Standards of Business Conduct

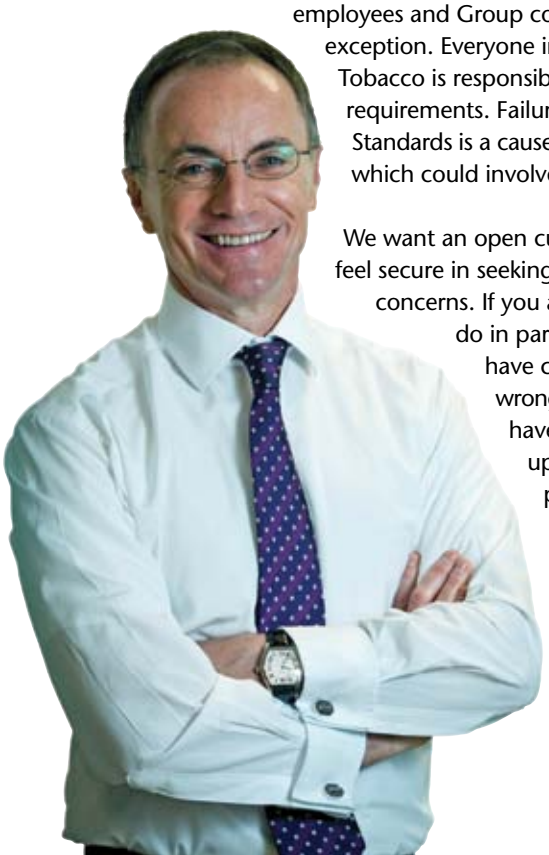
September 2011

Message from the Chief Executive

At British American Tobacco, we are committed to acting responsibly at all times. We take comfort and pride in knowing that we will do the right thing and behave in the right way. What is more, we see this as critical to the sustained high performance of our business in the long term. It is therefore a key element of our business strategy.

Our Standards of Business Conduct express the high standards of business integrity that we require from our employees worldwide. They are based on our beliefs and values and underpin our commitment to honesty, integrity and transparency by applying those principles to the specific situations that arise in our day-to-day business life.

Compliance with the law is necessary, but not sufficient on its own. The Standards are intended to support all of us in ensuring, not only that our conduct remains lawful, but also that it is in line with the high standards that we expect of ourselves. They do this by making clear the rules that govern our business conduct and by providing guidance to help us to make appropriate judgments and decisions in the course of our work. They are applicable to all Group employees and Group companies, without exception. Everyone in British American Tobacco is responsible for upholding their requirements. Failure to observe the Standards is a cause for disciplinary action, which could involve dismissal.



We want an open culture where people feel secure in seeking advice or in raising concerns. If you are unsure of what to do in particular circumstances or have concerns about suspected wrongdoing at work, then you have an obligation to speak up. Our whistleblowing policy and procedures enable you to do so in confidence and without fear of punishment, provided that you act in good faith. Our Standards of Business Conduct have been in place for many years and are kept under review to ensure that they remain at the forefront of best business practice. This latest version has been revised to reflect the latest developments and issues affecting corporate conduct and values. In particular, it takes into account the provisions of the UK Bribery Act 2010, which came into force in July 2011, and the guidance issued by the UK government under that Act. Corruption not only damages economic, social and political development, but it also restricts free and fair competition and so harms legitimate and responsible businesses such as British American Tobacco. It is completely unacceptable for our companies and employees to be involved or implicated in any way in corrupt practices.

We all have a personal responsibility to uphold the standards that we set for ourselves and to act in ways that maintain and improve the reputation of the British American Tobacco Group. It is important therefore that we all take the time to ensure that we know what is expected of us and that we live up to that expectation both in what we say and in what we do. By following the letter and the spirit of the Standards of Business Conduct, we can all help to ensure that the British American Tobacco Group continues to be an organisation which not only delivers excellent financial returns, but is also one for which we are proud to work.

Nicandro Durante
September 2011

Contents

Message from the Chief Executive 03
Introduction 06

Whistleblowing 08

Personal and Business Integrity 10
- Conflicts of Interest 10
- Bribery and Corruption 12
- Entertainment and Gifts 14

Public Contributions 16
- Political Contributions 16
- Charitable Contributions 17

Corporate Assets and Financial Integrity 18
- Accurate Accounting and Record-Keeping 18
- Protection of Corporate Assets 19
- Confidentiality and Information Security 20
- Insider Dealing and Market Abuse 21

National and International Trade 22
- Competition and Anti-Trust Laws 22
- Money Laundering and Anti-Terrorism 24
- Trade in the Group's Products 25
- Sanctions 26

Introduction

These Standards of Business Conduct set out the rules and policies that everyone working for the British American Tobacco Group must follow, while also providing support and guidance to assist our people to ensure that their conduct meets the high standards expected of them.

In order to promote the application of consistently high standards of corporate conduct throughout the Group, each operating company within the Group is expected to adopt either these Standards of Business Conduct or its own Standards which reflect them.

Where strict application of these Standards would conflict with local law, the latter will take precedence and derogations from these Standards are permitted in the Standards adopted locally by a Group company to the extent necessary to comply with local law.

It is a fundamental policy of the British American Tobacco Group that all Group companies and all employees must:

- observe and comply with the laws and regulations applicable to them; and
- act with high standards of business integrity.

You must always act in accordance with the law. But your obligation to act with high standards of business integrity goes beyond strict legal compliance. It means:

- behaving responsibly;
- conducting business in a manner which is honest, sincere, and trustworthy;
- acting in accordance with accepted standards of behaviour; and
- always choosing what you truly believe to be the right course of action.

The following sections set out the Group policy and provide guidance on a number of specific areas relevant to the conduct of the Group's business.

These Standards are, however, by no means exhaustive. All employees should make sure that they are familiar with, and that they adhere to:

- all other applicable Global Policies, Group Principles and Global Standards;
- the rules and policies of the Group company for which they work; and
- all laws and regulations applicable to them and their area of work.

Although these Standards cannot cover every situation which you might encounter in your work, they do provide a sound basis for identifying the principles which should always govern your conduct. You should supplement these Standards with your own common sense and judgement, making sure that you follow their spirit as well as their content.

It is recognised that there will not always be a clear answer. In cases of doubt, or whenever any question arises as to the proper course of action, you should ask yourself the following questions:

- Am I comfortable with what I propose doing?
- Would I be comfortable explaining my conduct to the board of my company, my family or friends or the media?
- Who does my conduct affect and would it be considered fair by those affected?

If the issue cannot be resolved in this way, then you should discuss the situation with your colleagues and, if necessary, seek guidance from your manager (or the next level of management) or from your local Legal Counsel.

All employees of Group companies are expected to know, understand and follow these Standards or, as appropriate, the Standards adopted by the Group company for which they work.

These Standards apply to all directors, officers and permanent employees of Group companies, but also to secondees, trainees, those on work experience and other temporary staff. If you are responsible for engaging and/or supervising individuals in such roles, you should ensure that they are familiar with the Standards and their obligations under them.

Contractors, agents and consultants engaged on behalf of any Group company are expected to apply standards of business conduct consistent with the Standards.

Employees should report any breaches or inconsistent behaviour by any such third party.

If you are responsible for engaging and/or supervising contractors, agents or consultants on behalf of any Group company, then you should seek their cooperation in adhering to the Standards – including, wherever possible, a contractual commitment to act consistently with the Standards when working on the Group's behalf.

Group procedures may require specific steps to be taken, including, where appropriate, due diligence checks and the inclusion of specific contractual terms, in relation to certain types of contractors, agents and consultants.

Those who supervise others have additional responsibilities under the Standards. They must:

- make sure that those reporting to them know and understand the Standards;
- monitor the conduct of those they supervise to satisfy themselves that it meets the Standards;
- enforce the Standards consistently; and
- support employees who, in good faith, raise questions about business conduct or concerns of wrongdoing.

If you supervise others, you should make every effort to promote compliance and high standards of business conduct by example. You should show by your own behaviour what it means to act with integrity.

In addition, you should make sure that those reporting to you have sufficient support and resources to enable them to adhere to the Standards. You should always be willing to take the time to listen to and guide those who come to you with questions or concerns arising under the Standards.

No manager has the authority to order or approve any action that is contrary to the Standards, or to any applicable law or regulation, and the Standards must not under any circumstances be compromised for the sake of results.

Employees have a duty to report incidences of non-compliance with the Standards and any other incidences of wrongdoing at work.

If you are instructed by your manager or supervisor to do something which involves, or appears to involve, an illegal activity or a breach of the Standards, you should immediately bring the matter to the attention of local senior management or your local Legal Counsel, or a 'Designated Officer' under the Whistleblowing Policy or your local whistleblowing procedure.

The Standards absolutely prohibit retaliation against employees who in good faith report information or raise questions about possible violations of the law or the Standards.

Disciplinary action will be taken for violations of law or the Standards, as appropriate, including termination of employment.

Violations of the Standards, or of any laws or regulations governing our operations, may have severe consequences for the individuals concerned and for the Group. Any failure to follow the Standards that involves a criminal act could result in prosecution after referral to the relevant authorities.

At the end of each year, the General Manager of each Group company and each Head of Function in our UK Head Office is required formally to confirm that the company or department for which he is responsible complies with the Standards.

General Managers and Heads of Function must make every reasonable effort to ensure that their declaration of compliance is accurate and truthful. They should implement their own sign-off process within their company or department which is sufficiently comprehensive to enable them to satisfy themselves in this regard (save to the extent that any matter is being actively and wrongfully concealed).

Terminology

1) In this document:

- **References to 'British American Tobacco', when denoting opinion refer to British American Tobacco p.l.c. and when denoting tobacco business activity refer collectively to the British American Tobacco Group;**
- **'Group' and 'British American Tobacco Group' mean British American Tobacco p.l.c. and all of its subsidiaries; and**
- **'Group company' and 'British American Tobacco company' mean any company within the British American Tobacco Group.**

2) Depending on the context, 'Standards' can mean the Group Standards set out in this document and/or the Standards adopted locally by a Group company.

3) All references to 'employees' in this document include, where the context admits, directors, officers and permanent employees of Group companies and also temporary staff, including secondees, trainees and those on work experience.

4) For convenience this document refers to employees as 'he' but it applies equally to all employees, regardless of gender.

Whistleblowing

Any employee who suspects wrongdoing at work is strongly encouraged to raise his concern in confidence through the internal whistleblowing procedure.

Anyone who raises a genuinely held concern in good faith concerning a matter which he reasonably believes to be true will not suffer any form of reprisal or retribution as a result. This will be the case even where the individual raising the concern is mistaken and there is no case to answer.

Harassment or victimisation, including informal pressure, of anyone raising a genuine concern will not be tolerated, and any such conduct will itself constitute a breach of the Standards of Business Conduct and will be treated as a serious disciplinary matter.

While no one who comes forward in good faith has anything to fear, false allegations raised maliciously will be treated as misconduct and dealt with in accordance with the Disciplinary Procedure.

Examples of suspected wrongdoing that should be raised in this way include:

- the commission of a criminal offence, including fraud, money laundering or bribery and corruption;
- a failure to comply with any legal obligation or any other unlawful act or omission;
- an act or omission which will, or is likely to, unlawfully endanger the health or safety of an individual or unlawfully damage the environment;
- a breach of human rights;
- accounting malpractice or falsification of documents;
- any other breach of the Standards of Business Conduct or any other applicable Global Policy, Group Principle or Global Standard;
- a miscarriage of justice; and
- concealment of any of the above.

This list is not exhaustive. A concern should be raised irrespective of whether the suspected wrongdoing has occurred, is occurring or is likely to occur.

This procedure is not intended for use where you are unhappy with your personal employment position, for example lack of promotion or a smaller than expected wage increase – the Group's Grievance Procedures are available in those cases.

An individual who is concerned about actual or suspected wrongdoing and who wishes to report the matter formally for investigation should raise it with his line manager. The line manager should immediately refer the matter to a Designated Officer for investigation but must otherwise keep all details confidential.

Where an individual feels unable to raise his concern with his line manager, for whatever reason, it should be raised directly with a Designated Officer or with an HR manager, who will then refer it to a Designated Officer.

The Group Designated Officers, with whom any Group employee may raise a concern, are:

- the Company Secretary of British American Tobacco p.l.c.
- the Group Head of Audit and Business Risk
- the Head of Group Security.

They can each be contacted by e-mail, by telephone (+44 (0)207 845 1000), or by writing to them at British American Tobacco p.l.c., Globe House, 4 Temple Place, London WC2R 2PG.

Concerns raised in this way will be investigated fully and the identity of the person raising the concern will be kept confidential.

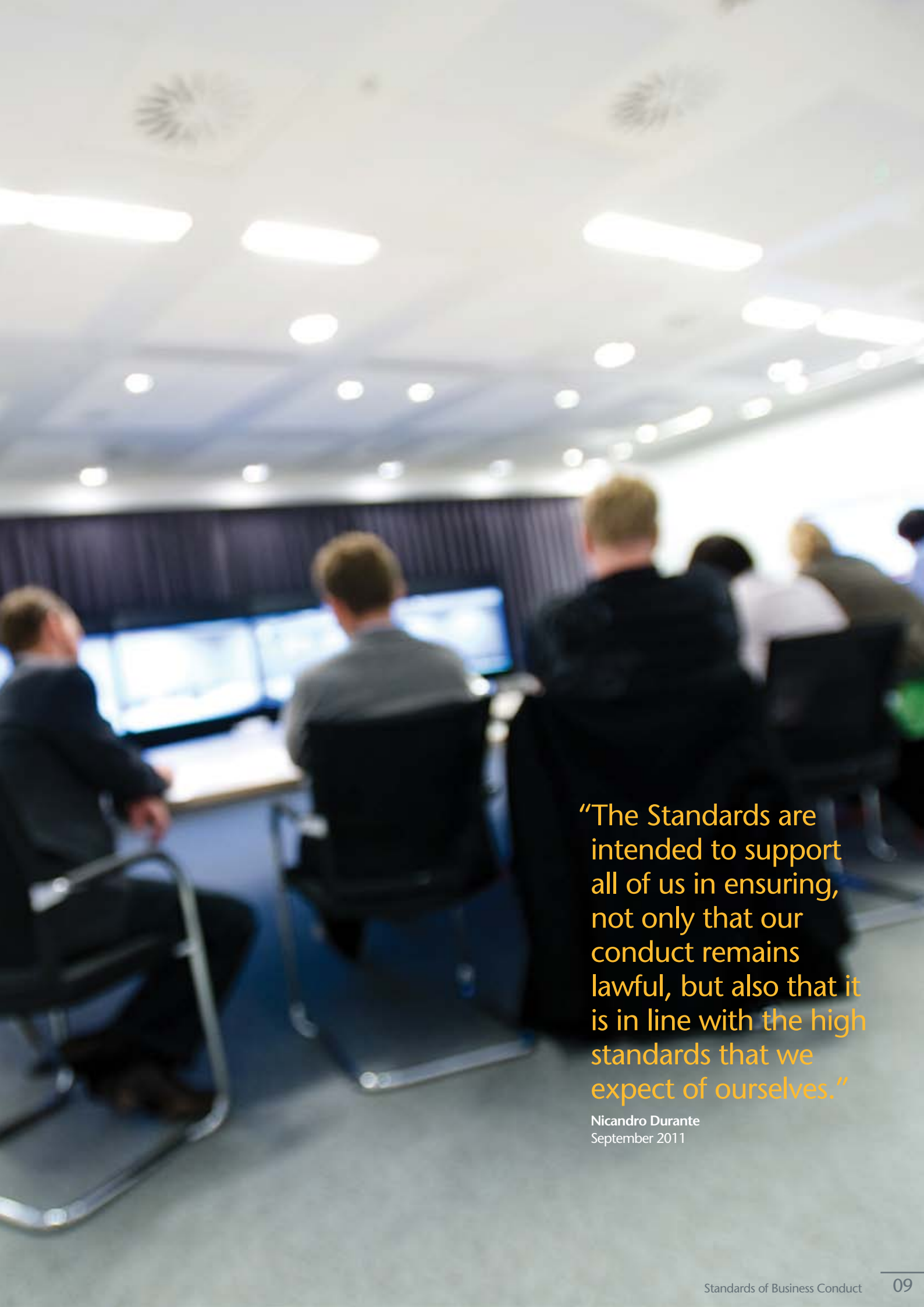
When the investigation has been completed, the person who raised the concern will be informed of the outcome by the Designated Officer.

While concerns may be raised anonymously, you are strongly encouraged to report matters in confidence rather than anonymously. A full investigation of your concern may not be possible without your cooperation, and proper feedback cannot be provided to those who remain anonymous.

Group operating companies are expected to implement local whistleblowing procedures to supplement this policy and the Group procedures identified above.

A Group company's whistleblowing procedure should identify locally (and, where appropriate, regionally) based Designated Officers and enable staff to raise concerns in a language with which they feel comfortable.

This policy and the Group whistleblowing procedure are operated on behalf of the Audit Committee of the Board of British American Tobacco p.l.c. and are independent of management.



"The Standards are intended to support all of us in ensuring, not only that our conduct remains lawful, but also that it is in line with the high standards that we expect of ourselves."

Nicandro Durante
September 2011

Conflicts of Interest

A conflict of interest will arise in any situation where your position or responsibilities within the Group present an opportunity for you or any close relative to obtain a personal gain or benefit (apart from the normal rewards of employment), or where there is scope for you to prefer your personal interests, or those of any close relative, above your duties and responsibilities to the Group.

Employees must avoid situations where their personal interests might, or might appear to, be in conflict with the interests of the Group or any Group company.

A situation will give rise to the appearance of a conflict of interest where it provides the opportunity for personal benefit, regardless of whether the benefit is in fact obtained.

The guiding principle is that an employee must disclose to higher management any actual or potential conflict of interest.

Any situation which gives rise, or might give rise, to a conflict of interest should be disclosed as soon as it arises and, where required, written authority to proceed should be sought.

Actual and potential conflicts of interest must also be disclosed each year during the year end formal confirmation of compliance with the Standards.

You should, in the first instance, disclose conflicts and potential conflicts to your line manager. If the line manager has any doubt about whether the situation is permissible or not, then he should seek guidance from higher management and/or local Legal Counsel.

Additionally, in the case of any director of a Group company, disclosure should be made to, and approval sought from, the board of the company at its next meeting, and the decision should be recorded in the minutes.

A potential conflict of interest will arise where an employee is in a situation which could develop into an actual conflict of interest, for example if he were to change role within the Group.

Potential conflicts must be disclosed in order that management may continue to monitor the situation to ensure that no actual conflict develops.

All Group companies must maintain a 'conflicts log' which records the details of all actual or potential conflicts of interest disclosed by their employees and the action taken in respect of them.

Accordingly, managers should ensure that any actual or potential conflicts of interest disclosed to them are notified to the person responsible for maintaining the relevant conflicts log.

It is recommended that a Group company's Legal Counsel or Company Secretary take responsibility for maintaining its conflict log.

It is not possible to list all situations or relationships which may give rise to a conflict of interest, or the appearance of one, so each situation must be evaluated on its individual facts. However, examples of situations where conflicts of interest may arise, and the principles which should be applied, are given below.

Employees may not exploit knowledge or information gained from employment within the Group or take advantage of a corporate opportunity in order to obtain a personal gain or benefit for themselves or for any close relative, without first disclosing their intention to do so and obtaining written approval.

A corporate opportunity means any business opportunity which properly belongs to the Group or any Group company.

Employees may not work for or on behalf of any third party organisation without obtaining authority to do so. Some arrangements of this kind are never permissible, for example where they involve:

- a competitor of any Group company; or
- any customer or supplier with whom you deal as part of your role within the Group.

For any other relationship of this kind, you must first disclose it and obtain written approval.

Working for or on behalf of a third party organisation includes taking on a second job, serving as a director or consultant, or otherwise performing services for any organisation outside the Group, including any charitable or other not-for-profit organisation.

This does not apply to any unpaid voluntary work which you may undertake in your own time, provided that it does not interfere with your duties and responsibilities to the Group.

Employees must disclose any material financial interest in any competitor, supplier, customer or other business with which the Group or any Group company has significant business dealings.

Employees may not hold any material financial interest in a supplier, customer or other external business if they have any involvement in the Group's dealings with that business or supervise anyone with such involvement.

Save as may be expressly permitted in writing, no employee may hold a material financial interest in any business the activities of which are:

- in direct competition with the Group or any Group company; or
- otherwise against the interests of the Group or any Group company.

A 'material financial interest' means any financial interest which might influence, or appear to influence, your judgment. It does not include publicly traded mutual funds, index funds and similar pooled investments, where the individual investor has no say in which investments are included.

You may be permitted to retain a financial interest in a competitor, provided that:

- the interest was owned prior to your employment in the Group;
- the matter was disclosed in writing to your employing company prior to your appointment; and
- the employing company has not objected.

The prior ownership of any such interest by any director of a Group company must be reported to its board and noted in its next board meeting's minutes.

The activities of employees' close relatives can sometimes create conflicts of interest.

Employees should disclose any situation where a close relative works or performs services for, or has a material financial interest in, any competitor, supplier, customer or other business with which the Group or any Group company has significant business dealings.

No employee should have any business involvement with a close relative or with any business for which a close relative works or in which a close relative holds a material financial interest.

No employee should ever be in a situation where they have the ability to hire, supervise, affect terms and conditions of employment, or influence the management of any close relative.

A 'close relative' is someone with whom you have a close family or personal relationship such that it could give rise to a conflict of interest in the situations described. It includes any spouse, partner, parent, step-parent, child, step-child, sibling, step-sibling, nephew, niece, aunt, uncle, grandparent, grandchild (and any such relationships arising by marriage).

If you work within the same Group company or business unit as a close relative, you should disclose the relationship to your line manager.

Where there is a reporting relationship, direct or indirect, between two close relatives working in the same Group company or business unit, management should take steps to ensure that neither has any managerial influence over the other.

In any case where two close relatives work within the same Group company or business unit, the position should be kept under review by management in order to ensure that there is no possibility of unfairness or undue influence arising in the course of either employee's work.

Bribery and Corruption

Corruption causes distortion in markets and harms economic, social and political development, particularly in developing countries. It is wholly unacceptable for Group companies and employees to be involved or implicated in any way in corrupt practices.

Group companies and employees must ensure that:

- they do not, directly or indirectly, offer, promise or give any gift, payment or other benefit to any person for the purposes of inducing or rewarding improper conduct or influencing any decision by a public official to the advantage of the Group or any Group company;
- they do not, directly or indirectly, solicit, accept or receive any gift, payment or other advantage from any person as a reward or inducement for improper conduct; and
- their activities do not otherwise contravene any applicable anti-corruption measures.

'Improper conduct' involves the performance (or non-performance) of any public function or business activity in breach of an expectation that it will be carried out in good faith, impartially or consistently with any duty of trust.

Bribery is a common form of corruption. Broadly speaking, a bribe is any gift, payment or other benefit which is offered in order to secure an improper business or other advantage. A bribe need not be paid: it is sufficient that it is solicited or offered.

Virtually all jurisdictions have enacted specific legislation making it a criminal offence to offer or pay a bribe to any public official and many also make it a criminal offence for bribes to be offered to or accepted by employees or agents of private bodies, such as companies. In addition, the anti-bribery laws of many countries have extra-territorial effect, meaning that it is a criminal offence in those countries for their nationals to pay bribes in other countries.

Group companies and their employees are prohibited from making facilitation payments (directly or indirectly), save in exceptional circumstances where necessary to protect the health, safety or liberty of any employee.

Employees should actively resist making such payments. In exceptional circumstances (such as those identified above) where there is no alternative but to make a payment, employees should, wherever practicable, seek prior legal advice or otherwise notify their local Legal Counsel as soon as possible after the payment is made. Any such payment must be recorded accurately in the relevant Group company's books and records.

Facilitation payments, sometimes called 'speed' or 'grease' payments, are generally defined as small payments made to secure or speed up the performance by a low-level official of a routine or necessary action to which the person making the payment already has legitimate entitlement.

Facilitation payments are considered to be a form of bribery, and are therefore illegal, in most countries. In addition, the laws of some countries, including the UK, make it a criminal offence for their nationals to make facilitation payments abroad.

Group companies and employees must take steps to ensure that improper payments are not offered or made, or solicited or received, on their behalf by third parties.

Group companies can be held liable for the wrongful acts of third parties engaged to act on their behalf. Accordingly, you should always be diligent in selecting contractors, agents and consultants and in monitoring their activity.

Group companies are expected to have in place controls and measures to prevent bribes being paid by persons performing services for or on their behalf, to include:

- due diligence procedures which are proportionate to the risk involved; and
- where appropriate, and to the extent appropriate, the inclusion of anti-corruption provisions in contracts with third parties.

Group companies are also expected to provide training and support to ensure that staff are aware of their obligations and to promote compliance with anti-corruption policies and procedures.

Group companies' due diligence procedures should be designed to provide sufficient comfort that persons performing services for or on their behalf are reputable and will not pay bribes or otherwise breach any applicable anti-corruption policies in connection with the services that they are providing.

Contractual anti-corruption provisions should be appropriate to the nature of the services provided and the degree of risk involved, and should include suitable termination provisions.

For further advice and assistance, you should contact your local Legal Counsel.

The following are examples of corrupt or potentially corrupt activity which you should never engage in:

- **offering or making an unauthorised payment, or authorising an improper payment (cash or otherwise) to a local or foreign official, or any related person or entity;**
- **attempting to induce a local or foreign official to do something illegal;**
- **'turning a blind eye to' or failing to report any indication of improper payments or other inducements;**
- **offering or receiving any gift, payment or other benefit in relation to obtaining business or awarding contracts;**
- **establishing an unrecorded fund, such as a secret cash account or 'slush' fund, for any purpose;**
- **doing anything to induce or facilitate someone else to breach this Standard or ignore any violation;**
- **permitting an agent or representative engaged on behalf of any Group company to take improper actions.**

If in any doubt, or if more detailed advice is required, please contact your local Legal Counsel or Compliance Counsel in Globe House.

Entertainment and Gifts

The exchange of entertainment and gifts with business partners can build goodwill in business relationships and, within limits, is perfectly acceptable. However, some gifts and entertainment can create improper influence (or the appearance of improper influence), and might even be seen as bribes.

Group companies and employees must not actively solicit or demand any form of entertainment or gift from any person or organisation outside the Group.

Group companies and employees are permitted to offer or accept business entertainment and gifts without prior approval, provided that the entertainment or gift in question is:

- modest;
- appropriate and consistent with reasonable business practice; and
- permissible under all applicable laws.

The following are examples of entertainment and gifts which are usually acceptable without prior approval:

- Occasional drinks and meals.
- Occasional attendance at sports, theatre and other cultural events.
- Gifts of a token or modest amount.

In determining whether a gift or entertainment is appropriate and consistent with reasonable business practice, you should consider the following factors:

- **Intent:** Is the intent only to build or maintain a business relationship or offer normal courtesy, or is it to influence the recipient's objectivity in making a specific business decision?
- **Materiality:** Is it sufficiently modest and infrequent?
- **Legality:** Is it legal both in your country and the country of the other party?
- **Transparency:** Would you be embarrassed if your manager or colleagues or anyone outside the Group became aware of the entertainment or gift?

In the UK, gifts valued at £250 or less (from one source in any one calendar year) are considered to be of a token or modest amount within the private sector (see below with regard to gifts in the public sector context). Group companies should provide guidance as to what is an acceptable 'token or modest' amount within their markets, not exceeding £250. Local limits should reflect local purchasing power (rather than simply being set by reference to the local currency equivalent of the UK limit).

Group companies and employees must ensure that they do not, through the provision of any gift or hospitality, seek to influence any public official by providing any personal advantage, either to that official or to any other person at his request or with his assent or acquiescence. In this context, gifts to public officials will rarely be appropriate if they are of anything other than nominal value.

Regulatory engagement is a necessary and proper part of our business. As such, interaction with public officials, and reasonable hospitality in that context, is permissible. However, special care must be taken when dealing with public officials, as many countries do not allow officials to accept gifts or entertainment and anti-bribery laws are often stricter when dealing with public officials. If in doubt, you should seek advice from your local Legal Counsel.

Some types of entertainment and gifts are never acceptable. These are:

- Any gift or entertainment that is illegal or prohibited by the other party's organisation.
- Gifts or entertainment involving parties engaged in a tender or competitive bidding process.
- Gifts or entertainment which may have, or may be seen as having, a material effect on any business transaction which has been, or which may be, entered into by any Group company.
- Any gift of cash or cash equivalent.
- Anything that is offered as a quid pro quo (offered for something in return).
- Any inappropriate entertainment.

Cash equivalent includes gift certificates, loans, shares and share options.

Inappropriate entertainment means anything that is indecent, sexually explicit, does not comply with the Group's commitment to mutual respect or might otherwise adversely affect the reputation of the Group or any Group company, having due regard in all the circumstances to the local culture.

For any entertainment or gift that falls into neither category above, employees should seek prior written approval from their line manager, and simultaneously notify it to their Company Secretary or Legal Counsel.

This includes:

- Any gift given to or received from any organisation or individual in the private sector which is valued at more than the applicable local limit (in the UK, £250 from one source in any one calendar year).
- Any business entertainment given to or received from any organisation or individual in the private sector which involves overseas travel and/or overnight accommodation in excess of two nights.
- Any gift or entertainment given to or received from any organisation or individual in the public sector (regardless of nature or value, save where purely nominal).

Group companies are expected to maintain a record of all gifts and hospitality (whether given or received) notified in accordance with the above requirements.

Your line manager, in consultation with your Company Secretary or local Legal Counsel, will determine what is to be done with any gift in excess of the applicable value limit which is offered to or received by you.

In general, any such gift should be refused or (if already received) returned. However, where it would be inappropriate to refuse or return the gift (such as where to do so might give serious offence), it may be accepted on the basis that it will become the property of the relevant company, unless the company decides otherwise.

You should never avoid your obligation to report or seek approval for any business entertainment or gift by paying personally for it in circumstances where you would otherwise be required to report and/or seek approval for it.

There are no restrictions on employees accepting entertainment or gifts offered or provided by the Group or any Group company.

Group companies should nevertheless ensure that any gift or entertainment offered or provided to employees is legitimate, appropriate and proportionate.

Political Contributions

Group companies are permitted to make political contributions, although this is subject to certain restrictions and controls in order to ensure that they are not used to gain improper advantage or to secure undue influence and that they are a proper use of company funds.

Subject to the controls set out below, Group companies may make contributions to political parties and organisations and to the campaigns for candidates for elective office, provided that such payments:

- are not made to achieve any improper business or other advantage or to influence any decision by a public official to the advantage of the Group or any Group company; and
- are not intended personally to benefit the recipient or his or her family, friends, associates or acquaintances.

It is legitimate for a Group company to make a political contribution for the purpose of securing an opportunity to contribute to the public debate on issues affecting the company or the Group, for example by purchasing tickets to a party political event and so gaining the opportunity to engage with public officials.

On the other hand, it is not permissible for a Group company to make a political contribution in circumstances where the contribution itself is intended to influence the outcome of the debate, for example by influencing a politician to act or vote in a particular way or otherwise assisting to secure a particular decision in favour of the company or the Group.

When approving political donations (see below), the boards of Group companies should specifically consider whether the donation complies with these requirements.

All such contributions should be:

- permissible under all applicable laws;
- authorised in advance by the board of the Group company making the contribution;
- fully documented in the company's books; and
- where required by law, placed on the public record.

Because of UK legislation which has extra-territorial effect and a very broad definition of 'political organisation', there are procedures that must be followed when it is proposed to make a contribution to any organisation within the European Union which is engaged in political activity (even if originating from Group companies located outside the EU). In these circumstances, Group companies must (in addition to the steps identified opposite) seek prior approval from the Group Director of Corporate & Regulatory Affairs. If given, approval may be made subject to certain conditions.

The Group recognises employees' rights to participate as individuals in the political process. However, when doing so, employees must take care to:

- make sure that they do so in their own time and using their own resources;
- minimise any possibility of their views and actions being misconstrued as those of any Group company rather than their own; and
- ensure that such activities do not conflict with their duties and responsibilities to the Group.

When engaging in any personal political activity, you should:

- not use company time, property or equipment; and
- where necessary, make clear that your views and actions are your own, not those of the Group or any Group company.

If you plan to seek or accept public office, you should notify your line manager in advance, discuss with him whether your official duties might affect your work, and co-operate with him to minimise any such impact.

Charitable Contributions

British American Tobacco recognises the role of business as a corporate citizen and Group companies are encouraged to support local community and charitable projects.

Group companies may make charitable contributions and similar types of social investments, provided that these are:

- not made to secure any improper business or other advantage; and
- otherwise permissible under all applicable laws.

Group companies should always consider any proposal to make a charitable contribution or similar social investment in the context of their overall strategy for corporate social investment, paying due regard to the Group Strategic Framework for Corporate Social Investment. For further information, please contact your local Corporate & Regulatory Affairs (CORA) department.

Group companies should not make any charitable contribution unless they have taken steps to verify the recipient's reputation or status as a charitable organisation.

Sometimes, organisations which are portrayed as charitable can be used as a 'front' to channel funds to those who control them.

Before making any contribution, therefore, Group companies are expected to satisfy themselves that the organisation concerned is acting in good faith with charitable objectives, such that the contribution will not be used improperly for the benefit of individuals linked to the charity. In jurisdictions where charities are required to register, Group companies should verify that any charity to which they propose contributing is duly registered.

Any charitable contribution or other corporate social investment provided by a Group company must be:

- fully documented in the company's books; and
- where required by law, placed on the public record either by the company or by the recipient.

Group companies should take steps to ensure that their charitable contributions reported through CORA (using the London Benchmarking Group guidelines) for social reporting purposes are consistent with those reported through Finance for financial and statutory reporting purposes.

Accurate Accounting and Record-Keeping

Honest, accurate and objective recording and reporting of information, both financial and non-financial, is essential to:

- the Group's credibility and reputation;
- its ability to meet its legal, tax, audit and regulatory obligations; and
- informing and supporting business decisions and actions by Group companies.

All data that Group companies and employees create, whether financial or non-financial must accurately reflect the transactions and events covered.

Group companies and employees must ensure that they follow all applicable laws, external accounting requirements and Group procedures for reporting financial and other business information.

This applies whether the data is in paper documentation, electronic form or any other medium.

Failure to keep accurate and complete records is not only contrary to Group policy but may also be illegal. There is never any justification or excuse for falsifying records or misrepresenting facts. Such conduct may constitute fraud and could result in civil or criminal liability.

Group companies must adopt records management policies and procedures which reflect the Group Records Management Policy.

All employees must ensure that they manage their business records in accordance with the applicable records management policy and procedures.

You should ensure that you are familiar with your company's records management policy and procedures. If you require further information or guidance, you should contact your local Records Manager.

You should never alter or destroy company records, save in accordance with established records management policies and procedures.

Financial data (eg, books, records and accounts) must conform both to generally accepted accounting principles and to the Group's accounting and reporting policies and procedures.

Group companies' books, records and accounts must be in accordance with the generally accepted accounting principles applicable to their country of domicile. For Group reporting, however, information must be in line with the Group's accounting and reporting policies (IFRS) and procedures.

Group companies and their employees must:

- cooperate fully with the Group's external and internal auditors; and
- make sure that all information held by them which is relevant to the audit of any Group company (relevant audit information) is made available to that company's external auditors.

Your obligation to cooperate fully with the external auditors is subject to legal constraints, for example in the case of legally privileged documents – if in doubt, you should contact your local Legal Counsel. Otherwise, you should respond promptly to any request by the external auditors and allow them full and unrestricted access to relevant staff and documents. Under no circumstances should you provide information to the auditors which you know (or ought reasonably to know) is misleading, incomplete or inaccurate.

All transactions and contracts must be:

- properly authorised at all levels; and
- accurately and completely recorded.

All contracts entered into by Group companies, whether with another Group company or a third party, must be evidenced in writing.

If you are responsible for preparing, negotiating or approving any contract on behalf of a Group company, you should make sure that it is approved, signed and recorded in accordance with the relevant contracts approval process. If in doubt, you should contact your Company Secretary or local Legal Counsel.

All documents prepared by any Group company in connection with sales of its products, whether export or domestic, must be accurate and complete and give a proper view of the transaction.

All such documents must be retained (together with relevant correspondence) in accordance with the applicable records management policy for possible inspection by tax, customs or other authorities.

Protection of Corporate Assets

Employees are responsible for safeguarding and making appropriate use of the Group assets with which they are entrusted in order to do their jobs and meet the Group's business objectives.

Group companies and employees must take care to ensure that Group assets are not damaged, misused, misappropriated or wasted.

Employees should report the abuse or misappropriation of Group assets by others. Theft or other fraudulent activity by employees is liable to result in immediate dismissal and prosecution after referral to the appropriate authorities.

Group assets include physical and intellectual property, time, proprietary information, corporate opportunity and funds belonging to any Group company, as well as equipment and facilities provided to employees for their individual business use.

You are individually responsible for ensuring that the property that you use or come into contact with as part of your work is not damaged, misused or wasted.

Employees must not use any company equipment or facilities for their personal activities, save in the limited circumstances set out below and subject always to any applicable policy or procedures concerning the use of company equipment which may be in place from time-to-time.

Limited, occasional or incidental personal use is permitted of certain company equipment and systems issued to employees for their individual business use, provided that it is:

- reasonable and does not interfere with the proper performance of their job;
- does not have an adverse impact on the performance of company systems; and
- is not for any illegal or improper purpose.

Reasonable personal use includes occasional short personal telephone calls or the equivalent use of e-mail, and occasional personal use of the internet. Improper uses include:

- engaging in communications which might be considered derogatory, defamatory, sexist, racist, obscene, vulgar or otherwise offensive;
- improperly disseminating copyrighted or licensed materials or other proprietary information;
- transmitting chain letters, advertisements or solicitations (unless specifically authorised); and
- visiting inappropriate internet sites.

All employees are expected to devote sufficient time to their work to enable them to fulfil their job responsibilities.

Whilst at the workplace, you are expected to be fully engaged in your work and should not undertake personal activities beyond a reasonably modest level which does not interfere with your job responsibilities.

Group companies and employees must take care to protect all intellectual property owned within the Group.

Intellectual property includes patents, copyrights, trademarks, design rights and other proprietary information.

Group companies and employees must take care to protect all Group funds, guarding against misuse, fraud or theft. All claims for expenses, vouchers, bills and invoices must be accurate and submitted in a timely manner.

'Group funds' means any cash or cash equivalent belonging to any Group company, including any company money advanced to you and any company credit cards which you may hold.

Employees must protect information which may be used to provide access to Group assets.

You should always maintain the security of any information used to access company property and networks, including building access cards, IDs, passwords and pass codes.

Group companies and employees must never knowingly:

- damage, misuse or misappropriate the physical assets of others;
- infringe valid patents, trademarks, copyrights or other intellectual property in violation of the rights of others; or
- perform unauthorised activities which adversely impact the performance of third parties' systems or resources.

You should always show the same respect to the physical and intellectual assets of third parties that you would expect them to show towards the Group's assets.

Confidentiality and Information Security

Group companies and employees must protect and maintain the confidentiality of all commercially sensitive information, trade secrets and other confidential information relating to the Group and its business.

No employee shall disclose any confidential information relating to any Group company or its business outside the Group without specific authority from higher management to do so.

Where confidential information is to be disclosed to another party, it should be released only:

- to agents or representatives of a Group company who owe a duty of confidentiality to that company and require such information to carry out work on its behalf; or
- under the terms of a written confidentiality agreement or undertaking entered into with the other party.

If confidential information is to be transmitted electronically, then technical and procedural standards should be agreed with the other party.

Where confidential information is required to be disclosed under the terms of an order of any competent judicial, governmental, regulatory or supervisory body, employees should notify their local Legal Counsel and release such information only with Legal Counsel's approval.

Access to confidential information relating to any Group company or its business should only be provided to those employees who require it for the exercise of their functions within the Group.

No employee may retain on his personal premises any confidential information relating to any Group company or its business without making adequate arrangements to protect the security of such information.

No employee shall use confidential information relating to any Group company or its business for his own pecuniary advantage or for that of a friend or relative (see 'Conflicts of Interest').

Confidential information is any information or knowledge, the disclosure of which outside the Group might be prejudicial to the interests of any Group company.

Examples include (but are not limited to):

- sales, marketing and other corporate databases;
- pricing and marketing strategies and plans;
- confidential product information and trade secrets;
- research and technical data;
- new product development material;
- business ideas, processes, proposals or strategies;
- unpublished financial data and results;
- company plans;
- personnel data and matters affecting the morale of employees; and
- software purchased or developed by any Group company.

Inside information is a particular kind of confidential information which is relevant to the price of shares and other securities in publicly quoted companies. While care should be taken with regard to the treatment of all confidential information, particular care should be taken with regard to inside information, since misuse could result in civil or criminal sanctions against both the Group company and the individual concerned (see 'Insider Dealing and Market Abuse' for further detail).

You should be especially mindful of the risk of unintentional disclosure of confidential information through discussions or use of documents in public places.

For further guidance, please see the Group Security Policy Statement.

Group companies and employees must ensure that they comply at all times with all applicable data protection laws.

Access to personal data should be limited to employees who have appropriate authorisation and a clear business need for that data.

Data protection laws govern the handling and processing of personal data and may restrict the extent to which such data may be transferred between different companies and jurisdictions.

Such laws will most commonly apply in the context of personal data relating to employees and customers. If you require further information or guidance, you should contact your local Legal Counsel.

Group companies and employees must not solicit or wilfully obtain from any person confidential information belonging to another party.

Where Group companies and employees inadvertently receive information which they suspect may be confidential information belonging to another party, they should immediately notify their line manager and local Legal Counsel.

Insider Dealing and Market Abuse

British American Tobacco is committed to supporting fair and open securities markets throughout the world. Accordingly, employees may not deal on the basis of inside information or engage in other forms of market abuse.

No employee shall commit market abuse, which includes:

- insider dealing (dealing in shares and other securities on the basis of inside information);
- improper disclosure of inside information; and
- misuse of inside information.

Market abuse is generally defined as conduct which adversely affects a financial market and falls below the standards expected by regular users of that market. It is unlawful in many jurisdictions.

In the UK, market abuse is a civil offence and insider dealing (including the encouragement of insider dealing by others) also constitutes a criminal offence.

For further information about the types of behaviour that may constitute Market Abuse and Insider Dealing in the UK and the penalties involved, you should refer to the Financial Services and Markets Act 2000 Guidance Note which can be viewed by clicking on the link contained in Section V.B.2 of the Code for Share Dealing.

If an employee has or receives information that may constitute inside information in relation to any publicly quoted Group company then he should immediately disclose such inside information, either to his General Manager or Head of Function, or (where the inside information arises in connection with a specific Project) the Project Leader.

Otherwise, inside information should be disclosed only with specific authority and only:

- to those employees who require it for the exercise of their functions within the Group; or
- to agents or representatives of a Group company who owe a duty of confidentiality to that company and require such information to carry out work on its behalf.

Inside information is information of a precise nature which:

- is not generally available;
- relates directly or indirectly to a publicly quoted company or to its shares or other securities; and
- would, if generally available, be likely to have a significant effect on the price of that company's shares or other securities, or related investments.

Particular care should be taken with regard to the treatment of inside information, since misuse could result in civil or criminal sanctions against both the Group company and the individual concerned.

If you are uncertain as to whether you are in possession of inside information or other information of a price-sensitive nature about any Group company, you should contact the Company Secretary of British American Tobacco p.l.c., or the Company Secretary of the company in question.

No employee is permitted to deal in the shares or other securities of any publicly quoted company (whether Group or non-Group), or to encourage others to so deal, while he has inside information or other information of a price-sensitive nature relating to that company.

If you intend dealing in the shares or other financial instruments of any publicly quoted Group company and from time to time have access to inside information, or other information of a price-sensitive nature, relating to that company, you should ensure that you comply with the laws governing share transactions in the relevant jurisdiction and, if you are subject to it, the requirements of any code for share dealing issued by that company.

'Dealing' is widely construed and includes any sale, purchase or transfer (including by way of gift) as well as spread bets or other contracts for differences or other derivatives involving shares or other securities.

Dealing in the shares of a publicly quoted company while in possession of inside information or other information of a price sensitive nature relating to that company is likely to constitute insider dealing and may constitute a criminal offence or otherwise be unlawful in many countries.

Dealing in the shares of any publicly quoted Group company while in the possession of inside information or other information of a price sensitive nature relating to that company is, in addition, likely to be contrary to our rules on share dealing.

For the rules applicable to dealings in shares in British American Tobacco p.l.c., please consult our Code for Share Dealing. You should take particular care when dealing in such shares if you are an Insider, meaning that you are someone with regular or occasional access to inside information relating to British American Tobacco p.l.c. You will be notified if you are an Insider.

Competition and Anti-Trust Laws

British American Tobacco believes in free competition. Group companies must seek to compete fairly and ethically and within the framework of applicable 'competition' laws (or 'anti-trust' laws, as they are known in certain countries) wherever in the world they operate.

Group companies and employees must ensure that they:

- comply with the competition laws of each country and economic area in which they operate; and
- adhere to any guidelines or documents, whether at regional, area or end market level, that give effect to, expand upon or develop Group policy and applicable law in this area.

Actions speak louder than words. It is essential that we follow competition rules and are seen by customers, suppliers, competitors and regulators, to do so. As a Group, British American Tobacco is committed to vigorous competition in the markets in which it operates.

Many countries have laws prohibiting anti-competitive behaviour and these can vary from one country or economic area to another. Failure to comply with these laws can have very serious consequences for the Group, individual Group companies and for the individuals involved in the conduct. Fines for competition law violations can be huge (for example, up to 10% of annual group turnover in the EU) and in an increasing number of countries (such as the UK and the US) individuals can be imprisoned for involvement in infringements. In addition, violations can lead to lengthy and costly investigations and have a considerable reputational impact on the Group, with a consequential loss of shareholder value.

It is not safe to assume that competition law does not apply to a particular individual or Group company simply because there is no local competition law in place.

Many countries (including, for example, the US and the EU) apply their competition laws 'extra-territorially'. This means that the law covers not only where a particular conduct is performed or agreement reached, but also where such conduct or agreement has its effect.

Competition laws impact on virtually every aspect of the Group's day-to-day activities, including: the sale and display of products; relationships with suppliers, distributors, points of sale or other customers; relationships with competitors; as well as, for example, when unilaterally deciding pricing strategy and other trading conditions or negotiating and drafting contracts.

Competition laws do not apply in a vacuum. They are inextricably linked to market conditions.

If you are involved in business activities where competition laws may be relevant, you will often need to seek and obtain tailored legal advice that is specific to the circumstances.

Typical market conditions that often prevail and may have an impact on how an issue is approached include:

- market concentration;
- product homogeneity and brand differentiation;
- regulatory restrictions, such as restrictions on advertising, display bans and restrictions on the use of products, for example smoking bans in public buildings.

Parallel behaviour between competing companies is not necessarily anti-competitive in and of itself, but extra care must be taken to ensure that this is not linked to any element of collusion with competitors, nor is there any appearance of such collusion.

Certain types of agreements, arrangements and practices almost always break competition laws.

Group employees should never talk or exchange information with competitors in order to:

- fix prices or any element or aspect of pricing, including, but not necessarily limited to, rebates, discounts, surcharges, pricing methods, costs and terms of payment, as well as timing of price changes and level or percentage of price changes;
- fix other terms and conditions;
- divide up or allocate markets, customers and/or territories;
- limit production or capacity;
- influence the outcome of a competitive bidding process; or
- agree a collective refusal to sell to or buy from particular entities, otherwise known as 'collective boycotts'.

The notion of 'agreement' or 'practice' is often very wide indeed. It extends beyond a formal, written agreement. It covers oral agreements, understandings or practices, 'gentlemen's agreements', non-binding agreements and even action taken with a 'common understanding'. It can cover both direct and indirect agreements, for example an agreement between competitors brokered by a third party, such as a trade association, customer or supplier. It can also include situations in which competitors merely share (directly or indirectly) competitively sensitive information with a view to reducing the risks of competition going forward, even where there is no agreement between them. For example, competitors might inform each other of future price increases such that each may regulate its pricing policy in the knowledge that its competitors will behave in the same way. This is commonly referred to as a concerted practice. There is thus no 'clever' way to get round the substantive law.

It is also important to bear in mind that the term 'competitor' includes both actual and potential suppliers of products in competition with the Group or any Group company.

Not all arrangements with competitors are problematic and some that are may nonetheless have beneficial effects that outweigh any harmful effects. Any meeting or direct contact with competitors should, however, be treated with extreme caution.

Legitimate contacts with competitors may include those in the context of trade associations, certain information exchanges as between competitors, as well as in the context of joint initiatives in respect of regulatory engagement and public advocacy.

It is advisable to maintain a careful record of any meetings with representatives of competitors, and you should always break away from a discussion if you are concerned that it may be, or may be construed as, anti-competitive in nature. In such circumstances, you should subsequently notify the situation to your local Legal Counsel.

In order to compete effectively in the global marketplace, it is necessary to gather information about our competitors. However, we may only do so through legitimate means and in compliance with competition law. Competitor information may not be gathered through unlawful or improper means, such as by theft, illegal entry, bribery, misrepresentation or the like.

The gathering of competitor information directly from competitors is never justified, save in exceptional circumstances.

The gathering of competitor information from third parties (including customers, consultants, analysts and trade associations) will often raise complex legal issues that may well vary from jurisdiction to jurisdiction.

Certain types of restrictions between two players at different levels of the supply chain (such as between supplier and distributor/ reseller) may give rise to violations of competition law. This is particularly true of re-sale price maintenance provisions.

In some regions/countries, restrictions on our customers' ability to resell into territories or to certain customer groups will also be viewed as a serious violation of competition law.

Resale price maintenance arises where a supplier seeks to, or does in fact, control or influence (including indirectly, through threats and/or incentives) the prices at which its customers resell the products.

The rules on resale price maintenance and resale restrictions generally vary widely from jurisdiction to jurisdiction. If this is relevant to your role, it is important for you to be familiar with the rules applicable in those countries for which you have responsibility.

Where a company has 'market power', it typically has a special duty to protect competition and is prevented from abusing its privileged position.

It is generally limited in its ability to engage in practices such as exclusivity arrangements, loyalty rebates, discriminating between equivalent customers, charging excessively high or low (below cost) prices, or tying or bundling together different products and/or services.

The concepts of 'dominance', 'market power' and 'abuse' vary widely from jurisdiction to jurisdiction.

Where BAT Group companies are involved in mergers and acquisitions (M&A) activity, the applicable laws and regulations may require mandatory filings to be made in one or more countries worldwide. Relevant legal advice should always be sought from your local counsel in these situations.

The notion of M&A activity that may trigger filing obligations varies from jurisdiction to jurisdiction, but should be checked in a wide set of circumstances, including mergers, acquisitions (whether of assets and/or shares) and joint ventures.

If you have any doubt whether a particular business practice or activity might be in breach of any applicable competition or anti-trust law, or if more detailed advice is required, please contact your local Legal Counsel.

Money Laundering and Anti-Terrorism

Money laundering involves the possession of, or any dealing with, the proceeds of criminal activity. It includes the process of concealing the identity of illegally obtained money so that it appears to have come from a lawful source. British American Tobacco does not condone, facilitate or support money laundering.

Group companies and their employees must not:

- engage in any transaction which they know or suspect involves the proceeds of criminal activity; or
- otherwise be knowingly involved directly or indirectly in any money laundering activity.

They must pursue practices directed towards ensuring that their activities do not inadvertently contravene any relevant money laundering legislation.

Most jurisdictions impose laws making it a criminal offence to engage in money laundering activity. Generally speaking, such laws make it an offence for any person or company to engage in transactions involving assets which they know or suspect are derived from criminal activity.

Penalties for breach of money laundering laws can be severe (including substantial fines and/or imprisonment) and can attach both to individuals and to corporations. In essence, the more effective a company's procedures are at detecting and preventing money laundering activity, the less likely it is that the company will be liable for prosecution as a result of its employees' activities.

Group companies are required to adopt and maintain procedures designed to:

- minimise the risk of inadvertent participation in transactions involving the proceeds of criminal activity;
- detect and prevent any dishonest involvement in money laundering activity on the part of their employees; and
- support employees in identifying circumstances which ought to give rise to a suspicion of money laundering activity.

Group companies must ensure that their existing customer approval and "know your customer" procedures are sufficient to provide comfort, as far as possible, that their customers are not involved in any form of criminal activity.

Employees should promptly refer suspicious transactions or activities by any customer or other party with whom they are dealing to their General Manager or Head of Function and local Legal Counsel.

Few Group employees will ever personally be in a position to infringe money laundering laws. However, you should be conscious of situations which ought to give rise to a suspicion of possible money laundering activity. These include (but are not limited to):

- payments made in currencies other than those specified on the invoice;
- payments made in cash or cash equivalents, in particular where the sum involved is substantial;
- multiple payments from different sources in satisfaction of a single invoice;
- payments to or from an account other than the normal business relationship account;
- requests to make an overpayment;
- payments made by, or requests to supply goods to, someone not a party to the contract; and
- requests to supply goods to a location other than the most proximate branch/office or to adopt an unusual shipping route.

Cash payments in excess of €15,000 (or its equivalent in any alternative currency) must not be accepted by Group companies in the EU in any single transaction or series of linked transactions.

Group companies located outside the EU are, in any event, encouraged to avoid accepting cash payments where the sum involved is substantial.

Group companies and their employees must:

- ensure that they do not knowingly assist in the financing of, or otherwise provide support for, terrorist activity; and
- pursue practices to ensure that their activities do not otherwise inadvertently contravene any relevant anti-terrorism measures.

Group companies must adopt and maintain procedures and controls designed to prevent inadvertent breach of anti-terrorism measures.

Terrorist groups are increasingly using legitimate businesses to generate revenue for their networks and activities. Such businesses may range from retail outlets to distribution or financial service companies. In common with many others, tobacco companies run the risk of inadvertently breaching anti-terrorism financing measures when they deal with such businesses.

Group companies' anti-terrorism controls should include checks to ensure that they do not deal with any entity which is proscribed, by reason of a known or suspected terrorist association, by any applicable list published by a governmental or inter-governmental organisation.

If in any doubt, or if more detailed advice is required, please contact your local Legal Counsel or Commercial Legal Counsel in Globe House.

Trade in the Group's Products

British American Tobacco engages only in lawful trade in its products. Illicit trade, involving smuggled or counterfeit products, harms our business and we would like to see all our markets free of it.

Group companies and employees must ensure that:

- they do not knowingly engage in unlawful trade in the Group's products;
- their business practices are directed at supporting only the legitimate trade in the Group's products; and
- they collaborate with all relevant authorities in any investigation regarding suspected illicit trade in the Group's products.

British American Tobacco fully supports the aims of governments and regulators in seeking to eliminate all forms of illicit tobacco trade. Such trade deprives governments of revenues, promotes criminality, misleads consumers into buying products of dubious quality and hampers efforts to block underage sales. It also harms the Group's brands, devalues the Group's investment in local operations and distribution networks and undermines the regulatory regimes governing the legitimate industry.

As a result of high taxes, differential tax rates, weak border controls and lack of enforcement which allow the illicit trade to flourish, it is possible that some Group products will end up being smuggled by third parties that Group companies cannot control or, often, even identify. Nevertheless, Group companies are committed to doing everything that they reasonably can to minimise this.

Group companies should have in place capacity to regularly monitor the illicit segment in their own domestic market(s) and to assess the extent to which the Group's products may be involved in that segment or may be diverted to other markets.

Group procedures may require specific steps to be taken to assess the level and nature of illicit trade in a given market and to develop plans to address it.

Where Group companies identify that illicit trade is a problem in their market(s), they should notify the AIT Unit under established reporting procedures.

Group companies are expected to have in place controls and measures to prevent their own products being diverted into the illicit channel, to include:

- robust and effective customer and supplier evaluation and approval procedures ('know your customer' and 'know your supplier' procedures);
- measures to ensure that supplies to end markets and regions are consistent with legitimate demand in those areas; and
- procedures for investigating and, where appropriate, suspending or terminating dealings with customers or suppliers suspected of knowing or reckless involvement in illicit trade activities.

Where it is suspected that Group products have entered the illicit trade channel, the AIT Unit should be notified under established reporting procedures.

Customer and supplier evaluation and approval procedures should be designed to ensure that the Group's products are sold only to reputable customers, or manufactured only by reputable suppliers, and in such quantities as are required to meet their legitimate business needs.

Group companies should ensure that the Group's policy and position on illicit trade is made clear to their customers and suppliers and, wherever possible, provide for a contractual right to suspend or terminate supplies to customers or suppliers believed to be involved, knowingly or recklessly, in illicit trade activities.

Group companies should be proactive in co-operating with governments and enforcement authorities to address illicit trade. Further guidance is available from the AIT Unit or your Regional AIT Co-ordinator.

If in any doubt, or if more detailed advice is required, please contact the AIT Unit in Globe House, your Regional AIT Manager or your local Legal Counsel.

Sanctions

Various sanctions regimes exist throughout the world, ranging from comprehensive economic and trade sanctions to more specific measures such as arms embargoes, travel bans and financial or diplomatic restrictions. Economic and trade sanctions impact upon the businesses of our companies by restricting the extent to which they can operate within certain jurisdictions.

Group companies and employees must ensure that they do not knowingly:

- supply their products, or allow their products to be supplied, to any person;
- purchase goods from any person; or
- otherwise deal in any way with any person or property

in contravention of any lawful sanction, trade embargo, export control or other trade restriction which is applicable to them.

Sanctions may be imposed by individual countries and also by supra-national organisations, such as the United Nations and the EU.

Some sanctions regimes may have extraterritorial effect. US sanctions, for example, can apply both to US persons (wherever located) and to exports/re-exports of US-origin product and product with US-origin content (whether or not the entity handling the product is a US person).

Serious penalties, including fines, revocations of export licences and even imprisonment, can apply when sanctions are broken.

Group companies are expected to be aware of, and fully compliant with, all lawful sanctions regimes that impact upon their business and to have in place proper controls and procedures to minimise the risk of breaching such regimes.

Group companies should provide training and support to ensure that their staff involved in the international supply and purchase of products, technologies and services are aware of and understand all applicable sanctions regimes.

Employees should notify their local Counsel immediately and before taking any action if their Group company receives any boycott-related requests, whether oral or written and whether specific to a particular transaction or more general in nature.

Examples of sanctions and other trade restrictions include prohibitions or restrictions on:

- exports or re-exports to a sanctioned country;
- imports from, or dealings in property originating from, a sanctioned country;
- travel to or from a sanctioned country;
- new investments and other dealings in a sanctioned country, or with designated individuals or organisations;
- making funds or resources available to designated individuals or organisations;
- transfer of restricted software, technical data or technology by e-mail, download or visits to sanctioned countries; and
- supporting boycott activity (eg, US anti-boycott laws).

The list of prohibited countries and restrictions is subject to change. Accordingly, if your work involves the sale or shipment of products, technologies or services across international borders, you should make sure that you keep up to date with the rules that apply.

If in any doubt, or if more detailed advice is required, please contact your local Legal Counsel or Commercial Legal Counsel in Globe House.

For more information on the Standards of Business Conduct, please visit the Global Policies, Standards and Platforms site on Interact or contact your local Legal department.

You may also contact:
Compliance Counsel
Company Secretarial Department
Globe House
4 Temple Place
London WC2R 2PG
United Kingdom

Tel: +44 (0) 20 7845 1000
Fax: +44 (0) 20 7845 2189

BRITISH AMERICAN TOBACCO