

Scandinavian Tobacco Group's No-deforestation Commitment

The manufacture of tobacco products can potentially contribute to deforestation if forested land is converted for tobacco cultivation, when wood is used as fuel in the tobacco curing process, or when wood is used for packaging of finished or semi-finished tobacco products.

Scandinavian Tobacco Group (STG) purchases tobacco leaf from many suppliers globally for use in our tobacco products. Wood is used for the curing of some of our tobacco, and wood and paper products are used as packaging for many of our products.

STG will work to prevent deforestation associated with the production of our products, both within our factories and more broadly within our value chain. As a company committed to reducing our carbon emissions in line with the Science Based Targets initiative (SBTi), we are also committed to combat deforestation.

STG has, as part of our Rolling Responsibly sustainability agenda, adopted a position on deforestation consistent with our broader SBTi FLAG (Forest, Land and Agriculture) obligations. That position states:

Scandinavian Tobacco Group commits to no-deforestation across its primary deforestation-linked commodities, with a target date of December 31, 2025.

This means that STG is committed to a deforestation-free value chain with a cutoff date of 2020.

How will we implement this commitment?

Understanding our Impact

Mapping our supply chain

First, STG will work with supply chain partners in 2024 to map and better understand which of the commodities used in manufacturing our products may be potentially associated with deforestation. For STG, these commodities include:

- Leaf tobacco
- Wood fuel for curing
- Wood used for packaging
- Paper and cardboard packaging
- Third party finished tobacco products

STG will work first with our largest suppliers of these commodities to determine whether they have their own deforestation policies in place, and, for those who may not, what deforestation risks may be associated with the commodities they supply. This work will be supported by STG's review of and preparation for compliance with the EU Deforestation Regulation (EUDR). STG is currently assessing what, if any, STG products and associated commodities in our supply chain are impacted by the EUDR. Mapping our suppliers for EUDR readiness will provide STG a solid foundation of data and processes for broader screening of all STG suppliers, a diverse group ranging internationally from small family-owned farms up to large global suppliers with advanced traceability technology. STG will also leverage our membership in other multi-stakeholder initiatives like the Sustainable Tobacco Program to assess suppliers of leaf tobacco for potential deforestation risks, and through this work we will develop over time, a consistent

and data-based approach for all suppliers consistent with SBTi and GHG protocol measurement standards.

Mitigating our Impact

As we progress in our work in mapping deforestation-related risks in our value chain in 2024 and 2025, STG will begin taking steps to mitigate and ultimately remove the risks we identify through a concrete series of targeted actions which we intend to implement by the end of 2025. We expect such actions to include:

Systems for verification and monitoring

Implementing robust monitoring and verification systems to support our no-deforestation commitment. By the end of 2025 we aim to gather documentation and assess our Tier 1 suppliers, who represent 80% of STG's supply chain.

Aligning with global standards

Establishing screening processes for potential deforestation linked activities in wood purchasing, both for curing fuel and for cigar box manufacturing, including determination of wood origin (including FSC or PEFC certified wood), as well as alignment with other relevant international standards and certifications to strengthen our commitment's credibility and effectiveness.

Transparency and reporting

Implementing firstly due diligence guidelines and actions for screening aligned with respectable reporting standards like Accountability Framework initiative or AFI and Carbon Disclosure Project or CDP of our suppliers in relation to possible conversion of natural forest into agriculture or other non-forest land use, instituting responsible sourcing policies and procedures for sourcing of paper and other wood-derived packing materials and reducing packaging amounts where possible. When meeting our suppliers, we will ask them to provide relevant and acceptable documentation regarding no-deforestation targets and work with them to mitigate risks.

Stakeholder engagement

Through our Rolling Responsibility sustainability agenda, we will seek to engage with our suppliers throughout our value chain to ensure sustainable sourcing practices.

Reaching our Goals

With these measures, STG expects at the end of 2025 to be able to identify, assess and mitigate potential deforestation risks associated with the use of commodities in our value chain, and to move forward in reaching our longer-term SBTi targets.