

PAS 2060 QUALIFYING EXPLANATION STATEMENT

DECLARATION OF ACHIEVEMENT

This Qualifying Explanation Statement documents that Fiedler & Lundgren AB achieved carbon neutrality for its operations, scope 1 and 2, in accordance with PAS 2060, for the period 1st of December 2020 to 30th of November 2021. This is the first period of assessment.

The methodology used was applied in accordance with its provisions and the principles set out in PAS 2060 were met, as assured by Energy & Technical Services Ltd (ETS).

Internal Sign-Off

Michaela Brendel
Factory Manager
CEO, Fiedler & Lundgren AB

Anders Tevin
Finance Manager
Board member, Fiedler & Lundgren AB

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Michaela Brendel
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Date & Location

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Anders Tevin
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Date & Location

Scope and Boundary Definition

| PAS 2060 Requirements | Statement |
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| Selected method: | GHG Protocol Corporate Standard. Operational control method applied. |
| Entity making PAS 2060 declaration: | <p>Fiedler & Lundgren AB</p> <p>Fiedler & Lundgren AB is part of British American Tobacco (BAT) Group. The company is registered in Malmö, Sweden and operates an operational business unit in Malmö. The purpose of the company is the purchase, treatment, production, distribution and sales of oral tobacco and nicotine or related products.</p> |
| Subject of the declaration: | <p>Fiedler & Lundgren AB facilities in Malmö, Sweden.</p> <p>The definition of the subject remains unchanged through each and every stage of the methodology.</p> |
| Description of the subject: | <p>Fiedler & Lundgren AB is the operational unit of BAT Group in Sweden. It operates a factory manufacturing oral nicotine products, such as tobacco and nicotine pouches.</p> <p>The tobacco pouches process includes reception of raw tobacco, milling, mixing, and preparing the tobacco for mechanized manufacturing of pouches by adding flavor, casing, and packing the pouches in cans. Manufactured products are then stored and dispatched.</p> <p>The nicotine pouches process includes reception of MCC, mixing and preparing the MCC for mechanized manufacturing by adding flavor, nicotine and packing the pouches into cans. Manufactured products are then stored and dispatched.</p> <p>The site consists of owned factory building, including warehouse facilities and offices for administration, such as Finance, IT and HR.</p> |

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| <p>Rationale for selection of the subject:</p> | <p>Climate change has been part of our wider approach to environmental management, and we have elevated it to a standalone priority in recognition of the growing climate emergency and we aim to minimize our climate impact. GHG monitoring and reduction is fully part of our environmental agenda, which also covers other aspects such as supply chain (tobacco is a farmed product), water and waste impact, etc.</p> <p>Numerous actions have been undertaken on the global level by the BAT Group, however, each endmarket is responsible to add its own brick in the wall in terms of CO2 reduction as well as CO2 compensation.</p> |
| <p>Boundaries of subject:</p> | <p>Scope 1 and 2 emissions. All activities considered material in scope 1 and 2 have been included.</p> <p>Fugitive emissions have been excluded based on estimated immateriality. Internal discussions will take place on the feasibility of including in next year's reporting period.</p> <p>Scope 3 emissions are excluded of this statement. Scope 3 emissions are reported at the Group level, as no breakdown for region or countries are available due to the data collection ways. Scope 3 emissions for Sweden are fully and duly reported for the market, however, management of the emissions and reduction initiative are managed at the group level.</p> <p>These boundaries are a true and fair representation of the organization's GHG emissions (i.e., include all GHG emissions relating to core operations including subsidiaries owned and operated by the organization).</p> |
| <p>Baseline date for PAS2060:</p> | <p>Historical reduction period = 2017 (reporting period starts 1st December 2016)</p> <p>PAS2060 Period 1 = 1st of December 2020 to 30th of November 2021.</p> |
| <p>This assessment period:</p> | <p>1st of December 2020 to 30th of November 2021.</p> |

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| <p>Individuals responsible for the evaluation and provision of data necessary for the substantiation of this declaration:</p> | <p>Razvan Ovreiu, Project Engineer</p> <p>Bengt Westman, Engineering Manager</p> <p>DocuSigned by: <i>Razvan Ovreiu</i> C540CB0D506E4F8...</p> <p>DocuSigned by: <i>Bengt Westman</i> 91B754278DBE460</p> |
| <p>Type of conformity statement:</p> | <p>Other party validation by Energy & Technical Services Ltd (ETS).</p> |
| <p>Justification for the selection of carbon method:</p> | <p>The methodologies are selected at the Group level as these are the internationally recognized methodologies and emissions factors sets, within the recommended lists for the type of disclosures we make (incl. inter alia CDP reporting). YoY changes (i.e. emissions reduction) are calculated using the unified reporting approach.</p> <p>Discrepancies may occur between reported emissions and effective emissions, as some emissions are based on averaged numbers and/or meter readings, as evidence from providers (such as energy invoices) might come with some delay after reporting period is closed. Those discrepancies should be however flattened over the time, as they are reported in the next reporting period.</p> |
| <p>Methods used to quantify GH emissions:</p> | <p>CRedit 360¹ tool was used to calculate the carbon footprint. Primary data was taken from energy bills and company fleet records.</p> <p>Renewable electricity is procured, and evidence provided by the supplier.</p> <p>Renewable biogas is procured, and evidence provided by the supplier.</p> <p>¹CRedit 360 software published by UL LLC.</p> |
| <p>Uncertainty and variability statement:</p> | <p>The carbon footprint is based on 95% of likely greenhouse gas emissions; primary sources are subject to variation over time; the carbon footprint is the best estimate based on reasonable costs of evaluation.</p> |

Carbon Management Plan

| PAS 2060 Requirement | Response |
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| 21) Document carbon management plan | <p>Reducing our direct impacts: Good environmental management is not only the right thing to do, but it also makes business sense given our dependence on natural resources to produce goods. Climate change has been part of our wider approach to environmental management, and we've elevated it to a standalone priority in recognition of the growing climate emergency.</p> <p>Addressing our water and waste impacts has environmental benefits and delivers financial savings and efficiencies, while implementing sustainable agriculture practices helps to address environmental impacts and secure our tobacco leaf supply chain. We are focused on minimizing our climate change impacts and preparing our business for the risks ahead.</p> <p>This includes accelerating our science-based targets for reducing our carbon dioxide equivalent (CO₂e) emissions and our new target to be carbon neutral for our direct operations and working with our farmers to increase their resilience.</p> <p>Building on our progress, we've set ourselves even more ambitious and stretching targets.</p> <p>Fiedler & Lundgren AB has as an action already invested in certificates of biogas and electricity to ensure demand is met with an equal supply coming from renewable source. Biogas since 2019 and renewable electricity since 2020.</p> |
| a) Make a statement of commitment to carbon neutrality for the defined subject. | <p>Fiedler & Lundgren AB is committed to achieving carbon neutrality for their operations.</p> <p>Fiedler & Lundgren AB is committed to retaining carbon neutrality for an undefined period, but at least the next 10 years.</p> |

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| <p>b) Set timescales for achieving carbon neutrality for the defined subject.</p> | <p>The target is to be carbon neutral by 2021.</p> |
| <p>c) Specify targets for GHG reduction for the defined subject appropriate to the timescale for achieving carbon neutrality including the baseline date, the first qualification date and the first application period.</p> | <p>Targets for GHG reductions have been set up by BAT Group globally with 2017 as a baseline.</p> <p>See section “Environmental KPI’s and Targets”.</p> |
| <p>d) Document the planned means of achieving and maintaining GHG emissions reductions including assumptions made and any justification of the techniques and measures to be employed to reduce GHG emissions.</p> | <p>Since 2019, numerous initiatives have been put in place for achieving carbon reduction, substitution of old boilers (heat and steam) with more energy efficient ones, procurement of biogas and electricity from renewable sources, digitalization of practices (less travel, less paper, less freight) etc.</p> <p>To continue in this direction, we have an ongoing CO2 abatement project with Guidehouse Europe Ltd. finishing at the beginning of 2022 to assess further area of CO2 abatement possibilities to reduce the purchasing of the Verified Carbon Standards.</p> <p>Furthermore, we will keep sourcing renewable electricity and biogas. We plan to change the vehicle fleet to vehicles with less CO2 emissions. We will keep measuring our GHG emissions with the same methods and standards.</p> |
| <p>e) Specify the offset strategy including an estimate of the quantity of GHG emissions to be offset, the nature of the offsets and the likely number and type of credits.</p> | <p>See section “Carbon Neutrality”.</p> |
| <p>22) Implement a process for undertaking periodic assessments of performance against the Plan and for implementing corrective action to ensure targets are achieved. The frequency of assessing performance against the Plan should be commensurate with the timescale for achieving carbon neutrality.</p> | <p>Process of periodic assessment is implemented on the group level and review takes place every 12 months.</p> <p>Specific for Fiedler & Lundgren AB, we have an ongoing CO2 abatement project with Guidehouse Europe Ltd. finishing at the beginning of 2022 to assess further area of CO2 abatement possibilities to reduce the purchasing of the Verified Carbon Standards.</p> |

Environmental KPI's and Targets

Global KPI's and targets as per ESG Report available online:

<https://www.bat.com/sustainabilityreport>

Carbon Emission Summary

A summary of the carbon emissions is presented below. The total emissions in 2021 is 19 tCO₂e.

Fiedler & Lundgren AB OBU

Emissions

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| Scope 1 & 2 CO₂e (Market-based) | <i>tCO₂e</i> | 19 |
| Scope 1 CO₂e Emissions | <i>tCO₂e</i> | 19 |
| Vehicles diesel | <i>tCO₂e</i> | 11 |
| Vehicles petrol/gasoline | <i>tCO₂e</i> | 8 |
| Vehicles diesel | <i>litre</i> | 4 000 |
| Vehicles petrol/gasoline | <i>litre</i> | 3 466 |
| Scope 2 CO₂e Emissions (Market based) | <i>tCO₂e</i> | 0 |
| Purchased Electrical Energy - Renewable | <i>kWh</i> | 4 175 389 |
| Purchased Electrical Energy - Standard Grid | <i>kWh</i> | 0 |

Carbon Neutrality

Carbon offset credits from Verified Carbon Standard have been used to achieve carbon neutrality.

These credits meet the requirements of PAS 2060, including:

- Offsets generated or allowance credits surrendered represent genuine, additional GHG emission reductions elsewhere.
- Projects involved in delivering offsets meet the criteria of additionality, permanence, leakage, and double counting.
- Carbon offsets are verified by an independent third-party verifier.
- Credits from Carbon offset projects are only issued after the emission reduction has taken place.

The carbon credits have been retired on a publicly available registry with Fiedler & Lundgren AB noted as the Beneficiary:

Carbon credit certification: Verified Carbon Standard

Project: VCS VCU 1935: Hubei Hongshan IFM (Conversion of Logged to Protected Forest) Project

Volume retired: 22 tCO₂e

Carbon offset credits retirement date: Jan 20th, 2022 5:18PM

Verified Carbon Registry Serial Number: 9921-159775276-159775297-VCS-VCU-324-VER-CN-14-1935-01012015-31122015-0

Assurance & Public Disclosure

Type of conformity assessment: Other party validation by Energy & Technical Services Ltd (ETS)

Statement of validation: ETS validation letter has been appended to this statement.

This QES will be publicly available on www.batsweden.se and provide a reference to any freely accessible information upon which substantiation depends.

Energy & Technical Services Ltd (ETS) was commissioned by British American Tobacco (BAT) Fiedler & Lundgren AB to certify their carbon footprint in accordance with PAS 2060:2014 Specification for the demonstration of carbon neutrality.

ETS was provided with access to the primary data and completed a systemic review of the data, emissions factors and carbon footprint results, against PAS 2060:2014. Disclosing the Qualifying Explanatory Statement (QES) in the public domain is a formal requirement of PAS 2060. The PAS 2060 permissible declaration is presented below:

PAS 2060 Declaration

Carbon neutrality of BAT Fiedler & Lundgren AB facilities at Malmö, Sweden achieved by BAT Fiedler & Lundgren AB in accordance with PAS 2060 at 3rd February 2022 for the period commencing 1st December 2020 to 30th November 2021, Energy & Technical Services Ltd (ETS) declared.

Signed on behalf of Energy & Technical Services Limited



John Kane
Business Unit Director

3rd February 2022