



## Independent Limited Assurance Report to the Directors of Imperial Brands PLC

The Board of Directors of Imperial Brands PLC (“Imperial Brands”) engaged us to provide limited assurance on the information described below and set out in the Sustainability Review section of Imperial Brands’ Annual Report and Accounts and in the Sustainability section of the website [www.imperialbrandsplc.com](http://www.imperialbrandsplc.com)<sup>i</sup> for the year ended 30 September 2018 (“the Report”).

### Our conclusion

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

This conclusion is to be read in the context of what we say in the remainder of our report.

### Selected Information

The scope of our work was limited to assurance over the information indicated as such in the footnotes to the Report. This includes information for the year ended 30 September 2018 (“FY2018”) and some information for the prior 12 months (“FY2017”) (the “Selected Information”) which is summarised in the table below. Our assurance does not extend to information in respect of earlier periods or to any other information included in the Report.

Selected Information	Period	Value
<b>Reinvesting in society</b>		
Sustainable Tobacco Production (STP) score (%)	FY2018	76
<b>Respecting natural resources</b>		
Relative environmental waste – tobacco segment (t/£m tobacco net revenue)	FY2017	6.43
Absolute environmental waste – tobacco segment (t)	FY2017	49,868
Relative environmental waste to landfill – tobacco segment (t/£m tobacco net revenue)	FY2017	0.88
Absolute environmental waste to landfill – tobacco segment (t)	FY2017	6,831
Relative water consumption – tobacco segment (m <sup>3</sup> /£m tobacco net revenue)	FY2017	180
Absolute water consumption – tobacco segment (m <sup>3</sup> )	FY2017	1,393,021
Relative energy consumption – tobacco segment (kWh/£m tobacco net revenue)	FY2017	92,418
Absolute energy consumption – tobacco segment (GWh)	FY2017	717
Relative Scope 1 CO <sub>2</sub> equivalent emissions – tobacco segment & fleet fuel (t/£m tobacco net revenue)	FY2017	15.2
Absolute Scope 1 CO <sub>2</sub> equivalent emissions – tobacco segment & fleet fuel (t)	FY2017	117,924
Relative Scope 2 CO <sub>2</sub> equivalent emissions – tobacco segment (t/£m tobacco net revenue)	FY2017	20.1
Absolute Scope 2 CO <sub>2</sub> equivalent emissions – tobacco segment (t)	FY2017	155,648

### Rewarding workplace

Lost-time accident frequency rate (per 200,000 hours)	FY2017	0.36
Female PLC Board members (%)	FY2018	33
Female Operating Executive members (%)	FY2018	13

Imperial Brands’ internal reporting guidelines for measuring, recording and reporting the Selected Information (the “Reporting Criteria”) are set out in Imperial Brands’ Reporting Criteria Document 2018: Principles, Criteria and Methodologies, available at <http://www.imperialbrandsplc.com/responsibility/approach/reporting-and-criteria.html><sup>i</sup>.

### Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) ‘Assurance Engagements other than Audits and Reviews of Historical Financial Information’ and, in respect of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 ‘Assurance engagements on greenhouse gas statements’ issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

### Our Independence and Quality Control

We applied 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. We apply International Standard on Quality Control (UK) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Our work was carried out by an independent and multi-disciplinary team with experience in sustainability reporting and assurance.

### Understanding reporting and measurement methodologies

The Selected Information needs to be read and understood together with the Reporting Criteria, which Imperial Brands is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. The Reporting Criteria used for the reporting of the Selected Information are as at 30 September 2018.

<sup>i</sup> The maintenance and integrity of Imperial Brands’ website is the responsibility of the Directors; 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 or Reporting Criteria when presented on Imperial Brands’ website.

### **Work done**

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We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- made enquiries of Imperial Brands' management, including the Corporate Responsibility (CR) and Occupational Health & Safety and Environment (OHS&E) teams, and those with responsibility for sustainability management and group sustainability reporting;
- evaluated the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information. This included analysing and visiting 4 sites out of 122, selected on the basis of their inherent risk and materiality to the group, to understand the key processes and controls for reporting site performance data to the group CR team;
- performed limited substantive testing on a selective basis of the Selected Information at corporate head office and in relation to 11 sites to check that data had been appropriately measured, recorded, collated and reported;
- performed risk assessment analytics over all 122 sites; and
- considered the disclosure and presentation of the Selected Information.

A further description of our assurance approach and procedures is attached in 'PwC's assurance approach'.

### **Imperial Brands' responsibilities**

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The Directors of Imperial Brands are responsible for:

- designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing objective Reporting Criteria for preparing the Selected Information;
- measuring and reporting the Selected Information based on the Reporting Criteria; and
- the content of the Report.

### **Our responsibilities**

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We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Directors of Imperial Brands.

This report, including our conclusions, has been prepared solely for the Board of Directors of Imperial Brands in accordance with the agreement between us, to assist the Directors in reporting Imperial Brands' sustainability performance and activities. We permit this report to be disclosed in the Sustainability Review section of the Annual Report and Accounts and on the website for the year ended 30 September 2018, to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and Imperial Brands for our work or this report except where terms are expressly agreed between us in writing.



**PricewaterhouseCoopers LLP**  
**Chartered Accountants**  
**London**  
**2 November 2018**

## PwC's assurance approach

This summary of our assurance approach should be read in conjunction with our assurance report on pages 1 to 2. Defined terms have the same meaning as those in the assurance report.

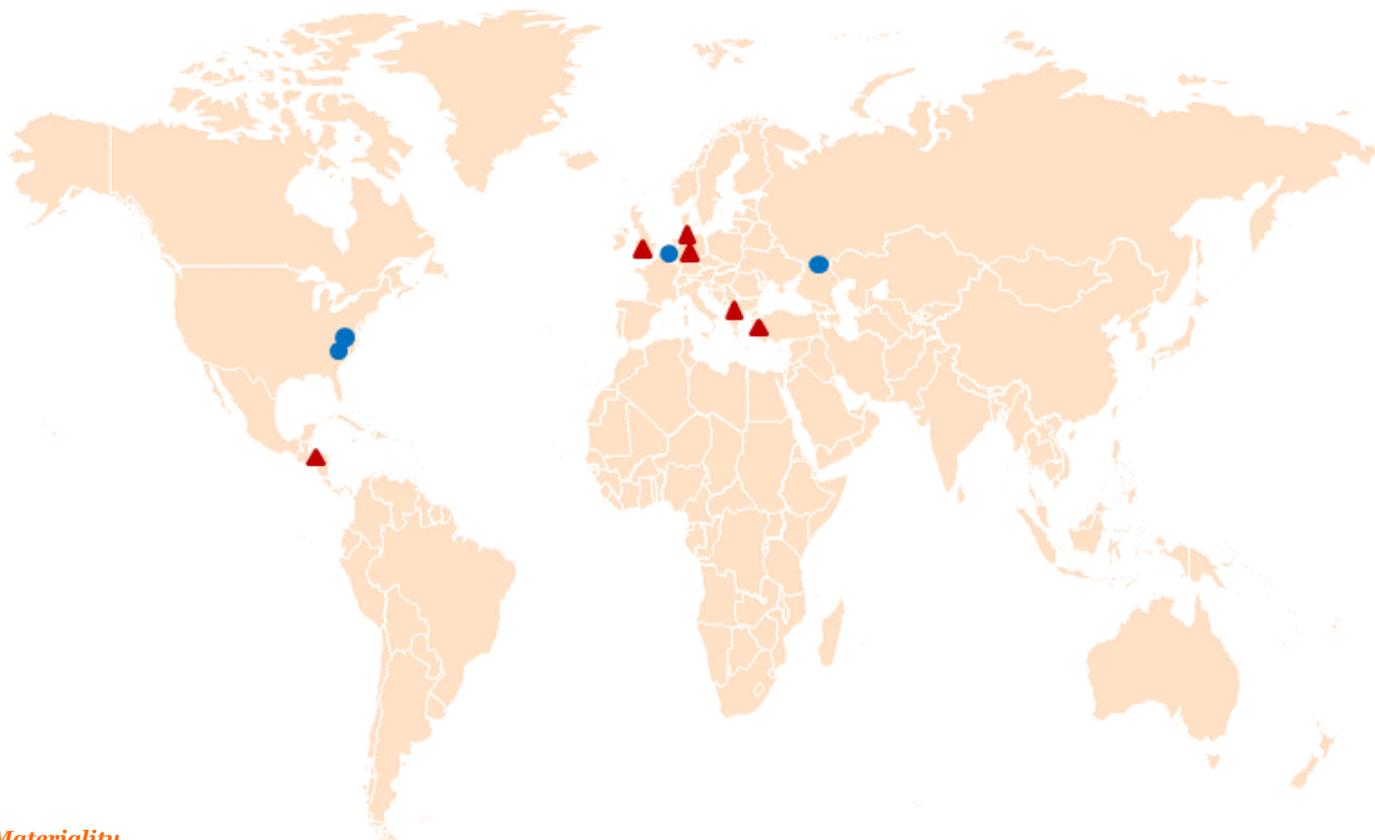
### Overview of the scope of our work

Imperial Brands operates in a number of countries throughout the world, as described in the Report. Our assurance approach was designed to enable us to obtain the necessary evidence to support our conclusions in respect of the Selected Information, taking into account how data is collected from these countries.

Our testing of the Selected Information involved a combination of understanding the controls in place, limited substantive tests of details over data, and risk assessment analytics. Taking into account the structure of Imperial Brands, we obtained our evidence using a 3 tiered testing model:

1. Site visits with detailed testing on a selective basis (●):
  - a. The manufacturing facilities at Greensboro, USA; Volgograd, Russia; and Wilrijk, Belgium; and
  - b. The sales and marketing entity at Greensboro, USA.

We determined that these sites required specific attention due to the size of the contribution of site data to the group total for individual indicators in the Selected Information, and due to a risk of misstatement identified through analytical review procedures.
2. Data testing on a selective basis at corporate head office in respect of certain regions (▲):
  - a. The offices at Hamburg, Germany and Bristol, UK;
  - b. The sales and marketing entity at Bristol, UK; and
  - c. The manufacturing facilities at La Flor de Copán, Honduras; Langenhagen, Germany; Manisa, Turkey; and Skopje, Macedonia.



### Materiality

We set thresholds for materiality at the planning stage and reassessed them during the engagement. These helped us to determine the nature, timing and extent of our procedures and to evaluate the effect of identified misstatements on the Selected Information, both individually and in aggregate. Based on our professional judgement, we determined overall materiality for each element of the Selected Information as summarised in the table below.

Selected Information	Overall materiality
<b>Reinvesting in society</b>	
Sustainable Tobacco Production (STP) programme score	1 percentage point
<b>Respecting natural resources</b>	
Absolute and relative waste generation, energy consumption, water consumption and CO <sub>2</sub> equivalent emissions	5% of performance indicator total
<b>Rewarding workplace</b>	
Lost-time accident frequency rate (per 200,000 hours)	5% of performance indicator total
Female PLC Board members and Operating Executive (OpEx) members	1 PLC board/OpEx member

### **Areas of particular focus**

Following discussion with Imperial Brands management, walking through reporting processes, and completion of our planning procedures, we considered the following areas to be those that required our particular focus in the context of Imperial Brands' operations.

<b>Area of focus</b>	<b>Selected Information</b>	<b>How the scope of our work addressed the area of focus</b>
Identification and completeness of the reported information.	Environmental waste Environmental waste to landfill Water consumption Energy consumption CO2 equivalent emissions Lost time accident frequency rate	We compared the sites whose data is included in the Selected Information and described in the reporting criteria against internal site listings maintained by independent teams within Imperial Brands. We also compared the site listing to publicly available information regarding acquisitions and disposals made during the year.  We tested that individual sites were correctly reporting all relevant emissions and waste sources at individual sites by undertaking a series of site visits as detailed in the Overview of the scope of our work. These visits provided an understanding of the sources of selected information, against which the selected information was compared.
Waste classification and segregation is often complex, with different systems in place in different markets.	Environmental waste Environmental waste to landfill	We substantively tested waste data by agreeing reported figures to third-party source data from waste contractors.
Completeness of Imperial Brands' tobacco suppliers within the STP programme	STP score	We performed a reconciliation of the suppliers included in the STP score calculation to a list of Imperial Brands' tobacco suppliers.