



Independent assurance statement for Sustainability Summary 2014

Independent Assurance Statement to British American Tobacco Management.

The British American Tobacco p.l.c. 2014 Sustainability Reporting (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 BAT 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 BAT's approach to stakeholder engagement** through interviews with employees with responsibility for managing engagement activities at Group and selected market level and reviews of associated documentation.
 4. **Carried out the following activities to review 'selected Group data' listed below:**
 - Environment
 - Wood fuel sources
 - Agrochemical usage
 - Social Responsibility in Tobacco Production (SRTP) programme
 - Safety
 - Business Enabler Survey Tool (BEST)
 - Employee turnover
 - 'Your Voice' employee opinion survey
 - Sustainability Survey
 - Group diversity data
 - Corporate Social Investment (CSI) 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.
 - d. Tested the aggregation of the data for the wood fuel sources, BEST, SRTP, agrochemical usage, employee turnover and diversity at Group level.

1. The 2014 Sustainability Report includes the printed report, interactive PDF and app, as well as GRI information and data contained within the online performance 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.

- 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, as well as the topics discussed by the Main Board CSR Committee and regional audit and CSR committees in 2014.
- 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 statements of belief or forward looking in nature.

We have not provided assurance over video content or transcripts included in the Report.

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 views of the tobacco industry, continue to reject invitations to engage.
- 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 issue 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.
 - Having extended its internal reporting to incorporate fatalities to members of the public occurring during the course of BAT's operations, such as those from road traffic

accidents, we consider that BAT should have also included these in its external reporting.

- 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 BAT's Sustainability Summary Report. These observations do not affect our conclusions on the Report set out earlier in this statement.

Harm reduction

During our interviews with senior management at Group-level, all expressed the strategic importance of next generation products to the business. We have seen evidence of BAT's engagement with a wide range of stakeholders on the possible benefits to public health and on the development of product quality standards. Continuing this type of dialogue will be critical as BAT seeks to develop and launch new products in markets beyond the UK.

Sustainable agriculture and farmer livelihoods

Agricultural supply-chains face major economic, environmental and social challenges. During the course of our work we have seen specific examples of how BAT is addressing these challenges and strengthening its approach. However, we consider that BAT should ensure that its good practices are more consistently applied across all leaf suppliers including third parties.

Certain data sets that BAT use to monitor supply chain performance are based on self-assessments, including farmers' sources of wood for curing fuels and agrochemical usage. While we review the aggregation of this Group data, we have not reviewed the quality of the source data. We have previously highlighted this as an area of concern. BAT has since been working to enhance the quality of



the reporting processes for wood fuel and its source data, which has contributed to a deterioration of the reported performance in 2014. We recommend that BAT continues to challenge the quality of source data in order to present a clearer reflection of actual performance.

Corporate behaviour

For many years BAT has had International Marketing Principles for tobacco products. Given the challenges faced to date when marketing e-cigarettes in the UK and with further nicotine products in the pipeline, we encourage BAT to expedite the development and implementation of International Marketing Principles for nicotine products before launching in further markets.

BAT continues to bring distribution activities in-house and therefore vehicle related incidents are an increasing area of risk. This is highlighted by the increased number of employee and contractor fatalities in 2014. BAT has extended its internal reporting to include fatalities to members of the public in the course of BAT's operations, such as from road traffic accidents. We would encourage BAT to consider reporting this information in future performance reports.

Our independence

With the exception of providing assurance for the harm reduction and sustainable agriculture focus reports we have not provided any other services relating to BAT's approach to sustainability reporting throughout 2014.

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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