


# Qualifying Explanatory Statement

**(As per PAS 2060)**

Document Preparation		
Function/Designation	Name	Signature
Sustainability Development Manager	Bianka Borbély	
Version Control		
Change		Date
V1.0		March 25, 2024


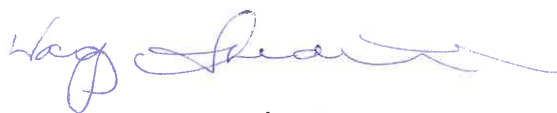


BAT Pécsi Dohánygyár Kft.

Declaration of Carbon Neutrality in accordance with PAS 2060: 2014

“Qualifying Explanatory Statement”

“Carbon<sup>1</sup> neutrality for the industrial activities of BAT Pécsi Dohánygyár Kft. in accordance with PAS 2060:2014 on March 20, 2023, for the period from December 1, 2022 until November 30, 2023, certified by Instituto Totum.”

Name of the Senior Representative#1	Signature of the Senior Representative#1
Igor Gmaz Factory Manager BAT Pécsi Dohánygyár Kft.	 Igor Gmaz
Date: 25/03/24	
Name of the Senior Representative#2	Signature of the Senior Representative#2
Annamária Nagy Operations Finance Manager BAT Pécsi Dohánygyár Kft.	 Annamária Nagy

Organization:	BAT Pécsi Dohánygyár Kft.
Issue Date:	March 25, 2024
Assurance Authority:	Instituto Totum
Verification Report:	December 1 <sup>st</sup> , 2022 to November 30 <sup>th</sup> , 2023
Neutrality Period:	01/12/2022 to 30/11/2023

Note: The term “carbon” used throughout this document represents an abbreviation for the aggregate of greenhouse gases (GHG), reported as CO<sub>2</sub>eq (carbon dioxide equivalent).

## INTRODUCTION

This document is the declaration of carbon neutrality to demonstrate that BAT Pécsi Dohánygyár Kft. achieved carbon neutrality for its operations at the industrial plant in Dohány street 2-8., 7622 Pécs, Hungary, in Finn street 3., 7632 Pécs, Hungary and in Francia street 2., 7630 Pécs, Hungary under the guidelines of the PAS 2060: 2014 standard, in the period from December 1, 2022 to November 30, 2023.


PAS 2060 Requirement	Explanation
Entity responsible for the declaration	BAT Pécsi Dohánygyár Kft.
Object of declaration	Industrial activities carried out at Dohány street 2-8., 7622 Pécs, Hungary, in Finn street 3., 7632 Pécs, Hungary and in Francia street 2., 7630 Pécs, Hungary
Object Description	The BAT Hungary factory in Pécs is responsible for manufacturing cigarettes and the preparation, portioning and packaging of cut tobacco (Dohány street 2-8.), for manufacturing cigarillos, the portioning and packaging of cut tobacco, repacking vapour products (Finn street 3.), for the manufacturing of nicotin pouches (Francia street 2.)
Object Limits	The scope includes all greenhouse gas emissions aggregated into Scopes 1 and 2 as per the 2014 WRI GHG Protocol – Corporate Accounting Standard and BAT standards (if applicable).
Type of Assurance	Third Party Certification for achieving carbon neutrality.
Period for Obtaining Carbon Neutrality	December 1, 2022 to November 30, 2023

This declaration of carbon neutrality in accordance with PAS 2060:2014 contains information related to the object for which neutrality is claimed. All information contained is the expression of the truth and is assumed to be correct at the time of publication. If any information comes to the knowledge of the organization that affects the validity of this declaration, this document will be updated accordingly to accurately reflect the current situation of the carbon neutrality process related to the object.

## CARBON NEUTRALITY ACHIEVEMENT DECLARATION

PAS 2060 requirement	Explanation
Specify the period in which the organization demonstrated carbon neutrality regarding the object	December 1, 2022 to November 30, 2023
Total emissions (based on location) from the object in the period from December 1, 2022 to November 30, 2023.	Total of 4.542,91 tCO <sub>2</sub> eq (Base Credit360, Location Based Emissions)
Total emissions (based on purchase choice) of the object in the period from December 1, 2022 to November 30, 2023.	Total of 1767,91 tCO <sub>2</sub> eq (Base Credit360, Market Based + Fugitive Emissions)
Type of statement regarding carbon neutrality	I3P-2: Achieving carbon neutrality through independent third-party certification
Inventory of greenhouse gas emissions that provides the basis for the declaration	Annex A
Description of greenhouse gas emission reductions that provide the basis for the claim	Annex B
Description of instruments for reducing the carbon footprint and offsetting residual emissions	Annex C
Independent third party verification report	Annex D
Retirement and Carbon Offsetting Statements	Annex E

*“Carbon neutrality for the industrial activities of the Dohány street 2-8., 7622 Pécs, Hungary, in Finn street 3., 7632 Pécs, Hungary and in Francia street 2., 7630 Pécs, Hungary in accordance with PAS 2060:2014 on March 6, 2023, for the period from December 1, 2022 until November 30, 2023, certified by Instituto Totum.”*

Senior Representative Name	Senior Representative Signature
Igor Gmaz – Factory Manager	
Date: 25/03/24.	

*This statement is available on the company's website at [<https://www.bat.hu/DOCCMEVZ.html>] and the custody and availability of documents and reports that support the statement are the responsibility of the Sustainability department.*

## **ANNEX A - GREENHOUSE GAS EMISSIONS INVENTORY THAT PROVIDES BASIS FOR THE DECLARATION**

### **A.1. Object Description**

The target object of carbon neutrality is the three sites of BAT Pécsi Dohánygyár Kft. which are located under the following addresses: Dohány street 2-8., 7622 Pécs (MYO/RYO site), Hungary, Finn street 3., 7632 Pécs, Hungary (LCO site), and Francia street 2., 7630 Pécs, Hungary (MO site). In 2023 (December 2023 to November 2024) emissions reported on Credit360 were taken into account.

The MYO/RYO site operates as a manufacturing factory for cigarettes and for preparing, portioning and packaging cut tobacco.

The LCO sites operates as a manufacturing factory for cigarillo and for portioning and packaging cut tobacco. The scope of the site also includes the repackaging of vapour products.

The MO site operates as a manufacturing factory for nicotine pouches.

All greenhouse gas emissions from the target plant were considered, within the respective Scopes 1 and 2 according to the methodology of the GHG Protocol and GHG Form, including fugitive and effluent emissions. No Scope 3 emissions were reported for this object.

The neutrality process encompasses all Scope 1 and 2 emissions and does not include Scope 3 emissions.

## A.2. Carbon Footprint Summary

Tables below show all emission data from reporting period from all three sites of BAT Pécsi Dohánygyár Kft.

Considering the market choice approach in Scope 2, the total emissions add up to 1.728 tons of CO<sub>2</sub>eq.

Total emissions (based on location) from the object in the period from December 1, 2022 to November 30, 2023.	Total of 4.542,91 tCO <sub>2</sub> eq (Base Credit360) Total of 1.767,91 tCO <sub>2</sub> eq (Base MME) Scope 1&2 – 4.542,91 tCO <sub>2</sub> eq (Base Credit360) Scope 1&2 – 1.767,91 tCO <sub>2</sub> eq (Base MME) Fugitive and Effluent Emissions – 0 tCO <sub>2</sub> eq
Total emissions (based on purchase choice) of the object in the period from December 1, 2022 to November 30, 2023.	Total of 1.767,91 tCO <sub>2</sub> eq Scope 1&2 – 1.767,91 tCO <sub>2</sub> eq (Base Credit360) Scope 1&2 – 1.767,91 tCO <sub>2</sub> eq (Base MME) Fugitive and Effluent Emissions – 0 tCO <sub>2</sub> eq

Emission Source	Emission Type		MYO/RYO Overall Emissions	
			Location Based Method	Market Based Method
	Scope I	Scope II	tCO <sub>2</sub> e	tCO <sub>2</sub> e
Site & Office - Natural Gas	x		10	10
Site & Office - Steam	x		591,08	591,08
Site & Office - Hot Water	x		507	507
Site & Office - Electricity		x	1304	0
Fuel - Fleet Vehicles	x		71	71
<b>Total</b>	<b>x</b>	<b>x</b>	<b>2483,08</b>	<b>1179,08</b>

Emission Source	Emission Type		LCO Overall Emissions	
			Location Based Method	Market Based Method
	Scope I	Scope II	tCO <sub>2</sub> e	tCO <sub>2</sub> e
Site & Office - Natural Gas	x		342,33	342,33
Site & Office - Electricity		x	688	0
<b>Total</b>	<b>x</b>	<b>x</b>	<b>1030,33</b>	<b>342,33</b>

Emission Source	Emission Type		MO Overall Emissions	
			Location Based Method	Market Based Method
	Scope I	Scope II	tCO <sub>2</sub> e	tCO <sub>2</sub> e
Site & Office - Natural Gas	x		246,5	246,5
Site & Office - Electricity		x	783	0
<b>Total</b>	<b>x</b>	<b>x</b>	<b>1029,5</b>	<b>246,5</b>

### A.3. Standards and Methodologies Used

The greenhouse gas inventory reports are based on the GHG Protocol standards and guidelines and the GRI standards. The internal management of precursor data is carried out by the EHS teams and the data are entered into the reporting platform (CR360) and into the GHG Protocol Spreadsheet, which allows the calculation of CO<sub>2</sub> emissions based on global warming potential data (GWP - Global Warming Potential) from the IPCC Fourth Assessment Report (AR4).

Input data related to Scope 1 and 2 CO<sub>2</sub>e emissions are electricity, natural gas, hot water used for heating, steam, fuel used for fleet vehicles (diesel and petrol). Credit360 input data is converted to measures of energy (GJ) and then converted into GHG emissions terms, using local factors for electricity and DEFRA factors for all emissions factors (updated annually). The data originating from the GHG Protocol are generated through the GHG worksheet, according to the Equations below.

#### Equation A - Fugitives

The calculation uses the equation:  $E = (VE + T - MC) * GWP$

GWP = Global Warming Potential this is an international conversion factor.

VE = Change in Stock (kg of gas): difference between the amount of gas in stock at the beginning and end of the period (includes only gas stored on site, eg cylinders, not gases inside equipment).

T = Quantity Transferred (kg of gas): gas purchased minus gas sold/dispensed during the period.

MC = Capacity Change (kg of gas): capacity of all units at the beginning of the period minus the capacity at the end of the period.

#### Equation B - Effluents

The calculation uses the equation:  $E = \text{Emission N}_2\text{O} * GWP + \text{Emission CH}_4 * GWP$

The emission value of N<sub>2</sub>O and CH<sub>4</sub> is generated through the Amount of Effluents Generated, COD and the methane conversion factor (according to the type of treatment used in the ETE)

#### Equation C – Non-Kyoto GHG

The calculation uses the equation:  $E = (EUN + EUE + EUD) * GWP$

GWP = Global Warming Potential this is an international conversion factor.

EUN = emissions from installing new units: gas used to charge new equipment minus equipment capacity (the difference corresponds to losses to the atmosphere);

EUE = gas added to existing units as maintenance by the organization or supplier (does not include pre-charges made by the manufacturer);

EUD = emissions from disposal of old units: capacity of the unit dispensed minus the amount of gas recovered (the difference corresponds to losses to the atmosphere).

BAT Pécsi Dohánygyár Kft. its monthly environmental KPIs on Credit360. Data is reviewed by the regional EHS team and checked by the Group EHS team for consistency. On an annual basis, data is aggregated with BAT Group data to produce Group reports, including ESG Report, CDP submission and other platforms. Prior to publication, on an annual basis, the data are subject to external verification by an independent audit organization, whose report for the period is set out in Annex D.

#### **A.4. Information Assurance Level**

The level of assurance of the greenhouse gas inventory at BAT Pécsi Dohánygyár Kft., carried out by the independent organization KPMG and Instituto Totum, was limited, covering Scope 1 and 2 (according to the GHG Protocol) and other KPI reported in the ESG panels. The Totum Institute limited itself to verifying the fugitive emissions and effluent emissions, belonging to Scope 1.

The object (BAT Pécsi Dohánygyár Kft.) has independent verification by a third party (Totum Institute) for the carbon neutrality process, based on the guidelines of PAS Standard 2060:2014, with a limited confidence level and 5% materiality for the neutrality process.



## **ANNEX B - DESCRIPTION OF THE GREENHOUSE GAS EMISSION REDUCTIONS THAT PROVIDE THE BASIS FOR THE DECLARATION**

### **B1. History of Greenhouse Gas Emissions (GHG)**

Scope 1 and 2 emissions (market-based and location-based) are tracked and compared monthly. Annual targets (projections for the next year) are defined, calculated and compared. Projected emission reductions from energy saving activities are calculated by site engineering teams using the same emission factors.

As of 2019, BAT also started to adopt the internal carbon price (shadow price) to encourage carbon reduction projects.

The declaration intended by BAT Pécsi Dohánygyár Kft. is that of neutrality for 2023 of a certain period (December 1, 2022 to November 30, 2023), without inferences regarding past or future commitments.

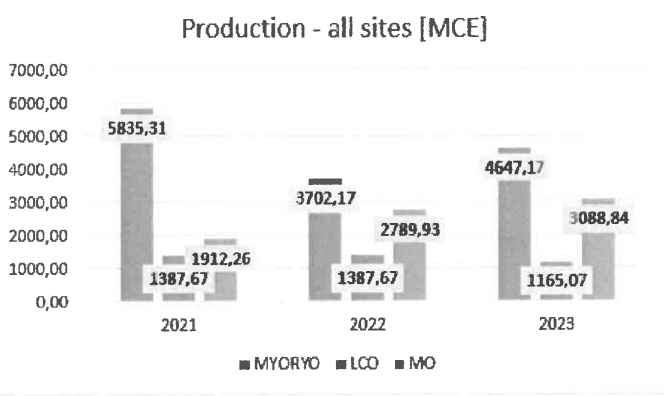
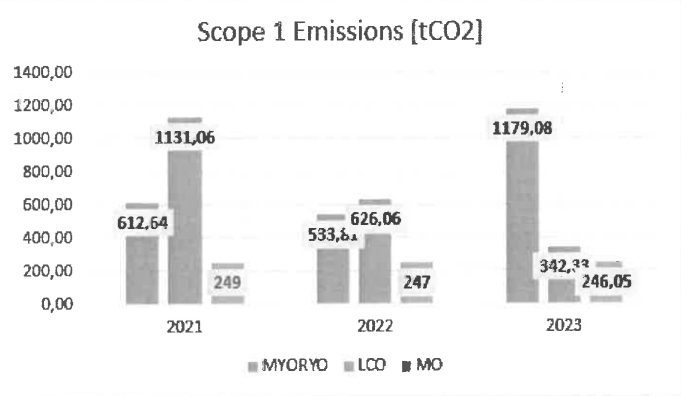
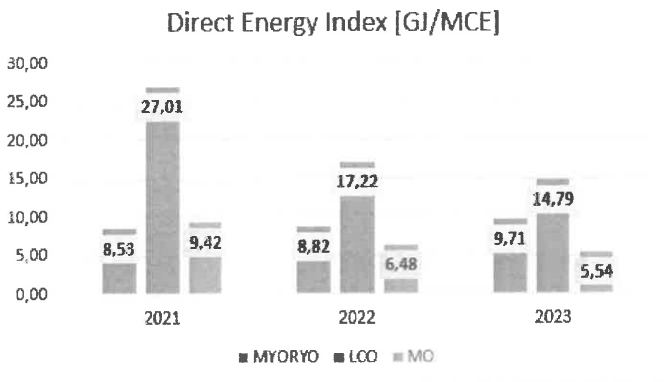
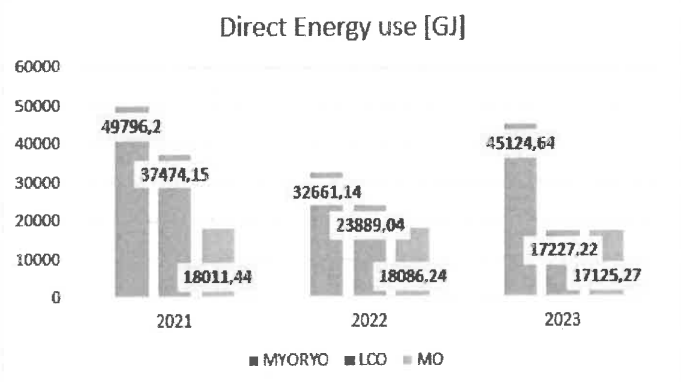
### **B2. Description of GHG Emission Reductions in the reference year**

On the MYORYO site, there was a decrease in Production volume [MCE], however there was an increase on Direct Energy Index [GJ/MCE] and Scope 1 emissions. This is related to the fact that there was a change in technology: in 2021, all but one of the cigarette manufacturing machines were moved out of the factory, and in their place, MYORYO machines were installed. In the interim period (July 2021-July 2022), PMD was not producing, production was relying on import CRT due to the fact there was a significant redesignment of the department. PMD was started up again in July 2022 which explains the change in numbers.

On the LCO site, there was a significant reduction in Scope 1 emissions, Direct Energy Use and Direct Energy Index while only having a slight reduction in Production volume. This is related to several successful initiatives listed below.

On the MO site, there was a significant increase in Production volume and a slight reduction in Direct Energy use, Direct Energy Index and Scope 1 emissions. This is related to several successful initiatives listed below.

In the period from 2021 to 2022, there was an absolute reduction of 13%\* in GHG emissions while having a 3% decrease in Production volume (all sites), as shown below (information based on Credit360). \*Calculations based on information from Credit360, as fugitive emissions and effluent emissions began to be measured in 2021.



Aiming at improving GHG accounting and based on the GHG Protocol, in 2021 BAT Pécsi Dohánygyár Kft. began accounting for fugitive emissions and effluent treatment emissions using the spreadsheet provided by the GHG Protocol. In the reporting year 2023, 0 tons of CO<sub>2</sub>eq were emitted.

In addition to increased production providing better efficiency, the main practical actions that resulted in reduced emissions were:

YEAR	INICIATIVE	REDUCTION ( Ton CO <sub>2</sub> /yr)	STATUS
2022	VSD pumps + 2 way valve - MO	14	DONE
2022	VSD Pump replacement - LCO	155	DONE
2022	HVAC system optimalization - LCO	1	DONE
2023	Heatpump installation – LCO (operation started in Oct, reduction is calculated for Oct and Nov of 2023)	189	DONE
2024	Install electric steam boilers - MYORYO	716	DONE
2024	Carfleet replacement for electric cars – MYO/RYO	25	PLANNED
2024	Central Vacuum System - MYORYO	18	PLANNED
2024	Installing Building Management System – energy optimalization - MYORYO	6	PLANNED
2024	Reduce compressor pressure - MYORYO	11	PLANNED
2024	CDA heat recovery	52	PLANNED

### **B3. Description of Renewable Energy Traceability Instruments**

The total quantity of electricity purchase at all sites has been provided by renewable sources. The electricity provider's Green Certificate is attached in Annex E.

## **ANNEX C - DESCRIPTION OF INSTRUMENTS FOR REDUCING THE CARBON FOOTPRINT AND FOR OFFSETTING RESIDUAL EMISSIONS**

### **C.1. Description of Renewable Energy Traceability Instruments (I-REC)**

BAT Pécsi Dohánygyár Kft. uses electrical power from renewable source in all sites, provided by electrical suppliers as detailed in item B3. Copy of certificate is attached in Annex E used in period for obtaining Carbon Neutrality.

### **C.2. Description of Offset Instruments – Carbon Credits**

Carbon credits were acquired through a carbon broker company Strive by STX in October 2023. Carbon credits were acquired together for all sites as the sites belong to the same legal entity.

To this end, 2270 Verified Carbon Standard credits were acquired from the VCS Project (Chudu Afforestation Project). For 2023, 1800 credits are allocated for 2023.

<https://registry.verra.org/myModule/rpt/myrpt.asp?r=206&h=237614>

Out of the acquired 2270 credits, we have 470 credits leftover.

<https://registry.verra.org/myModule/rpt/myrpt.asp?r=206&h=237633>

<https://registry.verra.org/myModule/rpt/myrpt.asp?r=206&h=237611>

### **C.3. Use of Instruments for Carbon Neutrality**

Residual Scope 1 emissions, according to the inventory audited by KPMG and Instituto Totum, add up to 1768 tons of CO<sub>2</sub>eq. Residual Scope 2 emissions, according to the inventory audited by KPMG and due to the market choice approach using the I-RECs (according to item B.3), was considered zero.

In this sense, the function of the 1800 carbon credits acquired is to offset the emissions of 1768 tons of CO<sub>2</sub>eq related to Scope 1, thus making BAT Pécsi Dohánygyár Kft. carbon neutral.

#### C.4. Quality Criteria for Offset Instruments - Carbon Credits

The carbon credits acquired, as mentioned in C.2, meet all the quality criteria set forth in Norm PAS 2060:2014, namely:

- Acquired credits represent an emission reduction considered additional (Hubei Hongshan IFM (Conversion of Logged to Protected Forest) Project) and INNER MONGOLIA WU'ERQIHAN IFM (CONVERSION OF LOGGED TO PROTECTED FOREST) PROJECT.
- Projects from which carbon credits originate meet the criteria of additionality, permanence and do not have the risk of double counting (Hubei Hongshan IFM (Conversion of Logged to Protected Forest) Project) and INNER MONGOLIA WU'ERQIHAN IFM (CONVERSION OF LOGGED TO PROTECTED FOREST) PROJECT
- Carbon credits were verified by an independent third party (Inc and China Quality Certification Center (CQC) and Rainforest Alliance), with the monitoring report available at <https://registry.verra.org/myModule/rpt/myrpt.asp?r=206&h=190691> and <https://registry.verra.org/myModule/rpt/myrpt.asp?r=206&h=191278>, and were only issued after the reduction was confirmed (Verra does not issue ex-ante credits).
- Carbon Credits were retired within a period of 12 months from the date of declaration of neutrality (January 18, 2023).
- The Project from which the Carbon Credits were acquired has all documentation and registration on the Verra public platform, which is an international standard and a platform that has Quality Assurance Principles including additionality, permanence, leakage and avoided double counting ). <https://verra.org/project/vcs-quality-assurance-principles/> and on the public platform (Verra registry) <https://registry.verra.org/myModule/rpt/myrpt.asp?r=206&h=190691> and <https://registry.verra.org/myModule/rpt/myrpt.asp?r=206&h=191278>

## ANNEX D - INDEPENDENT THIRD PARTY VERIFICATION REPORT

[BAT Annual Report and Form 20-F 2022](#)
[Strategic Report](#)
[Governance Report](#)
[Financial Statements](#)
[Other Information](#)

### ESG 2023 Assured Metrics

KPMG have conducted independent, limited assurance in accordance with ISAE 3000 over the 2023 ESG "Selected Information" listed below, as contained in this Annual Report. KPMG's Independent Limited Assurance Report is provided on page 120.

<sup>A</sup> Refer to KPMG Independent Limited Assurance Report on page 2 for details on selected information.

Underlying Selected Information	Selected Information
Consumers of non-combustible products (number of, in millions)	23.9
Scope 1 CO <sub>2</sub> e emissions (thousand tonnes)	267
Scope 1 CO <sub>2</sub> e emissions including fugitive emissions (thousand tonnes)	299
Scope 2 CO <sub>2</sub> e emissions (market based) (thousand tonnes)	96
Scope 2 CO <sub>2</sub> e emissions (location based) (thousand tonnes)	342
Scope 1 and Scope 2 CO <sub>2</sub> e emissions intensity ratio (tonnes per £m revenue)	13.3
Scope 1 and Scope 2 CO <sub>2</sub> e emissions intensity ratio (tonnes per EUR m revenue)	11.5
Total Scope 3 CO <sub>2</sub> e emissions (thousand tonnes) - for 2022, Scope 3 GHG emissions are reported one year later	6,046
Total energy consumption (GWh)	2,182
Energy consumption intensity (GWh per million £ revenue)	0.08
Energy consumption intensity (GWh per million EUR revenue)	0.07
Renewable energy consumption (GWh)	832
Non-Renewable energy consumption (GWh)	1,360
Total waste generated (thousand tonnes)	114.94
Hazardous waste and radioactive waste generated (thousand tonnes)	1.69
Total waste recycled (thousand tonnes)	100.7
Total water withdrawn (million m <sup>3</sup> )	3.16
Total water recycled (million m <sup>3</sup> )	1.02
Total water discharged (million m <sup>3</sup> )	1.63
Emissions to water:	
- 80% of the facilities reported not using priority substances, and 74% reported not having them in storage	
- out of 48 priority substances, 44% are reported as not used, 44% are reported as not stored	
Number of operations sites in areas of high-water stress with and without water management policies	24/0
% of sources of wood used by our contracted farmers for curing fuels that are from sustainable sources	99.99
% of tobacco hectares reported to have appropriate best practice soil and water management plans implemented	81
% of tobacco farmers reported to grow other crops for food or as additional sources of income	93.3
% of farms monitored for child labour	100
% of farms with incidents of child labour identified <sup>A</sup>	0.16
Number of child labour incidents identified	369
% of child labour incidents reported as resolved by end of the growing season <sup>A</sup>	100
% of farms monitored for grievance mechanisms <sup>A</sup>	100.0
% of farms reported to have sufficient PPE for agrochemical use	99.99
% of farms reported to have sufficient PPE for tobacco harvesting	99.7
H&S - Lost Time Incident Rate (LTIR)	0.17
H&S - Number of serious injuries (employees)	12
H&S - Number of serious injuries (contractors)	9
H&S - Number of fatalities (employees)	2
H&S - Number of fatalities (contractors)	2
H&S - Number of fatalities to members of public involving BAT vehicles	3
% female representation in Management roles	42
% female representation on Senior Leadership teams	33
% of key leadership teams with at least a 60% spread of distinct nationalities	100
Global unadjusted gender pay gap leverage %	14
Incidents of non-compliance with regulations resulting in fine or penalty	3
Incidents of non-compliance with regulations resulting in a regulatory warning	0
Number of established SoBC breaches	123
Number of disciplinary actions taken as a result of established SoBC breaches that resulted in people leaving BAT	79
Number of established SoBC breaches - relating to workplace and human rights	59
% of product materials and high-risk indirect service suppliers that have undergone at least one independent labour audit within a three-year cycle <sup>A</sup>	68.8

## Sustainable Future

# ESG Limited Assurance Report

## Independent Limited Assurance Report

to British American Tobacco p.l.c.

KPMG LLP (KPMG or we) were engaged by British American Tobacco p.l.c. (BAT) to provide limited assurance over the Selected Information described below, for the year ended 31 December 2022.

### Our Conclusion

Based on the work we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information has not been properly prepared, in all material respects, in accordance with the Reporting Criteria.

This conclusion is to be read in the context of the remainder of this report, in particular the inherent limitations explained below and this report's intended use.

### Selected Information

The scope of our work includes only the information included within BAT's Combined Annual and Sustainability Report (the Report) for the year ended 31 December 2022 on pages 11 and 116 marked with a # and listed as "Assured" on page 118 (the Selected Information). The Selected Information is for the year ended 31 December 2022 except for Total Scope 2 CO<sub>2</sub>e emissions which is for the year ended 31 December 2021.

We have not performed any work, and do not express any conclusion, over any other information that may be included in the Report or displayed on BAT's website for the current year or for previous periods unless otherwise indicated.

### Reporting Criteria

The Reporting Criteria we used to form our judgements are British American Tobacco's Reporting Guidelines 2022 as set out at [www.bat.com/yesreport](http://www.bat.com/yesreport) (the Reporting Criteria). The Selected Information needs to be read together with the Reporting Criteria.

### Inherent Limitations

The nature of non-financial information, the absence of a significant body of established practice on which to draw, and the methods and precision used to determine non-financial information, allow for different, but acceptable, evaluation and measurement techniques and can result in materially different measurements, affecting comparability between entities and over time. The Reporting Criteria has been developed to assist BAT in reporting ESG information selected by BAT as key KPIs to measure the success of its sustainability strategy. As a result, the Selected Information may not be suitable for another purpose.

### Directors' Responsibilities

The Board of Directors of BAT are responsible for:

- The designing, implementing and maintaining of internal controls relevant to the preparation and presentation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- The selection and/or development of objective Reporting Criteria;
- The measurement and reporting of the Selected Information in accordance with the Reporting Criteria; and
- The contents and statements contained within the Report and the Reporting Criteria.

### Our Responsibilities

Our responsibility is to plan and perform our work to obtain limited assurance about whether the Selected Information has been properly prepared, in all material respects, in accordance with the Reporting Criteria and to report to BAT in the form of an independent limited assurance conclusion based on the work performed and the evidence obtained.

### Assurance Standards Applied

We conducted our work in accordance with International Standard on Assurance Engagements (ISAE) 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE (UK) 3000) issued by the Financial Reporting Council and, in respect of the greenhouse gas emissions information included within the Selected Information, in accordance with International Standard on Assurance Engagements 3410 – Assurance Engagements on Greenhouse Gas Statements (ISAE 3410), issued by the International Auditing and Assurance Standards Board. Those standards require that we obtain sufficient appropriate evidence on which to base our conclusion.

### Independence, Professional Standards and Quality Management

We comply with the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence, and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour, that are at least as demanding as the applicable provisions of the IESBA Code of Ethics. The firm applies International Standard on Quality Management 1 (ISQM 1) Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Summary of Work Performed

A limited assurance engagement involves planning and performing procedures to obtain sufficient appropriate evidence to obtain a meaningful level of assurance over the Selected Information as a basis for our limited assurance conclusion. Planning the engagement involves assessing whether the Reporting Criteria are suitable for the purposes of our limited assurance engagement. The procedures selected depend on our judgement, on our understanding of the Selected Information and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.

The procedures performed included:

- Conducting interviews with BAT management to obtain an understanding of the key processes, systems and controls in place over the preparation of the Selected Information;
- Performing risk assessment procedures over the aggregated Selected Information, including a comparison to the prior period's amounts having due regard to changes in business volume and the business portfolio;
- Selected limited substantive testing, including agreeing a selection of the Selected Information to the corresponding supporting information;
- Considering the appropriateness of the carbon conversion factor calculations and other unit conversion factor calculations used by reference to widely recognised and established conversion factors;
- Reperforming a selection of the carbon conversion factor calculations and other unit conversion factor calculations; and
- Reading the narrative accompanying the Selected Information in the Report with regard to the Reporting Criteria, and for consistency with our findings.

The work performed in a limited assurance engagement varies in nature and timing from, and is less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

For the Selected Information marked with a # symbol on page 118, our procedures did not include physical visits to the farms which provided the source data for the Leaf Data and Human Rights Selected Information and testing the accuracy of the sales volumes in BAT's Procurement IT system which were used in calculating Scope 2 CO<sub>2</sub>e emissions (thousand tonnes) including the Scope 2 supply chain CO<sub>2</sub>e emissions (thousand tonnes) from purchased goods and services. Additionally, our procedures did not include physical visits to the operational sites which provided the source data for the Emissions to Water Selected Information.

### This Report's Intended Use

Our report has been prepared for BAT solely in accordance with the terms of our engagement. We have consented to the publication of our report on BAT's website for the purpose of BAT showing that it has obtained an independent assurance report in connection with the Selected Information.

Our report was designed to meet the agreed requirements of BAT determined by BAT's needs at the time. Our report should therefore not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than BAT for any purpose or in any context. Any party other than BAT who obtains access to our report or a copy and chooses to rely on our report for any part of it will do so at its own risk. To the fullest extent permitted by law, KPMG LLP will accept no responsibility or liability in respect of our report to any other party.

George Richards

for and on behalf of KPMG LLP  
 Chartered Accountants  
 15 Canada Square  
 London E14 6GL  
 07 February 2023

The maintenance and integrity of BAT's website is the responsibility of the Directors of BAT; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information, Reporting Criteria or Report presented on BAT's website since the date of our report.®



## ANNEX E - RETIREMENT STATEMENTS AND CARBON OFFSETTING

### Certificate of Origin from electrical power supplier:

#### Cancellation Statement

This cancellation statement acts as a receipt for the certificates listed below and for the purpose shown. With this Cancellation Statement, released on the Transaction Date, the indicated certificates are no longer tradable. Onward sale of this Cancellation Statement is prohibited. The environmental qualities of the associated energy have been consumed and this Cancellation Statement and these certificates may not be transferred to any party other than the energy supplier or end-consumer specified below.

This cancellation statement is valid without the signature and can be exported from the registry only after the approval of MEKH.




Transaction details		From account		Beneficiary	
Transaction type Cancellation	Status Completed	Organization name E2 Hungary Zrt.	Organization ID 24XH28FX3S	Name of Beneficiary BAT Pécsi Dohánygyár Kft	Country of consumption Hungary
Transaction number 20231214000000060	Volume 13581 MWh	Domain Hungary	Domain code HU	Organization ID 24XH28FX3S	Location of beneficiary 1117 Budapest, Alíz utca 3. 6. em.
Transaction started 14/12/2023, 14.46	Transaction completed 18/12/2023, 8.59	Account number 643002406600049852		Consumption period 01/01/2023 - 31/12/2023	Usage type Disclosure
Public Statement No	Standard EECS	Street 'Dombóvári út 26.	ZIP code 1117	Cancellation purpose Based on demand of BAT Pécsi Dohánygyár Kft.	Type of beneficiary End consumer
		City Budapest	Country Hungary		


Page 1 of 2

Certificate Number (From-To)	Volume	Unit	Production period	Issuing date	Issuing country	Issuing body	Trading schemes	Earmark	Plant name and GSRN	Operational date	Energy source code and name	Technology code and name
708000340067300000000566153352 708000340067300000000566153051	1700	MWh	10/03/2023 10/03/2023	27/03/2023	NO	Statnett	GO	No support	Øvre Vinstra (Nord Fron) 70703230001001205 7	25/08/1959	F01050200 Renewable/ Mechanical source of other/Hydro and marine	T030000 Hydro electric head installations
708000340067300000000569078179 708000340067300000000569078333	155	MWh	19/03/2023 19/03/2023	03/04/2023	NO	Statnett	GO	No support	Øvre Vinstra (Nord Fron) 70703230001001205 7	25/08/1959	F01050200 Renewable/ Mechanical source of other/Hydro and marine	T030000 Hydro electric head installations
80325513200000000000932814565 80325513200000000000932814648	84	MWh	01/06/2023 30/06/2023	08/09/2023	IT	Gestore dei Servizi Elettrici GSE S.p.a	GO	Investment and production support	803255132001615404 MASO DI SPINELLE 80325513200161540 4	13/05/2015	F01050200 Renewable/ Mechanical source of other/Hydro and marine	T030000 Hydro electric head installations
80325513200000000000932814755 80325513200000000000932814838	84	MWh	01/06/2023 30/06/2023	08/09/2023	IT	Gestore dei Servizi Elettrici GSE S.p.a	GO	Investment and production support	803255132001615404 MASO DI SPINELLE 80325513200161540 4	13/05/2015	F01050200 Renewable/ Mechanical source of other/Hydro and marine	T030000 Hydro electric head installations
80325513200000000000932816292 80325513200000000000932819459	1168	MWh	01/06/2023 30/06/2023	08/09/2023	IT	Gestore dei Servizi Elettrici GSE S.p.a	GO	Investment and production support	803255132001615398 Maso di Calamonte 80325513200161539 8	13/05/2015	F01050200 Renewable/ Mechanical source of other/Hydro and marine	T030000 Hydro electric head installations
80325513200000000000941054336 80325513200000000000941054334	197	MWh	01/06/2023 30/06/2023	28/09/2023	IT	Gestore dei Servizi Elettrici GSE S.p.a	GO	Investment support	803255132001905642 ALVIANO 2 80325513200190564 2	01/01/2005	F01050200 Renewable/ Mechanical source of other/Hydro and marine	T030000 Hydro electric head installations
859182400000700000000102880480 859182400000700000000102880469	4170	MWh	01/08/2023 31/08/2023	06/11/2023	CZ	OTE	GO	Production support	ZEVO Praha Malešice 85918249999010910 2	20/07/2010	F01010101 Renewable/Solid/ Municipal waste/ Biogenic	T050302 Thermal/ Steam turbine with condensation turbine (closed cycle)/CHP
8591824000007000000001028804650 859182400000700000000102880427	4178	MWh	01/07/2023 31/07/2023	06/11/2023	CZ	OTE	GO	Production support	ZEVO Praha Malešice 85918249999010910 2	20/07/2010	F01010101 Renewable/Solid/ Municipal waste/ Biogenic	T050302 Thermal/ Steam turbine with condensation turbine (closed cycle)/CHP
859182400000700000000102880428 859182400000700000000102880672	1245	MWh	01/09/2023 30/09/2023	06/11/2023	CZ	OTE	GO	Production support	ZEVO Praha Malešice 85918249999010910 2	20/07/2010	F01010101 Renewable/Solid/ Municipal waste/ Biogenic	T050302 Thermal/ Steam turbine with condensation turbine (closed cycle)/CHP

Page 2 of 2

Carbon credit retired for BAT Pécsi Dohánygyár Kft. in December 2023





Verified Carbon  
Standard

Certificate of Verified Carbon Unit (VCU) Retirement

Verra, in its capacity as administrator of the Verra Registry, does hereby certify that on 07 Mar 2024, 1,800 Verified Carbon Units (VCUs) were retired on behalf of:

BAT Pécsi Dohanygyar KFT

Project Name

Chudu Afforestation Project


VCU Serial Number

9894-156809877-156811676-VCS-VCU-1310-VER-CN-14-2087-01012019-31122019-1

Additional Certifications

CCB-No Distinction

Powered by

APX

## **ANNEX F – MANAGEMENT DECLARATION**

### **MYO/RYO site**

BAT Pécsi Dohánygyár Kft.

2-8 Dohány street

7622 Pécs, HUNGARY

Latitude: 46.072000

Longitude: 18.237000

### **LCO site**

BAT Pécsi Dohánygyár Kft.

3 Finn street

7632 Pécs, HUNGARY

Latitude: 46.071000

Longitude: 18.274000

### **Modern Oral site**

BAT Pécsi Dohánygyár Kft.

2 Francia street

7630 Pécs, HUNGARY

Latitude: 46.066000

Longitude: 18.000000



## Independent Limited Assurance Declaration

BAT – Pécsi Dohánygyár Kft - Hungary

Verification Period: February 07th 2024 to April 15th 2024

Process Code for PAS 2060:2014 Certification Process: IT-29-2024

Verification Team: Claudio Silva (Lead Auditor) and Roberta Bertoni (Reviewer) – Instituto Totum

BAT – Pécsi Dohánygyár Kft, contracted Instituto Totum to conduct a limited assurance assessment regarding the Carbon Neutrality Declaration (“Qualifying Explanatory Statement” document) for the Unit – Hungary, for the period from *December 1<sup>st</sup> 2022 to November 30<sup>th</sup> 2023*.

**Conclusion:** Based on the procedures Instituto Totum has performed and the evidence obtained, nothing has come to verification team attention that causes it to believe that the Carbon Neutrality Declaration (“Qualifying Explanatory Statement”, dated 25<sup>th</sup> March 2024) is not fairly stated and has not been prepared, in all material respects, in accordance with the Reference Standard. This conclusion relates only to the referenced Carbon Neutrality Declaration (“Qualifying Explanatory Statement”), and should be read in the context of this Independent Limited Assurance Report, particularly with regard to the details listed below.

### Scope of Limited Assurance Work

The scope and limits of this work are restricted to the verification of the Carbon Neutrality Declaration referenced in this Report, in accordance with Standard PAS 2060:2014 - “Specification for the demonstration of carbon neutrality” (reference standard). The object for which compliance to the reference standard is claimed is the Hungary Unit, which belongs to British American Tobacco, Instituto Totum did not carry out any activity and did not express any conclusions that could be published outside the defined scope, for the period of compliance with the established reference standard. Annex to this Independent Limited Assurance Declaration is the checklist PAS 2060:2014 extracted from Totum Indicators Verification System – STVI.

### Factual Basis of Conclusion

Instituto Totum planned and executed a limited assurance verification work, with the objective of minimizing the risks of not detecting material errors in relation to the reference standard, including, but not limited to:

- Allocation of qualified verification team with respect to the scope of work and reference standard;
- Conducting interviews with key personnel of the organization to obtain knowledge about the applied processes, systems and controls;
- Verification of data, information and documented records of the organization itself, preferably audited by an independent third party;
- Verification of documents from sources outside the company, traced back to their origin through consultation with public or private sources;
- Critical analysis of the evidence verified within the context of compliance with the reference standard;
- List of requested clarifications, observations and corrective actions that are attached to this statement.

### Independence

Instituto Totum has internal policies and guidelines to ensure that the certifier itself, its verification team and internal team are independent in relation to the client's activities. Instituto Totum does not have other contracts with the client that may signify a conflict of interest.

Instituto Totum is accredited by the General Accreditation Coordination of INMETRO Brazil (CGCRE) by the ABNT NBR ISO 14.065:2012 Standard.

### Inherent Limitations

The verification process was based on sampling of existing data and information, not including the generation of additional data to those that were already available. The assurance of Instituto Totum is made on the premise that the data and information were provided by the client organization in good faith. There are inherent limitations to the limited verification process. The detection of contingencies, liabilities and data consolidation errors, when they exist, are subject to limitations imposed by their evidence and materiality, always subject to sampling. The process of generating information contained in the greenhouse gas inventory of the client organization was not part of the scope of this verification, and the Audit Report issued by a third party (other than the Instituto Totum) was considered as sufficient evidence of the reliability of greenhouse gas inventory data at a reasonable level. The list of observations and notes made in the verification process is not intended to be the complete list of discrepancies in relation to the reference standard in the audited scope. Eventual items considered “compliant” due to the sampling are not necessarily exempt from real or potential problems.

The work performed on a verification with a limited confidence level varies in nature, timing and is less extensive and in-depth than work performed on a verification with a reasonable level of confidence. Instituto Totum planned and executed the work to obtain evidence considered sufficient to support his opinion, and the risk linked to this conclusion is reduced, but not reduced to the point of being very low. The report attests only to what was found within the analyzed sample. Instituto Totum expressly disclaims any responsibility for any decision by any person or organization based on this Independent Limited Assurance Report.



