

Our response to the assurance statement

An independent review of our sustainability reporting is an important element of helping stakeholders place trust in our processes and in what we report, and supports our commitment to openness and transparency.

As part of the assurance engagement on our 2015 Sustainability Report, Ernst & Young LLP has made specific observations and highlighted some areas for improvement in the three areas of our sustainability agenda. As part of our commitment to continuous improvement, we have provided a response to these below.

Harm reduction

We are pleased to see Ernst & Young note the progress made in 2015 with further development of the range and reach of our Next Generation Products; adoption our own product standards; work with external organisations to develop new standards that could set a benchmark for the industry; and the development and implementation of our Vapour Products Marketing Principles.

Actions for us:

- Continue supporting the development of regulation for Next Generation Products, by sharing our own research and approach, and working with regulators and standards authorities.
- Aim for 100% adherence to our Vapour Products Marketing Principles. If any cases of non-adherence are identified, ensure immediate actions are put in place.

Sustainable agriculture and farmer livelihoods

Ernst & Young observed the further development, in 2015, of our approach to sustainable agriculture and farmer livelihoods, including the development and piloting of global metrics which they encourage us to report against in the future.

Our leaf suppliers operate in a diverse range of countries each of which has different issues and circumstances. As such, there is no “one size fits all” solution and local actions need to be based on the needs of the farmers and most material issues on the ground. Therefore, the development and implementation of global metrics is a challenging area, which we are currently working to further develop and pilot prior to reporting against them publicly.

Ernst & Young also highlighted inconsistencies with the sample size of farmers surveyed by our leaf suppliers for reporting data on wood fuel use. Given the large farmer numbers from which our suppliers source tobacco leaf, gathering data from 100% of farmers is unrealistic. In such circumstances, our suppliers are asked to select a sample size of farmers that can provide enough information to be able to reasonably report against this metric. As part of our further development of global metrics, we plan to provide suppliers with more detailed guidance on sampling to try to ensure greater consistency.

Actions for us:

- Continue our development and piloting of global metrics and give consideration to reporting these publicly in the future.
- Develop guidelines for suppliers on sampling to help ensure greater consistency.

Corporate behaviour

Ernst & Young noted that being transparent about challenges faced with regards to corporate behaviour is an important element of building trust with stakeholders. As such, we highlight in the report allegations made in 2015 of bribery and corruption in our East Africa business. We acknowledge that the level of detail provided is limited, but Ernst & Young note that this is understandable as investigations are ongoing.

We take any allegations very seriously and are committed to investigating and taking action to address them, as well as openly disclosing them in our reporting.



We're also pleased to note that Ernst & Young have highlighted the enhancement of our safety reporting in 2015 to also include disclosure of fatalities to members of the public involving BAT vehicles. They also highlighted our new internal metric of '*driver-related injuries per km driven*' and encouraged us to report against this publicly in the future.

Currently, we follow best practice standards for tracking Group safety performance by measuring total accidents in absolute terms, as well as the Lost Workday Case Incident Rate (LWCIR) to track year-on-year progress. As a business with thousands of trade and distribution personnel who spend long periods on the road, we face a high-risk of vehicle-related accidents. As such, in 2015, we developed a new metric of '*driver-related injuries per km driven*', to help better measure year-on-year progress for this specific area. Once we have established this metric in our internal reporting processes, we will look into including it as a key safety measure in future sustainability reporting.

Actions for us:

- Continue to respond to, and report transparently on, any allegations or relevant issues with regards to our corporate behaviour.
- Further develop our safety metrics for driver-related injuries and give consideration to reporting these publicly in the future.

British American Tobacco

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