

BAT shrugs off UK probe into bribes

Full co-operation promised

Sandile Mchunu

BRITISH American Tobacco (BAT) shares rose on the JSE yesterday, shrugging off a probe by British authorities over claims that the company paid bribes to government officials in Rwanda, Burundi and Comoro Islands in 2015.

The share rose 2.03 percent to close at R842.01 on the JSE yesterday, despite the London stock falling 3.7 percent in early trade on the news.

The company said that it would co-operate with the formal probe by the UK's Serious Fraud Office (SFO) on reports that the bribes were paid to influence tobacco legislation.

"As previously announced, we are investigating, through external legal advisers, allegations of misconduct," BAT said.

"We have been co-operating with the SFO, and BAT has been informed that the SFO has now opened a formal investigation. BAT intends to co-operate with that investigation."

Two years ago, the British Broadcasting Corporation reported that a BAT lobbyist arranged bribes totalling \$26 000 (R340 750) to officials in the three countries.

The broadcaster said the graft was revealed by a former employee, Paul Hopkins.

BAT said it would not tolerate corruption, and its undertaking to co-operate was a proof how seriously it viewed the allegations.

Jason Forssman, a fund

manager at Ashburton Investments, said BAT confirmed that it had been informed by the SFO of a formal investigation into allegations of misconduct in a statement yesterday morning.

"Our understanding, based on prior media reports, is that the allegations relate to bribes being paid by a lobbyist to public officials in Rwanda, Burundi and the Comoro Islands.

"The group has launched its own external investigation into the matter and has stated its commitment to co-operating with the SFO. Although any matter of this nature serves to tarnish the reputation of the group, should a fine transpire, it will most likely prove immaterial from a group earnings point of view," Forssman said.

The SFO investigation adds to BAT's problems after the US Food and Drug Administration last week proposed stripping cigarettes of their addictive qualities by regulating the level of nicotine.

Mergence Investment Managers' Dirk Steyn said the allegations have put the company's reputation at risk.

"BAT is a global company and has worked hard to build its image as a responsible corporate citizen," Steyn said.

Last week, BAT announced it had completed the purchase of the 57.8 percent of Reynolds it did not already own.

BAT paid \$54.5bn for total ownership of Reynolds, boosting its next generation products.