



**BRITISH AMERICAN
TOBACCO**

SUSTAINABLE GROWTH SUSTAINABILITY SUMMARY 2010

Read the full Report at www.bat.com/sustainability



The Group

British American Tobacco is the world's second largest quoted tobacco group by market share, with brands sold in more than 180 markets.

We have four global brands – Dunhill, Kent, Lucky Strike and Pall Mall – and over 200 local brands in our portfolio. Our market positions are strong in each of our regions and we are the leading tobacco company in more than 50 markets. Our employees number more than 60,000 and we have 45 cigarette factories in 39 markets. In 2010, we sold 708 billion cigarettes and had an annual gross turnover of £43,855 million.

Our Group vision

To achieve leadership of the global tobacco industry.



Our strategy

Our strategy to deliver our vision and build shareholder value is based on growth, funded by productivity and delivered by a winning organisation that acts responsibly at all times.

- Growth: Our strategy for growth aims to increase our market share, with a focus on our global brands.
- Productivity: Our commitment to productivity provides the resource we need to invest in our brands and grow share in our key markets, helping us to increase profit.
- Winning organisation: Being a winning organisation ensures that we attract, develop and retain the people we need to deliver growth.
- Responsibility: Our companies and people act responsibly at all times and we seek to reduce the harm caused by our products.

Contact our sustainability team

Michael Nightingale or Jennie Galbraith
British American Tobacco
Globe House, 4 Temple Place
London WC2R 2PG

Tel: +44 (0)20 7845 1206
email: sustainability@bat.com

Our sustainability agenda

Our sustainability agenda is an integral part of delivering this strategy and comprises five goals. We will:

- Strive to bring commercially viable, consumer acceptable reduced-risk products to market;
- Take a lead in upholding high standards of corporate conduct within our marketplace;
- Actively address the impacts of our business on the natural environment;
- Work for positive social, environmental and economic impacts in our supply chain; and
- Work to ensure we have the right people and culture to meet our goals.

Our global presence

Since our company was founded in 1902, we have become one of the world's most internationally diverse tobacco groups, in terms of our locations and our multicultural workforce. In 2010, the Group was organised into five regions: Africa and Middle East, Americas, Asia-Pacific, Eastern Europe and Western Europe. From 1 January 2011, these were reorganised into four regions, with the creation of the new Eastern Europe, Middle East and Africa region. Markets that previously comprised the Eastern Europe region have been merged into Western Europe and the new region.

Statements and assurance

This Report contains forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries in which the Group operates.

It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated.

Ernst & Young LLP has been engaged by British American Tobacco to provide external assurance of this Report. Ernst & Young LLP reviewed all commitments and statements of progress, data, GRI information, text and, specifically, performance-related information for the period 1 January 2010 to 31 December 2010.

Cover illustration: Cured tobacco in Indonesia and cigarettes in production at our factory in South Africa.

In this Summary

Sustainability overview

- 2 Chief Executive's overview
- 3 Statements from Karen de Segundo and Paul Adams
- 4 Our approach to sustainability
- 5 Materiality

6 Harm reduction

10 Marketplace

14 Environment

18 Supply chain

22 People and culture

Assurance and performance

- 28 Independent assurance statement
- 31 Our response to the assurance statement
- 32 Performance summary
- 33 Global Reporting Initiative index
- 33 Progress against our goals



Harm reduction

We will strive to bring commercially viable, consumer acceptable reduced-risk products to market.

6



Marketplace

We will take a lead in upholding high standards of corporate conduct within our marketplace.

10



Environment

We will actively address the impacts of our business on the natural environment.

14



Supply chain

We will work for positive social, environmental and economic impacts in our supply chain.

18



People and culture

We will work to ensure we have the right people and culture to meet our goals.

22

Read the full version of our Sustainability Report online

www.bat.com/sustainability



In 2010, we were, for the ninth year running, included in the Dow Jones Sustainability World Index. This index tracks the economic, environmental and social performance of leading companies based on how well they integrate sustainability into their businesses. In 2010, our overall score decreased from 81 per cent to 78 per cent. We are working to identify opportunities for improvement and hope to soon see our performance improve.

In 2010, British American Tobacco was once again included in the platinum sector of the UK's Business in the Community 2009 Corporate Responsibility Index, with a score of 96.5 per cent. In 2009, we were the first tobacco company to achieve platinum status.

Ten years of building sustainable value

Chief Executive's overview



There is an increased emphasis on growth in the Group strategy. How does sustainability sit within this?

Our strategy is designed to deliver our vision of industry leadership and, as a result, build shareholder value. It is based on growth, funded by productivity and delivered by a winning organisation that acts responsibly at all times. Our balanced strategy adds value to all aspects of our business. We think this sets us apart from our competitors and ensures our long-term business sustainability. My predecessor, Paul Adams, was clear when he said that our sustainability goals are intrinsic to our strategy and are a cornerstone to building sustainable value. I agree wholeheartedly. The sustainability agenda is and will remain key to our long-term success.

Does a strategy based on growth contradict the aims of sustainability?

No, they are complementary, not competing, elements in our strategy. Sustainability for us is all about shared value – creating economic value in a way that also creates value for our stakeholders. One example is in the area of tobacco harm reduction where we are developing new products that may have the potential to reduce harm and will hopefully create growth in our business when launched. Another example is the way in which we provide broad-based agronomy advice to farmers, which includes support to grow other crops as well as tobacco. This comprehensive approach to sustainable agriculture helps farmers gain better yields and a higher income as well as securing our supply of high quality leaf.

This Report talks a lot about sustainable value. What do you mean by that?

Sustainable value is an evolution of the old 'win-win' idea. For us, this means

seeking opportunities to increase our competitiveness through addressing our sustainability impacts and by better meeting society's needs and expectations. The result is that we create wealth for our shareholders but that we also create value for our other stakeholders – this can be through developing lower-risk products, by creating a great place to work or by minimising our environmental impacts. Sustainable value is not a trade off – it benefits all. It is that simple.

Do you have a personal view of sustainability?

For me it is clear: if we do not operate sustainably and create shared value we will not be a successful business in the future. And a successful business in the future is something I very much want to see.

Are there things you want to see more of and what do you think needs to change?

We cannot overcome our sustainability challenges alone. I want us to engage more with our stakeholders to develop solutions together. I want to use our insights from dialogue to make the right decisions, not only for our business but also for our stakeholders. It's all about seizing the opportunities to create that shared value.

Sustainability is a cornerstone of our business strategy, so there's not very much to change. If pushed, I'd say more alignment of sustainability activities across the Group to make our approach more efficient. Also, more sharing of best practice to ensure we're doing the right things well the first time. After all, the way we conduct ourselves today will determine how sustainable we are in the future.

What do you see as British American Tobacco's greatest sustainability challenge?

For me there are two. How do we develop lower-risk products that will appeal to tobacco consumers? This is tough, and we're still working out the science. The other is about how we compete successfully when there are large amounts of illicit product in the marketplace. Indeed in some markets, it is our biggest competitor. The solution is straightforward; however, getting there is quite difficult. Governments and the

industry need to work together to manage the market in order to not make it attractive to illicit trade. A shared agenda should include sensible excise programmes, robust customs enforcement, retailer and consumer education and balanced regulation. So the illicit market does present us with a challenge, albeit one I'm confident we can overcome.

And the greatest opportunity?

Opportunities are everywhere. Aside from the obvious opportunity that lower-risk products would bring, talent is something I feel passionately about. We need to have the right people to deliver our vision. I know sustainability is something employees care deeply about. Meeting our sustainability goals will make us a more attractive organisation to work for. By attracting the best people we will have more success in achieving our sustainability goals.

There is much talk of integrating sustainability and financial reports. Is this something you intend to do?

We have looked at this and we talked to our stakeholders. They reaffirmed that while it is a good thing to improve the quality of sustainability information within financial reports, there are different audiences who want different types of communication. We were pleased to hear that they thought we have made good progress in integrating sustainability information in our Annual Report. We intend to continue producing stand-alone Sustainability Reports in addition to our Annual Report and we will complement these publications with tailored communications.

This is the 10th year of your sustainability journey. What do you think the next 10 years will bring?

Hopefully, more of the same. We're getting better at aligning our sustainability programmes with our core business and seizing the opportunities they bring. I hope the next 10 years will see us doing both even better.

Nicandro Durante

Nicandro Durante, Chief Executive
March 2011

Karen de Segundo, Chairman of the Board CSR Committee




“
I have seen how changes to our processes have helped to bring our governance to the forefront of best practice.”

In the two years that I have been Chairman of the Board CSR Committee I have seen how changes to our processes have helped to bring our governance to the forefront of best practice. Through the Committee I have also had the opportunity to see the progress we are making against our sustainability goals and I think we are making real headway.

For example, in 2010, we reviewed the development of centres of expertise to support the delivery of the sustainability agenda, as well as the implementation of our global approach to youth smoking

prevention. We also reviewed human rights issues including the risks, challenges and opportunities of operating in countries of potential concern to stakeholders and initiatives aimed at reducing child labour in tobacco growing.

I am confident that our CSR governance plays a key role in addressing the risks we face as a business, as well as ensuring we are in a good position to take advantage of the many opportunities.

 **Read more about CSR governance**
www.bat.com/sustainability/governance

Paul Adams on a decade of progress

On the 28 February 2011, I ended 20 years with British American Tobacco, including seven years as Chief Executive.

In that time, I have seen the Group make significant progress in sustainability. Our stakeholder dialogue programme, introduced in 2001, was an important driver of this progress. It helped us better understand what our stakeholders expected of a responsible tobacco company. Our journey from our first Social Report in 2002 to the fully fledged sustainability agenda we have in place today has been a valuable one.

With the help of our stakeholders we have developed our Business Principles and International Marketing Standards, we have set up partnerships to help us address some of our biggest challenges and have launched sustainability projects that we reap the benefits of today and will continue to do so into the future.

Our sustainability agenda is one of the things I am most proud of and I firmly believe that the approach we have taken, which is to integrate sustainability across all our operations, will increase the Group's ability to build value for many years to come.



“
Our sustainability agenda is one of the things I am most proud of.”

Key steps on our journey



Read more online
www.bat.com/sustainability/decade

First stakeholder dialogue sessions

Developed International Marketing Standards (IMS)

Launch of www.bat-ingredients.com

Launch of snus in South Africa and Sweden

Developed our sustainability agenda
Updated and strengthened our IMS

Began developing our supply chain sustainability strategy

2001

2002

2003

2004

2005

2006

2007

2008

2009

2010

2011

Formation of Eliminating Child Labour in Tobacco Growing Foundation and our Biodiversity Partnership

First Social Report
Developed our Statement of Business Principles and Framework for CSR

Review of global policies and procedures with stakeholders

Announced our Biodiversity Partnership's second term

First Sustainability Report
Revised our CSR governance processes

Sustainability Report expanded to include performance data from nine of our largest markets

Our approach to sustainability

We know that for our business to grow and prosper, we must operate sustainably. Our sustainability agenda sets out how we will achieve this.

Embedding sustainability

Our focus in 2010 has been on embedding our approach to sustainability across the Group and implementing activities in each of the five areas to help us reach our sustainability goals. We know we do not have all the answers to our sustainability challenges. We need to work in partnership with our stakeholders to achieve our goals and to do that, we must build trust. Being transparent about our performance is an important step.

We are making good progress in many areas and our successes include making a significant contribution to the science of tobacco harm reduction, completing biodiversity risk and opportunity assessments in all our leaf growing operations and developing an integrated supply chain sustainability strategy. However, progress has been slower than we would have liked in some areas. For instance, because we now understand much more about the challenges of establishing snus, a type of smokeless tobacco, we have scaled back our test markets while we review our approach to developing new reduced-risk product categories.

We know we have a way to go before sustainability becomes ingrained in every part of the organisation. Our sustainability agenda aims to support the growth of the business by taking advantage of the opportunity sustainability presents and by developing solutions to future challenges.

To make significant progress against our sustainability agenda, we need robust, commercial sustainability plans. We also need to ensure that our people throughout the business understand that sustainability benefits, rather than compromises, commercial success. Building on our approach in 2010, we aim to do this in three ways:

- 1. Continuing to build a Group-wide understanding of sustainability**
We will work across all levels of our business to build understanding of the concept of shared value creation. By increasing understanding of sustainability and the value it brings we hope to fully integrate sustainability thinking throughout the Group.
- 2. Engaging with stakeholders to jointly develop plans and activities**
Our approach to dialogue is now designed to enable the joint development of plans and activities and we have seen increasingly practical outputs from our dialogue sessions. For instance, our 2009 supply chain dialogue has led to a series of more focused sessions looking at the specific implications of climate change for our business. The practical nature of the dialogue sessions makes it easier for the outputs to be integrated into business plan development. We will continue to build on this approach and already have dialogue sessions planned for 2011 to investigate the business opportunities presented by carbon pricing, renewable energy options and further developing our approach to sustainable agriculture.
- 3. Better measurement of the value sustainability brings to our business**
The value our sustainability agenda brings to us is not always purely financial or easy to demonstrate. We are looking to develop more advanced ways of measuring our progress and the value generated by our sustainability activities. We understand that this is an area that many have looked at in the past, often with limited success. However, we feel it is important to try to measure the significant value we believe the Group derives from the sustainability agenda.

By focusing on these three areas we hope to lead the development of sustainability within the industry.

Building sustainable value

In 2007, we developed our sustainability agenda, which focuses on five pillars: harm reduction, marketplace, environment, supply chain and people and culture.

Our sustainability agenda aims to build value for our shareholders and other stakeholders by addressing our social, environmental and economic impacts. This means generating returns for our shareholders by doing the right thing by our stakeholders and the environment. This concept of sustainable value underpins all of our sustainability activities. By taking action to address our impacts today, we help our business to thrive in the future.

OUR SUSTAINABILITY AGENDA

Harm reduction

We will strive to bring commercially viable, consumer acceptable reduced-risk products to market.

Marketplace

We will take a lead in upholding high standards of corporate conduct within our marketplace.

Environment

We will actively address the impacts of our business on the natural environment.

Supply chain

We will work for positive social, environmental and economic impacts in our supply chain.

People and culture

We will work to ensure we have the right people and culture to meet our goals.



For me it is clear: if we do not operate sustainably and create shared value we will not be a successful business in the future.

Nicandro Durante,
Chief Executive

Challenges and opportunities

In our last Sustainability Report, we answered some of the more difficult questions our stakeholders ask, such as why we have yet to launch a ‘safer’ cigarette and whether a tobacco company should aim to be sustainable at all. You can find these repeated in our online Report. In this Summary Report, we continue in this spirit of transparency, highlighting some of the biggest challenges we face. For every challenge there is an opportunity and it is important to be clear about these too – sustainability is not philanthropy. We hope that our transparency will encourage our stakeholders to engage with us about how best to overcome the challenges we face.

Using dialogue to deliver sustainability

We need our stakeholders’ help to navigate the way through our sustainability challenges and have adapted our approach to formal stakeholder dialogue to support this. It has meant a shift from using dialogue to listen to stakeholders’ concerns and comments, to jointly developing plans of action that will help us meet our sustainability goals.

In 2010, we held dialogue sessions on employee wellbeing, water management and supply chain sustainability. You can read more about these dialogues in the relevant sections of this Report.



Meeting at our offices in Rome, Italy.

In addition, several Group companies also conducted formal dialogue to advance their local sustainability plans on topics including tobacco harm reduction, anti-illicit trade and environmental impacts.

We also held a dialogue on sustainability reporting which explored in more detail the issue of integrated sustainability and financial reporting. We gathered a group of investors, accounting firms and other opinion leaders in the area to understand the expectations from report users around integration and to discuss the potential implications any new frameworks may have on our existing approach. While there was general agreement that more relevant sustainability information being

featured in annual financial reports could only be a good thing, there was also firm agreement that this should not come at the expense of stand-alone sustainability communications. In addition, we were pleased to hear that the stakeholders present already considered our reporting to be well integrated and that they felt there was little that should change in our current approach. As a result, we will continue to align the information in our Sustainability and Annual Reports but we have elected not to condense our reporting into one document.

We welcome comments on any aspect of our approach to sustainability. Please email us at sustainability@bat.com.

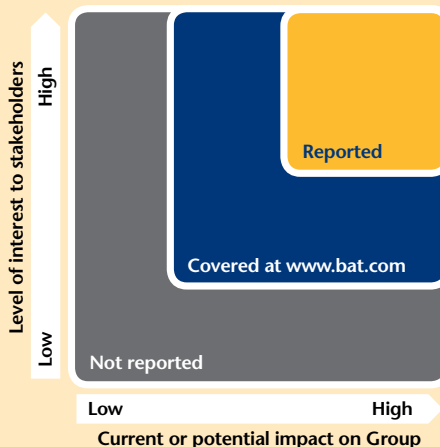
Materiality

Within each area of our sustainability agenda, we report on topics of high interest to stakeholders and high current or potential impact on the business. On the first page of each section in this Report, we list which topics we report on – either in this Summary or in our full Report online – and which information can be found elsewhere on our corporate website www.bat.com.

This Summary Report covers just some of the key activities in each area of our sustainability agenda. Please go to our full Report online at www.bat.com/sustainability for:

- Governance processes;
- Materiality and stakeholder engagement;
- Performance charts;
- Our Global Reporting Initiative KPI reporting; and
- Balanced scorecards and case studies from nine of our largest markets.

MATERIAL ISSUES



Reported

Our Report covers the issues of greatest significance to our business and stakeholders. These are introduced in this Summary and fully reported online.

At www.bat.com

Topics of high interest to some stakeholder groups but partial impact on our business, or vice versa, can be found elsewhere on our corporate website.

Not reported

We do not cover topics that have already been addressed and are no longer raised by stakeholders, issues that we cannot influence and those that do not have a significant impact on the business.

Harm reduction

We will strive to bring commercially viable, consumer acceptable reduced-risk products to market.

2010 progress in brief

We believe we are making a significant contribution to the science needed to assess potential reduced-exposure products. The results of our first clinical studies have been analysed, we have made good progress in developing laboratory models of diseases and have reinvigorated our biotechnology programme. We continue to publish and present our scientific results whenever we can and continue to engage with regulators.

MATERIAL ISSUES

Reported

Our Report covers the issues of greatest significance to our business and stakeholders. These are introduced in this Summary and fully reported online.

- Scientific challenges
- Engagement
- Smokeless tobacco

At www.bat.com

Topics of high interest to some stakeholder groups but partial impact on our business, or vice versa, can be found elsewhere on our corporate website, including:

- Information on the health risks of smoking
- Second-hand smoke

Not reported

We do not cover topics that have already been addressed and are no longer raised by stakeholders, issues that we cannot influence and those that do not have a significant impact on the business.

PERFORMANCE

 Progress against goals



Our opportunity

To evolve our products to a portfolio of commercially successful lower-risk products that meet consumer and societal expectations.

The challenge

The science involved is complex, spans many scientific disciplines and external opinion on tobacco harm reduction is divided.

The only way to avoid the risks associated with tobacco products is not to use them at all. Public health policies are therefore intended to discourage people from smoking in the first place and to quit if they already do. However, in addition to cessation and prevention efforts, a broader approach to tobacco harm reduction is increasingly being considered by some public health policy makers.

This involves pragmatic measures aimed at reducing illness and death among those who continue to smoke. Being the first to market with a range of reduced-risk products has potential advantages for commercial sustainability and could begin to align our sources of profit more closely with the aims of those within the public health community who support a broader approach to tobacco harm reduction.

Our approach is to pursue the research, development and test marketing of innovative products that will have consumer acceptability and will be recognised by scientific and public health communities and regulators as posing reduced risks to health.

Our focus is on:

- Addressing the scientific challenges around developing and assessing combustible potential reduced-exposure products (PREPs);
- Engaging with the external scientific, public health and regulatory communities; and
- Researching, developing and test marketing new reduced-risk product categories.

Addressing the scientific challenges around the development of 'safer' cigarettes

PREP assessment framework

The development of 'safer' cigarettes is the 'Holy Grail' of tobacco research. But in order to be able to demonstrate reduced risk for one or more smoking-related diseases, scientists must have tools to objectively assess combustible candidate PREPs against conventional cigarettes. Currently, there is no agreement as to how these products should be assessed in practice. We are developing an assessment framework and are working to have it agreed by regulators and public health stakeholders. Our framework will include tests to assess tobacco smoke toxicant exposure in smokers, as well as tests to assess the biological effect and potential harm of this exposure.

Clinical studies

We have made good progress in validating biomarkers of exposure to tobacco smoke toxicants in our clinical studies. Biomarkers of exposure, which are metabolites of certain smoke toxicants, can be measured in biological fluids. They represent a measure of what smoke toxicants an individual has been exposed to. We are also making progress in identifying biomarkers of biological effect. These give an indication of the effect any exposure to smoke toxicants may have had on the body.

In 2010, we completed the analysis of two studies initiated in Italy in 2008 and 2009. The first study involved researching pairs of identical twins, where one twin in each pair was a smoker and one was not. This study revealed 10 biomarkers of biological effect that might be of assistance in predicting smoking-related risk. For many of these biomarkers, genetics are likely to play a role but, by studying identical twins, genetic variability has been excluded.

The second study examined levels of biomarkers of biological effect in ex-smokers to determine whether any reduction in biomarkers is observed as a result of their quitting smoking. This will help us to identify which biomarkers may be responsive to a reduction in smoke toxicants.

In 2010, we also completed our analysis of a 2009 study of a range of prototype cigarettes, designed to have lower levels of several smoke toxicants compared to conventional cigarettes. This is a key piece of research for us, because it has enabled us to demonstrate in a clinical setting that reductions in levels of smoke toxicants measured in laboratory tests are reflected in reduced levels of exposure in smokers.

Although a reduction in exposure is not sufficient to determine that the prototypes pose lower risk, this work is an important further step in our journey to develop and characterise a candidate PREP.



Questions or comments? Email us at sustainability@bat.com

Biotechnology programme

We believe that biotechnology may offer unique ways to reduce some tobacco smoke toxicants in the future. In 2010, we reinvigorated our biotechnology programme, in which we employ both traditional plant breeding techniques and genetic modification with the aim of reducing tobacco smoke toxicant levels. We have conducted field trials of plants genetically modified in a way that we anticipate will result in lower levels of tobacco-specific nitrosamines. We also want to reduce the uptake of heavy metals by the tobacco plant from the soil. Heavy metals like arsenic and cadmium can be toxic to humans. However, today we do not use genetically modified (GM) tobacco in any of our products.

➔ Scientific challenges: what's next?

We plan to carry out further clinical studies, including developing a protocol for a longer clinical study of smokers who switch to reduced toxicant prototype cigarettes. This is being reviewed by our External Scientific Panel and we expect to have the results of the study in 2012. We will also continue to develop and validate laboratory models of diseases, such as cancer, chronic obstructive pulmonary disease and cardiovascular disease.



Scientist examining cultured cells at our R&D facility in Southampton, UK.

Sustained engagement

The scientific and public health communities

In October 2010, we hosted the CORESTA conference in Edinburgh. CORESTA is an organisation that promotes international cooperation in tobacco science. The theme of the conference was 'Promoting the Scientific Basis for Tobacco Regulation' and it provided an opportunity for nearly 500 scientists to discuss the necessary science on which tobacco product regulation should be based.

We had the opportunity to present the whole breadth of our research programme and, under the auspices of CORESTA, to invite government regulatory scientists to speak at this conference. We think this will have reinvigorated the industry's efforts to engage with regulators on the scientific basis for tobacco product regulation.

In 2010, we funded NicoLIFE SA, an independent company focused on the promotion of tobacco harm reduction, in its production of a book, 'Wise Nicotine'. The book is a commentary on the current interpretations and use of tobacco harm reduction within the medical community. We also provided access to appropriate company information to assist in the writing of a chapter specifically about the tobacco industry, which we reviewed for accuracy, but NicoLIFE SA had full editorial control. We hope that the book will play an important role in raising awareness of tobacco harm reduction among health professionals and smokers.

Regulation

In 2010, we took the opportunity to engage with the Food and Drug Administration (FDA) in the USA, which is currently the only regulator with a mandate to evaluate submissions on candidate 'modified risk tobacco products'.

The FDA's approach is to create tobacco product regulation based on good regulatory principles through transparent and accountable review processes and in consultation with all relevant stakeholders. In 2010, we made

two submissions to the FDA's Tobacco Product Scientific Advisory Committee, and its relevant subcommittees, on our research on harmful and potentially harmful tobacco constituents. We have previously informed them of our proposed scientific framework for assessing PREPs and have extended invitations to the FDA's Office of Science to visit our laboratories.

We have also made submissions in 2010, both through trade organisations – The European Smokeless Tobacco Council and the Confederation of European Community Cigarette Manufacturers – and directly in response to the consultation processes on potential revisions to the EU Tobacco Products Directive and to an EU scientific committee evaluation of the 'Attractiveness and Addictiveness of Tobacco Additives'.

External Scientific Panel

Our External Scientific Panel continues to give us important input in developing our research programme. In 2010, the panel met twice to discuss the results of our various research areas, as well as plans for future research and areas of science that might be fruitfully explored in order to accelerate our efforts on tobacco harm reduction. We are also working with the panel on the design of our next clinical study.

➔ Sustained engagement: what's next?

We will continue to engage with regulators in an effort to reach common ground on tobacco harm reduction and present our scientific findings at international conferences. We also aim to maintain or increase our publications in peer-reviewed journals. Our work to increase the profile of our scientific efforts in the development of PREPs and the development of our PREP assessment framework will continue in 2011. In addition, we intend to further improve www.bat-science.com to facilitate greater input from the external scientific community into our scientific research programme.



Harm reduction case study

www.bat.com/sustainability/germany



Combustible prototype clinical study

www.bat.com/sustainability2009/snus



Consumer understanding of snus

www.bat.com/sustainability/snus



Scientist in a biology laboratory at our R&D facility in Southampton, UK.

Smokeless tobacco

The research, development and test marketing of smokeless tobacco products, including snus, have been important parts of our approach to tobacco harm reduction.

Smokeless science

In 2010, at the annual meeting of the Society for Research on Nicotine and Tobacco (SRNT), we presented several research studies on snus, including a consumption study of snus use in Norway, which complemented an earlier study in Sweden. We also submitted the results of a study to be presented at the SRNT annual meeting in 2011. This study compared the rate at which nicotine is taken up into the bloodstream from using cigarettes, snus or a nicotine replacement therapy product.

Snus

Our test marketing of snus in South Africa and Canada has developed

our understanding of the difficulties of introducing this new product to tobacco consumers. Continuing issues include a low level of awareness of this category among consumers and their understanding of snus. Due to the regulatory environment in both Canada and South Africa, it is not possible to communicate the relative risks of snus compared with cigarettes to adult smokers. We believe this has contributed to a low uptake in these test markets, which contrasts sharply with Sweden and Norway where snus use is increasingly popular. Therefore, we have scaled back our test markets in Canada and South Africa and have put on hold our plans to move into a new test market in 2011. However, we remain hopeful that snus will eventually have a role to play in tobacco harm reduction.

We are currently reviewing how we might best refocus our activities in new reduced-risk product categories.



Smokeless tobacco: what's next?

We plan to submit for publication extensive chemical analyses of toxicants in various styles of smokeless tobacco products. In 2011, we will review our approach to snus test marketing. We will also continue to engage widely on the role a regulated form of low-toxicant smokeless tobacco could play in a tobacco harm reduction strategy to reduce the public health impacts of smoking.



Snus

There is increasing consensus that snus presents substantially lower overall health risks than cigarettes. However, smokeless does not mean harmless.

Marketplace

We will take a lead in upholding high standards of corporate conduct within our marketplace.

2010 progress in brief

We have continued to coordinate a consistent approach to key regulatory issues by our companies and our global approach to youth smoking prevention was rolled out across the Group. We are also piloting a system to strengthen supply chain security and have entered into a cooperation agreement with the European Commission to tackle illicit trade in tobacco.

MATERIAL ISSUES

Reported

Our Report covers the issues of greatest significance to our business and stakeholders. These are introduced in this Summary and fully reported online.

- Regulation
- Marketing practices
- Illicit trade

At www.bat.com


Topics of high interest to some stakeholder groups but partial impact on our business, or vice versa, can be found elsewhere on our corporate website, including:


- Litigation
- Cigarette litter

Not reported

We do not cover topics that have already been addressed and are no longer raised by stakeholders, issues that we cannot influence and those that do not have a significant impact on the business.

PERFORMANCE

 p32 Performance summary

 p33 Progress against goals



Our opportunity

Leading the industry in the area of marketplace responsibility demonstrates our credibility and encourages stakeholder organisations to engage with us.

Over a billion adults use tobacco products. We do not seek to increase the total number of smokers but to grow the size and value of our market share among existing adult consumers.

Given the health impacts of tobacco, we agree that the industry should be regulated appropriately. We always aim to demonstrate high standards of corporate conduct and to act responsibly.

Tobacco regulation and engagement

We support balanced regulation that is based on sound evidence, meets public health objectives and enables our business to grow but does not damage the livelihoods of farmers or retailers. The Group's businesses operate under increasingly stringent regulatory regimes around the world. Further regulation is expected, particularly as a result of the World Health Organisation's Framework Convention on Tobacco Control (FCTC). Unduly restrictive regulation could impair our ability to communicate with adult smokers and has the potential to increase operating costs. Our challenge is to overcome perceptions that we subvert the regulatory process for our own gain and demonstrate that we deserve a seat at the table.

In 2010, the FCTC continued to drive the industry's regulatory agenda. Governments are increasingly incorporating recommendations in FCTC guidelines into national regulation.

We seek to be involved in shaping regulation, contributing our experience and expertise. It concerns us that governments have begun to exclude

not only the industry from the debate, but also other stakeholders, such as tobacco farmers.

We believe that views advocated in policy formation should be communicated transparently. We also support best practice principles on the development of regulation, including those of the Organisation for Economic Cooperation and Development (OECD), the UK Better Regulation Executive and the EU Communication on 'smart regulation'. The views we advocate are detailed on www.bat.com.

In 2010, we continued to coordinate a consistent approach to key regulatory issues by our companies. Our regulatory centre of expertise led this work by developing global engagement positions and providing support to our companies.

Our engagement in 2010 focused on the FCTC product guidelines and the progress report on alternative crops. These include recommendations to restrict or prohibit the use of ingredients and recommendations that could see farmers obliged to phase out tobacco growing ahead of any decline in market demand. Our views on these issues are set out below and you can read our positions on other issues, such as restrictions on packaging and retail display of products, in our online Report.

Ingredients bans

Small quantities of ingredients have been added to tobacco products for centuries. These help to control moisture, maintain product quality or act as binders or fillers. Certain food-type ingredients balance the natural tobacco taste, often replacing sugars lost in the curing process. We support any restrictions on ingredients that, based on sound

The challenge

If we operate responsibly when not all of our competitors follow similar standards, there is no level playing field. How do we create competitive advantage while maintaining higher standards?

evidence and supported by published and peer-reviewed science, are found to encourage underage smoking or make tobacco products more harmful.

In some countries, smokers prefer cigarettes that blend types of tobacco, such as burley and oriental, which need additional ingredients. If allegations about the health risks, addictiveness and attractiveness of these ingredients were valid, we would expect to see an increased incidence of tobacco-related disease, lower quitting rates and more people taking up smoking in these countries compared to those where smokers prefer unblended cigarettes, which contain few or no added ingredients. Many independent and internationally recognised studies show this is not the case.

i Ingredients – our view

All tobacco products pose risks to health. The ingredients our companies use have been selected based on the following criteria:

- At the levels used, they do not add to the health risks of smoking. Nor do they encourage people to start smoking or make it more difficult for people to quit.
- They are not added to make our tobacco products appealing to children.
- They do not create a sweet, chocolate-like or fruity taste in the smoke. In short, our cigarettes still taste like cigarettes and not sweets or candy.

We voluntarily publish the ingredients we use at www.bat-ingredients.com.

@ Questions or comments? Email us at sustainability@bat.com

Ingredients bans that are not based on sound evidence could unjustly damage the livelihoods of some burley and oriental tobacco growers as demand for their crop would reduce. A coalition of tobacco growers, including the International Tobacco Growers' Association, which represents over 30 million growers, states that a ban will damage the economies of countries where communities depend on tobacco growing¹. Illicit trade may also increase if consumers turn to the black market to find the tastes they prefer.

Alternative crops

Many of the social, environmental and economic challenges given as reasons for moving farmers out of tobacco growing are common to all agricultural crops. For example, water would be required whatever the crop grown and deforestation occurs to make land available for many crops other than tobacco.

Less than one per cent of the world's agricultural land is given over to tobacco farming and for part of the year that land is used to grow non-tobacco crops. Our Social Responsibility in Tobacco Production (SRTP) programme, which you can read about on page 20, addresses the sustainability issues associated with growing tobacco.

We believe that any assessment of alternative livelihoods for tobacco farmers should be based on evidence, use an agreed methodology and involve growers, merchants, manufacturers and unions.

In 2010, along with other industry players, we engaged with the International Labour Organisation (ILO) on the impact of regulation on employment and working conditions in the sector. We also supported the International Tobacco Growers' Association to represent tobacco growers' interests in the regulatory debate.

Regulation: what's next?

We will continue to advocate effective regulation based on evidence and sound science, which takes into account the views of interested parties. Our engagement with the ILO and other international organisations will aim to ensure that prospective regulation is assessed for its impacts on issues including employment and free trade.

How we market our products

International Marketing Standards

Our International Marketing Standards (IMS) give us a consistent, responsible approach to marketing across the Group. This is appropriate given the nature of the products we sell. The challenge for us is that some of our competitors do not always hold themselves to such high standards, which can give them a short-term competitive advantage.

Our IMS state that our companies' marketing should be targeted at adult tobacco consumers and not undermine their understanding of the health risks. We adhere to our IMS wherever local law is less stringent. You can view the Standards in full at www.bat.com/ims.

In 2010, six of our companies reported instances of non-adherence to our IMS. Four were resolved so that by the end of 2010, all our companies, except those in Indonesia and Germany, reported full IMS adherence. The market in Indonesia is very lightly regulated and we comply with the law. However, we aim for full IMS adherence by March 2012, two years after taking control of the merged business. The non-adherence reported by our company in Germany related to the size of health warnings on some promotional items. A review of materials in use has taken place to ensure the display of health warnings is prominent.

External allegations

The University of Sydney's 2010 paper 'British American Tobacco on Facebook' alleged various instances of our employees and business partners using Facebook to promote cigarette brands. It is not our policy to use social networking sites to promote our brands and our IMS include

clear guidelines on age verification for any web advertising. We also have rules that our employees and business partners cannot post advertising material on user-generated content sites such as YouTube or Facebook. However, with the content of the web being vast and ever-changing, no company can police it exhaustively.

A review found some of our brands to be present on these sites, believed to have been posted by the general public, consumers and some employees and contractors in a personal capacity, not by any of our companies. In the few cases where inappropriate material was found to have been posted on employees' personal web pages, in breach of our IMS and Group internet rules, the individuals had by then already left the company. A communication was issued reminding employees of the Group's internet rules and providing additional guidance.

Youth smoking prevention

2010 saw the roll-out of our global approach to youth smoking prevention (YSP). We expect our companies to engage with governments and third parties to encourage laws for a minimum age of 18 for tobacco sales where none exist or, where they do, to raise retailers' awareness of minimum age laws. We also require our companies to measure the reach, coverage and, where possible, effectiveness of their activities.

Our aim was for all our companies to be fully aligned with the global approach by the end of 2010 and the majority of our largest markets, representing 85 per cent of our sales volume, were. However, this was not possible in most of our smaller markets, many of which operate in politically unstable environments or have regulation prohibiting our preferred YSP activities. In other markets, we operate through a distributor and have no personnel in the country to implement the YSP approach.

How we market our products: what's next?

In 2011, we will carry out IMS audits in selected markets in Europe. We will also review YSP in those markets that have yet to implement our global approach.

¹ See <http://ingredientsban.tobaccoleaf.org>



Tackling illicit trade

The global illicit trade in tobacco products – smuggled, counterfeit and tax evaded – is vast and growing. It negatively impacts governments, retailers, consumers, tobacco companies and society as a whole. Illicit trade is dominated by highly sophisticated and organised international criminals.

By reducing illicit trade, we can reduce the negative impact on society while increasing our market share. The challenge we face is that this will require cooperation between the industry, regulators and enforcement authorities and some parties are cynical about our involvement.

Some stakeholders believe we encourage smuggling. We do not. It harms our business and we are committed to doing as much as we can to tackle smuggling, counterfeiting and tax evasion.

We see our primary responsibilities as ensuring our business practices support only legitimate tobacco trade and strengthening the security of our supply chain. We also focus on encouraging the cooperation that is required to tackle illicit trade between legitimate tobacco companies, governments and organisations such as the World Customs Organisation.

Supply chain security

We have developed a system for tracking and tracing the movement of our products. This was successfully piloted in 2009, with accuracy above 99 per cent.

Digital tax verification uses digital coding technology printed directly onto packs to help governments ensure all taxes and duties are paid. We worked with other tobacco companies to establish an industry-wide approach and, having all agreed on a preferred system, we are now piloting this in our factory in Mexico.

Raising awareness

We have sought to raise awareness of the social and economic impacts of illicit trade and of how this trade can be increased by the introduction of some tobacco regulation. For example, regulation stipulating that only plain packaging be used for tobacco products would make counterfeit products easier to produce. Some law enforcers say that



Retailer in Mexico.

the criminals involved in illicit trade are also traffickers of people, weapons and drugs or have terrorist links. To illustrate these complex issues in an engaging way, we have produced a brief film which can be viewed at www.bat.com/control.

We have also worked with international think tanks and the industry to further our understanding of how large and sudden excise increases, resulting in price disparities between neighbouring countries, can increase illicit trade across borders.

Cooperating with others

We have entered into a cooperation agreement with the European Commission and are working with the law enforcement authorities of its Member States to tackle illicit trade in

tobacco. We will provide funding of €134 million over the next 20 years to support the agreement.

We also continued to work with law enforcement bodies by providing training and intelligence, as well as helping to authenticate seized product and carrying out forensic analysis on illicit goods.

Tackling illicit trade: what's next?

In 2011, we will help governments to implement the track and trace system we have developed. Our pilot of the industry-wide approach to digital verification will be completed at our factory in Mexico. We will also continue to raise awareness of the negative impacts of illicit trade on economies and society.



Comment from Ernst & Young LLP

We have seen evidence of non-adherence to British American Tobacco's International Marketing Standards (IMS) being monitored by regional and Group CSR committees. We noted a significant decrease in the number of reported breaches since a review was last undertaken in 2008. From 2011, British American Tobacco will conduct annual internal audits in selected markets to assess whether local procedures to investigate and report breaches meet the requirements under IMS.

Illicit trade – our view

It is estimated that up to some 660 billion illegal cigarettes are smoked every year – this is around 12 per cent of global consumption.

Governments are losing up to an estimated US\$40 billion a year in taxes.

Legitimate tobacco companies lose up to US\$10 billion a year in revenue.

Cigarettes are among the most commonly traded products on the black market due to high profit margins, relative ease of production and movement and low detection rates and penalties.

Tobacco products are more easily accessible to underage smokers on the black market.

Environment

We will actively address the impacts of our business on the natural environment.

2010 progress in brief

We made good progress in reducing our environmental impacts. We also held a stakeholder dialogue session to develop our approach to water management. We continued to work with three NGOs in our Biodiversity Partnership and agreed its scope of work for the next five years. All our leaf growing operations completed biodiversity risk and opportunity assessments and have corrective action plans in place.

MATERIAL ISSUES

Reported

Our Report covers the issues of greatest significance to our business and stakeholders. These are introduced in this Summary and fully reported online.

- Climate change and environmental management
- Managing biodiversity

At www.bat.com

Topics of high interest to some stakeholder groups but partial impact on our business, or vice versa, can be found elsewhere on our corporate website, including:


- Soil conservation and improvement
- Genetically modified tobacco

Not reported

We do not cover topics that have already been addressed and are no longer raised by stakeholders, issues that we cannot influence and those that do not have a significant impact on the business.

PERFORMANCE

 Performance summary

 Progress against goals



Our opportunity

By making business decisions with consideration for the environment, we can be more efficient and better manage the impacts of climate change.

The challenge

The impacts of climate change are uncertain and will vary drastically between different parts of the world. We need to prepare for a number of different scenarios.

The manufacture, distribution, consumption and disposal of our products all impact the environment.

As a business with an agricultural supply chain, we depend heavily on natural resources and ecosystems. We therefore recognise the need for a clear, strategic approach to managing our environmental footprint. It not only makes good economic and environmental sense for us to use raw materials, energy and water efficiently, it is our responsibility.

Our key environmental impacts are linked to energy consumption and our wider contribution to climate change, water use and managing waste. We also endeavour to minimise any negative impacts on biodiversity.

Environmental management is a key element of our integrated supply chain sustainability strategy which you can read about on page 19.



Questions or comments? Email us at sustainability@bat.com

Climate change and environmental management

Climate change is one of the greatest global challenges we face today. Addressing its impacts requires governments, businesses and individuals to all take responsibility. Climate change could affect many aspects of our business, including the availability of tobacco leaf, water, energy and other raw materials. It is a long-term phenomenon and tackling it will require longer-term planning than is common in business. While this creates a challenge, it also presents an opportunity for us: if we consider a longer timeframe in our decision making, we can take steps today that will set us up to be more competitive in the future.

We have set targets for our key environmental issues, including long-term reduction targets for our carbon dioxide equivalent (CO₂e) emissions. Against our 2000 baseline of 1.38 tonnes per million cigarettes equivalent, we aim to reduce CO₂e emissions by 50 per cent by 2030 and 80 per cent by 2050. Our CO₂e data includes other greenhouse gases, such as methane from landfill.

Our approach

To reduce our carbon footprint, we address our energy use, our waste to landfill and our business travel. We are also beginning to explore opportunities for generating and purchasing renewable energy. The challenge is in identifying when, where and what renewable energy sources will become economically viable, so we also intend to research low-carbon fuel options to deploy in the interim.

We have an additional focus on using water responsibly and are adopting innovative technologies in water stressed

areas to help protect water resources for local communities. Life cycle analysis data helps us to understand our water use and we have also started to identify the parts of our business where the risks posed by water scarcity are greatest.

Environmental performance

Performance against our key environmental measures of energy use, CO₂e, water use and waste can be seen in the charts on page 16. In 2010, we saw an improvement in our waste measures and exceeded our 2012 water use target. Despite dramatic weather patterns witnessed in 2010, there was a decrease in our absolute energy consumption by 1.5 per cent, driven primarily by various energy reduction programmes and site rationalisation. This also resulted in a decrease in CO₂e. However, our overall energy use per million cigarettes equivalent increased due to a reduction in production volume. Over recent years we have exceeded our 75 per cent recycling target and have now increased it to aim to recycle at least 85 per cent of our waste.

Employee engagement

Our initiatives to raise environmental awareness among our employees include a programme encouraging them to reduce their carbon footprints at home. In 2010, the pilot at our headquarters in the UK was extended to include reductions at work and we also started a roll-out across our companies. Those companies that already have their own employee environmental programmes are aligning them with elements of the central programme.

To further develop our employees' Environment, Health & Safety (EHS) skills and knowledge, in 2011 we plan to develop an EHS training academy.

Longer-term view

Measuring progress year-on-year does not always give us an accurate picture of trends or results from new initiatives. We are developing five-year milestones as our preferred way to monitor progress towards our 2030 and 2050 CO₂e targets. These will include milestones for the Group and for individual regions and functions.

Stakeholder engagement

We are holding a series of stakeholder dialogue sessions on different aspects of climate change: water availability and management, carbon pricing and renewable energy.

The first session was held in 2010 and focused on the challenges posed by water availability and the techniques required to address these issues.

The session included presentations from external experts, plenary discussions and group work to identify key risks and responses. The overriding messages from the day, which will inform our approach to water management, were:

- The challenges posed by water availability are significant and immediate, and can only be addressed in partnership with other stakeholders.
- Measurement of water use and its impact on available resources is vital to any accurate assessment of performance and risk mapping, and needs to be communicated in a way that is meaningful and understandable.
- Short-term financial measures are inadequate to assess strategies to address water availability.

To share some of the key learnings from this dialogue we have published a summary which can be found at www.bat.com/stakeholder.



Transboundary issues are particularly difficult to address and getting international leaders to have conversations to build water unity is vital. Businesses have a key role to play in addressing cross-boundary issues, as their international locations and approach can facilitate the sharing of information.

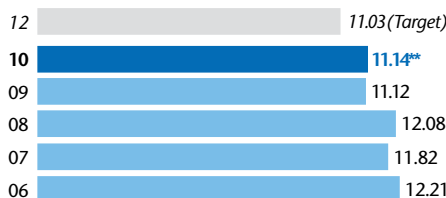


Academic at our stakeholder dialogue session on water

Energy use

Group energy use was up in 2010 by 0.2 per cent from 2009 to 11.14 gigajoules per million cigarettes equivalent produced. This was primarily because of a decline in volume, with smaller increases caused by adverse weather conditions and the use of diesel generators due to the loss of grid supply of electricity.

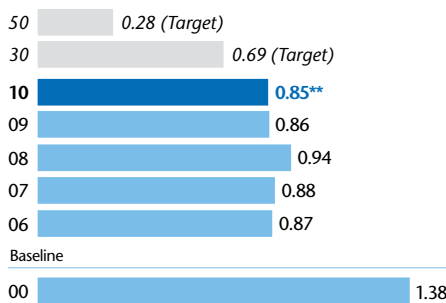
Gigajoules per million cigarettes equivalent produced*



Carbon dioxide

Group CO₂e was down in 2010 by 1.2 per cent from 2009 to 0.85 tonnes per million cigarettes equivalent. The reduction was primarily due to similar reasons as those for energy reduction in absolute terms, as well as sites switching to less carbon intensive forms of energy and marginal contributions achieved through waste to landfill reductions.

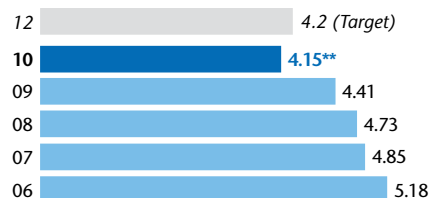
Tonnes CO₂e per million cigarettes equivalent produced*



Water use

Group water use in 2010 was down by 5.9 per cent from 2009 to 4.15 cubic metres per million cigarettes equivalent produced, exceeding our 2012 target. The increase in water efficiency was largely due to increased reuse of water, improved measurement with the introduction of water meters and site rationalisation.

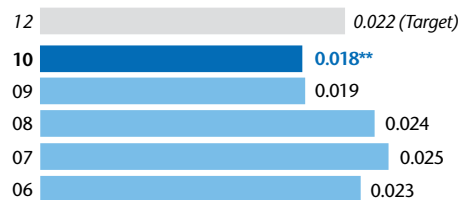
Cubic metres per million cigarettes equivalent produced*



Waste to landfill

Group waste to landfill decreased in 2010 by 5.3 per cent to 0.018 tonnes per million cigarettes equivalent produced, largely due to an increase in recycling and more detailed measurement, which allowed for more focused efficiency improvements.

Tonnes per million cigarettes equivalent produced*



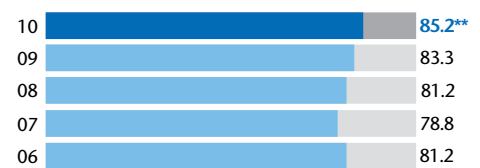
* We track Group efficiency performance using the output figure 'cigarettes equivalent produced'. This includes manufacturing of tobacco products and materials and green leaf threshing.

** This currently excludes the performance data from the business in Indonesia that we took control of in January 2010.

Recycling

We have set a global target to recycle more than 85 per cent of waste generated in each year. Group recycling increased in 2010 by 1.9 per cent to 85.2 per cent of waste generated.

Percentage of waste recycled



Climate change and the environment: what's next?

In 2011, we will review our reporting scope and methodology for our Environment, Health & Safety systems and set five-year milestones to monitor progress towards our 2030 and 2050 CO₂e targets. We will also develop new goals for our energy, water and waste measures. We will carry out a water footprint analysis to better understand the risks and opportunities that changes in water availability could present for us. Further stakeholder dialogue sessions will build our understanding of the long-term challenges and opportunities that climate change presents for our business.



**Comment from
Ernst & Young LLP**

Our approach to environmental data assurance focuses on understanding the risks to data integrity and how these have been controlled and mitigated. We have seen a more structured process at Group level in attaining quality data over 2010; however, further progress is required in the development of local environmental data processes, in particular with regards to the collation, reporting and management of quality environmental data.



Biodiversity conservation in Brazil.

Managing biodiversity

Biodiversity is the variety of life on Earth and is essential for sustaining ecosystems to support species, including humans. Our business depends on biodiversity for continued access to resources, such as water, healthy soils and timber, and we endeavour to understand and minimise these impacts on biodiversity. By protecting the biodiversity around tobacco growing areas, we have the opportunity to help ensure that our future supplies of tobacco are secure.

Our Group Biodiversity Statement states our aim to embed biodiversity conservation across our business.

The challenges for us are in the complexity of biodiversity issues and how they vary between locations: different strategies are needed around the world and progress is difficult to assess.

The British American Tobacco Biodiversity Partnership

Since 2001, we have worked with three NGOs in the British American Tobacco Biodiversity Partnership: Fauna & Flora International, the Tropical Biology Association and Earthwatch Institute.

This has helped us to develop specific biodiversity tools and generate greater awareness of the issue within the Group and our supply chain. In 2010, we

agreed the scope of work for the next five years of the Partnership. There will be fewer, larger projects focusing on biodiversity in agricultural landscapes and the ecosystems on which they depend, specifically:

- Reducing unsustainable use of forests;
- Enhancing freshwater ecosystems; and
- Promoting agricultural practices.

'The Economics of Ecosystems and Biodiversity' initiative, led by the United Nations Environment Programme, has recognised the Partnership as an effective example of how businesses can address biodiversity. You can read the study at www.teebweb.org.

Biodiversity risk and opportunity assessments

We completed biodiversity risk and opportunity assessments in all our leaf growing operations. Corrective action plans have been developed to address a range of issues, including:

- Threats to soil and water health from tobacco and non-tobacco agricultural activities;
- Unsustainable populations and economic pressure on areas of forest;
- Damage to riverbanks and the surrounding areas; and
- Opportunities to improve biodiversity in afforestation projects.

Biodiversity projects

In Chile and Sri Lanka, the Partnership is supporting our companies to identify approaches to replace areas of eucalyptus, previously planted as a source of fuel, with native forest. In trial areas in Sri Lanka, natural forest is re-establishing itself effectively, while in Chile, where conditions differ, the regeneration has been slower.

Our company in Uganda is supporting the Partnership to help local communities maintain native forest, through a programme of afforestation, education and activities to generate alternative incomes. The challenge has been to demonstrate the value to local communities of maintaining the regenerated forest, rather than using it for domestic and commercial fuel.



Managing biodiversity: what's next?

In 2011, the Biodiversity Partnership will embark on its next stage of projects, as well as reviewing and revising our biodiversity risk and opportunity assessment tool. Research will also be carried out to verify the apparent return of wildlife to trial areas of re-established natural forest in Sri Lanka.

Supply chain

We will work for positive social, environmental and economic impacts in our supply chain.

2010 progress in brief

We held a stakeholder dialogue session for suppliers and are developing an environmental scorecard together. Our Social Responsibility in Tobacco Production assessment now contains minimum performance thresholds and we are aiming for zero use of natural forest by our contracted farmers by 2015. We also developed a plan for reducing the use of natural resources at our factories and have piloted efficiency initiatives in our logistics network.

MATERIAL ISSUES

Reported

Our Report covers the issues of greatest significance to our business and stakeholders. These are introduced in this Summary and fully reported online.

- Supply chain management
- Product development
- Tobacco leaf supply
- Manufacturing
- Logistics

At www.bat.com

Topics of high interest to some stakeholder groups but partial impact on our business, or vice versa, can be found elsewhere on our corporate website, including:

- Tobacco curing
- Integrated pest management

Not reported

We do not cover topics that have already been addressed and are no longer raised by stakeholders, issues that we cannot influence and those that do not have a significant impact on the business.

PERFORMANCE

 Performance summary

 Progress against goals



Our opportunity

By looking at sustainability issues from tobacco farming to manufacturing and distribution, we identify potential efficiencies in our own operations and in those of our suppliers.

The challenge

Maintaining the same high standards across our global supply chain is challenging because local resources, legislation and infrastructure vary from place to place.

We consider our own operations and those of our suppliers within the scope of our supply chain. This includes the areas of product development, tobacco farming, manufacturing and logistics, as well as the departments that oversee procurement, planning and sourcing.

In 2010, we supplied over 180 markets with 708 billion cigarettes made at our 45 cigarette factories, which are based in 39 markets. British American Tobacco purchased approximately 460,000 tonnes of tobacco leaf in 2010, grown by more than 200,000 farmers. Around 80 per cent of the leaf by volume is purchased from farmers and suppliers in emerging economies. We also purchase significant quantities of other raw materials, such as packaging, cigarette paper, filter materials, glues and inks.

Our stakeholders expect us to manage our supply chain responsibly and we engage with our suppliers to help address their social, environmental and economic impacts. This engagement creates deeper understanding of our supply chain, enabling us to make better decisions, generate efficiencies and effectively manage risks.

@ Questions or comments? Email us at sustainability@bat.com

Supply chain management

Managing sustainability in a supply chain the size of ours is challenging. We aim to develop standards and tools that are flexible enough to be adopted by a variety of suppliers. This approach will help ensure that our supply chain meets baseline sustainability criteria and is continually improving its performance.

In 2010, we finalised our supply chain sustainability strategy based on stakeholder input and existing good practice.

The strategy requires each division of our supply chain to develop tools and activities to minimise its most significant environmental impacts.

Embedding sustainability

We have formalised our requirements, including sustainability criteria, for all suppliers. These are now being incorporated into our agreements with global suppliers of direct materials and we encourage our local companies to adopt them.

To further embed sustainability in our decision making, we have developed an approach to enable us to take environmental impacts into consideration when making factory sourcing decisions.

We use our Business Enabler Survey Tool (BEST) to assess whether our sustainability standards are being met by our materials suppliers, providing a framework for continual improvement. During 2010, we carried out 32 BEST reviews, of which 15 gained the minimum Approved status, 15 gained Qualified status and two gained the highest status, Certified.

Collaborating with suppliers

In 2010, we held a stakeholder dialogue session with suppliers and employees. The objectives were to identify common sustainability risks and opportunities, share best practice and establish opportunities for collaboration.

As a result of this, we are developing with our suppliers an environmental scorecard that will enable us to monitor performance and identify opportunities for joint improvements. Initially the scorecard will cover energy, water, waste and greenhouse gases, but we hope to expand it in time to include other sustainability indicators.



Think about your business and what you are going to do... think about the plan B. Sensible businesses need to think about what they can do to change.



Academic at our stakeholder dialogue session on water

Supply chain management: what's next?

In 2011, we will further embed our supply chain sustainability strategy across our operations and establish an external stakeholder panel on supply chain sustainability issues. We will use our approach for considering environmental impacts in all global factory sourcing decisions. We will also revise BEST to incorporate further sustainability criteria and trial our environmental scorecard with strategic suppliers.

Product development

Using life cycle analysis, we are identifying opportunities to improve sustainability performance in our supply chain. The challenge is in training our people to use life cycle analysis consistently and to translate the results into good business decisions.

Our Sustainable Business Assessment uses data from our life cycle analysis studies to compare the potential impacts of new products, components or packaging. It has already resulted in a number of changes, such as using snus packaging tins that are made of a single, rather than multiple, material type.

We had aimed to complete eight life cycle analysis studies in 2010, but due to underestimating the time and resources needed only six were completed. The final two are expected to be completed by mid-2011.



Product development: what's next?

During 2011, we intend to build on our life cycle analysis work, further integrating it into our supply chain and introducing more detailed measurement to better enable process design decisions.

Tobacco leaf supply

The challenge in encouraging sustainable practices among tobacco leaf farmers is that we are dealing with thousands of small-scale farmers, many of whom are in emerging economies. However, through tailored approaches and agronomy support, we can help them to build stronger, more sustainable operations, securing our future leaf supply.

We provide agronomy support to some 149,000 farmers directly contracted to us. These supply approximately two-thirds of our tobacco leaf, with the remainder coming from suppliers representing a further 60,000 farmers. The support includes providing quality seed as well as guidance on crop management, soil and water protection and environmental best practice. The guidance is not limited to tobacco farming, it covers all areas of agricultural practice.

Social Responsibility in Tobacco Production

Our Social Responsibility in Tobacco Production (SRTTP) assessment is focused on driving improvement in the social and environmental performance of all our leaf suppliers. It has been shared with the industry and, along with our Biodiversity Partnership, was recognised as an example of best practice in 'The Economics of Ecosystems and Biodiversity' study, available at www.teebweb.org.

In 2010, there were 18 SRTTP reviews of leaf suppliers in eight countries by an independent company, LeafTc. By the year end 93 per cent of suppliers had been reviewed at least once. Average scores show an improvement in 2010 – see page 32 for the performance data. To increase the incentive for suppliers to improve their performance, we have developed minimum thresholds within SRTTP, to be rolled out in 2011. If suppliers do not reach these, they risk losing their contracts.

Sustainable wood sourcing

Some farmers burn wood as a fuel for tobacco curing or use it to build curing barns. In 2010, we saw a significant increase in wood fuel sourced from natural forest by our directly contracted farmers – from 4.3 per cent to 12.1 per cent. This was largely the result of a review into the reporting of wood fuel sources, to better distinguish between categories and identify unknown sources. Having established more complete data, we feel confident in now aiming for zero use of natural forest for curing fuels by 2015.



Tobacco leaf supply: what's next?

From 2011, we expect our suppliers to achieve the minimum performance thresholds for SRTTP assessments. We will also now work towards our new aim of zero use of natural forest for directly contracted farmers' curing fuels by 2015.



Comment from Ernst & Young LLP

We have reviewed how British American Tobacco has used engagement activities to define priorities for both realising opportunities and mitigating risks in the area of supply chain sustainability. We have seen an increased focus on formalising sustainability requirements to further strengthen collaboration between the business and suppliers through the sharing of good practice and monitoring of performance against environmental scorecards.



Meeting at our offices in Lausanne, Switzerland.



Manufacturing

With around 70 per cent of the Group's resource and energy use occurring at our factories, we have the opportunity to make significant improvements by focusing on our manufacturing operations. The challenge is to reduce our impacts across all our manufacturing sites, some of which have older, less energy-efficient equipment. As factories get older, we have to weigh up environmental benefits against the costs of replacing old equipment.

We have developed a global plan for reducing the use of natural resources at our factories.

The first assessment stage, which has been rolled out to our largest sites, has increased our understanding of resource use, enabling us to prioritise improvements and identify specific solutions. For example, tobacco processing, which typically accounts for 40 per cent of a site's total energy consumption, can be reduced by 5 per cent simply by adjusting gas burner temperatures.

The assessments are complemented by third party energy and CO₂e assessments at our most resource intensive sites, including those in Brazil, Germany, Poland, South Africa and Turkey.

We are making good progress against recycling and landfill reduction targets and a number of our manufacturing sites recycle 100 per cent of their waste. But we have not been sufficiently focused on the absolute amount of waste we produce and still need to reduce absolute volumes.



Manufacturing: what's next?

Our focus for manufacturing in 2011 will be to extend our third party energy and CO₂e assessments to include water and to undertake a feasibility study of renewable energy options. We will also begin implementing waste reduction initiatives.



Tobacco processing at our factory in South Africa.

Logistics

We have an opportunity to improve fuel efficiency and reduce both environmental impacts and costs. However, this requires cooperation with a complex network of logistics and other partners around the world.

We are piloting a number of initiatives in Western Europe with DHL, our logistics partner, including trialling an aerodynamic haulage trailer and an energy and CO₂e assessment for the logistics network operating to and from a warehouse in the Netherlands. Results from the first trial of the trailer, on a high-volume route in Germany in 2010, show a 5.9 per cent reduction in CO₂e emissions.

Trade Marketing & Distribution

Our Trade Marketing & Distribution is responsible for the delivery of our products to retail customers and, in 2010, we rolled out the first phase of our plan to improve fuel efficiency. This included developing a scorecard of fuel consumption data to monitor progress and identify areas for improvement. We also trialled a driver training programme with positive results, which is now being incorporated into the global fuel efficiency programme.



Logistics: what's next?

We will roll out our energy and CO₂e assessments for warehouses across the Group, as well as our global programme to improve fuel efficiency in Trade Marketing & Distribution.

People and culture

We will work to ensure we have the right people and culture to meet our goals.

2010 progress in brief

We held a stakeholder dialogue session to examine how the needs of business and the expectations of employees can be aligned to create a sustainable organisation. Ninety per cent of our employees responded to our biennial opinion survey. Our health and safety strategy was updated and we extended the human rights criteria we apply in our own operations to our business partners.



MATERIAL ISSUES

Reported

Our Report covers the issues of greatest significance to our business and stakeholders. These are introduced in this Summary and fully reported online.

- Attracting, developing and retaining the right people
- Creating a great place to work
- Human rights

At www.bat.com

Topics of high interest to some stakeholder groups but partial impact on our business, or vice versa, can be found elsewhere on our corporate website, including:


- Occupational health management
- Corporate social investment

Not reported

We do not cover topics that have already been addressed and are no longer raised by stakeholders, issues that we cannot influence and those that do not have a significant impact on the business.

PERFORMANCE

 Performance summary

 Progress against goals



Our opportunity

By increasing integration globally and enabling more efficient ways of working, we can create a business that is fighting fit for the future.

The challenge

Some employees find organisational change difficult and this creates uncertainty. We need to support our employees through periods of change while also making the right decisions for the business.

Our employees come from diverse cultures and backgrounds, and our business benefits from the breadth of ideas and experiences they bring. We aim to recognise individuality and encourage people to perform at their best.

We are also experiencing a period of organisational change as the Group becomes a more globally integrated organisation.

After a period of developing many leading practices, in 2010, we focused on making sure we've got the basics right – that we can attract the best people and create a great place to work. We are currently reviewing and, where necessary, adapting our approaches and processes to ensure we get these basics right.

In this context of change, our priorities remain the same but the requirement to achieve them is even greater:

- Ensuring we have a sustainable talent pipeline by attracting, developing and retaining outstanding people;
- Creating a place to work where people are recognised for the difference they bring and the contribution they make; and
- Working to protect the human rights of our employees and those within our sphere of influence.

Engaging with stakeholders

Employees' expectations of the organisations they work for have been changing and navigating an approach to employee engagement that satisfies both employee and employer is challenging. However, staying ahead of other companies in understanding and responding to evolving expectations enables us to attract the best employees, build an exceptional workforce and create competitive advantage.

Furthermore, there is increasing evidence that engaged and motivated employees are more productive, take less time off and are inclined to stay with a company for longer.

In 2010, we met with employees, human resources professionals and academics in a stakeholder dialogue session to explore the apparent contradiction between the needs of business in today's tough economic climate and the changing expectations that employees have of their employers. We wanted to explore how these two trends could be aligned to create a more sustainable organisation.

Throughout the session it became clear that our approach to wellbeing, namely better understanding and improving the way our employees respond to work pressures, could play a role in enhancing business results.

The principles that emerged included:

- Command and control management styles are no longer effective. Instead, managers should act as team facilitators, with responsibilities devolved to lower levels.
- Similarly, in managing change, senior leaders should outline their vision and devolve responsibility for the detailed implementation to those most affected.
- Employees want to be treated as individuals with different career aspirations and training needs. Employers should make training available but give employees more flexibility and control in managing their career development.

Engaging with stakeholders: what's next?

In 2011, we will review our approach to employee wellbeing to establish how it can contribute to improved employee engagement.



The key to successful employee engagement is involving people at all levels in both the design and the implementation of organisational changes. The more people you can get on board the better.



Organisational change consultant at our stakeholder dialogue session



Questions or comments? Email us at sustainability@bat.com

Attracting, developing and retaining the right people

In attracting, developing and retaining talented individuals, we have the opportunity to build a winning organisation. However, some people do not want to work for a tobacco company, so recruiting outstanding candidates can be challenging for us. Having a strong and clearly differentiated reputation as an employer is therefore critical to our long-term business sustainability.

As part of our current focus on the basics, we are enhancing our approaches to recruitment and induction and we have also carried out a review of our learning and development programme for managers. This includes a detailed analysis of employees' learning needs.

As a result of the review, we are developing a global learning management system that gives our regions and functions a clearer view of the learning and capability gaps in their operations.

Succession management

It is our long-term aim to have succession plans in place for every senior role and we also have an aspiration for a 70:30 ratio of local to expatriate senior managers in each business unit.

Succession plans for key roles remain stretched mainly as a result of reorganisations over recent years. However, we were successful in redeploying talented employees during these reorganisations and filled many key roles with internal candidates – see page 32 for our performance data in this area.

Gender diversity

We continue to support the career development of our talented female managers, with a view to increasing the proportion of women in senior management positions. This includes tracking development plans for our senior women, assigning mentors and encouraging the recruitment consultancies we use to draw up gender-balanced shortlists of candidates

when we recruit externally. Metrics for women in senior roles are tracked at our Management Board Talent Review meetings.

While we recognise that it will take time, there has been a small improvement in the Group figures and we have made good progress in some markets including Brazil, Nigeria and South Africa. You can view our markets' performance in this area and for other key measures in their balanced scorecards in our online Report.



Attracting, developing and retaining the right people: what's next?

We will complete the development of our global learning management system and implement it across the Group. We will also continue to support our employees' development.

Creating a great place to work

We know that people do not stay in jobs just because of the pay or promotion opportunities. Employees want a supportive culture where their views are listened to.

Our latest 'Your Voice' employee opinion survey was conducted in 2010. All employees were invited to participate and 90 per cent did so.

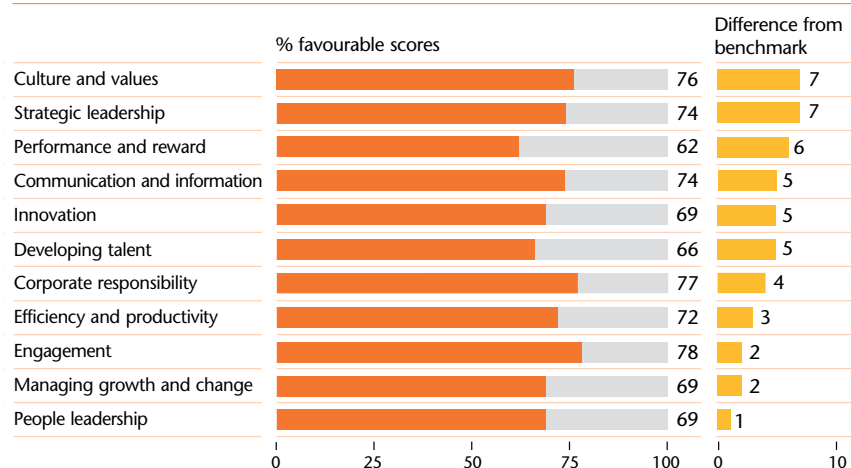
The high-level results are shown in the chart below. In all 11 categories, employee opinion of British American Tobacco was more positive than the benchmark for businesses in the Fast Moving Consumer Goods (FMCG) sector. We either maintained or improved on our 2008 scores in eight of the 11 categories:

- 89 per cent of respondents are proud to be associated with our organisation (2008: 87 per cent);
- 84 per cent believe strongly in the goals and objectives of their business unit (2008: 83 per cent); and
- 83 per cent would recommend British American Tobacco as a good place to work (2008: 82 per cent).

However, the survey also told us that, while business communication generally is thought to have improved, communication on organisational changes could be clearer. This lack of clarity has caused anxiety for some employees. Gaps were also identified in the area of people leadership and we did not compare as favourably against the FMCG benchmark for work-life balance.

'Your Voice' survey 2010

British American Tobacco vs Towers Watson global FMCG benchmark. Category scores ranked by difference from benchmark. 'Difference from benchmark' bars above 2 indicate a statistically significant difference.





Meeting at our offices in Lausanne, Switzerland.

Managing change

We have developed plans to help our employees remain engaged and motivated through organisational change. These plans focus on four areas:

- Ensuring employee issues are integrated into organisational change proposals;
- Ensuring good communication around change;
- Developing line managers’ skills to support their teams; and
- Equipping all employees to deal successfully with change.

External allegations

In 2007, a complaint against our company in Malaysia alleging the reclassification of roles to reduce union membership during an organisational restructure was made by the Malaysian

Trade Union Congress on behalf of the British American Tobacco Employees’ Union, to the UK OECD National Contact Point (UK NCP).

In December 2010, the UK NCP determined it would not investigate the main allegation of reclassification of roles to reduce union membership, as to do so would require examination of the merits of legal decisions made by Malaysian authorities.

However, the UK NCP has examined a secondary allegation and recommended that British American Tobacco Malaysia include a process on consulting and informing its employees on matters of mutual concern before key decisions are made on those matters and to provide an update to the UK NCP by June 2011. We remain convinced that our Malaysian

subsidiary fully complied with local legal requirements as well as our own Group Employment Principles. You can find further information on this in our online Report.

 **Comment from Ernst & Young LLP**

British American Tobacco has reported on how human rights issues are considered in the management of its supply chain (see page 27). We have seen evidence of British American Tobacco issuing guidelines and standards on human rights, including child labour and workers’ rights, that suppliers are expected to follow. British American Tobacco needs to ensure that adherence to these new requirements is integrated within existing monitoring and reporting mechanisms.

Employee health and safety

There were 29 serious injuries in 2010, involving 25 employees and four contractors. Of these, four were fatalities (three employees and one contractor), compared to three in 2009 (all employees). One was the result of a fall from height and the three others resulted from vehicle accidents. We greatly regret this loss of life and we systematically review every major incident to identify any ways in which we can prevent a recurrence.

The Group's Lost Workday Case Incident Rate (LWCIR) in 2010 was 0.27, an improvement on 0.37 in 2009. However, this was largely the result of the acquisition in Indonesia significantly increasing the total hours worked for the Group. Excluding Indonesia, the Group's LWCIR is 0.38 – a small increase from 2009. Our actual number of lost workday cases increased to 212 compared to 206 in 2009, while 62 per cent of our sites were accident free in 2010.

The highest proportions of injuries were vehicle-related at 25 per cent (25 per

cent in 2009), manual activity at 25 per cent (20 per cent in 2009) and slips and trips at 21 per cent (22 per cent in 2009). Entrapment accidents decreased to 9 per cent compared to 12 per cent in 2009.

We have developed a scorecard that is being used by our Trade Marketing & Distribution teams to monitor vehicle-related injuries. Risk assessments and root cause analyses are being used at our manufacturing sites to help find engineering solutions to safety hazards, including entrapment accidents.

We have updated our health and safety strategy to focus on management accountability and individual responsibility and our programmes to protect and promote health at work continue to be a priority area of our strategy. These include initiatives to prevent work-related illnesses and significant endemic diseases, including programmes focused on HIV/AIDS, which you can read about in our online Report.

➔ Creating a great place to work: what's next?

We will develop action plans with our employees in response to our opinion survey and examine the feasibility of more regular checks of employee views. Our updated health and safety strategy will be rolled out in 2011.

✔ Comment from Ernst & Young LLP

Through our review of British American Tobacco data we have seen an increase in vehicle-related injuries in recent years. In 2009, a programme aimed at reducing these injuries in the Trade Marketing & Distribution teams was launched and, in 2010, a scorecard has been developed to monitor vehicle-related injuries and identify areas for improvement. In future, it will be important that the effectiveness of these activities in reducing the number of incidents is reported.



Distribution centre in Mexico.



Human rights

Human rights is an important part of our sustainability agenda and our Employment Principles, our Statement of Business Principles and our governance processes all include human rights considerations.

By upholding high standards in human rights throughout our supply chain, we have an opportunity to significantly improve many people's lives. However, the limits of our influence pose a challenge: all parties need to work together but the primary responsibility for changing human rights practices lies with governments, not businesses.

Human rights and our suppliers

Human rights considerations have always been part of our supply chain management approach. In 2010, we formalised our requirements for all suppliers, including criteria such as worker rights and child labour. We are incorporating these into our framework agreements with global suppliers and all our local companies are expected to seek to include such criteria in their supplier terms and conditions. You can read more about this at www.bat.com/suppliers.

Tackling child labour in tobacco growing

Child labour continues to be a key human rights issue for any industry that has an agricultural supply chain and tobacco growing is no exception.

We use our Social Responsibility in Tobacco Production (SRTP) programme, which you can read about on page 20, to address child labour and other human rights issues.

The average self-assessment scores for the child labour section of SRTP can be viewed in the performance summary on page 32 and demonstrate a steady improvement over recent years, with the exception of 2009 when more stringent assessment criteria were introduced. Any suppliers who show poor performance are required to develop improvement plans, which are then assessed by our independent reviewer, LeafTc.

We continue to play an active role in the Eliminating Child Labour in Tobacco Growing (ECLT) Foundation along with representatives of all the



Preparing tobacco leaf for curing in Indonesia.

major manufacturers and leaf suppliers, tobacco growers, trades unions and the International Labour Organisation.

The ECLT Foundation runs community based projects in six countries: Malawi, Zambia, Tanzania, Mozambique, Kyrgyzstan and Uganda. These projects help to increase awareness of child labour issues, improve access to education and health services for children and build local capacity to address the problem. The ECLT Foundation also undertakes research and develops best practice that others in the industry can replicate in their own operations.

Reports of child labour on tobacco farms in Malawi

In 2010, there were two significant television reports in the UK on child labour and farming conditions in Malawi: 'Unreported World' (Channel 4) and

'Working Lives' (BBC). We provided detailed responses to the journalists to enable them to produce balanced programmes and we also put them in contact with the ECLT Foundation, which has a project in Malawi to address the root causes of child labour.

The main message of the 'Unreported World' programme was that while child labour is illegal in Malawi, young children are working on tobacco farms instead of going to school. The programme reported that they worked long hours for little pay, suffered sickness and, in some cases, were abused by their employers. Representatives of the ECLT Foundation's project in Malawi were interviewed, but their interviews were not featured in the programme. Our response, which can be found on www.bat.com/malawi, reiterated our position on child labour, detailed the specifics of our operations in Malawi and explained how the structure of the Malawi tobacco industry does not allow us to work directly with farmers, making it very challenging to address the issue of child labour.

'Working Lives' presented a balanced summary of child labour in Malawi. It mentioned that no international tobacco company wants to buy tobacco from farms using child workers, but that in a country like Malawi this is very difficult to control. The ECLT Foundation's project was featured as a good approach which "seems to be working". The programme concluded that no one individual party can solve the issue but that all parties must work together.



Human rights: what's next?

We will incorporate requirements for human rights and other sustainability criteria into all framework agreements with global suppliers by end 2012 and continue to encourage our companies to develop a more consistent approach to addressing human rights in their agreements with local suppliers and business partners. We will also continue to work with the ECLT Foundation to tackle child labour issues.

Assurance

Independent assurance statement to British American Tobacco management

The British American Tobacco p.l.c. Sustainability Report 2010 (the Report)¹ has been prepared by the management of British American Tobacco, which is responsible for the collection and presentation of the information within it and reviewed by the Board CSR Committee. Our responsibility, in accordance with management's instructions, is to carry out a 'reasonable level' assurance engagement on the information presented in the Report on the London based stakeholder dialogues and a 'limited level' assurance engagement on the rest of the Report. We do not accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

What we did to form our conclusions

Our assurance engagement has been planned and performed in accordance with ISAE 3000² and to meet the requirements of a Type 2 assurance engagement as defined by AA1000AS (2008)³. The AA1000AS (2008) assurance principles of Inclusivity, Materiality and Responsiveness have been used as criteria against which to evaluate the Report.

In order to form our conclusions we undertook the steps outlined below:

1. Interviewed a selection of executives and senior managers at British American Tobacco's headquarters in London to understand the current status of social, ethical, environmental and health and safety activities and progress made during the reporting period.
2. Reviewed selected headquarters documents relating to social, ethical, environmental and health and safety aspects of British American Tobacco's performance, to understand progress made across the organisation and to test the coverage of topics within the Report.
3. Reviewed British American Tobacco's approach to stakeholder engagement through interviews with employees at headquarters, regional and local company level, and reviewed selected associated documentation.
4. Reviewed British American Tobacco's processes for determining material issues to be included in the Report.
5. Reviewed the coverage of material issues within the Report against the key issues raised in the stakeholder dialogues, material issues and areas of performance covered in external media reports and the environmental and social reports of British American Tobacco's peers, and the topics discussed by the Board CSR Committee and regional audit and CSR committees.
6. Reviewed data samples and processes relating to environment, health & safety (EHS), the corporate social responsibility (CSR) survey, the 'Your Voice' employee opinion survey, machinery destroyed, the Business Enabler Survey Tool (BEST), Social Responsibility in Tobacco Production (SRTP) and local succession coverage and leadership diversity to test whether they had been collected, consolidated and reported appropriately at headquarters level.
7. Reviewed and challenged supporting evidence from a sample of local companies for a selection of data points, covering EHS and the CSR survey.
8. Reviewed disaggregated data reported on balanced scorecards for five regions and nine markets to assess whether the data had been collected, consolidated and reported accurately.
9. Reviewed information or explanations about the Report's data, statements and assertions regarding British American Tobacco's sustainability performance.

¹ This includes the printed Summary Report and full online Report, including the case studies and balanced scorecards for nine key markets and selected sustainability web content on www.bat.com, marked with the Ernst & Young footnote.

² ISAE 3000 – International Federation of the Accountants' International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

³ AA1000AS (2008) – The second edition of the AA1000 assurance standard from the Institute of Social and Ethical Accountability.

In order to form our conclusions on the information regarding the London held stakeholder dialogues, we:

10. [Attended four independently facilitated stakeholder dialogue sessions held in London.](#)
11. [Reviewed the independent facilitator's minutes of the dialogues](#) to form conclusions that they provided a fair representation of the issues raised and British American Tobacco's response.
12. [Reviewed the sections in the Report relating to the London based stakeholder engagement sessions](#), as described on pages 2, 5, 16, 19 and 23 to form conclusions that they are an accurate and balanced summary.

Level of assurance

The extent of evidence gathering procedures for a 'limited level' of assurance is less than that of a 'reasonable' assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided for the full Report than the sections relating to the London held stakeholder dialogue sessions.

The limitations of our review

With the exception of selected telephone interviews with regional and local staff and the review of selected documentation, our work was limited to headquarters activities. We did not visit any local companies.

Our conclusions

Based on the scope of our review our conclusions are outlined below:

Inclusivity

Has British American Tobacco been engaging with stakeholders across the business to develop its approach to sustainability?

- We are not aware of any key stakeholder groups which have been excluded from engagement. However, we are aware of stakeholder groups who are most critical of the tobacco industry who have not accepted invitations to engage.
- We are not aware of any matters that would lead us to conclude that British American Tobacco has not applied the inclusivity principle in developing its approach to sustainability.

Materiality

Has British American Tobacco provided a balanced representation of material issues concerning its sustainability performance?

- We are not aware of any material aspects concerning British American Tobacco's sustainability performance which have been excluded from the Report.
- Nothing has come to our attention that causes us to believe that British American Tobacco management has not applied its processes for determining material issues to be included in the Report, as described on page 5 of the Report.

Responsiveness

Has British American Tobacco responded to stakeholder concerns?

- We are not aware of any additional issues of stakeholder interest that are not currently included in the Report's scope and content.

Completeness and accuracy of performance information

How plausible are the statements and claims within the Report?

- We have reviewed information or explanations on the statements on British American Tobacco's sustainability activities presented in the Report and we are not aware of any misstatements in the assertions made.

How complete and accurate is data on EHS, the CSR survey, the 'Your Voice' employee opinion survey, machinery destroyed, BEST, SRTP, local succession coverage and leadership diversity in the Report?

- We are not aware of any material reporting units that have been excluded from the headquarters level data relating to the topics above.
- Nothing has come to our attention that causes us to believe that the data relating to the above topics has not been collated properly at headquarters or regional levels.
- We are not aware of any errors that would materially affect the data as presented in the Report.

Has British American Tobacco provided a fair representation of the issues raised and response to the London held stakeholder dialogue sessions?

- Information in the Report regarding the independently facilitated stakeholder dialogue sessions held in London provides a fair summary of the engagement at these sessions and the actions agreed by British American Tobacco.

Independent assurance statement to British American Tobacco management

Observations and areas for improvement

Our observations and areas for improvement will be raised in a report to British American Tobacco management. Selected observations are provided below. Additional specific observations regarding progress made and areas for improvement can be found in the appropriate sections of the printed Summary Report and full online Report. These observations do not affect our conclusions on the Report set out earlier in this statement.

- The Report includes coverage on British American Tobacco's economic impacts in countries of operation. In addition, we noted improvements to the description of sustainability performance in key markets. These presented a more balanced picture than in the 2009 Report of successes, as well as challenges faced with regard to sustainability in these markets, particularly in relation to illicit trade and child labour.
- We have seen a more structured process at Group level in attaining quality environmental data in 2010. However, further progress is required in the development of local environmental data processes, in particular with regards to the collation, reporting and management of quality environmental data. British American Tobacco has informed us that Group EHS will be focusing on this area in 2011.

- British American Tobacco has processes in place to identify and engage with stakeholders across the organisation. During our attendance at the London held stakeholder dialogues and interviews with selected local companies, we saw evidence that British American Tobacco considers stakeholder opinions in developing and refining key sustainability decisions. Plans have been jointly developed with key stakeholders to address common sustainability challenges, for example in relation to water management, supply chain sustainability and anti-illicit trade activities.

Our independence

This is the fourth year that Ernst & Young LLP has provided independent assurance services in relation to British American Tobacco p.l.c.'s Sustainability Report. We have provided no other services relating to British American Tobacco's approach to sustainability reporting.

Our assurance team

Our assurance team has been drawn from our global environment and sustainability network, which undertakes engagements similar to this with a number of significant UK and international businesses. The work has been led and reviewed by Lead Sustainability Assurance Practitioners.

Ernst & Young LLP
London
March 2011

 **ERNST & YOUNG**
Quality In Everything We Do

Learning from our assurance process

British American Tobacco's response to the 2010 assurance statement

An independent review of our approach is essential to support our commitment to continuous improvement. Ernst & Young LLP carried out an independent review of our Sustainability Report and of how it is aligned with the AA1000 Assurance Standard (2008). This highlighted a number of strengths in our reporting process, as well as where improvements could be made.

Materiality

In 2007, we carried out a three-stage materiality test to identify which issues we should include in our Sustainability Reports and, in 2009, we reviewed this process in order to identify any additional issues that should be included in view of ceasing local sustainability reporting. This resulted in the addition of Broad-Based Black Economic Empowerment and HIV/AIDS as material issues. In previous years, Ernst & Young LLP has concluded that our reporting of economic impacts was not as detailed as it could be, something we agreed with and committed to consider further. As a result, we have included a dedicated section on economic impact in our online Report. We hope that this goes some way to demonstrating the economic value we add to the markets we operate within.

We are also pleased to note that Ernst & Young LLP concluded that we presented a more balanced picture of key markets' sustainability activities, particularly in relation to illicit trade and child labour.

Actions for us:

- Engage with stakeholders to maintain the continued relevance of our sustainability agenda;
- Continue to ensure that the process for identifying risk within the Group allows for adequate consideration of sustainability related risks; and
- Continue to ensure we represent a balanced picture of key market performance.

Responsiveness

Ernst & Young LLP attended our London based stakeholder dialogue events on employee wellbeing, supply chain sustainability, water management and integrated reporting. These meetings were all independently facilitated and were attended by senior management from British American Tobacco. Ernst & Young LLP concluded that there were no issues raised at dialogue that are not covered in the Report.

During 2010, we continued to develop our approach to dialogue to involve stakeholders more directly in the development of sustainability plans and initiatives, something acknowledged by Ernst & Young LLP in its assurance statement. We continue to provide a summary of dialogue that has been undertaken by our companies globally in our online Sustainability Report and you can find links to any published stakeholder reports at www.bat.com/reporting.

Actions for us:

- Continue to develop our approach to dialogue to involve stakeholders directly in the development of plans to meet our sustainability goals; and
- Share our revised approach to dialogue to encourage key markets to adopt the new approach to support the development of local plans and activities.

Inclusivity

Ernst & Young LLP concluded that we have been inclusive in our engagement with stakeholders across the business. However, it also shared our observation that some stakeholders often refuse to engage with us because of the nature of our products. We hope that the changes we are making to our approach to dialogue will encourage wider participation.

Actions for us:

- Continue to try to engage with our critics; and
- Develop our approach to dialogue to include wider participation from different stakeholder groups.

Observations

As well as the points raised in relation to our alignment with the AA1000 Assurance Standard, Ernst & Young LLP also raised a number of additional observations. In particular, while they observed a more structured process at a Group level for reviewing and challenging environmental data quality, they concluded that further progress is required in the development of processes at a market level.

This is something we recognise and ensuring a consistent, accurate and transparent approach to data reporting across a business as diverse as ours remains a challenge. To address this, in 2011, we plan to carry out a review of the reporting scope and methodology used for our Environment, Health & Safety systems.



Readers of an assurance statement will want to know if the issues that are important to them and material to the company have been included in the engagement. The description of the scope of assurance needs to be clear in order to allow the reader to judge whether the assurance is valuable for their purposes... BAT's statement lists the KPIs and specifies the level to which each is assured. It provides the page number in the report where each KPI can be found.

Carbon Smart's 2010 report benchmarking sustainability and carbon assurance in the FTSE 350

Performance summary

See the full Report online at www.bat.com/sustainability for all our performance data.

For the measures indicated (+), data is also available for our five regions and nine of our largest markets at www.bat.com/sustainability/regionsandmarkets.

KEY ● Improvement
 ◆ Minimal or no change (2 per cent or less)
 ■ Decline

		2008	2009	2010	Trend	Page	By region/ market
Marketplace							
International Marketing Standards							
Number of reported instances of partial or non-adherence		204	15	6	●		(+)
Youth smoking prevention							
Percentage of markets where our businesses report running or supporting youth smoking prevention programmes		48	33	51	●	12	(+)
Preventing underage access							
Percentage of markets where our businesses report engaging with governments to improve measures to help prevent underage access to tobacco		58	39	39	◆		(+)
Environment							
Energy use	Gigajoules per million cigarettes equivalent produced	12.08	11.12	11.14	◆		(+)
Carbon dioxide	Tonnes CO ₂ e per million cigarettes equivalent produced	0.94	0.86	0.85	◆		(+)
Water use	Cubic metres per million cigarettes equivalent produced	4.73	4.41	4.15	●	16	(+)
Waste to landfill	Tonnes per million cigarettes equivalent produced	0.024	0.019	0.018	●		(+)
Recycling	Percentage of waste recycled	81.2	83.3	85.2	◆		(+)
Supply chain							
Social Responsibility in Tobacco Production							
Average percentage of leaf suppliers' self-assessment scores	Social responsibility policy	92	87	93	●		
	Agronomy	73	59	65	●		
	Tobacco processing	79	73	79	●		
	Socio-economic factors	89	85	90	●	20	
	Company sponsored or advised forestry	67.2	66.4	59.1	■		
Wood fuel sources							
Percentage sources of wood used in growing programmes	Commercial forest	27.4	27.2	28.8	◆		
	Natural forest	3.7	4.3	12.1	■		
	Source unknown (All unknown sources have now been identified so this category has been deleted)	1.7	2.1	–			
People and culture							
Local succession coverage – 1:1:2 at business unit level							
Average percentage of business units with at least one local successor in the short term and two local successors in the long term for each senior position	Short term	51	58	57	◆		(+)
	Long term	72	63	43	■		(+)
Local top teams – 70:30 at business unit level							
Average percentage of local representation on business unit senior management teams		49	55	51	■		(+)
Employee opinion 'Your Voice' biennial survey							
Score in the Engagement category		77	–	78	◆		(+)
British American Tobacco vs Towers Watson global FMCG benchmark	Ranked by difference from benchmark	+5	–	+2	■		(+)
	Management trainees	48	48	48	◆	24	(+)
	Management grade 34	33	33	35	◆		(+)
	Management grade 35	31	32	32	◆		(+)
	Management grade 36	26	28	29	◆		(+)
	Management grade 37	22	23	24	◆		(+)
	Management grade 38	12	13	15	◆		(+)
	Management grade 39	11	9	8	◆		(+)
	Management grade 40	3	4	5	◆		(+)
	Management board	0	0	0	◆		(+)
	Non-Executive Directors	38	38	33	■		(+)
Lost workday case incident rate (LWCIR)							
LWCIR = Number of lost workday cases through injury x 200,000 divided by total hours worked		0.40	0.37	0.27 including Indonesia 0.38 excluding Indonesia	■	26	(+)
	Employees	20	22	25	■		
Serious injuries and fatalities							
	Contractors	6	6	4	●		
	Total	26	28	29	■		
Child labour section of Social Responsibility in Tobacco Production							
Average percentage of leaf suppliers' self-assessment scores		93	83	87	●	27	

Progress against our goals

For the 2010 goals indicated , information can be found in the relevant section of the online Report at www.bat.com/sustainability.

KEY  On track  Completed  Not met

2010 goals and commitments	Status	Page	2011 goals and commitments	Timing
Harm reduction				
Analyse and submit for publication the results of our first clinical study of a range of combustible prototype products, the smoke of which may have lower levels of toxicants compared to conventional cigarettes.		7	Publish details of the technologies used in the combustible prototype products assessed in our 2009 clinical study.	Mid 2011
			Validate and submit for publication details of a series of laboratory models of diseases, such as cancer, chronic obstructive pulmonary disorder and cardiovascular disease, as well as the biological processes of inflammation and oxidative stress.	End 2011
Develop and validate scientifically meaningful measurements for exposure to tobacco smoke toxicants and investigate how we might measure potential harm.		7	Work with our External Scientific Panel on the design of a longer clinical study of biomarkers of exposure to tobacco smoke toxicants and biomarkers of biological effect.	End 2011
			Develop more sophisticated methods for analysing the biologically relevant dose of various tobacco smoke toxicants and use the information to develop better computational toxicological methods.	End 2011
Invigorate our biotechnology programme in our search for new technologies to reduce tobacco smoke toxicant levels.		8	Implement our reinvigorated biotechnology programme and submit the latest results of the research for publication.	End 2011
Engage with regulators in an effort to reach common ground on tobacco harm reduction.		8	Engage externally to build support for a broader approach to tobacco harm reduction.	Ongoing
Work with our External Scientific Panel which continues to give us important input in developing our scientific research programme.		8	Work with our External Scientific Panel which continues to give us important input in developing our scientific research programme.	Ongoing
Present our scientific research at key international conferences and maintain the number of our publications in peer-reviewed journals.			Present our scientific findings at international conferences and maintain or increase our publications in peer-reviewed journals.	End 2011
Engage with the scientific media on the issue of tobacco harm reduction.			Continue to increase the profile of our scientific research in the development of potential reduced-exposure products (PREPs) and the development of our PREP assessment framework.	Ongoing
Further update www.bat-science.com .			Further improve www.bat-science.com to facilitate greater input from the external scientific community into our scientific research programme.	End 2011
Learn from our existing snus test markets and aim to expand into a new market. (Plans to move into a new test market have been put on hold while we review how we might best focus our activities.)		9	Review our approach to snus test marketing.	End 2011
Submit for publication the results of our progress in developing biological and chemical testing methods for snus. (This will be submitted for publication in 2011.)		9		
Engage widely on the role a regulated form of snus could play in a tobacco harm reduction strategy to reduce the public health impacts of smoking.		9	Engage widely on the role that a regulated form of smokeless tobacco could play in a tobacco harm reduction strategy to reduce the public health impacts of smoking.	Ongoing
Marketplace				
Engage with governments to put forward our views for effective, evidence-based regulation, including matters arising from their translation of the World Health Organisation's Framework Convention on Tobacco Control (FCTC) guidelines into local laws.		11	Engage with governments to put forward our views for effective, evidence-based regulation, including matters arising from their translation of FCTC guidelines into local laws.	Ongoing
Ensure the views and positions we advocate to regulators are reflected on www.bat.com .		11	Ensure our global regulatory positions are published on www.bat.com .	Ongoing
			Engage with the International Labour Organisation and other relevant international organisations to aim to ensure that the impact of regulation on issues such as employment and free trade are properly assessed.	End 2011
100 per cent adherence to our International Marketing Standards. (All our companies except those in Indonesia and Germany have now reported full adherence to our International Marketing Standards.)		12	100 per cent adherence to our International Marketing Standards.	Ongoing
Roll out our global approach to youth smoking prevention. We expect all our companies to be fully aligned with the global approach by year end. (The approach has been rolled out to all companies, but only 56 per cent, representing 85 per cent of our sales volume, were fully aligned by the end of 2010.)		12	Review youth smoking prevention in those markets that are yet to implement our global approach.	End 2011
Support the introduction of minimum age laws of 18 for the sale of tobacco products where no such laws currently exist.		12	Support the introduction of minimum age laws of 18 for the sale of tobacco products where no such laws currently exist.	Ongoing
Work with our stakeholders to build support for our approach to track and trace and digital verification.		13	Support governments in implementing our track and trace system to help them meet the obligations of the FCTC draft Protocol on Illicit Trade.	Ongoing
			Complete a pilot at our factory in Mexico of the industry-agreed system for digital tax verification.	End 2011
Work to further raise awareness of the role that some Free Trade Zones play in the illicit trade of tobacco products and lobby for governments to apply strong laws and penalties to criminals operating in these zones. (This is part of our continuing approach to tackling illicit trade and in the future will not be listed as a specific goal.)		13		
Environment				
Reduce our energy use towards our 2012 target of 11.03 gigajoules per million cigarettes equivalent produced, 6.7 per cent lower than our 2007 baseline.		16	Reduce our energy use towards our 2012 target of 11.03 gigajoules per million cigarettes equivalent produced, 6.7 per cent lower than our 2007 baseline.	End 2012
Reduce our water use towards our 2012 target of 4.2 cubic metres per million cigarettes equivalent produced, 13.4 per cent lower than our 2007 baseline.		16	Reduce our water use towards our 2012 target of 4.2 cubic metres per million cigarettes equivalent produced, 13.4 per cent lower than our 2007 baseline.	End 2012

2010 goals and commitments	Status	Page	2011 goals and commitments	Timing
Reduce our waste to landfill towards our 2012 target of 0.022 tonnes per million cigarettes equivalent produced, 12 per cent lower than our 2007 baseline, and to recycle at least 75 per cent of our waste each year.	➔	16	Reduce our waste to landfill towards our 2012 target of 0.022 tonnes per million cigarettes equivalent produced, 12 per cent lower than our 2007 baseline, and recycle at least 85 per cent of our waste each year.	End 2012
Reduce our CO ₂ e emissions by 50 per cent by 2030 and 80 per cent by 2050 against our 2000 baseline of 1.38 tonnes per million cigarettes equivalent produced.	➔	16	Reduce our CO ₂ e emissions by 50 per cent by 2030 and 80 per cent by 2050 against our 2000 baseline of 1.38 tonnes per million cigarettes equivalent produced.	2030/2050
		16	Set five-year milestones to monitor progress towards our 2030 and 2050 CO ₂ e targets.	End 2011
			Develop new goals for our energy, water and waste measures.	End 2011
In selected markets, roll out our programme encouraging employees to reduce their carbon footprint at home, as well as extending the pilot to cover reductions at work.	●	15	Engage with stakeholders about the long-term challenges and opportunities of climate change, focusing on the areas of carbon pricing and renewable energy.	End 2011
Carry out a water footprint analysis to better understand the risks and opportunities that changes in water availability could present for us.	➔	16	Carry out a water footprint analysis to better understand the risks and opportunities that changes in water availability could present for us.	End 2011
Carry out biodiversity risk and opportunity assessments in all our leaf growing operations.	●	17	Review and revise our biodiversity risk and opportunity assessment tool for use in our next round of assessments of tobacco leaf growing operations.	End 2011
Endeavour to incorporate longer time horizons into our leaf supply chain sustainability planning, addressing long-term impacts and dependencies identified through risk assessments.	➔	17	Use our biodiversity risk and opportunity assessments to help us identify and, where necessary, mitigate possible biodiversity risks associated with our leaf operations.	Ongoing
Further raise awareness of biodiversity issues through training workshops, engagement with farmers and our leaf managers and through our online biodiversity learning module.	➔	16	Continue to raise awareness of biodiversity issues through training workshops, engagement with farmers and our leaf managers and our online biodiversity learning module.	Ongoing
Develop and trial replicable models of forest regeneration and native forest management.	●	17	Conduct research to verify the apparent return of wildlife to trial areas of re-established natural forest in Sri Lanka.	End 2013
Supply chain				
Develop an integrated sustainable supply chain strategy, including a review of our current measures.	●	19		
Consider the feasibility of establishing an external panel of stakeholders to provide guidance and challenge on supply chain sustainability issues.	●	19	Establish an external stakeholder panel to provide guidance and challenge on supply chain sustainability issues.	End 2011
			Carry out a review of our Business Enabler Survey Tool to incorporate further sustainability criteria into the assessment process.	End 2011
Further integrate sustainability principles into the selection criteria for our direct materials and machinery suppliers.	➔	19	Further integrate sustainability principles into the selection criteria for our direct materials and machinery suppliers.	End 2011
Implement sustainability impact studies to assist our decision making for any major sourcing changes.	➔	19	Use our approach for considering environmental impacts in all global factory sourcing decisions.	End 2011
Investigate the feasibility of a common approach to carbon accounting within our supply chain.	●	19	Trial our environmental scorecard with strategic suppliers.	End 2011
Develop tools and processes to enable us to use life cycle analysis to guide product specification.	●	20		
Complete joint life cycle analysis studies with at least eight of our supply chain partners. (We have completed studies with six suppliers. The remaining two will be completed by mid-2011.)	○	20		
Build the global support capacity of our agronomy centre.	●	16	Introduce requirements for our leaf suppliers to meet minimum performance thresholds in their Social Responsibility in Tobacco Production assessment scores.	End 2011
Aim for less than 3 per cent of directly contracted farmers' curing fuels to come from natural forest.	➔	20	Aim for zero use of natural forest for directly contracted farmers' curing fuels.	End 2015
Develop a global energy reduction plan for our manufacturing sites.	●	21	Extend our third party manufacturing assessments to include water.	End 2011
			Undertake a feasibility review of renewable energy to help identify potentially suitable manufacturing locations and technologies.	End 2011
			Roll out our energy and CO ₂ e assessments for warehouses across the Group.	End 2012
Roll out the first phase of our plan to improve fuel efficiency in our Trade Marketing & Distribution teams.	●	21	Roll out our programme to improve fuel efficiency across all Group Trade Marketing & Distribution teams.	End 2012
People and culture				
Continue to roll out our employer proposition to other countries.	●	16	Review our approach to employee wellbeing to establish how it can contribute to improved employee engagement.	End 2012
Introduce globally aligned standards for recruitment.	●	16		
Carry out a full review of our learning and development programme for managers at global, regional and local levels.	●	24	Complete the development of our global learning management system and implement it across the Group.	End 2011
In each of our business units, we aim to have at least one local successor ready in the short term for each senior position and two local successors ready in the long term (this goal is expressed as 1:1:2).	➔	24	In each of our business units, we aim to have at least one local successor ready in the short term for each senior position and two local successors ready in the long term (this goal is expressed as 1:1:2).	Ongoing
Aim to have a 70:30 ratio of local to expatriate senior managers at business unit level.	➔	24	Aim to have a 70:30 ratio of local to expatriate senior managers at business unit level.	Ongoing
Actively manage the career progress of our senior female managers.	➔	24	Actively manage the career progress of our senior female managers.	Ongoing
Develop plans to help our employees remain engaged and motivated during periods of organisational change.	➔	25	Work with our employees to devise improvement plans in response to the results of our employee opinion survey.	End 2011
Our aim is to have a global Lost Workday Case Incident Rate in the range of 0.1–0.2. The specific local target set for all our companies is zero accidents.	➔	26	Our global aim is to have a Lost Workday Case Incident Rate of no more than 0.2. The local target set for all our companies is zero accidents.	End 2012
Implement our plan to reduce vehicle-related injuries in our Trade Marketing & Distribution teams.	➔	26	Implement our plan to reduce vehicle-related injuries in our Trade Marketing & Distribution teams.	End 2011
Encourage our companies to develop a more consistent approach to addressing human rights and other sustainability issues in their agreements with local suppliers and business partners.	➔	27	Incorporate requirements for human rights and other sustainability criteria into all our framework agreements with global suppliers.	End 2012

Global Reporting Initiative index

The Global Reporting Initiative is a network-based organisation that provides a reporting framework setting out principles and indicators that organisations can use to measure and report their economic, environmental and social performance. You can find all our reported information via www.bat.com/sustainability/GRI.

KEY

- Full reporting.
- ◐ Partial reporting.
- Ⓟ Information not reported (not considered material to business operation).
- Ⓒ Information not reported (more relevant locally and we do not collect global data on it).
- 📄 Reported in full Sustainability Report at www.bat.com/sustainability/GRI.
- 📅 Reported in Annual Report at www.bat.com/annualreport2010.

EC1	Economic value generated and distributed	● 📄
EC2	Financial implications due to climate change	● 📄
EC3	Defined benefit plan obligations	◐ 📅
EC4	Significant financial assistance from government	Ⓒ
EC5	Entry level wage ratios compared to local minimum	Ⓒ
EC6	Local supplier policy and spend	◐ 📄
EC7	Local hiring (p24)	◐ 📄
EC8	Infrastructure investments	Ⓒ
EC9	Indirect economic impacts	◐ 📄
EN1	Materials used	● 📄
EN2	Materials recycled	● 📄
EN3	Direct energy consumption	● 📄
EN4	Indirect energy consumption	● 📄
EN5	Energy saved	◐ 📄
EN6	Energy-efficient products and services	Ⓒ
EN7	Energy reduction initiatives	● 📄
EN8	Water withdrawal	● 📄
EN9	Water sources affected by withdrawal of water	Ⓒ
EN10	Water recycled and reused	● 📄
EN11	Land in areas of high biodiversity	◐ 📄
EN12	Impacts on biodiversity (p17)	◐ 📄
EN13	Habitats protected or restored (p17)	◐ 📄
EN14	Plans for managing impacts on biodiversity (p17)	● 📄
EN15	Areas with IUCN Red List species (p17)	◐ 📄
EN16	Direct and indirect greenhouse gas emissions	● 📄
EN17	Indirect greenhouse gas emissions	● 📄
EN18	Initiatives to reduce greenhouse gas emissions (p15–16)	◐ 📄
EN19	Ozone-depleting substances	Ⓟ
EN20	NOx, SOx	Ⓟ
EN21	Water discharge	◐ 📄
EN22	Waste	● 📄
EN23	Significant spills	● 📄
EN24	Hazardous waste	Ⓟ
EN25	Biodiversity – water habitats	◐ 📄
EN26	Environmental impacts of product (p20)	◐ 📄
EN27	Packaging materials reclaimed	◐ 📄
EN28	Non-compliance with environmental laws and regulations	● 📄
EN29	Impact of transport	● 📄
EN30	Environmental expenditures	● 📄

LA1	Total workforce by employment type	Ⓒ
LA2	Employee turnover	◐ 📄
LA3	Benefits provided to employees	Ⓒ
LA4	Collective bargaining	Ⓒ
LA5	Minimum notice period	◐ 📄
LA6	Management–worker health and safety committees	Ⓒ
LA7	Health and safety (p26)	◐ 📄
LA8	Occupational health	Ⓒ
LA9	Health and safety agreements with trade unions	Ⓟ
LA10	Training	Ⓒ
LA11	Lifelong learning	◐ 📄
LA12	Career development reviews	◐ 📄
LA13	Diversity (p24)	◐ 📄
LA14	Salary ratio of men to women	Ⓒ
HR1	Human rights – investment	Ⓟ
HR2	Human rights – suppliers (p27)	◐ 📄
HR3	Human rights – employee training	Ⓒ
HR4	Total number of incidents of discrimination and actions taken	◐ 📄
HR5	Freedom of association	Ⓒ
HR6	Child labour (p27)	◐ 📄
HR7	Forced or compulsory labour	Ⓒ
HR8	Human rights – security personnel	Ⓟ
HR9	Indigenous people	Ⓒ
SO1	Impacts on communities	Ⓒ
SO2	Corruption	● 📄
SO3	Anti-corruption policies	◐ 📄
SO4	Response to incidents of corruption	● 📄
SO5	Public policy and lobbying (p11–12)	◐ 📄
SO6	Contributions to political parties	● 📄
SO7	Anti-competitive behaviour	● 📄
SO8	Non-compliance with laws and regulations	● 📄
PR1	Health and safety – product impact	◐ 📄
PR2	Health and safety of products – non-compliance	● 📄
PR3	Product and service information	◐ 📄
PR4	Product and service information – non-compliance	● 📄
PR5	Customer satisfaction	◐ 📄
PR6	Marketing communications (p12)	● 📄
PR7	Marketing communications – non-compliance (p12)	● 📄
PR8	Customer privacy	● 📄
PR9	Products and services – non-compliance	● 📄

Fold out to read our progress against goals



This Report has been printed in the UK by Pureprint, a CarbonNeutral® company using their pureprint and alcofree environmental printing

technology. The paper used for this Report is Amadeus 50% Recycled Silk, comprising 25% post-consumer and 25% pre-consumer waste, and 50% virgin wood fibre sourced from sustainable forests independently certified according to the rules of the Forest Stewardship Council®. This document is recyclable. Designed and produced by Flag. Photography by Mike Abrahams and David Hares.

About this Report

This is the British American Tobacco p.l.c. Sustainability Summary 2010. It reports on the activities of British American Tobacco companies in the UK and internationally and covers the calendar year 2010. Associate companies are excluded. References to 'British American Tobacco', 'we', 'us' and 'our' when denoting opinion refer to British American Tobacco p.l.c. (the Company) and when denoting tobacco business activity refer to Group operating companies, collectively or individually as the case may be.

