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The following document presents the evaluation of the criteria according to Step 4 of the AWS standard.

This document was created by the Engineering & Site Services Manager who is the Leadership Team member, Sustainability Manager of Kanfanar factory and with the support of the Utilities and Facilities Manager.

The following criteria were evaluated:

1. Site performance against the targets and contribution to AWS outcomes as well as value creation
2. Water-related compliance
3. Resources
4. AWS Policy
5. Stakeholder Engagement
6. Water-related emergency incidents
7. Changes to the Site Water Action Plan

1. Site performance against the targets and contribution to AWS outcomes as well as value creation

Good Water Governance and Sustainable Water Balance:

Several initiatives have been implemented on site to reduce the site water withdrawn and to increase water recycling rate. The targets for 2023 have been met and 2024 planned glidepath shows that water targets are on track. Recycling rate is increased due to implementation of initiatives: improved lake aeration, installation of the ultrasonic device that suppresses the growth of algae, improved maintenance plan of ultrafiltration and reverse osmosis system. In 2024 the expected recycling rate is planned to be at 30 %. High recycling rate results with the low consumption of water from public supplier at the same time decreasing the impact on public water supply network.

In 2024, continuing with the project of installation of additional water meters in different areas will enable better understanding of the main water consumers on site and identify potential initiatives to reduce water consumption as well as potential underground water losses. This will bring another great benefit towards achieving our targets on water reduction.


In terms of water awareness, several initiatives were implemented in 2023, e.g. AWS awareness during „Family day '23“ event, where employees and their family members were present (approx 700 participants), good practices for water consumption reduction were published in monthly letter (shared with factory employees), information about importance of water and KPI's via rollups and dashboards to factory employees. The feedback received was positive. Many employees want to understand more about the initiatives BAT is implementing. However, it is strongly recommended to keep AWS/water campaigns high to increase awareness amongst our employees. In 2024, planned awareness actions such as: World Water Day quizz with special focus on AWS, AWS workshops for children on „Family Day '24“ event, AWS communication and best water practices on interactive screen located in CBN corner area will bring significant increase of awareness.

Good Water Quality Status & Important Water related Areas:

IWRA's, where factory could have contribution, were challenging to define, so, protected areas in wider surrounding of factory where we could contribute were taken in consideration. Therefore, 3 IWRA's are defined at the reasonable vicinity of the factory premises where our factory could contribute. Those are protected area „Limska draga“, protected area „Jama kod Burići“ and water spring „Kašteljir“ in Limska draga. Actions should be developed for current year in cooperation with defined stakeholders operating on this area.

WASH:

WASH facilities on site are in good shape and all employees and subcontractors have access. As some houses in Kanfanar Municipality are not connected to sewer system, this could be considered a WASH challenge to share with

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the stakeholder. For current year in cooperation with local municipality, to investigate possibility of inclusion and to set up an action plan on this topic.

2. Water-related compliance

In last 12 months following changes in water related regulations were published:

- Uredba o uslužnim područjima i Uredba o posebnim uvjetima za obavljanje djelatnosti vodnih usluga 70/23
- Zakon o izmjenama i dopunama Zakona o vodama NN 47/23
- Zakon o vodi za ljudsku potrošnju NN 30/23
- Odluka o naknadi za razvoj trgovačkog društva Istarski vodovod d.o.o. Buzet NN 83/22

The key change that will affect our water management process is that the WWTP, as it is processing public waste water, is a public infrastructure and must be operated by the public water supplier. By this requirement, our Factory will remain handover the operation over the existing WWTP to the public water service company.

Different meetings, on which the challenge was shared and further actions investigated, were held with local municipality, local company who needs to take over the WWTP (Odvodnja d.o.o. Rovinj), Istarski vodovod Buzet d.o.o., BAT Region and BAT Group representatives.

Losing the operational control over WWTP will impact on factory water recycling rate reporting data.

In order to mitigate the impact of the change, 3 scenarios are developed and presented to BAT Region and BAT Group. Scenarios will be presented to Local municipality, Odvodnja Rovinj and Istarski vodovod Buzet d.o.o. in order to achieve an agreement on further steps.

During regular testing of waste water from factory on March 21st 2023 as per water permit, performed by authorised laboratory, it is recorded that parameters results (KPK and pH) were increased. Report number 755/23 from March 29th 2023 was issued. Report was sent to Hrvatske vode (legal authorities).

The root cause analysis shows that at that time in PMD department the production of THP was performed. Comparing the usual production process and the THP production process, the higher amount of glycerol was used. At the same time the same, amount of water on scrubbers is used as in normal production process. Those two facts resulted with higher KPK and pH of tested water.

According to developed action plan, increased amount of water on scrubbers was introduced, a new procedure for production of THP is developed. The testing was repeated on April 12th 2023 showing satisfactory results (in line with prescribed boundaries).

During regular testing of waste water from factory on September 27th 2023 as per water permit, performed by authorised laboratory, it is recorded that parameters results (KPK and pH) which were increased in March, this time were below allowed parameters. Report number 2137/23 from October 4th 2023 was issued.

3. Resources

For the implementation purpose of the AWS standard a new full-time resource was created – ESG Specialist. The main tasks of this role is data collection for site and catchment, creation of necessary documents, internal & external stakeholder engagement and research. Further support was given by Utilities & Facilities Manager, Facility Coordinator, ESG Coordinator, PMD Manager, Sustainability Manager as well as regional BAT functions.

To keep and maintain the AWS standard, depending on the needs to consider the requirement and to plan a FTE in the future.

4. AWS Policy

On April 15th 2023, a new AWS Policy (Water Management Policy) was signed by the Operations Director (Member of the Management Board) and Engineering & Site Services Manager (Proxy) stating the commitment to implement and maintain AWS standard and provide enough resources. The commitment was published internally via employee dashboards and on the Intranet site. Furthermore, the commitment was posted on BATs social network (Yammer) and public newspapers.

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5. Stakeholder Engagement

Kanfanar Factory has started a process of stakeholder engagement over the year 2022 and continued through 2023. After defining the relevant stakeholders in our catchment area, they have been approached and invited to take part in meetings to gather information in our catchment and to discuss water related challenges. Regular meetings were held with the public water supplier (Istarski vodovod Buzet d.o.o.), Local municipality representative, authorised company Limska draga d.o.o., Odvodnja Rovinj d.o.o. In addition, a visit of the sewage treatment plant in Rovinj took place. During period of 2023, in order to collect more detailed data a questionnaire was sent to all identified stakeholders. Questions in questionnaire were formed in order to receive more information about following topics: if our operation is impacting their water requirements and their operations due to our usage of water from public water supplier network, if our purified waste water discharged to our lake has any impact on them, if there is interest of more deeper knowledge of AWS and possibility of implementing in their business, if they have suggestions in better water usage, reducing water pollution or any other activity related to water management where we could closely cooperate. We received only 4 answers from following stakeholders: Istarski vodovod Buzet d.o.o., Limska draga d.o.o., AMBRA, UZOR. Unfortunately, enquiries with other public / governmental institutions often went unanswered. Cooperation with NGOs and private companies was very cooperative (UZOR Hrvatske, AMBRA, Limska draga d.o.o., Istarski vodovod Buzet d.o.o.). There was a lively exchange of information through face-to-face or online meetings.

Due to the fact that UZOR Hrvatske acts in north part of Croatia, more precisely Podravina area, which doesn't have influence on our catchment, neither on our catchments vicinity, to explore possibility of including other NGO's instead of UZOR Hrvatske. Therefore the list of Stakeholders should be updated with exclusion of UZOR Hrvatske from the list.

On the September 15th 2023, Kanfanar Factory invited all identified stakeholders to an online meeting. The purpose of this meeting was to disclose our Policy, Risk levels in catchment, Stakeholders map, Shared Water Challenges and Opportunities, Water risk assessment, IWRA, Water action plan, local governance. Unfortunately, only some of the invited stakeholders appeared. The feedback we received from our stakeholders on our activities was very positive. The event was also utilized to exchange knowledge and ideas and learn from each other for the betterment of the catchment area, and to explore possibilities for a cooperation.

It is recommended to have a different, more efficient approach to engage other stakeholders, especially NGO that operates on Factories area.

6. Water-related emergency incidents

There were no water-related emergency incidents the last 12 months.

In the upcoming revision of the BCP a scenario in which WWTP stops functioning to be included. To include the contingency actions were in the mentioned occurrence, waste water from factory will be collected with tank trucks and transported to Rovinj WWTP.


7. Changes to the Site Water Action Plan

Water Action Plan as well as Risks and Opportunities were updated and discussed on October 20th 2023 and accepted. Action plan is extended with measure of value, financial benefit, shared water challenge addressed by the action, engaged stakeholder, reference to a detailed project management to reach the expected results, corrected evaluation in order to reflect numerical results, existing actions status are updated, new actions are added.

All actions listed were discussed including the site's performance against the targets set in the Water Stewardship Plan, value creation from each action implemented and shared value benefits. Details are listed in the Water Stewardship Plan.

Water action plan and tracking of action completion will be regularly revised during the current year.

Site's performance against the water related targets set is reviewed and discussed on the Leadership monthly meeting as well.

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Lessons learned:

The key lessons learned were that it was difficult to engage with the public stakeholders and discuss shared water challenges. Many stakeholders did not see any water-related challenges which made it difficult to identify suitable actions that could be included in the Water Action Plan. Engagement with the private stakeholders (other companies) and NGOs was more straightforward.

The site conducted some sessions with each of them; either online or offline. We introduced the AWS Standard, explained why we as BAT are planning to implement it, why it is important to focus on water related challenges, collecting some information through Q&A sessions, and at last aiming for a collaboration.

Areas of strong/weak performance:

The areas of strong performance for the site are the availability of resources and skilled people to deal with the topic and take relevant actions. The site also showed its readiness for a joint initiative not only to the public bodies but also to private companies and NGOs and its openness for different activities in the future.

The weak points were engaging public stakeholders, and some private companies and organizations of mutual interest towards IWRA (relevant Ministries, Hrvatske vode, NATURA 2000, Natura Histrica, Zelena Istra). It was quite difficult for the site to explain to the stakeholders what exactly AWS is and how they can benefit as well as this standard is not very well known. Our approach was not to overwhelm our stakeholders with information but rather open doors for meaningful cooperation and build trust. This approach should be continued as collaboration will develop over time. Promoting good water practices with stakeholders will be easier and more efficient when there is a solid foundation of trust.

Another area for improvement for the site is to better promote good water stewardship among our own employees. Raising awareness and creating the right culture amongst BAT employees will be one of the key enablers for good water stewardship.

Changes in water risks and the catchment context:

The Catchment was enlarged in order to include the wider area of the site, including the overflow of the lake in case of worst case scenario and the affected area. Significant water risk observed for the site is the unavailability of water for production purposes. However, this risk can be assessed as very low as there are no restrictions on the availability of water.

Effectiveness:

The water stewardship efforts taken by the site over the last year have been effective in terms of reducing water consumption and increasing water recycling. Engagement with stakeholders in the catchment can be improved but considering the fact that the standard was just implemented, good progress has already been made.

Kanfanar, 14.02.2024.

Approved by:

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