

Independent assurance statement for Sustainability Summary 2013

Independent Assurance Statement to British American Tobacco Management.

The British American Tobacco p.l.c. Sustainability Reporting 2013 (the Report)¹ has been prepared by the management of British American Tobacco (BAT), which is responsible for the collection and presentation of the information within it, and reviewed by the Main Board CSR Committee. Our responsibility, in accordance with management's instructions, is to carry out a 'limited level' assurance engagement on 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 ISAE3000² 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 British American Tobacco executives and senior managers** to understand the current status of social, ethical, environmental and safety activities and progress made during the reporting period.
2. **Reviewed selected documents** relating to social, ethical, environmental and safety aspects of BAT'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 with responsibility for managing engagement activities at Group and selected market level, attendance at one stakeholder dialogue session held in London and reviews of associated documentation.
4. **Carried out the following activities to review 'selected Group data' for environment, safety, Sustainability Survey, wood fuel sources, Business Enabler Survey Tool (BEST), management and diversity data, agrochemical usage, employee turnover, Corporate Social Investment (CSI) survey, Social Responsibility in Tobacco Production (SRTP) programme and the 'Your Voice' employee opinion survey:**
 - a. Reviewed disaggregated energy, waste and water data reported by a sample of six local companies to assess whether the data had been collected, consolidated and reported accurately.
 - b. Reviewed and challenged supporting evidence from the sample of six local companies.
 - c. Tested whether energy, waste, water, carbon dioxide equivalent (CO₂e) emissions and safety data had been collected, consolidated and reported appropriately at Group level.

¹ This includes the printed Summary Report, as well as GRI information and performance data on the online Sustainability Data Centre which can be found at www.bat.com/sustainability/data.

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.

- d. Tested the aggregation of the data for the wood fuel sources, BEST, SRTP, agrochemical usage, employee turnover and management diversity at Group level.
 - e. Reviewed and challenged supporting evidence for a selection of Sustainability and CSI Survey data points from a sample of local companies.
5. **Reviewed BAT's processes for determining material issues** to be included in the Report.
 6. **Reviewed the coverage of material issues within the Report** against the key issues raised by BAT's stakeholder engagement activities, material issues and areas of performance covered in external media reports and the environmental and social reports of BAT's peers, as well as the topics discussed by the Main Board CSR Committee and regional audit and CSR committees.
 7. **Reviewed information or explanations about the Report's data, statements and assertions** regarding BAT's sustainability performance.

Level of assurance

Our evidence gathering procedures were designed to obtain a limited level of assurance (as set out in ISAE3000) on which to base our conclusions. The extent of evidence gathering procedures performed is less than that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

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.

We have not sought any supporting evidence for data that has been sourced from BAT's Annual Report and Accounts.

We have not provided assurance over claims made by BAT that are of an aspirational nature.

Our conclusions

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

Inclusivity

Has BAT 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. There remain to be certain stakeholder groups who, due to their critical views of the tobacco industry, continue to reject invitations to engage.
- We not aware of any omissions to the minutes associated with the BAT stakeholder dialogue session in London.
- We are not aware of any matters that would lead us to conclude that BAT has not applied the inclusivity principle in developing its approach to sustainability.

Materiality

Has BAT provided a balanced representation of material issues concerning its sustainability performance?

With the exception of the issues listed below, we are not aware of any material aspects raised in our review of media and Board CSR Committee papers which have been excluded from the Report.

We consider that BAT should have covered the following issues in more detail in the Report:

- The development of marketing principles for nicotine inhalation devices, including e-cigarettes, and BAT's corporate position.
- The debate surrounding the addictiveness and attractiveness of menthol cigarette products, including the proposed legislation.

Nothing has come to our attention that causes us to believe that BAT management has not applied its processes for determining material issues to be included in the Report. The process is described at www.bat.com/materiality.

Responsiveness

Has BAT responded to stakeholder concerns?

- We are not aware of any matters that would lead us to conclude that BAT has not applied the responsiveness principle in considering the matters to be reported.

Completeness and accuracy of performance information

How plausible are the statements and claims within the Report?

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

How complete and accurate is the 'selected Group data' presented in the Report (outlined above in "What we did to form our conclusions")?

- With the exception of the limitations identified in the Report, we are not aware of any material reporting units (as defined by BAT) that have been excluded from the Group 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 Group level.
- We are not aware of any errors that would materially affect the data as presented in the Report.

Observations and areas for improvement

Our observations and areas for improvement will be raised in a report to BAT management.

Selected observations are provided below, some of which can also be found in the appropriate sections of the Sustainability Summary Report. These observations do not affect our conclusions on the Report set out earlier in this statement.

Harm reduction

From our interviews with senior leaders in BAT, all expressed their strong commitment to the development of the nicotine business. Through these interviews they explained the commercial benefits and potential benefits to consumers of this business. It is clear that more research into the possible long-term effects of e-cigarettes is needed and we have been told that BAT has committed to scientific studies in this area.

Sustainable agriculture

Through our Group level interviews and document review we have seen evidence of how BAT continues to work directly with farmers. This includes reducing the use of agrochemicals and natural forest for curing fuels. We have reviewed the calculations regarding the reduction of agrochemicals and natural forest usage and, while we have found no errors in the calculations, we would suggest that BAT conducts a review to confirm the quality of the source data for agrochemical usage.

Marketing Principles

BAT has long had Marketing Principles in place for tobacco products; however there is currently no equivalent for nicotine products, including e-cigarettes. We consider that BAT should accelerate the development and implementation of appropriate marketing principles for nicotine products and updates on their rollout should be communicated in future reports.

Health and safety

BAT has continued to enhance the quality of their health and safety reporting over the last year. As the business changes shape to have more distribution activities, road traffic accidents are an increasing area of risk. BAT should consider enhancing their data gathering and reporting of third-party fatalities in line with good reporting practices.

Our independence

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

Our assurance team

Our assurance team has been drawn from our UK Climate Change and Sustainability Services team, which undertakes engagements similar to this with a number of significant UK and international businesses.

Ernst & Young LLP

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