



Our response to the assurance statement

Learning from our assurance process: British American Tobacco's response to the 2013 assurance statement.

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

Inclusivity

Ernst & Young concluded that we have been inclusive in our engagement with stakeholders across the business in developing our approach to sustainability.

However, they did share our observation that some stakeholders refuse to engage with us due to their critical views of the tobacco industry. This is an area we have tried to address by inviting such stakeholders to our formal dialogue sessions but their willingness to participate remains a challenge. We remain open to meeting our critics and engaging in constructive discussion.

We also hope that by offering less harmful products, proving through our actions and behaviours that we are a responsible company and delivering on our commitments, we can begin to re-build trust.

Actions for us:

- Continue to engage with our stakeholders across the Group, using tools such as formal stakeholder dialogue; and
- Continue to try to engage with our critics and re-build trust by delivering our commitments to society.

Materiality

Ernst & Young concluded that we should have provided more detail in the Report regarding the development of marketing principles for nicotine products, including e-cigarettes, and our corporate position.

We agree with that marketing of nicotine products should follow high standards. It needs to be recognised though that they contain no tobacco and are recognised by leading scientific and public health experts to be substantially less risky than regular cigarettes, so a different approach is needed.

As such, we are advocating for the introduction of a regulatory environment that includes a minimum age law of 18 for sales and relevant consumer information on the risk profile, while allowing the appropriate level of marketing freedoms to encourage the growth of a product category that could help smokers cut down or quit.

Ernst & Young also concluded that we should have covered more detail on the debate surrounding the addictiveness and attractiveness of menthol cigarette products, including the proposed legislation.

The Summary Report includes details on our approach to regulation and engagement, as well as our top-line position on bans or restrictions on the use of ingredients in tobacco products. We continue to provide more in-depth information on specific topics in our Sustainability Focus Reports, the most recent of which, A Focus on Integrity, provided details on regulatory issues, including ingredients and menthol. Specifically, it covered the fact that there is no reliable or convincing scientific evidence that shows that a greater toxicological effect results from the use of cigarettes containing ingredients



when compared with those without. As the World Health Organisation has stated, “cigarettes claimed to be without additives...have never been demonstrated to be less dangerous or addictive than conventional cigarettes”.

More information on tobacco product ingredients and our position on proposed regulation can also be found at www.bat.com.

Actions for us:

- Continue to produce Sustainability Focus Reports to complement our annual Sustainability Summary and provide more in-depth information on specific issues; and
- Continue to regularly update our corporate website, www.bat.com, with information and our corporate position on key issues.

Responsiveness

We are pleased to note that Ernst & Young has not found any matters to lead them to conclude that we have not applied the responsiveness principle in considering the matters to be reported.

Actions for us:

- Continue to report transparently on Group sustainability performance through our annual Sustainability Summary and Focus Reports; and
- Continue to cover material issues in our sustainability reporting and provide information on other key activities on our corporate website, www.bat.com.

British American Tobacco

March 2014