

Independent assurance statement for Sustainability Summary 2015

Independent Assurance report to British American Tobacco Management

We have performed a limited assurance engagement on selected performance data and statements presented in the British American Tobacco plc. (“BAT”) 2015 Sustainability Report (“the Report”)¹.

Respective responsibilities

BAT management is responsible for the collection and presentation of the information within the Report. BAT management are also responsible for the design implementation and maintenance of internal controls relevant to the preparation of the Report, so that it is free from material misstatement, whether due to fraud or error.

Our responsibility, in accordance with our engagement terms with BAT management, is to carry out a ‘limited level’ assurance engagement on selected data and performance claims in the Report (“the subject matter information”). 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.

Our assurance engagement has been planned and performed in accordance with the International Standard for Assurance Engagements (ISAE) 3000 Revised, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, and to meet the requirements of a Type 2 assurance engagement as defined by AA1000AS (2008)². The AA1000AS (2008) assurance principles of Inclusivity, Materiality and Responsiveness (collectively “the criteria”) have been used as criteria against which to evaluate the Report.

Summary of work performed

The procedures we performed were based on our professional judgement and included the steps outlined below:

- 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 of 1st January 2015 to 31st December 2015.
- 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.
- 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.
- Assessed performance data for the following metrics:**

<p>Environment – Energy, waste to landfill, waste recycled, water and carbon dioxide</p> <ul style="list-style-type: none"> Reviewed disaggregated environmental data for a sample of local companies back to source evidence. Assessed whether environmental data has been collected, consolidated and reported appropriately at Group-level in line with the reporting scope set out at bat.com/sustainability Reviewed the presentation of greenhouse gas emissions (GHG) data in BAT’s Annual Report for consistency.
<p>Sustainable agriculture – Leaf suppliers’ wood fuel use, agrochemical use and performance against the Social Responsibility in Tobacco Production (SRTP) programme</p> <ul style="list-style-type: none"> Conducted interviews with a selection of managers in BAT’s local leaf operations responsible for completing the SRTP self-assessment, agrochemical returns and wood fuel returns. Reviewed disaggregated data and challenged supporting evidence in relation to the SRTP self-assessment, agrochemical returns and wood fuel returns.
<p>Safety – Serious injuries and fatalities and Lost Workday Case Incident Rate (LWCIR)</p> <ul style="list-style-type: none"> Reviewed the number of recorded incidents for the reporting period for consistency and accuracy, specifically serious injuries and fatalities for employees and contractors and, fatalities to members of the public involving BAT vehicles. Reviewed the calculation of the LWCIR rate disclosed within the Report for consistency and accuracy.

Sustainability survey – Youth smoking prevention (YSP), International Marketing Principles (IMP) and community investment data
<ul style="list-style-type: none"> Reviewed the aggregation and completeness of YSP, IMP and community investment data reported by local BAT companies in the Group Sustainability Survey.
Human resources – Group diversity
<ul style="list-style-type: none"> Reviewed the aggregation and completeness of total employees by gender, management employees by gender and Board gender diversity.

- Reviewed BAT’s processes for determining material issues** to be included in the Report.
- Reviewed the coverage of material issues within the Report** for the reporting period 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 during 2015.
- Reviewed information or explanations about the Report’s data, statements and assertions** regarding BAT’s sustainability performance.

Limitations of our review

We conducted our work to express a limited assurance conclusion. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement and we do not therefore express a reasonable assurance opinion.

The scope of our engagement was limited to the reporting period, and therefore 2015 performance only.

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.

We have not provided assurance over claims made by BAT that are statements of belief or forward looking in nature.

The responsibility for the prevention and detection of fraud, error and non-compliance with laws or regulations rests with BAT management. Our work should not be relied upon to disclose all such material misstatements, frauds, errors or instances of non-compliance that may exist.

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?

- We are not aware of any material issues raised in our review of media and Board CSR Committee papers which have been excluded from the Report.

- 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 step 4 of "Summary of work performed")?

- 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.

Our observations and areas for improvement

Please see the following page.

Our independence and competence

With the exception of this work, we have provided no other services relating to BAT's approach to sustainability reporting throughout 2015.

We have implemented measures to ensure that we are in compliance with the applicable independence and professional competence rules as articulated by the IFAC Code of Ethics for Professional Accountants and ISQC1³. 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

London, 18th March 2016



¹ The 2015 Sustainability Report includes the print Sustainability Summary Report and interactive PDF, as well as selected data contained within the online performance centre, indicated by the Ernst & Young stamp, which can be found at www.bat.com/sustainability/data.

² AA1000AS (2008) – The second edition of the AA1000 assurance standard from the Institute of Social and Ethical Accountability.

³ Parts A and B of the IESBA Code; and the International Standard on Quality Control 1 (ISQC1).

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 in the full statement on the previous page.

Harm reduction

In 2015, BAT has continued to develop their range and reach of Next Generation Products. In the absence of consistent regulation for Vapour Products, we have seen evidence of BAT adopting their own standards, as well as working with several external organisations in the development of new product standards that could set a benchmark across the industry. We would encourage BAT to continue this external engagement, allowing for a broad representation of views in the development of a best practice approach.

BAT has developed and launched Vapour Products Marketing Principles in 2015. The publication of these principles complements their expansion into new markets and supports their commitment to responsible marketing. For 2016 reporting, BAT has introduced a target for compliance to these principles and therefore we would expect BAT to communicate progress against this in future reports.

Sustainable agriculture and farmer livelihoods

In 2015, we saw evidence that BAT has continued to develop its approach to sustainable agriculture and farmer livelihoods for its tobacco leaf supply chain. This has included the development and piloting of global metrics. Initial results have helped BAT identify areas for improvement and prioritise actions in key markets, as well as providing a baseline for future reporting. In future years, we would encourage BAT to report against these metrics to build a deeper understanding of the progress made in this area.

In previous years, we highlighted that BAT should challenge the quality of source data of their wood fuel and agrochemical reporting. While we have observed examples of good practice in the collection and review of data, the source data continues to be derived from a limited sample of farmers. Whilst a key driver of BAT's improved performance in 2015 was the resolution of an operational issue in one of its sourcing locations, we have also observed a 33% decrease in the number of farmers it has surveyed compared with 2014. We therefore recommend that BAT takes a more consistent approach to surveying in future to improve the comparability of year-on-year data.

Corporate behaviour

Being transparent about the challenges faced with regards to corporate behaviour is an important element of building trust with stakeholders. BAT has acknowledged these challenges in this report and we encourage further disclosure of relevant issues in future sustainability reports. BAT has also highlighted the serious allegations made in 2015 of bribery and corruption in its East Africa business. However, as investigations are on-going, the current level of disclosure is understandably limited.

In previous years, we have highlighted that vehicle-related incidents were an increasing area of risk in BAT's operations. BAT has enhanced their reporting in 2015 to include disclosure of fatalities to members of the public, all of which resulted from vehicle-related incidents. We have noted that BAT are now using 'driver-related injuries per km driven' as an internal metric to further monitor safety performance in relation to vehicle-related incidents. Consideration should be given to publically reporting this metric as a basis for communicating progress in managing vehicle related incidents.

Ernst & Young LLP

London, 18th March 2016

