total of 4,043 tCO<sub>2</sub>e split as follows:

Scope 1:  
1,162 tCO<sub>2</sub>e

Scope 2:  
2,881 tCO<sub>2</sub>e  
location-base method

### 5.5 Data collection and validation

GHG emissions data for Scope 1 and 2 is collected within our internal EHS reporting system; it includes three reporting units located across the CTC value chain named as Leaf & GLTP, Colombo Factory and Commercial. The data is validated at a reasonable assurance level.

### 5.6 Reporting Methodology for Energy

Energy consumption within the organisation which includes activities CTC is responsible for as well as purchased electricity.

Energy consumption is calculated from raw data of fuel, electricity, hot water and steam consumption, which is submitted by reporting units of CTC via our internal EHS reporting system.

The data used in calculations is the same that is used for Scope 1 and 2 CO<sub>2</sub>e emissions.

### 5.7 Emission and Renewable Energy Performance

Year	2020	2021	2022	2023	2024	2025
Scope 1 & 2 CO <sub>2</sub> e (location-based) incl. fugitives	4,043	1,334	1,729	1,555	1,271	1,398
Scope 2 CO <sub>2</sub> e emissions (location based)	2,881	0	0	0	0	0
Renewables % of direct energy	0.14%	48.99%	45.96%	49.82%	55.05%	52.66%
% of green sourced electrical energy purchased	0.00%	100.00%	100.00%	100.00%	100.00%	100.00%

### 5.8 Key Assumptions and Sources of GHG Measurement

Scope	Emission Sub-category	Activity	Data Source	Emission Factor	Source of Global Warming Potential (GWP) Values
Scope 1	Stationary combustion	Boiler Operation (HFO) Generator Operation (Diesel)	Invoices, meter readings	DEFRA ID	IPCC AR5
Scope 1	Mobile combustion	Diesel vehicle emission Petrol vehicle emission	Invoices, bills, meter readings	DEFRA ID	IPCC AR5
Scope 1	Fugitive emissions	A/C refrigerant recharges effluent water treatment	Invoices, weight readings	DEFRA ID	GWPs of the gases are as per IPCC AR5
Scope 2	Electricity	Electricity consumption for site	Electricity bills		IEA data from CO <sub>2</sub> Emissions from Fuel Combustion © OECD/IEA 2025, <a href="http://www.iea.org/statistics">www.iea.org/statistics</a> , Licence: <a href="http://www.iea.org/t&amp;c">www.iea.org/t&amp;c</a> ; as modified by UL 360

# SLFRS Sustainability - Related Financial Disclosures

## 5.9 Climate Related Physical Risks

The physical risk impacts associated with items presented in the balance sheet have not yet been quantified as of 31 December 2025. In line with SLFRS S1 and SLFRS S2 requirements regarding the disclosure of material sustainability-related financial information, the Company has determined that these impacts cannot be reliably measured at this stage and are therefore not disclosed in the 2025 Annual Report. The assessment, quantification and related disclosures of physical risk impacts are planned for completion during 2026 and will be incorporated into the 2026 reporting cycle.

## 5.10 Climate Related Transitional Risks

The transitional risk impacts associated with items presented in the Balance Sheet have not yet been quantified as of 31 December 2025. In line with SLFRS S1 and SLFRS S2 requirements regarding the disclosure of material sustainability-related financial information, the Company has determined that these impacts cannot be reliably measured at this stage and are therefore not disclosed in the 2025 Annual Report.

## 5.11 Climate Related Opportunities

The climate related opportunities associated with items presented in the Balance Sheet have not yet been quantified as of 31 December 2025. Consistent with the requirements of SLFRS S1 and SLFRS S2 regarding the disclosure of material sustainability-related financial information, the Company has determined that these opportunity-related financial effects cannot be reliably measured at this stage and are therefore not disclosed in the 2025 annual report.

## 5.12 Capital Expenditure

2025 CAPEX EXPENDITURE		
Project	Investment	Results
Administration chiller	Rs. 85.8Mn	47,412 kWh annual reduction of electricity consumption
Secondary Manufacturing Department (SMD) chiller	Rs. 67.3Mn	331,223 kWh annual reduction of electricity consumption

2026 PROPOSED CAPEX EXPENDITURE		
Project	Investment	Expected Results
SMD layout change	Rs. 17.5Mn	133,939 kWh annual reduction of electricity consumption
CDEU plant upgrade	Rs. 154.5Mn	10,496 kWh annual reduction of electricity consumption

## 5.13 Internal Carbon Pricing

CTC uses the Marginal Abatement Cost Curve (MACC) to compare and prioritise GHG reduction projects based on CTC's cost-effectiveness and total carbon abatement. For each project, the Net Present Value (NPV) (which includes the internal carbon price) and the lifetime CO<sub>2</sub>e reduction are used to calculate the marginal abatement cost. Projects with negative costs save money while reducing emissions.

The MACC helps CTC identify the lowest-cost and highest-impact initiatives when building 5-year sustainability and capex plans. However, it is used alongside broader strategic considerations, including renewable electricity sourcing, on-site generation, efficiency improvements and the Company's decarbonisation roadmap, to ensure a balanced and long-term approach to emissions reduction.

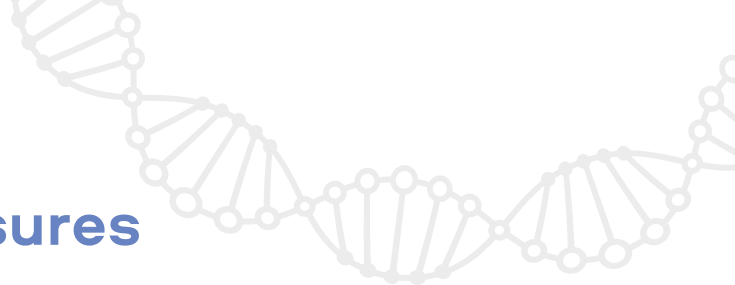
## 5.14 Remuneration

At CTC, directors' and executive remuneration is determined independently of climate-related risks, opportunities or associated performance metrics.

### 5.15 Metrics & Targets Elaboration

CRRO 1	Extreme Weather Events: Acute and Chronic Weather
Metric/measurement/KPI	GHG Emissions Reduction
Objective	Achieving a net zero value chain by 2050
Scope	Scope 1, Scope 2 & Scope 3
Period	2024 - 2050
Base period	2020
Milestones and interim targets	<p><b>BAT Group's Targets:</b></p> <ul style="list-style-type: none"> <li>50% absolute reduction in Scope 1 and 2 GHG emissions by 2030</li> <li>30.3% absolute reduction in Scope 3 forest, land and agriculture GHG emissions by 2030</li> <li>42% absolute reduction in Scope 3 industrial (non-FLAG) GHG emissions by 2030</li> <li>50% renewable energy use by 2030</li> </ul> <p><b>CTC's Targets:</b></p> <ul style="list-style-type: none"> <li>50% renewable energy in direct energy use by 2030</li> <li>100% fleet vehicles to be converted to electric vehicles by 2040</li> </ul>
Target type (gross or net GHG emission target)	Net GHG emission
Target type (absolute or intensity)	Absolute
Alignment to sectorial decarbonisation approach	The targets set are in line with the BAT Group's net zero targets which are set on a sectorial approach and is validated by SBTi
Entity's plan to use carbon credits to offset GHG emissions	<ol style="list-style-type: none"> <li>1. Carbon credits will be purchased after obtaining a 90% reduction in scope 1 &amp; 2 emissions vs 2020 baseline</li> <li>2. All carbon credits procured will be assured and verified under Verified Carbon Standard (VCS) or gold standards</li> <li>3. Carbon credits will be procured from nature-based or technology-based carbon removal projects only</li> <li>4. All carbon credits are procured are assured and verified under VCS or gold standard hence there is robust monitoring and reporting, they are tracked under transparent public registries and risk assessed for non-permanence and buffer accounts are maintained</li> </ol>
Alignment with jurisdiction commitment	Informed by the latest international agreement (Paris Agreement)
Validation	The targets set are aligned to the BAT Group's targets which have been validated by SBTi
Review process	The targets are reviewed annually
Metrics for monitoring progress	Absolute GHG emissions
Revision	No revisions made
Progress achieved during the year and status at year end	<p>65.41% reduction in scope 1 &amp; 2 emissions</p> <p>52.66% renewable energy in direct energy use</p>

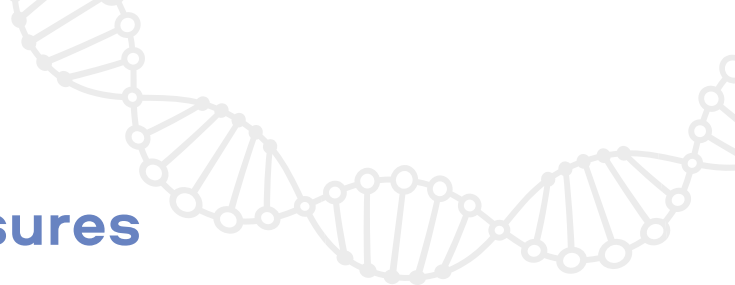
# SLFRS Sustainability - Related Financial Disclosures



CRRO 2	Product Sustainability and Regulatory Constraints Imposed on Packaging and Waste
Metric/measurement/KPI	Circularity within value chain
Objective	Accelerate the transition to sustainable and future fit product portfolios by enhancing material recyclability, reducing environmental footprint and ensuring all materials and packaging meet or exceed evolving expectations of consumers
Scope	Tobacco growing, manufacturing and waste management
Period	2024 - 2050
Base period	2020
Milestones and interim targets	<ul style="list-style-type: none"> <li>Expanding initiatives to accelerate product circularity, including closed-loop systems and material recovery programmes</li> <li>Increasing access to product take-back schemes to support responsible disposal and reduce environmental impact</li> </ul> <p><b>BAT Group's Targets:</b>            Less than 1% of operational waste going to landfill by 2025            90% recycling rate of total waste generated across our own operations by 2025            100% of our packaging to be reusable, recyclable, or compostable where facilities exist by 2025</p> <p><b>CTC's Targets:</b>            100% Crop Protection Agent (CPA) container collection and recycling by 2027</p>
Target type	Absolute reduction %
Alignment with jurisdiction commitment	Informed by the latest international agreement (Paris Agreement)
Validation	The targets set are aligned to the BAT Group's targets which have been validated by SBTi
Review process	The targets are reviewed annually
Metrics for monitoring progress	Percentages of waste to landfill, percentages waste recycling rate, percentages of recyclable packaging and percentages CPA
Revision	No revisions made
Progress achieved during the year and status at year end	0.06% waste to landfill 96.27% waste recycled 100% of packaging is reusable, recyclable or compostable

CRRO 3	The Opportunity Associated with Sustainable Agriculture and Nature-Positive Practices in Key Sourcing Regions
Metric/measurement/KPI	Soil and Biodiversity Conservation
Objective	Strengthen ecosystem resilience by implementing robust deforestation tracking, soil conservation practices, and biodiversity protection measures across all farming areas to safeguard natural habitats and promote long term agricultural sustainability
Scope	Tobacco growing and processing
Period	2024 - 2030
Base period	2020
Milestones and interim targets	<p><b>Soil Conservation</b></p> <p><b>BAT Group's Targets:</b></p> <p>Deforestation and conversion free tobacco supply chain by 2025</p> <p><b>CTC's Targets:</b></p> <p>55% of the lands will undergo crop succession with paddy by 2030</p> <p>100% of Maha area to be covered by at least one soil conservation best practice</p> <p><b>Biodiversity Conservation</b></p> <p>Ensure 100% of farming lands are tagged with geo-coordinates</p> <p>Biodiversity risk assessment to be conducted for 100% farms and monitoring plan to be implemented for all high biodiversity risk farms</p>
Target type	Absolute
Alignment with jurisdiction commitment	Informed by the latest international agreement (Paris Agreement)
Validation	The targets set are aligned to the BAT Group's targets which have been validated by SBTi
Review process	The targets are reviewed annually
Metrics for monitoring progress	Crop succession, soil conversions best practice implementation, % of farmer lands tagged with geo coordinates, biodiversity risk assessment and monitoring plan implementation
Revision	No revisions made
Progress achieved during the year and status at year end	<p>26% of the extent (against the target of 25%) is adopting minimum/zero tillage to the soil best practice method for reducing FLAG emissions</p> <p>Biodiversity risk assessment was conducted in 100% of the farmers identified as located in areas of high biodiversity value and BMP were implemented in all these locations</p> <p>No tobacco farms were identified associated with any forms of deforestation or conversion of the land. This was verified through the geo-coordinates of all the farms</p> <p>100% of the farmers only use the Company recommended fertilisers, and the exact amount used is tracked at individual farmer level</p> <p>The Company started to conduct more fertiliser trials to test what best fertiliser combinations should be used to further reduce the FLAG emissions</p> <p>50% of the Maha land is covered with SALT as a soil erosion control measure. The Company expects to reach 100% by 2027</p> <p>30% of the Yala extent is cured using loose-leaf barns. In 2025, 5 new loose-leaf barns were constructed</p>

# SLFRS Sustainability - Related Financial Disclosures



CRRO 4	The Opportunity Associated with Advancing Low-Carbon Energy and Efficiency
Metric/measurement/KPI	Energy efficiency and renewable energy
Objective	Advance the transition to low carbon, energy efficient operations by scaling renewable energy use, electrification and innovative efficiency technologies to strengthen resilience and long term sustainability across CTC's operations
Scope	Tobacco growing, processing and manufacturing
Period	2024 - 2050
Base period	2020
Milestones and interim targets	<p><b>BAT Group's Targets:</b></p> <ul style="list-style-type: none"> <li>● Increase the proportion of renewable energy we source to 50% of total energy consumption by 2030</li> </ul> <p><b>CTC Targets:</b></p> <ul style="list-style-type: none"> <li>● 50% renewable energy use in direct operations by 2030</li> <li>● 100% of fleet vehicles to be electric by 2040</li> <li>● 50% of Yala extent irrigated using solar water pumps by 2027</li> </ul>
Target type	Absolute
Alignment with jurisdiction commitment	Informed by the latest international agreement (Paris Agreement)
Validation	The targets set are aligned to the BAT Group's targets which have been validated by SBTi
Review process	The targets are reviewed annually
Metrics for monitoring progress	Percentages of renewable energy and technology transformation
Revision	No revisions made
Progress achieved during the year and status at year end	CTC is currently operating 52.66% renewable energy in direct operations and has achieved the CTC target of 50% renewable energy in direct operations by 2030, years in advance

## 6

## TOBACCO SUSTAINABILITY ACCOUNTING STANDARDS (SASB)

This summary cross-references our reporting to the Sustainability Accountability Standards Board (SASB) tobacco standards.

## 6.1 Sustainability Disclosure Metrics

Code	Topics & Accounting Metrics	Reference
<b>Public Health</b>		
FB-TB-260a.1	(1) Gross revenue and (2) revenue net of excise taxes from (a) non-tobacco nicotine products and (b) heated tobacco products	N/A
FB-TB-260a.2	Discussion of the process to assess risks and opportunities associated with tobacco harm reduction products	Page 54
<b>Marketing Practices</b>		
FB-TB-270a.1	Total amount of monetary losses as a result of legal proceedings associated with marketing, labelling, or advertising practices	N/A
	Description of the entity's marketing policy and relevant positions on Articles 11 and 13 of the World Health Organisation Framework Convention on Tobacco Control (WHO FCTC)	Pages 40 and 42

## 6.2 Activity Matrix

Code	Topics & Accounting Metrics	Reference
<b>Public Health</b>		
FB-TB-000.A	Combustible tobacco product sales volume: (1) cigarette, (2) cigar and (3) other smoked tobacco products	N/A
FB-TB-000.B	Non-combustible product sales volume: (1) traditional smokeless tobacco (2) non-tobacco nicotine products (3) heated tobacco products and (4) nicotine replacement therapy products	N/A

# Assessment of Going Concern

The Financial Statements of CTC for the year ended 31 December 2025, 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 is at least 12 months from the reporting date of 31 December 2025.

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

## **FINANCIAL INDICATORS**

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

## **OPERATING INDICATORS**

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

## **OTHER INDICATORS**

- Management proactiveness and compliance with legal and statutory requirements.
- Robust risk management process and mitigating action plans.
- Robust actions to continue business operations macro-economic volatility.

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 with a clear allocation of resources to maintain the required standards.

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 Values, which collectively shape the culture and framework in maintaining the right control environment that currently exists within the Company.

To be effective, internal controls must:

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

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

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

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

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

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

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

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

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

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

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

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

These best practices were complied with during the year 2025.



**Towhid Akbar**  
Finance Director



**Harin De Silva Wijeyeratne**  
Chairman of Audit Committee

20 April 2026

# 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 2025.

The information table on the level of compliance to the Listing Rules provided by the CSE appearing in pages 87 to 90 and Share Information section on pages 177 to 179, form part of this Report of the Board of Directors.

## STRUCTURE AND PRINCIPAL BUSINESS ACTIVITIES

A brief description of the ultimate parent and nature of the principal business activities of the Company is given in Note 1 to the Financial Statements on page 142.

## REVIEW OF PERFORMANCE

A review of performance and outlook of the Company is available in the Chairman's Review (pages 24 to 25), Managing Director & CEO's Review (pages 26 to 29), Finance Director's Review (pages 30 to 31) and in the section of Value Creation Model (page 21).

## 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 2025. (profiles of the Directors are disclosed in pages 12 to 16 of the Annual Report).

There have been no changes to the Board composition since the last Annual Report.

## INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

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

## RE-ELECTION OF DIRECTORS

In accordance with the Articles of Association of the Company, it was resolved that Mr. Gary Tarrant and Mr. Harin De Silva Wijeyeratne retire from the Board of Directors by rotation at the next Annual General Meeting and being eligible, be proposed for re-election.

Mr. Suresh Kumar Shah, who has attained the age of sixty-five (65) years, comes up for re-election at the next Annual General Meeting in accordance with Article 86 of the Articles of Association of the Company.

Interests of Directors in Contracts and Related Party Transactions have been declared at the respective meetings of the Director and no Director has any direct or indirect interest in any contract or proposed contract with the Company.

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

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

## DIRECTORS' SHAREHOLDING

No Director disclosed above has any shareholding in the Company.

## Results for the year and appropriation

	Units	2025	2024	Growth
Turnover	Rs. Mn	215,670	204,281	6%
Profit for the year	Rs. Mn	29,136	29,643	-2%
No. of shares	Number	187,323,751	187,323,751	-
Earnings per share	Rs.	155.54	158.24	-2%
Net assets per share	Rs.	58.98	59.45	-1%
Market price per share	Rs.	1,725.00	1,397.25	23%
Price earnings ratio	Times	11.09	8.83	26%
Dividend per share	Rs.	156.34	161.74	-3%

## FUTURE DEVELOPMENTS

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

## SHARE INFORMATION

Information relating to shareholding, market value of shares, public shareholding and top 20 shareholders are available on (page 177 under Share Information of this Report).

## STATED CAPITAL

The stated capital of the Company as at 31 December 2025 amounted to 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 2025 comprise of revenue reserves amounting to Rs. 9,174 Million.

Movements are shown in the Statement of Changes in Equity in the Financial Statements.

## DIVIDENDS

During the financial year, the Company paid an interim dividend of Rs. 29,286 Million. Subsequent to the reporting date, an additional dividend of Rs. 5,245 Million was declared for the year 2025. The Board has also proposed a final dividend of Rs. 17.54 per share, which will be presented for shareholder approval at the forthcoming Annual General Meeting.

In total, the dividends attributable to the financial year amount to Rs. 29,136 Million, representing a 100% dividend payout ratio.

## MOVEMENT OF RETAINED EARNINGS

	Rs.000's
Retained profit as at 1 January 2025	9,263,683
Current year's profit after charging all expenses and providing for all known liabilities	29,136,158
Dividends of Rs. 156.34 per share on the Issued Share Capital of 187,323,751 shares	(29,286,195)
Fourth interim dividend - Rs. 29.10 per share paid on 26/03/2025	
Final interim dividend - Rs. 17.24 per share paid on 03/06/2025	
First interim dividend - Rs. 32.00 per share paid on 29/05/2025	
Second interim dividend - Rs. 41.00 per share paid on 10/09/2025	
Third interim dividend - Rs. 37.00 per share paid on 11/12/2025	
Write back of unclaimed dividend	79,384
Re-measurement of defined benefit obligations	(18,766)
Balance carried forward to 2026	9,174,263

# Report of the Board of Directors

## 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. 1,792 Million in PPE. Specific information on extent, locations, valuations and number of buildings on the Company's land holdings are given in Note 11.1.

## DONATIONS

Total donations made by the Company during the year ended 31 December 2025 amounted to Rs. 87 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 2025. However, the Group, through an International Executive Incentive Scheme (IEIS), offers value of phantom shares in BAT, in cash, to selected members of the Leadership Team of CTC, subject to the achievement of performance targets over the previous financial year. The cash equivalent of the share award is paid after a period of three years from the date of grant based on the share price preceding the date of payment.

## STATUTORY PAYMENTS

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

## GOING CONCERN

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

## EMPLOYMENT

Pages 61 to 66 covers in detail the Company's practices and policies relating to employee engagement, training & development, performance management and recognition.

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

## COMPLIANCE WITH LAWS AND REGULATIONS

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

For disclosures on Listing Rules and good governance standards adopted by the Board, please refer pages 81 to 90, which shall all be considered as part and parcel of this Annual Report.

Noting that the Board of Directors carries out several of its duties and responsibilities through its Board Sub-Committees, please refer pages 128 to 132 for the activities carried out in 2025 inter alia to ensure compliance with applicable laws, rules and regulations.

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

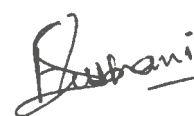
Environmental Protection Policies and endeavours made on environmental preservation by the Company are covered on pages 185 to 188.

## EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no material events that occurred after the reporting date that require adjustment to or disclosure in the Financial Statements, other than those disclosed in Note 26 to the Financial Statements on page 138.

## 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).



**Fariyha Subhani**

Managing Director & Chief Executive Officer



**Towhid Akbar**

Finance Director



**Zahrah Cader**

Company Secretary

20 April 2026

# Statement of Directors' Responsibilities for Financial Statements

This Statement sets out the responsibilities of the Board of Directors in relation to the Financial Statements of the Company. The responsibility of the Auditors, in relation to the Financial Statements, is set out in the Independent Auditor's Report on page 134.

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 2025, 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 2025; and
- financial performance of the Company for the financial year ended 31 December 2025.

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;
- Judgments 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.

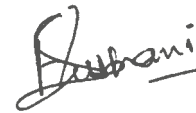
The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

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 23 to the Financial Statements covering contingent liability.



**Fariyha Subhani**

Managing Director &  
Chief Executive Officer



**Towhid Akbar**

Finance Director



**Zahrah Cader**

Company Secretary

20 April 2026

# Report of the Audit Committee

I take this opportunity to present to you the 2025 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

The Committee consisted of 2 Independent Non-Executive Directors and one Non-Executive Director who is independent of the executive functions of CTC.

The members of the Audit Committee are:

Mr. Harin de Silva Wijeyeratne – Chairman

Mr. Kushan D'Alwis PC

Mr. Gary Tarrant

The Chairman of the Committee is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants (UK). The Board is satisfied that the Committee has an adequate blend of accounting, auditing, legal and commercial experience to carry out their duties. Brief profiles of the Committee members are given in pages 12 to 16 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, other members of the Leadership Team and external auditors too attended the meetings by invitation.

The attendance of the members at these meetings are given in page 85 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 responsibilities and objectives of the Audit Committee is described in the CTC Corporate Governance Report from pages 81 to 90.

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

## INTERNAL AUDIT

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

The Committee noted the findings from the Internal Audit of the Sri Lankan entity, 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 timeline. 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 2026 subject to the approval of shareholders at the next Annual General Meeting.

### CONCLUSION

The Committee is satisfied that the Company's internal controls, risk management processes, and accounting policies provide reasonable assurance that the affairs

of the Company are managed in accordance with Company policies and that Company assets are properly accounted for and adequately safeguarded. The Committee believes that the Company's accounting policies are appropriate and have been applied consistently.



**Harin De Silva Wijeyeratne**

Chairman  
Audit Committee

20 April 2026

# 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 Practices of Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (SEC) and Section 09 of the Listing Rules of Colombo Stock Exchange (CSE).

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

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

## COMPOSITION

The Committee comprised of 3 Non-Executive Directors of whom, 2 are Independent Non-Executive Directors and is Chaired by an Independent Non-Executive Director.

Mr. Harin de Silva Wijeyeratne – Chairman

Mr. Kushan D'Alwis PC

Mr. Gary Tarrant

Brief profiles of the Committee members are given in pages 12 to 16 of this Report.

## MEETINGS

The Committee held 4 meetings in the year 2025. The Managing Director & Chief Executive Officer, and other members of the Leadership Team or any other Manager (where relevant) of the Company, attended meetings on the request of the Committee.

The Finance Director or his/her nominee subject to approval of the Committee acts as the Secretary of the Committee. The attendance at the meetings held is given in the table on page 85 of this Report.

## TERMS OF REFERENCE

The Committee, in discharging its functions ensures that:

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

The approved guidelines for conducting RPTs sets out the following:

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

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

## ACTIVITIES

During the year, the Committee reviewed the RPTs of CTC and their compliance, according to SEC, the Listing Rules, and Code of Best Practices. There was a new non-recurrent RPT reported. The recurrent/non-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 same to the Board of Directors, quarterly, through verbal briefings and by tabling the minutes of the Committee's meetings.

## CONCLUSION

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



**Harin De Silva Wijeyeratne**

Chairman

Related Party Transactions Review Committee

20 April 2026

# Report of the Compensation and Remuneration Committee

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

## COMPOSITION

The Committee comprises of 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 PC – Chairman

Mr. Harin de Silva Wijeyeratne

Mr. Gary Tarrant – (vacated his position in the Committee w.e.f. 17 February 2025)

Ms. Samanmalee Priyanvada Chandrasiri (appointed w.e.f. 17 February 2025)

Brief profiles of the Committee members are given in pages 12 to 16 of this Report.

## TERMS OF REFERENCE

The Committee's Terms of Reference include the following responsibilities:

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

- Provide feedback to the Board on workforce rewards, incentives and employment conditions, and support the Board in monitoring the Company's corporate culture and its alignment with the Company's purpose, values and strategy.
- Ensure effective communication with shareholders on the Remuneration Policy and the Committee's work through the Remuneration Committee Report.
- Recommend and ensure that appropriate service contracts are in place for Executive Directors.
- Determine the terms of compensation packages in the event of early termination of service contracts for Executive Directors.
- Ensure that all statutory disclosure requirements relating to remuneration are met.
- Review and evaluate the appropriateness, relevance and effectiveness of the Remuneration Policy on a periodic basis.

## MEETINGS & ACTIVITIES

The Remuneration Committee met once during the year.



**Kushan D'Alwis PC**

Chairman

Remuneration Committee

20 April 2026

# Report of the Nominations and Governance Committee

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

## COMPOSITION

The Committee comprises of 2 Independent Non-Executive Directors and one Non-Executive Director.

Mr. Harin de Silva Wijeyeratne – Chairman

Ms. Fariyha Subhani

Mr. Kushan D'Alwis

Mr. Gary Tarrant

Brief profiles of the Committee members are given in pages 12 to 16 of this Report.

## TERMS OF REFERENCE

The Terms of Reference of the Committee include the following:

- Propose a suitable Charter for the appointment and the re- appointment of Independent Non- Executive Directors to the Board.
- Provide advice and recommendation to the Board or the Chairman on appointing Independent Non-Executive Directors.
- Select and appoint Independent Non-Executive Directors as required.
- Regularly review the structure, size, and composition (including the skills, knowledge, and experience) of the Board, and make recommendations to the Board with regard to any suitable changes.



**Harin De Silva Wijeyeratne**

Chairman

Nominations and Governance Committee

20 April 2026



# The DNA of Enduring Value

## FINANCIAL STATEMENTS

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- Notes to the Financial Statements **142**

# Independent Auditor's Report

(all amounts in Sri Lanka Rupees thousands)



KPMG  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300, Sri Lanka.

Tel +94 - 11 542 6426  
Fax +94 - 11 244 5872  
+94 - 11 244 6058  
Internet www.kpmg.com/lk

## TO THE SHAREHOLDERS OF CEYLON TOBACCO COMPANY PLC

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the Financial Statements of Ceylon Tobacco Company PLC ("the Company"), which comprise the statement of financial position as at December 31, 2025 and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the Financial Statements, including material accounting policies and other explanatory information.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Company as at December 31, 2025, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS).

#### Basis for Opinion

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

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

#### Key Audit Matters

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

## 1. Revenue Recognition

As described in Note 2.8.2 (accounting policies) and Note 4 (Revenue), the Company recorded revenue of Rs. 66.56 Bn for the year ended 31st December 2025 (2024: Rs. 62.52 Bn).

Risk Description	Our Response
<p>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.</p> <p>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.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> <li>Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management key internal controls involved in the revenue recognition including the key IT controls relating to revenue recognition.</li> <li>Obtain direct confirmation from all distributors relating to sales transactions during the year and the trade receivables balances as at the year end.</li> <li>Testing design and implementation and operating effectiveness of controls over journal entries and post-closing adjustments.</li> <li>Testing that amounts have been recognised in the correct financial period and evaluating whether there are any significant number of returns after the year-end.</li> </ul>

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T.J.S. Rajakarier FCA  
W.K.D.C. Abeyrathne FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
Ms. C.T.K.N. Perera ACA  
R. G. H. Raddella ACA,

W.W.J.C. Perera FCA  
G.A.U. Karunaratne FCA  
R.H. Rajan FCA  
A.M.R.P. Alahakoon ACA

Ms. S. Joseph FCA  
R.M.D.B. Rajapakse FCA  
M.N.M. Shameel FCA  
Ms. P.M.K. Sumanasekara FCA

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

## Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the Financial Statements and our auditor's report thereon.

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

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

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

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

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

# Independent Auditor's Report

(all amounts in Sri Lanka Rupees thousands)



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

## Report on Other Legal and Regulatory Requirements

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

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

A handwritten signature in black ink, appearing to read 'A. M. S.', written in a cursive style.

**Chartered Accountants**

Colombo, Sri Lanka

April 20, 2026

# Financial Reporting Calendar

First Quarter Results 2025	14 May 2025
Second Quarter Results 2025	12 August 2025
Third Quarter Results 2025	13 November 2025
Fourth Quarter Results 2025	18 February 2026
Annual Report 2025	20 April 2026
95 <sup>th</sup> Annual General Meeting to be held on	26 May 2026

# Statement of Profit or Loss and other Comprehensive Income

(all amounts in Sri Lanka Rupees thousands)

	Note	Year ended 31 December	
		2025	2024
Turnover	4	215,670,091	204,281,333
Government levies	4	(149,106,655)	(141,752,251)
Revenue		66,563,436	62,529,082
Raw materials used		(3,255,285)	(3,623,698)
Employee benefit expenses	5	(3,112,612)	(2,859,362)
Depreciation expenses	11	(589,160)	(664,500)
Amortisation expenses	12	-	-
Other operating expenses		(6,806,980)	(7,745,242)
Other operating income	6	41,050	40,407
<b>Operating profit</b>	7	<b>52,840,449</b>	<b>47,676,687</b>
Finance income	8	1,038,585	1,319,064
Finance Cost	8	(17,006)	(18,812)
<b>Profit before income tax</b>		<b>53,862,028</b>	<b>48,976,939</b>
Income tax expenses	9	(24,725,870)	(19,334,082)
<b>Profit for the year</b>		<b>29,136,158</b>	<b>29,642,857</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to Profit or Loss</b>			
Remeasurement of defined benefit obligations	13 (b)	(18,766)	23,358
<b>Total other comprehensive income for the year</b>		<b>(18,766)</b>	<b>23,358</b>
<b>Total comprehensive income</b>		<b>29,117,392</b>	<b>29,666,215</b>
<b>Earnings per share</b>			
- Basic (Rs.)	10	155.54	158.24
- Diluted (Rs.)	10	155.54	158.24

The Notes on pages 142 to 174 form an integral part of these Financial Statements.

# Statement of Financial Position

(all amounts in Sri Lanka Rupees thousands)

	Note	As at 31 December	
		2025	2024
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	6,887,531	6,497,442
Intangible assets	12	-	-
Employee benefit plan asset	13 (b)	5,178	66,822
Other receivables	15	441,215	232,576
<b>Total non-current assets</b>		<b>7,333,924</b>	<b>6,796,840</b>
<b>Current assets</b>			
Inventories	14	6,621,942	6,282,535
Trade and other receivables	15	5,526,705	5,178,863
Cash and cash equivalents	16	31,367,650	27,560,970
<b>Total current assets</b>		<b>43,516,297</b>	<b>39,022,368</b>
<b>Total assets</b>		<b>50,850,221</b>	<b>45,819,208</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	17	1,873,238	1,873,238
Retained earnings		9,174,264	9,263,683
<b>Total Equity</b>		<b>11,047,502</b>	<b>11,136,921</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	18	812,109	592,625
Lease liabilities	21 (b)	17,515	20,044
Long term borrowings	22	-	292,995
<b>Total Non-current liabilities</b>		<b>829,624</b>	<b>905,664</b>
<b>Current liabilities</b>			
Trade and other payables	19	25,611,222	23,167,170
Lease liabilities	21 (b)	150,280	57,431
Income tax liabilities		12,662,560	10,048,579
Dividend payable	20 (a)	-	-
Unclaimed dividends	20 (b)	549,033	503,443
<b>Total current liabilities</b>		<b>38,973,095</b>	<b>33,776,623</b>
<b>Total liabilities</b>		<b>39,802,719</b>	<b>34,682,287</b>
<b>Total equity and liabilities</b>		<b>50,850,221</b>	<b>45,819,208</b>


The Notes on pages 142 to 174 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 20 April 2026.



**Harin de Silva Wijeyeratne**  
Chairman Audit Committee

20 April 2026



**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 2024</b>		1,873,238	9,891,266	11,764,504
Profit for the year		-	29,642,857	29,642,857
Other comprehensive income		-	23,358	23,358
<b>Total comprehensive income for the year</b>		-	29,666,215	29,666,215
<b>Transactions with owners of the Company, recognised directly in equity</b>				
Write back of unclaimed dividends	20 (b)	-	3,945	3,945
Dividends	20 (c)	-	(30,297,743)	(30,297,743)
<b>Total transactions with shareholders</b>		-	(30,293,798)	(30,293,798)
<b>Balance at 31 December 2024</b>		1,873,238	9,263,683	11,136,921
<b>Balance at 1 January 2025</b>		1,873,238	9,263,683	11,136,921
Profit for the year		-	29,136,158	29,136,158
Other comprehensive income		-	(18,766)	(18,766)
<b>Total comprehensive income for the year</b>		-	29,117,392	29,117,392
<b>Transactions with owners of the Company, recognised directly in equity</b>				
Write back of unclaimed dividends	20 (b)	-	79,384	79,384
Dividends	20 (c)	-	(29,286,195)	(29,286,195)
<b>Total transactions with shareholders</b>		-	(29,206,811)	(29,206,811)
<b>Balance at 31 December 2025</b>		1,873,238	9,174,264	11,047,502

The Notes on pages 142 to 174 form an integral part of these Financial Statements.

# Statement of Cash Flows

(all amounts in Sri Lanka Rupees thousands)

	Note	Year ended 31 December	
		2025	2024
<b>Cash flows from operating activities</b>			
Profit before tax		53,862,028	48,976,939
Depreciation [Note 11]		589,160	664,500
Amortisation of intangible assets [Note 12]		-	-
Write offs		-	-
Finance expense [Note 8]		9,678	18,812
Finance income [Note 8]		(1,038,585)	(1,288,304)
Net interest on retirement benefit obligations [Note 13 (b)]		42,878	45,821
Provision for obsolete inventories and doubtful debts		(593,644)	542,039
Exchange (gain)/ loss from long term borrowings [Note 8]		7,328	(30,760)
Changes in working capital :			
- Inventories		223,591	(195,580)
- Trade and Other Receivables		(525,835)	392,619
- Trade and Other Payables		2,444,052	3,945,887
Cash generated from operations		55,020,651	53,071,973
Interest received	8	1,038,585	1,288,304
Interest paid	8	(9,678)	(18,812)
Income tax paid		(21,828,887)	(19,634,844)
WHT Paid		(3,224,558)	(3,299,360)
<b>Net cash generated from operating activities</b>		<b>30,996,113</b>	<b>31,407,261</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	11	(798,406)	(1,238,096)
<b>Net cash used in investing activities</b>		<b>(798,406)</b>	<b>(1,238,096)</b>
<b>Cash flows from financing activities</b>			
Payments for long-term borrowings	22	(300,323)	-
Dividends paid	20 (a)	(25,996,418)	(26,904,824)
Unclaimed dividends paid	20 (b)	(3,763)	(4,271)
Payment of lease liabilities		(90,523)	(237,139)
<b>Net cash used in financing activities</b>		<b>(26,391,027)</b>	<b>(27,146,234)</b>
<b>Net (Decrease) / Increase in cash and cash equivalents</b>		<b>3,806,680</b>	<b>3,022,931</b>
<b>Movement in cash and cash equivalents</b>			
At beginning of year		27,560,970	24,538,039
(Decrease) / Increase in cash and cash equivalents		3,806,680	3,022,931
<b>At end of year</b>	16	<b>31,367,650</b>	<b>27,560,970</b>

The Notes on pages 142 to 174 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 and distributing cigarettes. The Company's registered office is located at No. 178, Srimath Ramanathan Mawatha, Colombo 15.

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

## 2. BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement, together with the notes, (the "Financial Statements") of the Company as at 31 December 2025 and for the year then ended have been prepared in accordance with Sri Lanka Accounting Standards (the "Accounting Standards"), as issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The Accounting Standards comprise: Sri Lanka Financial Reporting Standards ("SLFRS"); Sri Lanka Accounting Standards ("LKAS"); Statements of Recommended Practices (SoRPs); Statement of Alternate Treatment (SoATs) and Financial Reporting Guidelines issued by the CA Sri Lanka.

The Accounting Standards along with FAQs issued are available at the website of CA Sri Lanka [www.casilanka.com](http://www.casilanka.com).

These Financial Statements were authorised for issue by the Company's Board of Directors on 20 April 2026.

### 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 2025 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

## 2.5 Comparative information

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

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

## 2.6 Changes in material accounting policies

The Company does not have changes in material accounting policies in the current annual reporting period.

## 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.

## 2.8 Summary of material accounting policies

The Company has consistently applied the accounting policies to all periods presented in these Financial Statements.

### 2.8.1 Foreign currency transactions

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

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

### 2.8.2 Revenue from contracts with customers

#### Revenue recognition

Revenue principally comprises sale 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).

### 2.8.3 Employee Benefits

#### a) Short term employee benefits

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

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

#### b) Share based payment arrangements

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

#### c) Defined contribution plans

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

#### CTC Provident Fund

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

#### Employees' Trust Fund

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

#### d) Defined benefit plans

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

# Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

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.

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

## 2.8.4 Finance income and finance costs

The Company's finance income and finance costs include:

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

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

## 2.8.5 Income tax

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

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

## a) Current tax

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

## b) Deferred tax

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

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

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

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

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

## 2.8.6 Inventories

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

## 2.8.7 Property, plant and equipment

### Recognition and measurement

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

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

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

### Subsequent expenditure

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

### Depreciation and derecognition

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

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

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

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

## 2.8.8 Financial Instruments

### Recognition and initial measurement

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

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

### Classification and subsequent measurement

#### Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value Through Other Comprehensive Income (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.

# Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

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

## Financial assets – Business model assessment

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

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

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

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

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

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration

for the time value for money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs. (e.g. liquidity risk and administrative costs), as well as a profit margin.

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

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

## Financial assets – subsequent measurement and gains and losses

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

### 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 & Long term borrowings.

### Derecognition

#### Financial assets

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

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

#### Financial liabilities

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

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

### Offsetting

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

#### 2.8.9 Stated capital

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

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

#### 2.8.10 Impairment of financial assets

The Company uses simplified approach to measuring Expected Credit Losses (ECLs) 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.

# Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

## 2.8.11 Impairment of non-financial assets

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

## 2.8.12 Provisions

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

## 2.8.13 Leases

### Recognition

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

### As a lessee

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

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

#### 2.8.14 Operating profit

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

#### 2.8.15 Fair value estimation

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

#### 2.8.16 Dividend distribution

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

#### 2.8.17 Trade receivables

Trade receivables are amounts due from 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 2.8.10.

#### 2.8.18 Cash and cash equivalents

In the statement of cash flows of the Company, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 03 months or less and bank overdrafts.

#### 2.8.19 Trade payables

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

#### 2.9 Standards issued but not yet effective

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after 1 January 2026 and earlier application is permitted. However, the Company has not early adopted the new and amended accounting standards, stated below, in preparing these Financial Statements.

#### A IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements.

1. Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
2. Management-defined performance measures (MPMs) are disclosed in a single note in the Financial Statements.
3. Enhanced guidance is provided on how to group information in the Financial Statements.

# Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

## **B Classification and Measurement of Financial Instruments (Amendments to SLFRS 9 and SLFRS 7)**

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments, which amended SLFRS 9 and SLFRS 7.

The requirements will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted, and are related to:

1. Recognition and derecognition, including accounting for settlement of financial liabilities using an electronic payments system; and
2. Assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features

## **C Other Standards**

1. Contracts Referencing Nature-dependent Electricity (Amendments to SLFRS 9 and SLFRS 7); and
2. Annual Improvements to SLFRS Accounting Standards – Volume 11.

## **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
- (d) Operational 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

#### (i) Foreign exchange risk

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

The following significant exchange rates have been applied.

in LKR	Average rate		Year end spot rate	
	2025	2024	2025	2024
USD 1	300.84	301.81	309.60	293.00
GBP 1	396.92	385.74	416.42	366.95
EUR 1	340.32	326.60	363.61	303.40

#### Sensitivity analysis

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

Effect in thousands of LKR	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
<b>31 December 2025</b>				
USD (5% movement)	27,906	(27,906)	15,348	(15,348)
GBP (5% movement)	(53,058)	53,058	(29,182)	29,182
EUR (5% movement)	(316)	316	(174)	174
<b>31 December 2024</b>				
USD (5% movement)	45,263	(45,263)	27,158	(27,158)
GBP (5% movement)	(24,709)	24,709	(14,825)	14,825
EUR (5% movement)	(26,061)	26,061	(15,636)	15,636

#### (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.

# Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

## 3.1 Financial risk factors (Contd.)

### (iii) Cash flow and fair value interest rate risk

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

### (b) Credit risk

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

	As at 31 December	
	2025	2024
Trade receivables [Note 15]	4,257,948	3,349,741
Receivables from related parties [Note 25 (iii)]	28,336	157,072
Staff loans [Note 15]	534,484	335,464
Advances to farmers [Note 15]	287,549	307,315
	5,108,317	4,149,592
Provision [Note 15]	(125,616)	(156,263)
Cash and cash equivalents, excluding cash in hand	31,367,650	27,560,970
	36,350,351	31,554,299

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

#### As at 31 December 2025

Aging Category	Gross Receivable (Rs '000)	% Provision	Total Provision (Rs '000)	Net Receivable (Rs '000)
Not Due	4,257,948	0.10%	4,258	4,253,690
1 - 30 Days	(0)	0.12%	-	-
31 - 90 Days	-	0.14%	-	-
91 - 180 Days	-	0.16%	-	-
181-360 Days	-	0.18%	-	-
>360 Days	-	0.20%	-	-
	4,257,947		4,258	4,253,690

**As at 31 December 2024**

Aging Category	Gross Receivable (Rs '000)	% Provision	Total Provision (Rs '000)	Net Receivable (Rs '000)
Not Due	3,349,744	0.10%	3,350	3,346,394
1 - 30 Days	(3)	0.12%	-	(3)
31 - 90 Days	-	0.14%	-	-
91 - 180 Days	-	0.16%	-	-
181-360 Days	-	0.18%	-	-
>360 Days	-	0.20%	-	-
	3,349,741		3,350	3,346,391

**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	
	2025	2024
AAA (Ika)	4,712,218	2,925
A(Ika)	1,512,699	1,430,735
A-(Ika)	228,268	3,866,932
AA-	16,664,320	12,504,013
A+	8,250,145	9,756,365
<b>Total cash at bank and short term bank deposits</b>	<b>31,367,650</b>	<b>27,560,970</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.

Relevant non-derivative financial liabilities at the reporting date are as follows:

	Carrying amount	Undiscounted Contractual Cash Flows			
		Total	Less than 3 months	Between 3 months and 1 year	More than 1 year
<b>At 31 December 2025</b>					
Long term borrowings	-	-	-	-	-
Trade and other payables, excluding accrued expenses and government levies	3,997,602	3,997,602	3,997,602		
Lease Liabilities	167,795	178,974	43,977	116,888	18,108

# Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

## 3.1 Financial risk factors (Contd.)

	Carrying amount	Undiscounted Contractual Cash Flows			
		Total	Less than 3 months	Between 3 months and 1 year	More than 1 year
At 31 December 2024					
Long term borrowings	292,995	292,995	-	-	292,995
Trade and other payables, excluding accrued expenses and government levies	2,889,074	2,889,074	2,889,074	-	-
Lease Liabilities	77,475	83,521	30,249	32,079	21,193

### (d) Operational risk

Operation risk is the risk direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology, and infrastructure, and from external factors other than credit, market and liquidity risks.

The objective is to manage operational risk so as to balance the avoidance to financial losses and damage to the Company's reputation with overall cost effectiveness and innovation. In all cases, it requires compliance with all applicable legal and regulatory requirement.

## 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.

in thousands of LKR	2025	2024
Total liabilities	39,802,719	34,682,287
Less: Cash & Cash equivalents	(31,367,650)	(27,560,970)
<b>Net Debt</b>	<b>8,435,069</b>	<b>7,121,317</b>
Total Equity	11,047,502	11,136,921
<b>Adjusted Equity</b>	<b>11,047,502</b>	<b>11,136,921</b>
<b>Net Debt to Adjusted equity ratio</b>	<b>0.76</b>	<b>0.64</b>

### 3.3 Analysis of financial instruments by measurement basis

The fair value of financial assets and liabilities, together with carrying amounts shown in the statement of financial position are as follows:

As at 31 December 2025	Carrying Amount	Financial Assets at amortised cost	Level 1	Level 2	Level 3	Total
<b>Assets as per statement of financial position</b>						
Trade and other receivables, excluding pre-payments	5,108,317	5,108,317	-	-	-	5,108,317
Cash and cash equivalents	31,367,650	31,367,650	-	-	-	31,367,650
<b>Total</b>	<b>36,475,967</b>	<b>36,475,967</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,475,967</b>

As at 31 December 2025	Carrying Amount	Financial liabilities at amortised cost	Level 1	Level 2	Level 3	Total
<b>Liabilities as per statement of financial position</b>						
Long term borrowings	-	-	-	-	-	-
Trade and other payables, excluding accrued expenses and government levies	3,997,602	3,997,602	-	-	-	3,997,602
Lease liability	167,795	167,795	-	-	167,795	167,795
<b>Total</b>	<b>4,165,397</b>	<b>4,165,397</b>	<b>-</b>	<b>-</b>	<b>167,795</b>	<b>4,165,397</b>

As at 31 December 2024	Carrying Amount	Financial Assets at amortised cost	Level 1	Level 2	Level 3	Total
<b>Assets as per statement of financial position</b>						
Trade and other receivables, excluding pre-payments	4,149,592	4,149,592	-	-	-	4,149,592
Cash and cash equivalents	27,560,970	27,560,970	-	-	-	27,560,970
<b>Total</b>	<b>31,710,562</b>	<b>31,710,562</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,710,562</b>

As at 31 December 2024	Carrying Amount	Financial liabilities at amortised cost	Level 1	Level 2	Level 3	Total
<b>Liabilities as per statement of financial position</b>						
Long term borrowings	292,995	292,995	-	-	-	292,995
Trade and other payables, excluding accrued expenses and government levies	2,889,074	2,889,074	-	-	-	2,889,074
Lease liability	77,475	77,475	-	-	77,475	77,475
<b>Total</b>	<b>3,259,544</b>	<b>3,259,544</b>	<b>-</b>	<b>-</b>	<b>77,475</b>	<b>3,259,544</b>

# Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

## 4. REVENUE

	Year ended 31 December	
	2025	2024
Local turnover	215,670,091	203,667,006
Export turnover	-	614,327
<b>Total turnover</b>	<b>215,670,091</b>	<b>204,281,333</b>
<b>Government levies</b>		
Excise special provision tax	(111,998,210)	(106,652,732)
Value added tax	(33,364,285)	(31,357,389)
Social security contribution levy	(3,729,527)	(3,729,527)
Tobacco tax	(14,633)	(12,603)
<b>Total government levies</b>	<b>(149,106,655)</b>	<b>(141,752,251)</b>
<b>Revenue</b>	<b>66,563,436</b>	<b>62,529,082</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

	Year ended 31 December	
	2025	2024
Executive Directors' emoluments	357,412	292,544
Non-executive Directors' remuneration	18,300	20,552
Salaries and wages	2,525,273	2,275,016
Defined contribution plans	142,800	153,405
Provision for voluntary separation scheme	25,949	72,025
Defined benefit obligations [Note 13]	42,878	45,820
	<b>3,112,612</b>	<b>2,859,362</b>

## 6. OTHER OPERATING INCOME

	Year ended 31 December	
	2025	2024
Sundry sales / gains	41,050	40,407
	<b>41,050</b>	<b>40,407</b>

**7. OPERATING PROFIT**

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

	Year ended 31 December	
	2025	2024
Auditors' remuneration		
- Audit fees	5,509	5,247
- Audit related services	1,805	1,742
Legal fees	218,895	282,852
Donations	87,142	210,837
Technical and advisory fees	1,017,460	928,050
(Reversal of) / Provision for obsolete inventories	(562,996)	524,449
Provision for doubtful debts	88,455	93,064
Repairs and maintenance	510,338	470,293

**8. NET FINANCE INCOME**

	Year ended 31 December	
	2025	2024
Finance income		
- Interest income from bank deposits	1,038,585	1,288,304
- Exchange gain from long term borrowings	-	30,760
	1,038,585	1,319,064
Finance expense		
- Interest on lease liabilities [Note 21]	(9,678)	(18,812)
- Exchange loss from long term borrowings	(7,328)	-
	(17,006)	(18,812)

# Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

## 9. TAX EXPENSE

### 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 45% and 30% on profits arising from sales and interest income respectively in 2025.

### Amount recognised in profit or loss

	Year ended 31 December	
	2025	2024
Current tax on profit for the year	24,062,917	19,315,132
Deferred tax [Note 18]	219,484	18,950
Adjustments for prior years	443,469	-
	24,725,870	19,334,082

### Reconciliation of effective tax rate

	Year ended 31 December			
	%	2025	%	2024
Profit before tax		53,862,028		48,976,939
Tax calculated at tax rate of 45% and 40%	45.00	24,237,912	40.00	19,590,775
Tax effects of:				
Expenses not deductible for tax purposes	0.01	665,055	0.55	268,697
Expenses deductible for tax purposes	(0.01)	(687,512)	(0.85)	(415,475)
Rate differential in interest income	(0.00)	(152,539)	(0.26)	(128,865)
<b>Tax charge</b>	<b>44.68</b>	<b>24,062,917</b>	<b>39.44</b>	<b>19,315,132</b>
Reversal/(charge) of temporary differences [Note 18]	0.01	219,483	0.04	18,950
<b>Total Income Tax Expense</b>	<b>45.58</b>	<b>24,282,400</b>	<b>39.48</b>	<b>19,334,082</b>

## 10. EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2025	2024
Net profit attributable to shareholders (in thousands)	29,136,158	29,642,857
Weighted average number of ordinary shares in issue	187,323,751	187,323,751
<b>Basic earnings per share (Rs.)</b>	<b>155.54</b>	<b>158.24</b>
<b>Diluted earnings per share (Rs.)</b>	<b>155.54</b>	<b>158.24</b>

## 11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Freehold buildings	Building improvements upgrades	Leasehold buildings	Plant and machinery/equipment	Motor vehicles	Capital work in progress	Right of use assets	Total
<b>Cost</b>									
At 1 January 2024	96,837	361,769	610,059	25,942	6,249,530	67,292	2,420,732	633,699	10,465,859
Additions of right-of-use-assets	-	-	-	-	-	-	-	38,874	38,874
Transfers from CWIP	-	-	116,056	-	1,906,673	-	(2,022,729)	-	-
Additions to CWIP	-	-	-	-	-	-	1,238,096	-	1,238,096
Write-offs/Derecognitions	-	(25)	(246)	(120)	(183,192)	-	-	(81,352)	(264,935)
<b>At 31 December 2024</b>	<b>96,837</b>	<b>361,744</b>	<b>725,869</b>	<b>25,822</b>	<b>7,973,011</b>	<b>67,292</b>	<b>1,636,099</b>	<b>591,221</b>	<b>11,477,894</b>
<b>Accumulated depreciation</b>									
At 1 January 2024	-	290,180	189,552	25,942	3,682,593	21,220	-	371,399	4,580,887
Depreciation	-	5,358	57,140	-	358,574	14,662	-	228,766	664,500
Write-offs/Derecognitions	-	(25)	(246)	(120)	(183,192)	-	-	(81,352)	(264,935)
<b>At 31 December 2024</b>	<b>-</b>	<b>295,513</b>	<b>246,446</b>	<b>25,822</b>	<b>3,857,975</b>	<b>35,882</b>	<b>-</b>	<b>518,813</b>	<b>4,980,452</b>
<b>Closing net book value</b>	<b>96,837</b>	<b>66,231</b>	<b>479,423</b>	<b>-</b>	<b>4,115,036</b>	<b>31,410</b>	<b>1,636,099</b>	<b>72,408</b>	<b>6,497,442</b>
<b>Cost</b>									
At 1 January 2025	96,837	361,744	725,869	25,822	7,973,011	67,292	1,636,099	591,221	11,477,894
Additions of right-of-use assets	-	-	-	-	-	-	-	180,842	180,842
Transfers from CWIP	-	152,420	174,522	-	1,284,240	-	(1,611,182)	-	0
Additions to CWIP	-	-	-	-	-	-	820,022	-	820,022
Write-offs / Derecognitions	-	(1,394)	(17,629)	-	(236,109)	-	-	-	(255,132)
<b>At 31 December 2025</b>	<b>96,837</b>	<b>512,770</b>	<b>882,762</b>	<b>25,822</b>	<b>9,021,142</b>	<b>67,292</b>	<b>844,939</b>	<b>772,063</b>	<b>12,223,626</b>
<b>Accumulated depreciation</b>									
At 1 January 2025	-	295,513	246,446	25,822	3,857,975	35,882	-	518,813	4,980,452
Depreciation	-	7,848	66,205	-	411,386	14,662	-	89,059	589,160
Write-offs / Derecognitions	-	(1,394)	(17,629)	-	(214,494)	-	-	-	(233,517)
<b>At 31 December 2025</b>	<b>-</b>	<b>301,967</b>	<b>295,022</b>	<b>25,822</b>	<b>4,054,867</b>	<b>50,544</b>	<b>-</b>	<b>607,872</b>	<b>5,336,095</b>
<b>Closing net book value</b>	<b>96,837</b>	<b>210,803</b>	<b>587,740</b>	<b>(0)</b>	<b>4,966,275</b>	<b>16,748</b>	<b>844,939</b>	<b>164,191</b>	<b>6,887,531</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.2,552,475,112 (2024 - 2,146,272,468).
- 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 Fair value measurement

The freehold land and buildings were valued by professional valuer Dr. Lochana I. Silva who is a professionally qualified Independent Valuer. The valuations carried out on 14 January 2026 represents the market values of the respective properties as at 31 December 2025.

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 fair value of the properties mentioned below amounts to Rs. 10,265,300,000.

The fair value measurement for all properties has been categorised as level 3 fair value based on the input to the valuation technique used.

Property - 2025		Extent			No of Buildings	Revalued Amount Rs. '000	Valuation Technique	Significant Unobservable Inputs
Asset Type	Location	A	R	P				
Land and Buildings	Colombo head office and factory	7	2	22.25	38	8,183,000	Cost Approach Method	Under the Cost Approach, the valuer has used the current replacement cost of the assets based on recent construction costs and material prices, and then adjusted for deterioration and obsolescence to arrive at the fair value.
Land and Buildings	Kandy industrial premises	5	3	25.05	20	903,900		
Land and Buildings	Kandy commercial premises	0	2	13.75	4	238,800		
Land and Buildings	Haliela depot, stores and quarters	1	1	38.50	8	62,000		
Land and Buildings	Anuradhapura depot, stores and quarters	2	2	16.10	3	91,200		
Land and Buildings	Nildanhinna depot, stores and quarters	1	4	44.00	8	50,700		
Land and Buildings	Melsiripura depot, stores and quarters	1	3	1.25	7	95,200		
Land and Buildings	Ambale depot, stores and quarters	2	0	9.66	8	33,000		
Land and Buildings	Wendaruwa quarters	0	2	0.00	1	6,100		
Land and Buildings	Galewela depot, stores and quarters	5	3	39.88	20	199,200		
Land and Buildings	Nuwara Eliya Yalta	0	1	31.30	1	197,000		
Land and Buildings	Hunnasgiriya quarters	0	2	0.00	1	3,300		
Land	Hanguranketa	2	3	21.00	-	30,000	Market Comparable Method	Market value of land (Price per perch). Valuer has used range of prices for respective lands based on their recently transacted cost and asking prices.
Land	Naula	0	0	20.80	-	12,900		
Land	Nuwara Eliya	0	1	23.50	0	159,000		

## 12. INTANGIBLE ASSETS

Intangible assets comprise computer software development and purchase cost incurred by the Company that is not integral to the functionality of the related equipment.

	As at 31 December	
	2025	2024
<b>Cost</b>		
At 1 January	36,218	36,218
Additions	-	-
Write-offs	(1,181)	-
<b>At 31 December</b>	<b>35,036</b>	<b>36,218</b>
<b>Amortisation</b>		
At 1 January	36,218	36,218
Amortisation during the year	-	-
Write-offs	(1,181)	-
<b>At 31 December</b>	<b>35,036</b>	<b>36,218</b>
<b>Net book value</b>	<b>-</b>	<b>-</b>

## 13. EMPLOYMENT BENEFITS

### (a) Funded defined benefit plan

Subsequent to 1992, an externally funded policy was purchased from AIA Insurance Lanka Limited, which covered all 298 (2024 - 289) employees attached to the Company. The plan is fully funded by a policy obtained from AIA Insurance Lanka Limited. This policy meets the criteria mentioned in Sri Lanka Accounting Standard LKAS 19 - Employee Benefits, to classify it as a qualifying insurance policy.

### (b) The amounts recognised in the statement of financial position are determined as follows:

	As at 31 December	
	2025	2024
Defined Benefit Obligation	614,295	470,564
Fair Value of the Plan Asset	(619,473)	(537,386)
<b>Net Defined Benefit (Asset)/Liability</b>	<b>(5,178)</b>	<b>(66,822)</b>

Based on the actuarial valuation as at 31 Dec 2025, the Company does not anticipate making any additional funding contributions towards the defined benefit obligation in future periods. The obligation will continue to be met from the Company's internally generated funds as and when benefit payments fall due.

# 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>			
At 1 January 2025	470,564	(537,386)	(66,822)
Current service cost	50,696	-	50,696
Past service cost - plan amendments	-	-	-
Interest expense / (income)	51,099	(58,917)	(7,818)
	101,795	(58,917)	42,878
<b>Included in OCI:</b>			
<b>Remeasurements:</b>			
- Return on plan assets, excluding amounts included in interest expense	-	(90,814)	(90,814)
- Actuarial loss from change in financial assumptions	57,847	-	57,847
- Experience loss	51,733	-	51,733
	109,580	(90,814)	18,766
<b>Other:</b>			
Benefits paid	(67,644)	67,644	-
At 31 December 2025	614,295	(619,473)	(5,178)

	Defined benefit obligation	Fair value of plan asset	Net defined benefit (asset)/ liability
<b>Included in profit or loss:</b>			
At 1 January 2024	530,239	(619,524)	(89,285)
Current service cost	57,874	-	57,874
Past service cost - plan amendments	-	-	-
Interest expense / (income)	60,476	(72,529)	(12,053)
	118,350	(72,529)	45,821
<b>Included in OCI:</b>			
<b>Remeasurements:</b>			
- Return on plan assets, excluding amounts included in interest expense	-	(9,870)	(9,870)
- Actuarial loss from change in financial assumptions	(78,240)	-	(78,240)
- Experience loss	64,752	-	64,752
	(13,488)	(9,870)	(23,358)
<b>Other:</b>			
Benefits paid	(164,537)	164,537	-
At 31 December 2024	470,564	(537,386)	(66,822)

**(c) The Composition of the planned asset is as follows::**

	As at 31 December	
	2025	2024
Government securities	91.17%	88.53%
Corporate bonds	8.49%	11.04%
Equity	0.00%	0.43%
Fixed deposits	0.00%	0.00%
Policyholder loans	0.34%	0.00%
	100%	100%

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

	As at 31 December	
	2025	2024
Discount rate per annum	10.90%	11.70%
Annual salary increment rate	11.00%	11.00%
Staff turnover rate	9.50%	9.50%
Retirement Age (years)	60	60

**(E) Maturity analysis of the payments**

The following payments are expected on employee benefit plan in future years

	As at 31 December	
	2025	2024
31-Dec-26	13,969	12,419
31-Dec-27	15,170	13,430
31-Dec-28	25,830	14,669
31-Dec-29	24,065	25,342
31-Dec-30	72,018	22,128
March 31, 2031 to March 31, 2035	228,396	247,250

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.

The Company determined the discount rate of 10.90% based on the available treasury bond rate movement as at 31 December 2025. Further, the salary increment rate of 11.00% 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.

# Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

## 13. EMPLOYMENT BENEFITS (CONTD.)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	2025		
	Change in assumption	Increase	Decrease
Discount rate per annum	1.00%	(71,074)	85,130
Annual salary increment rate	1.00%	84,263	(71,638)

	Impact on defined benefit obligation		
	2024		
	Change in assumption	Increase	Decrease
Discount rate per annum	1.00%	(54,017)	64,655
Annual salary increment rate	1.00%	64,494	(54,807)

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 2025, the weighted-average duration of the defined benefit obligation of the permanent cadre was 14 years (2024 -14).

## 14. INVENTORIES

	As at 31 December	
	2025	2024
Raw materials	5,781,287	5,850,101
Work-in-progress	76,880	91,575
Finished goods	198,994	124,516
Consumables	714,438	928,996
Provision for obsolete and slow moving inventories ( Note 14.1)	(149,657)	(712,653)
	6,621,942	6,282,535

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

	As at 31 December	
	2025	2024
At 1 January	712,653	188,204
Charge/(reversal)during the year	(225,695)	524,449
Write offs during the year	(337,301)	-
<b>At 31 December</b>	<b>149,657</b>	<b>712,653</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. A specific provision amounting to Rs. 337 Million was made in relation to raw materials and finished goods in the prior year, which has been written off during the year.

**15. TRADE AND OTHER RECEIVABLES**

	As at 31 December	
	2025	2024
<b>Current</b>		
Trade receivables	4,257,948	3,349,741
Receivables from related parties [Note 25 (iii)]	28,336	157,073
Advances to farmers	287,549	307,315
Staff loans	93,269	102,888
Other receivables	985,219	1,418,109
Less: provision for impairment of receivables	(125,616)	(156,263)
	<b>5,526,705</b>	<b>5,178,863</b>
<b>Non-current</b>		
Staff loans	441,215	232,576
<b>Total trade and other receivables</b>	<b>5,967,920</b>	<b>5,411,439</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.

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

	As at 31 December	
	2025	2024
At 1 January	(156,263)	(138,674)
Provision for the year	(88,455)	(93,064)
Write-offs during the year	119,102	75,475
Reversals during the year	-	-
<b>At 31 December</b>	<b>(125,616)</b>	<b>(156,263)</b>

# Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

## 16. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2025	2024
Cash at bank and in hand	27,921,751	24,110,504
Short term investments	3,445,899	3,450,466
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>31,367,650</b>	<b>27,560,970</b>

Short term investments consists of three months fixed deposit investments placed at the interest rate of 7.30% for Rs. 2 Billion and 7.50% for Rs. 1.4 Billion in 2025 and interest rate 9.00% for Rs. 2 Billion and 8.00% for Rs. 1.4 Billion in 2024.

## 17. STATED CAPITAL

	As at 31 December	
	2025	2024
Share value (Rs. 000)	1,873,238	1,873,238
Number of shares	187,323,751	187,323,751

All issued ordinary shares are fully paid.

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

## 18. DEFERRED TAX LIABILITY

Deferred tax is recognised in respect of all temporary differences under liability method using the effective tax rate.

The movement on the deferred income tax account is as follows:

	As at 31 December	
	2025	2024
At beginning of the year	592,625	573,675
Charge for the year	219,484	18,950
<b>At end of the year</b>	<b>812,109</b>	<b>592,625</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	Right of use	Unfunded defined benefit obligation	Provisions	Total
Balance as at 1 January 2024	(876,946)	16,320	-	286,952	(573,674)
Recognised in profit or loss	(113,792)	(15,664)	-	110,506	(18,950)
<b>At 31 December 2024</b>	<b>(990,738)</b>	<b>656</b>	<b>-</b>	<b>397,458</b>	<b>(592,624)</b>
Balance as at 1 January 2025	(990,738)	656	-	397,458	(592,624)
Recognised in profit or loss	(252,477)	34,624	-	(1,631)	(219,484)
<b>At 31 December 2025</b>	<b>(1,243,215)</b>	<b>35,280</b>	<b>-</b>	<b>395,827</b>	<b>(812,109)</b>

	2025		2024	
	Temporary Differences	Tax Effect	Temporary Differences	Tax Effect
<b>Deferred Tax Liability On</b>				
Right to use (ROU)	(134,461)	(60,507)	(17,138)	(6,855)
Property, Plant and Equipment excluding ROU	(2,628,238)	(1,182,707)	(2,459,706)	(983,882)
	(2,762,699)	(1,243,215)	(2,476,844)	(990,738)
<b>Deferred Tax Assets On</b>				
Lease Liability	78,401	35,280	1,643	656
Provision	879,615	395,827	993,644	397,458
	958,016	431,107	995,287	398,114
	(1,804,683)	(812,109)	(1,481,558)	(592,624)

## 19. TRADE AND OTHER PAYABLES

	As at 31 December	
	2025	2024
Trade payables	651,350	980,034
Payable to related parties [Note 25 (iii)]	1,893,471	830,069
Accrued expenses	8,230,893	6,696,345
Government levies	13,382,370	13,581,393
Other payables	1,453,138	1,079,328
	25,611,222	23,167,170

## 20. DIVIDENDS PAYABLE

(a) The movement of dividend payable over the year is as follows:

	As at 31 December	
	2025	2024
At 1 January	-	-
Dividends declared [Note (c)]	29,286,195	30,297,743
Dividends paid	(29,157,458)	(30,175,048)
Transfers to unclaimed dividend [Note (b)]	(128,737)	(122,695)
At 31 December	-	-

# Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

## 20. DIVIDENDS PAYABLE (CONTD.)

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

	As at 31 December	
	2025	2024
At 1 January	503,443	388,964
Transfers	128,737	122,695
Payments	(3,763)	(4,271)
Write back	(79,384)	(3,945)
<b>At 31 December</b>	<b>549,033</b>	<b>503,443</b>

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

	2025		2024	
	per share	Rs.	per share	Rs.
Fourth interim dividend for prior year	29.10	5,451,121	31.00	5,807,036
Final dividend for prior year	17.24	3,229,461	18.84	3,529,179
First interim dividend	32.00	5,994,360	32.70	6,125,487
Second interim dividend	41.00	7,680,274	38.30	7,174,500
Third interim dividend	37.00	6,930,979	40.90	7,661,541
	<b>156.34</b>	<b>29,286,195</b>	<b>161.74</b>	<b>30,297,743</b>

## 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

	2025	2024
Balance as of 1 January	72,407	262,299
Addition to right-of-use assets	180,842	38,874
Derecognition of right-of-use assets	-	-
Depreciation charge for the year	(89,059)	(228,766)
<b>Balance as at 31 December</b>	<b>164,191</b>	<b>72,407</b>

**(b) Lease liabilities**

	2025	2024
Balance as of 1 January	77,475	275,738
Additions to lease liabilities	180,842	38,874
Derecognition of lease liabilities	-	-
Interest expense	9,678	18,812
Payment of lease liabilities	(100,200)	(255,949)
<b>Balance as at 31 December</b>	<b>167,795</b>	<b>77,475</b>
<b>Maturity analysis - contractual undiscounted cash flows</b>		
Less than one year	160,866	62,328
One to five years	18,108	21,193
More than five years	-	-
<b>Total undiscounted liabilities as at 31 December</b>	<b>178,974</b>	<b>83,521</b>
<b>Lease liabilities included in the statement of financial position as at 31 December</b>		
Current	150,280	57,431
Non-current	17,515	20,044

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

	2025	2024
Depreciation of right-of-use assets	89,059	228,766
Interest on lease liabilities	9,678	18,812
Expense relating to short term leases	898	13,924

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

	2025	2024
<b>Total cash outflow for leases</b>	<b>100,200</b>	<b>255,949</b>
Capital	90,522	237,137
Interest	9,678	18,812

**22. LONG TERM BORROWINGS**

	As at 31 December	
	2025	2024
Balance as at January	292,995	323,755
Additions during the year	-	-
Less: Payments for long-term borrowings	(300,323)	-
Exchange (gain)/loss [Note 8]	7,328	(30,760)
<b>Balance as at Decemebr</b>	<b>-</b>	<b>292,995</b>

# Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

## 23. CONTINGENT LIABILITIES

There were no material contingent liabilities requiring disclosure for the period.

## 24. COMMITMENTS

- (a) Rs. 500 Million (2024 - Rs. 500 Million) Bank Guarantee issued in favour of Commissioner General of Excise to obtain certificate of registration (Manufacturing License) in accordance with the provisions of the Tobacco Tax Act No. 8 of 1999 (as amended).
- (b) Shipping Guarantees have been issued amounting to Rs. 234 Million (2024 - Rs. 200.87 Million), for goods cleared before the arrival of original bank documents.

## 25. RELATED PARTY TRANSACTIONS

### Transactions with related parties

The Company has a number of transactions and relationships with related parties, as defined in LKAS 24 - Related Party Disclosures, all of which are undertaken in the normal course of business and on an arm's length basis.

### Non-recurrent related party transactions

Any non-recurrent related party transactions of which the aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 December 2025 Audited Financial Statements requires additional disclosures in the 2025 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 2025 Audited Financial Statements requires additional disclosures in the 2025 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.

### Terms and conditions of related party transactions

1. All related party transactions were conducted at arm's length, in the ordinary course of business.
2. Pricing is determined based on the Group's transfer pricing policy, cost-plus margin and market-based rates.
3. Outstanding balances are unsecured and interest-free, unless otherwise stated.
4. No guarantees have been provided or received in respect of related party balances.
5. Related party balances are settled in cash within the expected normal commercial credit terms.
6. The Company has assessed and determined that no impairment losses are required for related party balances.

The following transactions were carried out with related parties:

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

Name of the company	Relationship	Nature of the transaction	2025	2024
British American Shared Services GSD Limited	Fellow subsidiary	Provision of Services	-	4,764
BAT AsPac Service Centre Sdn Bhd	Fellow subsidiary	Provision of Services	15,779	48,127
BAT Bangladesh Company Limited	Fellow subsidiary	Provision of Services	-	6,846
BAT GLP LTD.	Fellow subsidiary	Sale of goods	-	614,327
British American Tobacco Chile	Fellow subsidiary	Sale of goods	214	-
			15,994	674,064

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

Name of the company	Relationship	Nature of the transaction	2025	2024
BAT (Holdings) Limited	Fellow subsidiary	Receipt of services	58,603	66,581
British American Shared Services (GSD) Limited	Fellow subsidiary	Receipt of services	1,150,302	760,268
BAT Investments Limited	Fellow subsidiary	Receipt of services	1,036,421	928,050
BAT ASPAC Service Centre Sdn Bhd	Fellow subsidiary	Receipt of services	-	331,720
Pakistan Tobacco Company	Fellow subsidiary	Receipt of services	-	4,778
BAT SAA Service (Private) Ltd	Fellow subsidiary	Receipt of services	(7,730)	7,584
British American Tobacco Tutun	Fellow subsidiary	Receipt of services	322	-
BAT Bangladesh Company Limited	Fellow subsidiary	Receipt of services	6,728	9,252
Nicoventures Trading Ltd	Fellow subsidiary	Receipt of services	-	75,361
BAT Marketing Singapore Pte Ltd	Fellow subsidiary	Receipt of services	83,076	-
R J Reynolds Tobacco Company	Fellow subsidiary	Purchase of goods	544	-
PT Bentoel Prima	Fellow subsidiary	Purchase of goods	19,987	117,511
BAT ME DMCC	Fellow subsidiary	Purchase of goods	392	-
British-American Tobacco (Singapore) Pte Ltd	Fellow subsidiary	Purchase of goods	9,491	29,947
Benson & Hedges (Overseas) Limited	Fellow subsidiary	Royalty	14,511	12,421
British American Tobacco Exports Li	Fellow subsidiary	Royalty	521,507	620,993
			2,894,155	2,964,466

# Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

## 25. RELATED PARTY TRANSACTIONS (CONTD.)

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

#### Receivable from related parties [Note 15]

Name of the company	Relationship	Nature of the transaction	2025	2024
British American Shared Services GSD Limited	Fellow subsidiary	Provision of services	-	46,305
BAT Myanmar Limited	Fellow subsidiary	Provision of services	-	66
BAT AsPac Service Centre Sdn Bhd	Fellow subsidiary	Provision of services	15,779	92,831
BAT INVESTMENTS LTD	Fellow subsidiary	Provision of services	446	207
BAT Global Travel Retail Limited	Fellow subsidiary	Provision of services	-	346
TDR d.o.o.	Fellow subsidiary	Provision of services	-	1
British American Tobacco ME DMCC	Fellow subsidiary	Provision of services	-	1,990
VINA-BAT JV HCMC Branch	Fellow subsidiary	Provision of services	1,529	2,773
British-American Tobacco (Singapore) PTE LTD	Fellow subsidiary	Provision of services	2,388	3,756
BAT Bangladesh Company Limited	Fellow subsidiary	Provision of services	6,846	6,846
British-American Tobacco Polska S.A	Fellow subsidiary	Provision of services	-	254
BAT Marketing Singapore Pte Ltd.	Fellow subsidiary	Sale of goods	-	61
Pakistan Tobacco Company Ltd.	Fellow subsidiary	Sale of goods	152	261
British American Tobacco Tutun	Fellow subsidiary	Sale of goods	-	4
BAT Zimbabwe (Holdings) LTD	Fellow subsidiary	Sale of goods	674	1,014
British American Tobacco Mexico	Fellow subsidiary	Sale of goods	-	-
BRITISH AMERICAN TOBACCO CHILE	Fellow subsidiary	Sale of goods	214	-
BAT Nigeria Ltd	Fellow subsidiary	Sale of goods	308	357
			28,336	157,073

**Payable to related parties [Note 19]**

Name of the company	Relationship	Nature of the transaction	2025	2024
BAT (Holdings) Limited	Fellow subsidiary	Receipt of services	45,996	20,036
British American Shared Services (GSD) Limited	Fellow subsidiary	Receipt of services	582,680	204,453
BAT Investments Limited	Fellow subsidiary	Receipt of services	581,500	25,979
BAT ASPAC Service Centre Sdn Bhd	Fellow subsidiary	Receipt of services	-	96,940
Pakistan Tobacco Company	Fellow subsidiary	Receipt of services	4,778	4,718
BAT SAA Service (Private) Ltd	Fellow subsidiary	Receipt of services	-	7,584
BAT Bangladesh Company Limited	Fellow subsidiary	Receipt of services	17,766	12,320
CTBAT International Co. Limited	Fellow subsidiary	Receipt of services	-	42
Nicoventures Trading Ltd	Fellow subsidiary	Receipt of services	6,021	75,361
British American Tobacco Malaysia	Fellow subsidiary	Receipt of services	14,413	12,797
BAT Marketing Singapore Pte Ltd	Fellow subsidiary	Receipt of services	83,076	-
R J Reynolds Tobacco Company	Fellow subsidiary	Purchase of goods	544	-
BAT Switzerland S.A.	Fellow subsidiary	Purchase of goods	-	232
British American Tobacco So	Fellow subsidiary	Purchase of goods	1,376	1,876
BAT ME DMCC	Fellow subsidiary	Purchase of goods	392	-
PT Bentoel Prima	Fellow subsidiary	Purchase of goods	70,571	62,515
British American Tobacco Kenya Ltd	Fellow subsidiary	Purchase of goods	-	84
British American Tobacco (Cambodia) Ltd	Fellow subsidiary	Purchase of goods	15,021	27,464
BAT Nigeria Ltd	Fellow subsidiary	Purchase of goods	659	1,203
BAT Romania Investment	Fellow subsidiary	Purchase of goods	-	407
British-American Tobacco (Singapore) Pte Ltd	Fellow subsidiary	Purchase of goods	113,023	162,372
British American Tobacco Tutun	Fellow subsidiary	Purchase of goods	322	1,197
British American Tobacco Mexico S.A. de C.V.	Fellow subsidiary	Purchase of goods	9,846	18,955
British American Tobacco Chile	Fellow subsidiary	Purchase of goods	39	63
Benson & Hedges (Overseas) Limited	Fellow subsidiary	Royalty	3,634	4,832
British American Tobacco Exports Li	Fellow subsidiary	Royalty	341,814	88,641
			1,893,471	830,069

# Notes to the Financial Statements

(all amounts in Sri Lanka Rupees thousands)

## 25. RELATED PARTY TRANSACTIONS (CONTD.)

### (iv) Key management compensation

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

	Year ended 31 December	
	2025	2024
Salaries and other short-term employee benefits	723,257	583,895
Share based payments	8,105	6,518

### (v) Post-employment benefits

	Year ended 31 December	
	2025	2024
Ceylon Tobacco Company PLC Group Provident Fund	142,800	153,405

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 p.l.c, 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 2025, the fair value of the Phantom shares granted was Rs. 46.6 Million (2024 - Rs. 10.9 Million).

## 26. EVENTS AFTER THE REPORTING PERIOD

Fourth interim dividend of Rs. 28.00 per share was declared for the financial year 2025 on 18 February.

The directors recommend a final dividend of Rs. 17.54 per share for 2025. The final dividend is subject to the approval of the shareholders at the Annual General Meeting to be held on 26 May 2026. Once approved by the shareholders, the final dividend will be payable on 16 June 2026.

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



# The DNA of Transparent Accountability

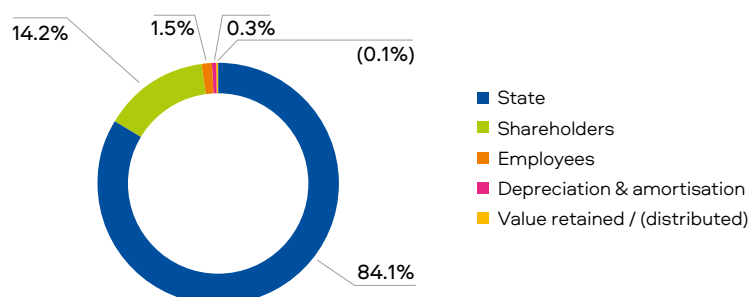
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# Statement of Value Added

(all amounts in Sri Lanka Rupees thousands)

	Year ended 31 December	
	2025	2024
Turnover	215,670,091	204,281,333
Supplied material and services	(10,062,265)	(11,368,940)
Net interest income	1,021,579	1,300,252
Other operating income	41,050	40,407
	206,670,455	194,253,052
State	173,832,525	161,086,332
Shareholders	29,286,195	30,297,743
Employees	3,112,612	2,859,362
Depreciation & amortisation	589,160	664,500
Value retained / (distributed) in business through profit earned	(150,037)	(654,885)
	206,670,455	194,253,052



# 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 2025 was 6,002 (4,818 as at 31 December 2024).

## 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 2025	6,002
Number of Shareholders as at 31 December 2024	4,818

2025	Resident			Non Resident			Total		
	No. of Shareholders	No. of Share	%	No. of Shareholders	No. of Share	%	No. of Shareholders	No. of Share	%
1-1000	4,916	692,890	0.37	45	10,916	0.01	4,961	703,806	0.38
1001-10,000	849	2,568,038	1.37	38	162,469	0.09	887	2,730,507	1.46
10,001-100,000	108	3,031,335	1.62	25	686,308	0.37	133	3,717,643	1.99
100,001-1,000,000	14	3,348,190	1.78	4	774,527	0.41	18	4,122,717	2.19
Over 1,000,000	-	-	-	3	176,049,078	93.98	3	176,049,078	93.98
<b>Total</b>	<b>5,887</b>	<b>9,640,453</b>	<b>5.14</b>	<b>115</b>	<b>177,683,298</b>	<b>94.86</b>	<b>6,002</b>	<b>187,323,751</b>	<b>100</b>

2024	Resident			Non Resident			Total		
	No. of Shareholders	No. of Share	%	No. of Shareholders	No. of Share	%	No. of Shareholders	No. of Share	%
1-1000	3,752	629,299	0.34	44	11,333	0.01	3,796	640,632	0.35
1001-10,000	833	2,505,431	1.34	38	158,194	0.08	871	2,663,625	1.42
10,001-100,000	109	3,171,691	1.69	21	589,411	0.31	130	3,761,102	2.00
100,001-1,000,000	13	2,867,719	1.53	5	946,458	0.51	18	3,814,177	2.04
Over 1,000,000	-	-	-	3	176,444,215	94.19	3	176,444,215	94.19
<b>Total</b>	<b>4,707</b>	<b>9,174,140</b>	<b>4.90</b>	<b>111</b>	<b>178,149,611</b>	<b>95.10</b>	<b>4,818</b>	<b>187,323,751</b>	<b>100</b>

	2025			2024		
	No. of Shareholders	No. of Share	%	No. of Shareholders	No. of Share	%
Individuals	5,770	6,809,249	3.64	4,591	6,528,631	3.49
Institutions	232	180,514,502	96.36	227	180,795,120	96.51
	<b>6,002</b>	<b>187,323,751</b>	<b>100</b>	<b>4,818</b>	<b>187,323,751</b>	<b>100</b>

# Share Information

## MARKET VALUE OF SHARE (RS.)

	2025	2024
<b>Price Movements (Rs.)</b>		
Highest	1,735.00	1,415.00
Lowest	1,200.00	955.00
Closing Price	1,725.50	1,397.25
<b>Market Capitalisation (Rs. Million)</b>		
	323,227	261,738
<b>No. of share transactions for the year</b>		
	15,966	9,785
<b>No. of shares traded</b>		
	2,712,131	2,493,470

## DIVIDEND PAYMENTS

	2025 Rs. Per Share	2024 Rs. Per Share
Final dividend for prior year	17.24	18.84
First interim dividend	32.00	32.70
Second interim dividend	41.00	38.30
Third interim dividend	37.00	40.90
Fourth interim dividend for prior year	29.10	31.00

## DIRECTORS SHAREHOLDING (INCLUDING SPOUSES & CHILDREN)

	No of Shares As at 31 December	
	2025	2024
Mr. S.K. Shah	-	-
Mr. K. D'Alwis	-	-
Mr. H. de Silva Wijeyeratne	-	-
Ms. F. Subhani	-	-
Mr. T. Akbar	-	-
Mr. S.R. Kidd	-	-
Mr. G. Tarrant	-	-
Ms. S.P. Chandrasiri	-	-

**PUBLIC SHAREHOLDERS**

	No of Shares As at 31 December	
	2025	2024
Parent Company	157,590,931	157,590,931
Subsidiaries or Associate Companies of Parent	-	-
10% or more holding	-	-
Directors shareholding (including spouses & children)	-	-
Public Holding	29,732,820	29,732,820
	187,323,751	187,323,751
Public Holding as a % of Issued Share Capital	15.87	15.87
Number of shareholders holding the Public Holding	6,001	4,817
Market Capitalisation of Public Holding (Rs. Million)	51,289	41,544

The Company complies with option 1 of the Listing Rule 7.13.1(a) - Float Adjusted Market Capitalisation of Rs. 10.0 Billion which requires no minimum public holding percentage.

**20 LARGEST SHAREHOLDERS**

	2025		2024	
	No. of Shares	%	No. of Shares	%
British American Tobacco International Holdings B.V.	157,590,931	84.13	157,590,931	84.13
Philip Morris Brand SARL	15,585,910	8.32	15,585,910	8.32
CB NY S/A Allan Gray Frontier Markets Equity Fund Limited	2,872,237	1.53	3,267,374	1.74
J.B.Cocoshell (Pvt) Ltd	859,542	0.46	837,373	0.45
Employees' Provident Fund	538,401	0.29	314,000	0.17
Mrs. J.K.P. Singh	261,111	0.14	297,233	0.16
Perera and Sons Bakers PVT Limited	252,500	0.13	-	-
Mr. S.P. Jayawardena	237,481	0.13	225,111	0.12
Deutsche Bank AG AS Trustee For JB vantage Value Equity Fund	209,260	0.11	162,883	0.09
Miss N. Harnam	193,221	0.10	198,938	0.11
Deutsche Bank AG Singapore A/C2(DCS CLT ACC FOR DEUTSCHE BANK AG SINGAPORE- PWM WM CLIENT)	175,600	0.09	175,600	0.09
Odyssey Capital Partners (Private) Limited	173,831	0.09	154,883	0.08
Ranavav Holdings (Private) Limited	162,448	0.09	112,448	0.06
Mr. H. Yusoof	153,616	0.08	-	-
Mr. A.M. Weerasinghe	150,000	0.08	115,500	0.06
Harnam Holdings SDN BHD	144,595	0.08	145,000	0.08
Jafferjee Brothers Exports (Private) Limited	131,300	0.07	131,300	0.07
Mr. J.D. Bandaranayake	128,412	0.07	118,412	0.06
Galle Face Capital Partners PLC	124,949	0.07	105,000	0.06
Mr. J.D. Bandaranayake	122,450	0.07	112,450	0.06
Rubber Investment Trust Ltd A/C 01	-	-	375,507	0.20
BNYM RE- GHI Holdings Mauritius	-	-	129,687	0.07
<b>Sub Total</b>	<b>180,067,795</b>	<b>96.13</b>	<b>180,155,540</b>	<b>96.18</b>
Others	7,255,956	3.87	6,963,974	3.82
<b>Total Shares</b>	<b>187,323,751</b>	<b>100</b>	<b>187,323,751</b>	<b>100.00</b>

# Notice of Meeting

Dear Shareholder/s,

## 95<sup>th</sup> ANNUAL GENERAL MEETING OF THE SHAREHOLDERS

Notice is hereby given that the 95th Annual General Meeting (AGM) of Ceylon Tobacco Company PLC will be held at the Auditorium of Ceylon Tobacco Company PLC, No. 178, Srimath Ramanathan Mawatha, Colombo 15, on Tuesday, 26 May 2026 at 10.00am, for the following purposes:

1. To confirm the quorum.
2. To receive, consider and adopt the Report of the Directors and the Statement of Accounts for the year ended 31 December 2025 and the Report of the Auditors thereon.
3. To declare a Final dividend for the Financial Year ended 31 December 2025 as recommended by the Directors.
4. To elect / re-elect the following Directors:
  - To re-appoint as Director and Chairman, Mr. Suresh Kumar Shah, who has attained the age of sixty-five (65) years and vacates his office as per Article 86 of the Articles of Association of the Company.
  - To re-elect as Director, Mr. Gary Tarrant, having retired by rotation and being eligible for re-election as per Article 87- 90 of the Articles of Association of the Company.
  - To re-elect as Director, Mr. Harin De Silva Wijeyeratne, having retired by rotation and being eligible for re-election as per Article 87 - 90 of the Articles of Association of the Company.
5. To authorize the Directors to determine and make donations.
6. To re-appoint Messrs. KPMG as the Company's Auditors and to authorise the Directors to determine their remuneration.

By Order of the Board



**Zahrah Cader**

Company Secretary

20 April 2026, Colombo

# 95<sup>th</sup> AGM of Ceylon Tobacco Company PLC Instructions to Shareholders

## NOTES

1. A member entitled to attend and vote at the above-mentioned meeting is entitled to appoint a Proxy, who need not also be a member, to attend instead of him. Such a Proxy may vote on a poll (and join in demanding a poll) but not on a show of hands. The Proxy may not speak at the meeting unless expressly authorised by the instrument appointing him.
2. A Form of Proxy is enclosed herewith.
3. The Completed Form of Proxy should be deposited at the Registered Office of the Company, No. 178, of Srimath Ramanathan Mawatha, Colombo 15 or sent by email to CTCAGM@bat.com not less than 48 hours before the time for holding the meeting.

## IMPORTANT

We wish to bring to your notice that in order to ensure the security of all persons and property within the Company premises, entry into the premises is being permitted in the following manner:

1. Admission is granted on the production of the National Identity Card/Passport/Driving License.
2. All persons entering the premises are subject to a security check.
3. No person is allowed to bring any parcel into the premises.
4. Vehicles are parked outside the premises in a place reserved for this purpose.

**YOUR CO-OPERATION IN THIS REGARD WILL BE GREATLY APPRECIATED.**

## N.B.

ON ARRIVAL THE SHAREHOLDERS WILL BE USHERED TO THE RECEPTION AREA.

TRANSPORT WILL BE PROVIDED FROM THE RECEPTION AREA TO THE AUDITORIUM FOR THE MEETING AND TO RETURN TO THE RECEPTION AREA AT THE CONCLUSION OF THE MEETING.

## Shareholder participation via questions, comments and suggestions prior to the AGM

Shareholders may submit questions, comments or suggestions relating to the business of the AGM, directly to the Company by email to CTCAGM@bat.com by 5.00pm on Wednesday, 13th May 2026 for them to be addressed at the AGM.

Please note that this is not a public event and therefore any recording or publishing of this event in full or in part in any manner or form is strictly prohibited.

The Company reserves the exclusive right to deny continued participation to any person who violates these instructions and to take any action as deemed necessary, including reporting such persons to law enforcement authorities.



# Form of Proxy

(Please read the notes carefully before completing this form)

I / We the undersigned (please print) .....

of ..... being a member/members of the Company, hereby

appoint ..... of ..... whom failing

Mr. Suresh Shah	whom failing
Mr. Harin De Silva Wijeyeratne	whom failing
Mr. Kushan D'Alwis	whom failing
Ms. Fariyha Subhani	whom failing
Mr. Towhid Akbar	whom failing
Mr. Gary Tarrant	whom failing
Mr. Stuart Kidd	whom failing
Ms. Samanmalee Chandrasiri	

as my / our Proxy to represent me / us and \* ..... vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held at 10.00 a.m. on Tuesday, 26th May 2026 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 31st December 2025.	<input type="checkbox"/>	<input type="checkbox"/>
(ii) To declare a Final dividend.	<input type="checkbox"/>	<input type="checkbox"/>
(iii) To re-appoint as Director and Chairman, Mr. Suresh Kumar Shah, who has attained the age of sixty-five (65) years and vacates his office as per Article 86 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(iv) To re-elect as Director, Mr. Gary Tarrant, having retired by rotation and being eligible for re-election as per Article 87- 90 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(v) To re-elect as Director, Mr. Harin De Silva Wijeyeratne, having retired by rotation and being eligible for re-election as per Article 87- 90 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(vi) To authorise the Directors to determine and make donations.	<input type="checkbox"/>	<input type="checkbox"/>
(vii) To appoint Messrs. KPMG as the Company's Auditors and authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

.....  
Signature

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

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 CTCAGM@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 organization that good environmental practice is good businesses practice and are therefore committed to;

- Comply with all applicable national environmental laws and regulations and BAT's EHS guidelines.
- Use our established framework of policy, best practices, and procedures to manage our environmental performances and monitor compliance through internal auditing capabilities.
- Understand our impacts on the environment in which we operate and proactively put in place plans to minimize such impacts.
- Monitor environmental performance through a set of key matrices, set targets for continuous improvement and where applicable use external assurances to verify our performance.
- Provide appropriate training as may be required to staff and share good practice across the organization.
- Work with suppliers and service providers to reduce the impacts of our products and services across the total lifecycle, share good practices and support them to manage their business in an environmentally sustainable manner.
- Collaborate with key stakeholders to understand emerging issues, regulatory and social expectations and technological innovations and work to develop sustainable solutions to these challenges.
- Continuously seek to conform to the best international environmental standards in line with business objectives.

Specific to our business we will focus on the following 4 priority areas,

### Tracking Climate Change

- Increasing our energy provision from renewable resources.

### Water Stewardship

- Reducing the amount of water withdrawn and increasing water recycling across our operations.
- Obtaining and maintaining certification to the alliance for Water Stewardship's management standard.

### Eliminating Waste

- Working towards eliminating single use plastic from our packaging
- Reducing waste generation across our operations.
- Working towards 100% Zero Waste to Landfill (ZWTL) across all operations sites.

### Protecting Biodiversity and Forests

- Continuing to work with our farmers to develop, advance and implement environmentally responsible agricultural practices and biodiversity protection best practices.
- Applying a mitigation hierarchy (avoid, minimise, restore & offset) when our tobacco supply chain operates in locations in close proximity to globally or nationally important biodiversity areas, while collaborating with external partners to support us on that journey.

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

**Zahrah Cader**

Company Secretary  
Ceylon Tobacco Company PLC

20 April 2026

# Appendices



## SUSTAINABLE TOBACCO PROGRAMME (STP) POLICY

Ceylon Tobacco Company PLC hereby assures dedication focus on the following areas for the Sustainable Tobacco Programme (STP).

- Conduct all our business activities according to the Company EHS, Quality, Biodiversity and STP policies.
- Minimise our contribution to climate change through focus on soil and water conservation, Integrated Pest Management (IPM), cultivation of productive varieties, minimum and appropriate use of fuel in tobacco production, elimination of farm Non Tobacco Related Material (NTRM), reduction of carbon emission per kg of tobacco and Integrated Crop Management (ICM) to ensure sustainable development.
- Motivate tobacco farmers through effective and efficient training methods to follow Good Agriculture Practices (GAP). Facilitate such practices to be transmitted to the wider farming community by setting examples.
- Educate on Green Tobacco Sickness (GTS) to ensure stakeholder health and safety.
- Improve productivity to ensure better living standards through socio-economic development.
- Educate farmers on children's rights to education to ensure that the industry does not employ minors in crop production.
- Educate and promote Good Labour Practices (GLP) among relevant stakeholders aligning to local and international guidelines.
- Maintain a continuous productive dialogue with stakeholders to capture the opinions and retain responsibility to respond to them in a timely manner.
- Contribute to rural and national development through social responsibility.
- Establish BAT standards across the operation and ensure compliance to all legal requirements and commitment to implement all best practices among the relevant stakeholders.

A handwritten signature in black ink, appearing to read 'Zahrah Cader'.

**Zahrah Cader**

Company Secretary  
Ceylon Tobacco Company PLC

20 April 2026



## 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 p.l.c. business principle of Good Corporate Conduct, we aim to minimise our impact on biodiversity and the wider environment. Part of this commitment means avoiding, minimising or mitigating our impacts on biodiversity and linked ecosystem services, or where this is not appropriate or most beneficial, offsetting those impacts at a regional or national level. In order to meet this commitment:

- We will ensure that our business is in compliance with all international and national biodiversity laws as a minimum requirement.
- We commit to assessing our impacts, i.e. we will identify areas of high biodiversity value and understand our impacts on ecosystem services. We will also assess our impacts where our ecological footprint is changing due to an increase or decrease in production or changes to production methods.
- We will undertake these assessments, engaging with stakeholders such as farmers, conservation organisations, universities and governments, to understand local issues and take into account their needs and requirements.
- These assessments and stakeholder engagements will lead to action plans to avoid, minimise, mitigate or offset our impacts, with effective monitoring mechanisms to ensure such action plans are implemented and progress is reported.
- We will also take steps to share information with suppliers, assisting them in understanding and managing their impacts on biodiversity, hence minimising our impact throughout the supply chain, e.g. in the sourcing of leaf and packaging materials.

This statement will enhance the integration of biodiversity conservation principles into the business. All further guidelines and assessment tools will be integrated into the existing systems and tools such as:

- Environmental, Health and Safety (EHS) Policy and guidelines
- Agronomy guidelines
- Social Responsibility in Tobacco Production (SRTP) Policy and guidelines
- Business Enabler Survey Tool (BEST)
- Sustainable Tobacco Programme (STP)

This statement will be reviewed periodically by the EHS department in conjunction with the British American Tobacco Biodiversity Partnership.

**Zahrah Cader**

Company Secretary  
Ceylon Tobacco Company PLC

20 April 2026

# Appendices



## HEALTH AND SAFETY POLICY STATEMENT

Ceylon Tobacco Company PLC, in its seed-to-smoke supply chain as manufacturer, marketer and distributor, is committed to safeguard the health, safety and welfare of all employees and non-Company personnel on our premises, in the successful conduct of our business. Therefore we commit that we will:

- Comply with all applicable national laws and regulations on health and safety and BAT's EH&S Guidelines,
- Prevent injury and ill-health of employees and non-company personnel on our premises by providing and maintaining safe and healthy working conditions, equipment and systems of work,
- Provide work instructions, training and supervision for all employees and other associated personnel as may be required to ensure safe and healthy work conditions,
- Strive for continued improvement in our health and safety management and performance, through setting clear objectives, including the monitoring and measurement of key performance indicators,
- Ensure the active participation of each employee and others as appropriate, in promoting, achieving and maintaining the highest standards of health and safety in so far as reasonably practicable,
- Effectively control workplace health and safety risks through hazard identification and risk assessment and initiate actions to mitigate significant risks, and
- Continuously seek to conform with best international health and safety standards in line with business objectives.

The Executive Committee has overall responsibility of Health and Safety and owns this policy. All staff regardless of their level in the organisation will take reasonable care of the health and safety of themselves and others while at work and co-operate fully with the Company in all health and safety related matters.

A handwritten signature in black ink, appearing to read 'Zahrah Cader'.

**Zahrah Cader**

Company Secretary  
Ceylon Tobacco Company PLC

20 April 2026

# GRI Content Index

Statement of use	Ceylon Tobacco Company PLC has reported in accordance with the GRI Standards for the period 1 January 2025 to 31 December 2025
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not Applicable

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION (PAGE)	REQUIREMENT(S) OMITTED	REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.	
<b>General disclosures</b>							
GRI 2: General Disclosures 2021	2-1 Organisational details	IBC				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	5					
	2-3 Reporting period, frequency and contact point	4					
	2-4 Restatements of information	4					
	2-5 External assurance	4					
	2-6 Activities, value chain and other business relationships	7					
	2-7 Employees	61					
	2-8 Workers who are not employees			2-8 Workers who are not employees	Information unavailable/incomplete		
	2-9 Governance structure and composition	81					
	2-10 Nomination and selection of the highest governance body	83					
	2-11 Chair of the highest governance body	83					
	2-12 Role of the highest governance body in overseeing the management of impacts	84					
	2-13 Delegation of responsibility for managing impacts	82					
	2-14 Role of the highest governance body in sustainability reporting	85					
	2-15 Conflicts of interest	84					
	2-16 Communication of critical concerns	84					
	2-17 Collective knowledge of the highest governance body	83					
	2-18 Evaluation of the performance of the highest governance body	85					
	2-19 Remuneration policies	85					
	2-20 Process to determine remuneration	85					

# GRI Content Index

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION (PAGE)	REQUIREMENT(S) OMITTED	REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
	2-21 Annual total compensation ratio		2-21 Annual total compensation ratio	Confidentiality constraints		
	2-22 Statement on sustainable development strategy	54				
	2-23 Policy commitments	54				
	2-24 Embedding policy commitments	54				
	2-25 Processes to remediate negative impacts	67				
	2-26 Mechanisms for seeking advice and raising concerns	67				
	2-27 Compliance with laws and regulations	67				
	2-28 Membership associations			Not applicable		
	2-29 Approach to stakeholder engagement	35				
	2-30 Collective bargaining agreements	65				
<b>Material topics</b>						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	36	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	36				
	3-3 Management of material topics	36				
<b>Economic performance</b>						
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	176				
	201-2 Financial implications and other risks and opportunities due to climate change	92				
	201-3 Defined benefit plan obligations and other retirement plans	162				
	201-4 Financial assistance received from government		Not applicable			
<b>Indirect economic impacts</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	54				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	54				
	203-2 Significant indirect economic impacts	54				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION (PAGE)	REQUIREMENT(S) OMITTED	REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
<b>Procurement practices</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	47				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	11				
<b>Anti-corruption</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	67				
GRI 206: Anti-competitive Behaviour 2016	205-1 Operations assessed for risks related to corruption			Information unavailable/incomplete		
	205-2 Communication and training about anti-corruption policies and procedures	67				
	205-3 Confirmed incidents of corruption and actions taken	67				
<b>Anti competitive behaviour</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	67				
GRI 206: Anti-competitive Behaviour 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	67				
<b>Tax</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	144				
GRI 207: Tax 2019	207-1 Approach to tax	144				
	207-2 Tax governance, control, and risk management	144				
	207-3 Stakeholder engagement and management of concerns related to tax	144				
	207-4 Country-by-country reporting			Not applicable		
<b>Materials</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	60				
GRI 301: Materials 2016	301-1 Materials used by weight or volume			Information unavailable/incomplete		
	301-2 Recycled input materials used	60				
	301-3 Reclaimed products and their packaging materials			Information unavailable/incomplete		

# GRI Content Index

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION (PAGE)	REQUIREMENT(S) OMITTED	REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
<b>Energy</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	56				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	56				
	302-2 Energy consumption outside of the organization			Information unavailable/incomplete		
	302-3 Energy intensity			Information unavailable/incomplete		
	302-4 Reduction of energy consumption	56				
	302-5 Reductions in energy requirements of products and services			Not applicable		
<b>Water and effluents</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	57				
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	57				
	303-2 Management of water discharge-related impacts	57				
	303-3 Water withdrawal	57				
	303-4 Water discharge	57				
	303-5 Water consumption	57				
<b>Biodiversity</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	58				
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas			Not applicable		
	304-2 Significant impacts of activities, products and services on biodiversity	58				
	304-3 Habitats protected or restored	58				
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations			Not applicable		

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION (PAGE)	REQUIREMENT(S) OMITTED	REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
<b>Emissions</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	56				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	56				
	305-2 Energy indirect (Scope 2) GHG emissions	56				
	305-3 Other indirect (Scope 3) GHG emissions			Information unavailable/incomplete		
	305-4 GHG emissions intensity	56				
	305-5 Reduction of GHG emissions	56				
	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>						
GRI 3: Material Topics 2021	3-3 Management of material topics	60				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	60				
	306-2 Management of significant waste-related impacts	60				
	306-3 Waste generated	60				
	306-4 Waste diverted from disposal	60				
	306-5 Waste directed to disposal	60				
<b>Supplier environmental assessment</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	68				
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	68				
	308-2 Negative environmental impacts in the supply chain and actions taken	68				

# GRI Content Index

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION (PAGE)	REQUIREMENT(S) OMITTED	REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
<b>Employment</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	61				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	61				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	61				
	401-3 Parental leave	61				
<b>Occupational health and safety</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	66				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	66				
	403-2 Hazard identification, risk assessment, and incident investigation	66				
	403-3 Occupational health services	66				
	403-4 Worker participation, consultation, and communication on occupational health and safety	66				
	403-5 Worker training on occupational health and safety	66				
	403-6 Promotion of worker health	66				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	66				
	403-8 Workers covered by an occupational health and safety management system	66				
	403-9 Work-related injuries	66				
	403-10 Work-related ill health	66				
<b>Training and education</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	64				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION (PAGE)	REQUIREMENT(S) OMITTED	REASON	EXPLANATION	GRI SECTOR STANDARD REF. NO.
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	64				
	404-2 Programs for upgrading employee skills and transition assistance programs	64				
	404-3 Percentage of employees receiving regular performance and career development reviews	64				
<b>Diversity and equal opportunity</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	62				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	62				
	405-2 Ratio of basic salary and remuneration of women to men	62				
<b>Non-discrimination</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	62				
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	62				
<b>Child labour</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	67				
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	67				
<b>Forced or compulsory labour</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	67				
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	67				
<b>Local communities</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	70				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	70				
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# Corporate Information

## NAME OF THE COMPANY

Ceylon Tobacco Company PLC

## REG. NO.

PQ 29

## REGISTERED OFFICE

178, Srimath Ramanathan Mawatha, Colombo 15

## LEGAL FORM

A Public Limited Company incorporated in Sri Lanka in 1932 and registered under the Companies Act in 2007

## 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 N.A.  
Commercial Bank of Ceylon PLC  
Deutsche Bank AG  
DFCC Bank PLC  
HSBC  
People's Bank  
Standard Chartered Bank  
Sampath Bank PLC

## HOLDING COMPANY

British American Tobacco p.l.c through  
British American Tobacco International Holdings BV

## QUERIES ON INVESTOR RELATIONS

Ms. Hansini Wijesinghe  
Assistant Company Secretary  
Ceylon Tobacco Company PLC  
178, Srimath Ramanathan Mawatha, Colombo 15  
Email: [hansini\\_wijesinghe@bat.com](mailto:hansini_wijesinghe@bat.com)  
Tel: (+94) 112 496 200

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