

## PAS 2060 QUALIFYING EXPLANATION STATEMENT DECLARATION OF ACHIEVEMENT

This Qualifying Explanation Statement documents that Santa Fe Natural Tobacco Company, Inc. achieved carbon neutrality for its operations, scope 1 and 2, in accordance with PAS 2060, for the period 1<sup>st</sup> December 2020 to 30<sup>th</sup> 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



Sr. Director of Operations

### Scope and Boundary Definition

PAS 2060 Requirements	Statement
Selected Method	GHG Protocol Corporate Standard. Operational control method applied.
Entity making PAS 2060 declaration:	<p>Santa Fe Natural Tobacco Company, Inc.</p> <p>Santa Fe Natural Tobacco Company, Inc. is a subsidiary within the global BAT Group. It operates a manufacturing site in Oxford, North Carolina.</p> <p>The purpose of the company is to produce tobacco products for adult tobacco consumers.</p>
Subject of the declaration:	<p>Oxford operations facilities are located at 3220 Knotts Grove Road, and 104 Enterprise Court.</p> <p>The definition of the subject remains unchanged through each and every stage of the methodology.</p>

Description of the subject:	<p>Santa Fe Natural Tobacco Company, Inc. is part of the global BAT Group. It operates a factory manufacturing cigarettes, filters, and other tobacco products. Related processes include reception of tobacco leaves to be processed, receiving raw materials to produce filters, and combining those to manufacture cigarettes using mechanized manufacturing equipment. Manufactured products are then stored and shipped as needed.</p>
Rationale for selection of the subject:	<p>Climate change has long been part of our wider approach to environmental management, 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. Numerous actions have been undertaken on the global level by BAT Group, however, each end market is responsible to be good stewards of the environment and continually look to improve in terms of CO2 reduction, energy consumption as well as CO2 compensation. While the BAT Group aligns global strategy for environmental goals, each operating subsidiary is responsible for setting its specific goals and carrying out day-to-day activities to achieve these goals.</p>
Boundaries of subject:	<p>Scope 1 and 2 emissions. All activities considered material in scope 1 and 2 have been included with the exception of refrigerant losses from HVAC and fire extinguishers using CO2. 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 are fully and duly reported for the market; however, management of the emissions and reduction</p>

	<p>initiatives are managed at the group level. 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>
Baseline date for PAS2060	<p>Historical reduction period = 2017 (reporting period starts 1<sup>st</sup> December 2016)</p> <p>PAS2060 Period 1 = 1<sup>st</sup> December 2020 to 30<sup>th</sup> November 2021</p>
This assessment period:	1 <sup>st</sup> December 2020 to 30 <sup>th</sup> November 2021
Individuals responsible for the evaluation and provision of data necessary for the substantiation of this declaration:	<p>Signature:</p> <p>EHS Lead Manager <i>Kelly Fie</i></p>
Type of conformity statement:	Other party validation by third party Energy & Technical Services Ltd (ETS)
Justification for the selection of carbon method:	<p>The methodologies are selected at the BAT Group level as these are the internationally recognized methodologies and emissions factors set, 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. 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>
Methods used to quantify GH emissions:	<p>CRedit 360<sup>1</sup> tool was used to calculate the carbon footprint. Primary data for Scope 1 and 2 may be taken from service provider bills/invoices or supplier web-page screenshots. Renewable Energy Credits (REC's) and Verified Emission Reductions (VER's) are purchased to support carbon neutrality.</p>



	1CRedit 360 software published by UL LLC
Uncertainty and variability statement:	<p>The carbon footprint is based on 95% of likely greenhouse gas emissions; primary sources are subject to variation over time.</p> <p>The carbon footprint is the best estimate based on reasonable costs of evaluation.</p>

## Carbon Management Plan

PAS 2060 Requirement	Response
21) Document carbon management plan	<p>Reducing our direct impacts:</p> <p>Good environmental management is not only the right thing to do, but it also makes business sense given our dependence on natural resources. Climate change has long been part of our wider approach to environmental management and we continually do our part to continually improve regarding our impacts to climate change. Addressing our water and waste impacts has environmental benefits and delivers financial savings and efficiencies. In response to increasing concerns regarding operational waste and plastics waste, we continually research for ways to reduce waste through recycling. We are focused on minimizing our climate change impacts and preparing our business for the risks ahead. This includes accelerating our science-based targets for reducing our carbon dioxide equivalent (CO<sub>2</sub>e) emissions and our new target to be carbon neutral for our direct operations.</p> <p>Building on our progress, we've set ourselves even more ambitious and stretching targets. Santa Fe Natural Tobacco Company, Inc. has for several years voluntarily purchased REC's and VER's as a part of their commitment to helping the environment.</p>
a) Make a statement of	Santa Fe Natural Tobacco Company, Inc. has been committed to achieving carbon

commitment to carbon neutrality for the defined subject.	neutrality by receiving Third Party verification since 2014 in accordance with ISO 14064-3:2006 for their operations and is seeking PAS 2060 verification for the reporting period 1 <sup>st</sup> December 2020 to 30 <sup>th</sup> November 2021 and retaining carbon neutrality for an undefined period, but at least the next 10 years.
b) Set timescales for achieving carbon neutrality for the defined subject.	The target is to be verified carbon neutral in accordance with PAS 2060, for the timeframe of 1 <sup>st</sup> December 2020 to 30 <sup>th</sup> November 2021
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.	Targets for GHG reductions have been set up by BAT Group globally with 2017 as a baseline. See section 'Environmental KPI's and Targets'
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.	Since 2016, numerous initiatives have been put in place for achieving carbon reduction such as, forming an energy team and following the ISO 50001 energy management system (EnMS). This team and system have helped us find ways to reduce our energy consumption by examining our processes and ways of working. Specific projects include installation of LED lighting for both buildings, upgrading to more efficient NG boilers, additional metering on equipment to track and trend energy use, additional insulation of heated piping. We also looked at tobacco transport processes using LPG to power lifts to reduce the amount of times tobacco is moved within the plant un-necessarily. In 2019, we participated in a 5-day Energy and CO2 assessment audit with different personnel within the BAT Group as well as selected outside contractors to conduct the audit. Our score was a 2.59 out of 4.0 and we have worked on some of the findings in the audit to continue to reduce our usage and emissions as shown in CREDIT 360 reporting YOY.

	We will keep measuring our GHG emissions with the same methods and standards.
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.	See section 'Carbon Neutrality'
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.	Process of periodic assessment is implemented on the group level and review takes place every 12 months. Our EnMS team meets yearly for a management system review and as needed if energy consumption levels are trending out of normal without known cause. When and where reductions of emissions can't be made, purchases of RECs and VERs will help continue our efforts in pursuing carbon neutrality.

#### Credit 360 Historical data

SFNTC - Oxford		
<b>2017</b>		
Scope 1 & 2 CO <sub>2</sub> e (Market-based)	tCO <sub>2</sub> e	1,143
Scope 1 CO <sub>2</sub> e Emissions	tCO <sub>2</sub> e	1,143
Scope 2 CO <sub>2</sub> e Emissions (Market based)	tCO <sub>2</sub> e	0
Scope 2 CO <sub>2</sub> e Emissions (Location based)	tCO <sub>2</sub> e	3,416
<b>2018</b>		
Scope 1 & 2 CO <sub>2</sub> e (Market-based)	tCO <sub>2</sub> e	1,105
Scope 1 CO <sub>2</sub> e Emissions	tCO <sub>2</sub> e	1,105
Scope 2 CO <sub>2</sub> e Emissions (Market based)	tCO <sub>2</sub> e	0
Scope 2 CO <sub>2</sub> e Emissions (Location based)	tCO <sub>2</sub> e	3,069
<b>2019</b>		
Scope 1 & 2 CO <sub>2</sub> e (Market-based)	tCO <sub>2</sub> e	911
Scope 1 CO <sub>2</sub> e Emissions	tCO <sub>2</sub> e	911
Scope 2 CO <sub>2</sub> e Emissions (Market based)	tCO <sub>2</sub> e	0
Scope 2 CO <sub>2</sub> e Emissions (Location based)	tCO <sub>2</sub> e	2,533
<b>2020</b>		
Scope 1 & 2 CO <sub>2</sub> e (Market-based)	tCO <sub>2</sub> e	850
Scope 1 CO <sub>2</sub> e Emissions	tCO <sub>2</sub> e	850
Scope 2 CO <sub>2</sub> e Emissions (Market based)	tCO <sub>2</sub> e	0
Scope 2 CO <sub>2</sub> e Emissions (Location based)	tCO <sub>2</sub> e	2,531

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## Environmental KPI's and Targets

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

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

## Carbon Emission Summary for 2021

There was a small increase in emissions related to Natural Gas consumption for 2021 compared to 2020 due to colder than average temperatures in January and February. In order to help with this issue, we have reduced the temperatures in the finished goods warehouse.

	Measure	SFNTC - Oxford				Total
		Dec 2020 to Feb 2021	Mar to May 2021	Jun to Aug 2021	Sep to Nov 2021	
Total Production	Millions cigarettes equivalent	1,499	1,747	1,592	1,594	
Total TM&D Sales	Millions cigarettes equivalent	n/a	n/a	n/a	n/a	
Scope 1 & 2 CO2e (Market-based)	tCO2e	389	218	109	167	883
Direct Energy use	GJ	11,233	8,959	8,083	8,172	
Total Renewable energy (GJ)	GJ	4,384	5,136	6,178	5,259	
Renewables % of Direct Energy	%	39.03%	57.33%	76.43%	64.35%	
Purchased Electrical Energy	GJ	4,384	5,136	6,177	5,258	
Purchased Electrical Energy - Renewable	GJ	4,384	5,136	6,177	5,258	
% of green sourced electrical energy purchased	%	100.00%	100.00%	100.00%	100.00%	
Total Water Withdrawn	m3	1,261	1,680	2,455	1,812	
Total Water Recycled and Reused	m3	0	0	0	0	
Water Recycling rate (%)	%	0.00%	0.00%	0.00%	0.00%	
Total waste generated	tonne	281.00	395.00	367.00	311.43	
Waste to landfill	tonne	0.00	0.00	0.00	0.00	
Waste Recycled & WTE	tonne	281.00	395.00	367.00	311.43	
% Waste Recycled - old formula	%	100.00%	100.00%	100.00%	100.00%	
Waste Recycled	tonne	227.00	322.00	311.00	261.00	
% Waste Recycled - new formula	%	80.78%	81.52%	84.74%	83.81%	

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		Q1 2021	Q2 2021	Q3 2021	Q4 2021
<b>SFNTC - Oxford</b>					
<b>Scope 1 &amp; 2 CO<sub>2</sub>e (Market-based)</b>	tCO <sub>2</sub> e	389.30	217.58	108.94	166.87
<b>Scope 1 CO<sub>2</sub>e Emissions</b>	tCO <sub>2</sub> e	389.30	217.58	108.94	166.87
Diesel oil	tCO <sub>2</sub> e	0.00	0.00	0.00	0.00
LPG	tCO <sub>2</sub> e	7.05	7.58	7.52	7.11
Natural gas	tCO <sub>2</sub> e	378.47	208.46	100.18	154.83
Petroleum/gasoline	tCO <sub>2</sub> e	0.00	0.00	0.00	0.00
Vehicles diesel	tCO <sub>2</sub> e	3.32	0.91	0.53	4.39
Vehicles petrol/gasoline	tCO <sub>2</sub> e	0.45	0.62	0.71	0.54
Vehicles bio-petrol	tCO <sub>2</sub> e	0	0	0	0
<b>Scope 2 CO<sub>2</sub>e Emissions (Market based)</b>	tCO <sub>2</sub> e	0.00	0.00	0.00	0.00
<b>Purchased Electricity - Market Based</b>	tCO <sub>2</sub> e	0.00	0.00	0.00	0.00
<b>Scope 2 CO<sub>2</sub>e Emissions (Location based)</b>	tCO <sub>2</sub> e	503	589	708	597
<b>Purchased Electricity - Location Based</b>	tCO <sub>2</sub> e	503	589	708	597
<b>Energy</b>					
Diesel oil	tonne	0.00	0.00	0.00	0.00
LPG	tonne	2.40	2.58	2.56	2.42
Natural gas	1000m <sup>3</sup>	187	103	50	77
Petroleum/gasoline	tonne	0.00	0.00	0.00	0.00
Vehicles diesel	litre	1,237	338	196	1,635
Vehicles petrol/gasoline	litre	196	270	305	232
Vehicles- Biopetrol	litre	22	30	34	26
<b>Purchased Electricity - Renewable</b>	kWh	1,217,747	1,426,555	1,715,932	1,446,433

## Carbon Neutrality

Carbon offset credits from the Climate Action Reserve 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 Santa Fe Natural Tobacco Company noted as the Beneficiary.



https://thereserve2.apx.com/myModule/rpt/myrpt.asp?r=205

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Retired Offset Credits

Vintage	Offset Credit Serial Numbers	Quantity of Offset Credits	Status Effective	Project ID	Project Name	Project Type	Protocol Version	Project Site Location	Project Site State	Project Site Country	Additional Certification(s)	CORSIA Eligible	Account Holder	Retirement Reason	Retirement Reason Details
2016	CAR-1-US-497-28-485-NC-2016-4372-10929 to 12128	1,200	08/05/2021	CAR497	Alligator River Avoided Conversion	Avoided Conversion	Version 3.1	Hyde County	NORTH CAROLINA	US		No	Schneider Electric	Environmental Benefit	Retirement on behalf of Santa Fe Natural Tobacco

**Quantity of retired offset credits:** 1200 tCO<sub>2</sub>e

**Offset credit serial numbers:** CAR-1-US-497-26-485-NC-2016-4372-10929 to 12128

**Date of retirement:** 8/5/2021 3:18:32 PM

**Offset credit retirement reason details:** Environmental Benefit; Retirement on behalf of Santa Fe Natural Tobacco

**Originating carbon offset project:** Alligator River Avoided Conversion

**Vintage:** 2016

**Project type:** Avoided Conversion

**Project state:** NC

Visit <http://www.climateactionreserve.org> for more information about the Climate Action Reserve.

Santa Fe Natural Tobacco purchased Renewable Energy Credits in the amount of 5808 MWH for the reporting period to help achieve carbon neutrality from electricity use.



From		To	
Account Holder:	ACT Commodities Inc.	Name of Beneficiary:	Santa Fe Natural Tobacco Company
Account:	ACT commodities Inc.	Retirement Purpose:	Voluntary
Domain:	USA	Consumption Period:	2020-2021
Street:	437 Madison Avenue, Suite 17A	Country of Consumption:	USA
Postal Code and City:	New York, NY 10022	Location of Beneficiary:	New Mexico
Country:	USA	Usage Category:	Disclosure
		Type of Beneficiary:	End-consumer

  

Total RECs:	2,645
Total MWh:	2,645

  

Year	Month	Technology Type	Facility ID	Start#	End#	# of RECs	Retirement State	Last Operation
2020	12	Hydroelectric Water	W1554	18128	20772	2,645	MT	Retirement confirmed by WREGIS admin

  

Status	Counter Party	Last Operation Date	Retire Reason
Retired	WREGIS admin	9/9/2021	Voluntary

  

Production Device public information	
Domain of Production Device:	USA
Technology :	Hydroelectric Water

## Transaction Confirmation



Date: 02-01-2022

M-RETS Organization: ACT Commodities Inc.

### Retiring 3163 active RECs

Account ID	Project	Fuel Type	Vintage	Location	Quantity	Serial Number
Default 0E322C06-9B0D	Sir Adam Beck II GS - Units 15/16	Hydroelectric Water	2020-12-01	ON	3160	3722-ON-12-2020-81C9138B-1-80674
Default 0E322C06-9B0D	Slave Falls - Slave Falls	Hydroelectric Water	2021-04-01	MB	3	306-MB-04-2021-81E05882-1-21893

### Retirement reason:

Beneficial Ownership - For Environmental Benefit

### Retirement reason details:

Notes: Retired on behalf of Santa Fe Natural Tobacco Company - Oxford

### to this retirement account

Santa Fe Natural Tobacco Company Oxford

M-RETS hereby declares this transaction confirmation shall serve as proof that the above transaction was completed on the date listed.

## 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 [ReynoldsAmerican.com](http://ReynoldsAmerican.com). (Reynolds American Inc. is the U.S. holding company for the BAT Group's U.S. operating subsidiaries, including Santa Fe Natural Tobacco Company, Inc.)



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Energy & Technical Services Ltd (ETS) was commissioned by Santa Fe Natural Tobacco Company Inc. 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 Santa Fe Natural Tobacco Company Inc. facilities at Oxford, North Carolina achieved by Santa Fe Natural Tobacco Company Inc. in accordance with PAS 2060 at 15<sup>th</sup> March 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

15<sup>th</sup> March 2022