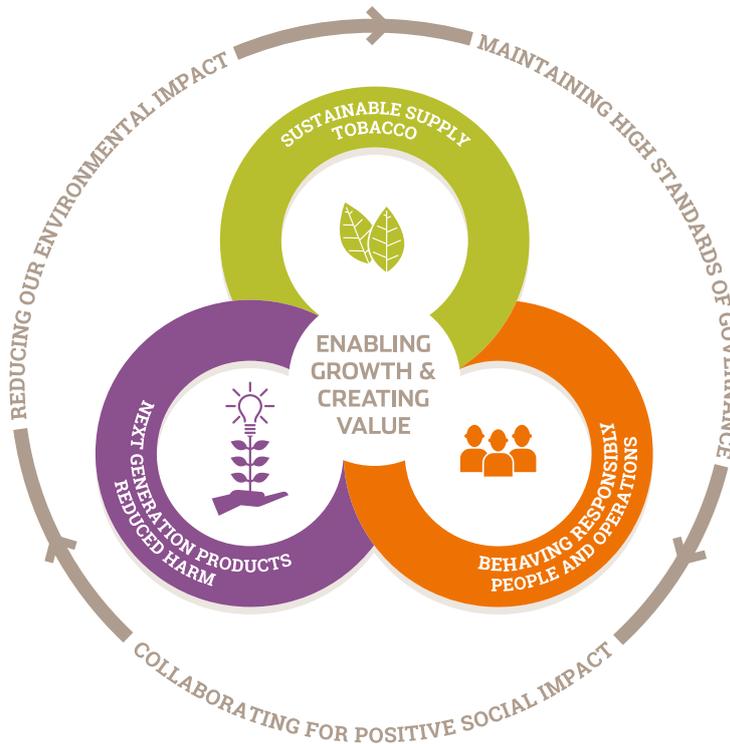


ENABLING GROWTH, CREATING VALUE

Our sustainability strategy is integral to the long-term success of our business and underpins our drive to create shared value for our stakeholders.

During the year we reviewed and refocused our sustainability strategy to more closely align it with our Group strategy and the UN Sustainable Development Goals. These goals aim to have a transformational impact on the world by 2030 and we are currently developing long-term targets to enhance our reporting against them.



We identified the key areas that have the greatest significance to us and our stakeholders:

- reduced harm Next Generation Products (NGP): developing alternative products that are less harmful to health
- a sustainable tobacco supply: maintaining sustainable agricultural practices to ensure a consistent, quality supply of tobacco
- responsible operations and people: behaving responsibly at all times and providing a safe and rewarding work environment for employees

The three pillars of our strategy, designed to enable growth and create value, define the approach we take to addressing our environmental, social and governance issues. We remain committed to reducing our environmental impact, collaborating with stakeholders to make a positive social impact and maintaining high standards of governance.

Our values and Code of Conduct are an essential part of our sustainability agenda and reflect the behaviours we expect from everyone who works for us and with us.

Our sustainability performance is subject to independent assurance and verification. We measure our health and safety and environmental performance by comparing our results with our 2009 baseline year, using independently assured data.

Each year we participate in the CDP (formerly the Carbon Disclosure Project) climate change, forestry and water programmes. Due to a change in CDP's reporting timeframes, CDP is unable to publish company ratings until early 2019. Once their report is published, details will be made available on our website.

The following pages provide an overview of our achievements in 2018. More information is available at www.imperialbrandspc.com, where we also provide details of how our values shape the way we do business and publish our Code of Conduct and Supplier Code in full.



Key data reported in the Annual Report and Accounts for the year to 30 September 2018 as indicated in footnotes has been independently assured by PwC under the limited assurance requirements of the ISAE 3000 standard. The full assured data and PwC's assurance report are included in the sustainability section of our website www.imperialbrandspc.com/sustainability.



REDUCED HARM PRODUCTS

Our leading-edge science underpins our commitment to create something better for the world's smokers. We want smokers to switch to less harmful alternatives to cigarettes and have developed a range of Next Generation Products (NGP) that have the potential to reduce smoking-related disease.

LEADING-EDGE SCIENCE

We undertake and monitor scientific research to continually improve our knowledge of tobacco and the diseases associated with tobacco consumption. We use the findings to develop and assess NGP that have lower health risks.

Our NGP portfolio is built on the blu vapour brand and therefore our NGP research is predominantly focused on vapour.

Vapour products, also known as e-cigarettes, do not contain tobacco and deliver nicotine and flavour in the form of vapour. There are also vapour products that do not contain nicotine.

There is growing public health consensus that these products offer a less harmful alternative to smoking.

Our research has shown that blu vapour is over 95 per cent less toxic than smoke from a cigarette, contains over 99 per cent fewer toxicants and carcinogens and does not negatively impact indoor air quality.

We are proud of our science credentials and open and transparent about our research. Find out more at our science websites:

www.imperialbrandsscience.com

www.fontemscience.com

HIGH QUALITY INNOVATION

Regular and high quality innovation is key to enhancing the vaping experience and improving smoker conversion rates.

Last year we acquired the UK-based NGP innovation business Nerudia to strengthen our capabilities. Our laboratory provides rapid results of testing on concept prototypes, providing the innovation team with real-time feedback as innovations progress.

Our innovation pipeline continues to develop, ensuring we have a regular supply of products that appeal to adult smokers.

During the year, we successfully completed tests on our heated tobacco product Pulze, prior to its launch in 2019.

We also developed a hybrid product that uses new-to-world technology to provide smokers with a true tobacco experience in a convenient pod system.

These are cutting-edge innovations, ground-breaking initiatives that are designed to accelerate smoker conversion rates and stop smokers reverting to tobacco.





SUSTAINABLE TOBACCO SUPPLY

We insist on high supply chain standards and are committed to purchasing tobacco from socially and environmentally responsible suppliers. We stop purchasing from any supplier who persistently fails to deliver our required performance standards.

SUSTAINABLE TOBACCO PROGRAMME

Our Sustainable Tobacco Programme (STP) defines our standards for our leaf tobacco purchases and facilitates continuous improvement through a measurement framework involving a combination of self-assessment, third party review and our own engagement with suppliers.

The STP, which all our tobacco suppliers are required to participate in, has been designed to: help the supply of tobacco leaf meet future environmental sustainability challenges, raise labour standards and provide greater levels of detail on where to focus improvement. The programme specifically addresses the issue of child labour.

Child labour is unacceptable and we continue to make every effort to stop it happening in our supply chain through the STP, our Leaf Partnership Programme and our support of the Eliminating Child Labour in Tobacco Growing Foundation.

Our Leaf Partnership Programme funds projects that enhance the livelihoods of farmers and the environmental sustainability of their activities, including reducing their overall labour requirements and improving their operational and resource-use efficiency.

This helps secure future tobacco supplies and is essential for providing farmers with a better income and higher standards of living, reducing poverty and the reliance on child labour.

RESPECTING HUMAN RIGHTS

Our respect for human rights extends throughout our operations and is reflected in our Human Rights Policy, Code of Conduct, Supplier Code and our supplier programmes STP and the Supplier Qualification Programme.

A detailed statement setting out the steps we take to mitigate the risk of slavery and human trafficking occurring within our business and supply chain can be viewed on our website. The findings and recommendations of an independent human rights impact assessment of our global operations and supply chain are also available on our website.

SUPPORTING WOOD SUSTAINABILITY

In tobacco production, wood may be used as either a fuel for curing or as construction material for barns and we work with suppliers and communities to support wood sustainability.

This includes investing in projects to increase the number of fuel-efficient curing barns and reduce the level of wood consumption.

In Africa we continue to work with our suppliers to achieve wood sustainability for our farmers by 2022. This involved planting 1.1 million trees in 2018.

Further information on the work we do to ensure a sustainable tobacco supply can be found at www.imperialbrandsplc.com





RESPONSIBLE OPERATIONS AND PEOPLE

We take pride in behaving responsibly and running our business the right way. It's not just the right thing to do, it underpins the ongoing growth and development of Imperial Brands.

YOUTH ACCESS PREVENTION

Tobacco products and NGP are for adults only and should never be sold to minors. We do not want minors to use any of our products and take youth access prevention very seriously.

Legislation that governs the way tobacco should be advertised and marketed to the public exists in most countries, and we also have our own stringent Imperial Brands International Marketing Standard (IMS), which is published in full on our corporate website: www.imperialbrandspc.com

We insist that all Imperial Brands companies and employees, as well as the agencies who work with us, stringently adhere to our IMS and local legislation at all times. To support IMS awareness and understanding we have developed an e-learning module that is available in 11 languages.

NGP regulation is evolving and varies from market to market. We have an equally strict IMS for NGP and fully support, and advocate for, legislation prohibiting sales of NGP to minors. This IMS can be viewed at: www.fontemventures.com

NGP should not be advertised or marketed in a way that makes them appealing to minors and non-smokers. Social media has an important role to play in ensuring greater awareness of the health benefits of NGP but communication should only ever be aimed at adult smokers. Strong action should be taken against companies who use social media in an irresponsible manner.

We voluntarily implement a number of youth access prevention initiatives, including online age-verification mechanisms and clear product labelling that states 'not for sale to minors'.

We also work with retailers to reinforce the message that tobacco and NGP are solely for adults and support initiatives aimed at preventing the sale of our products to minors, including schemes that highlight the minimum age at the point of sale.

CLIMATE CHANGE

We are revising our approach to climate and energy, in line with the recommendations from the Taskforce on Climate Related Financial Disclosure (TCFD).

We have updated our previous carbon and water Life Cycle Analysis (LCA) across our global operations and supply chain, analysed our potential risks and opportunities relating to climate change, and are in the process of developing long-term targets.

These activities will enable us to incorporate robust, up-to-date information and perspectives on climate-related issues into our core business objectives and strategy. We will make our findings available during 2019.

We continue to participate in the CDP Supply Chain Programme to gather information about how our major suppliers are managing climate change and water matters. This year we also invited our strategic NGP suppliers to participate.

ENERGY CONSUMPTION

We are committed to reducing our environmental impact by minimising waste, improving energy efficiency and reducing emissions. Getting the most out of the materials and natural resources we use is good for our business and good for environmental sustainability. Additional environmental performance data can be found on the website.

In our manufacturing operations we use environmental management systems independently certified to the international standard ISO 14001 to drive environmental performance improvement. Ninety-one per cent of our factories were certified as of 30 September 2018.



GREENHOUSE GAS EMISSIONS

We report on greenhouse gas emissions resulting from the operations that fall within our consolidated financial statements, using the operational control reporting approach.

We report Scope 1 (direct) and Scope 2 (indirect) emissions for which we are responsible, using a methodology in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard. We report on the seven main greenhouse gases and report in terms of tonnes of CO₂ equivalent (CO₂e).

LOGISTA

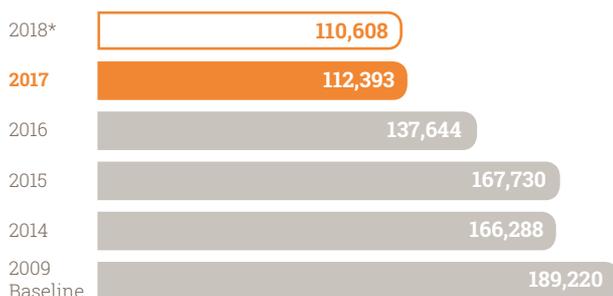
		Scope 1	Scope 2	Scope 3
CO ₂ equivalent emissions (Tonnes)	FY17	38,027	527	193,611
	FY16	36,735	1,441	187,572
	FY15	35,065	4,378	199,953

We report separately on Logista, our European logistics business. Logista is managed remotely due to commercial sensitivities and has provided independently assured data for absolute Scope 1, 2 and 3 emissions since 2014.

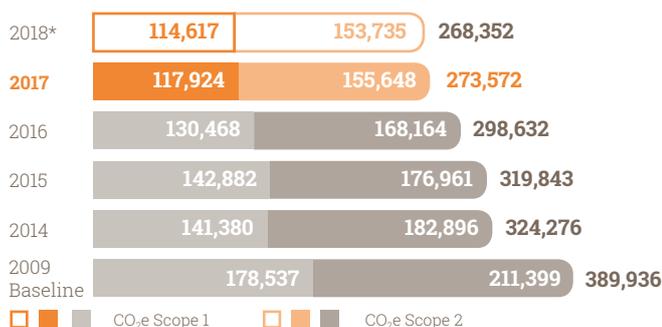
Logista's Scope 1 emissions comprise stationary and mobile fuel combustion from transport operations for which Logista has operational control, and from the leakage of refrigerant gases at those operations. Scope 2 emissions comprise indirect emissions resulting from the use of purchased electricity at sites under Logista's operational control and are reported using market based emission factors. Scope 3 emissions comprise transport activities for which Logista does not have operational control.

Logista's 2017 relative Scope 1 and 2 emissions comprise 39 tonnes (2016: 47) of CO₂ equivalents per £million of 2017 distribution fees (our non-GAAP revenue measure for Logista). Further information on the scope of Logista's GHG reporting is available at www.grupologista.com

ENERGY CONSUMPTION (KWH/£MILLION)^{1, 2}



ABSOLUTE CO₂ EQUIVALENT EMISSIONS (TONNES)¹



A DIVERSE AND ENGAGED WORKFORCE

We employ 33,300 people and take great pride in the diverse nature of our international workforce. Forty one per cent of our employees are women. At a senior leadership level, 13 per cent of the Operating Executive and 33 per cent of the Board are female, as of 30 September 2018. The Board recognises the value of gender diversity to Imperial and is committed to increasing the representation of females within senior management roles to 30 per cent by 2023.

The importance of diversity, equality and non-discrimination is highlighted in our Code of Conduct and underpinned by our values. We strive to create a work environment that allows equal opportunities for our people and ensures they are employed fairly, safely and in compliance with applicable employment laws and regulations.

Regular engagement helps motivate employees to deliver our strategy. Throughout the year we provide updates on our strategic priorities and performance through a broad range of communication channels, including meetings, emails, videos, intranet, social media, webinars, conferences and employee magazines.

We are pleased that our efforts to provide the best possible workplace and career opportunities for our people continue to be recognised externally with a number of best employer awards, including in Spain, France and the UK.

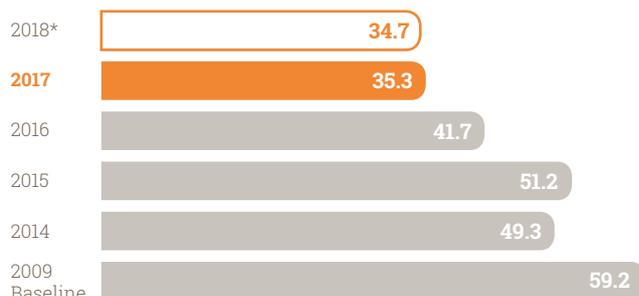
WORKPLACE HEALTH AND SAFETY

The welfare of our people is of utmost importance to us and we continue to focus on improving health and safety standards across the business.

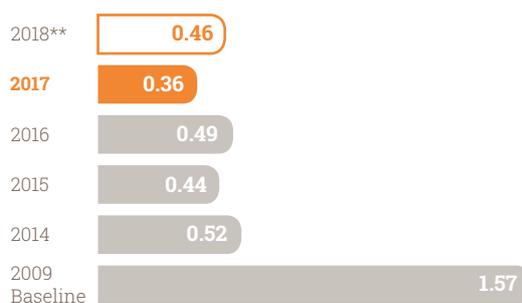
Since 2009 we have reduced our Lost Time Accident (LTA) frequency rate by 77 per cent. A successful campaign in 2016 to highlight the importance of reporting all near misses and accidents resulted in an increase for that year, which subsequently reduced.

LTAs this year were slightly higher due to a rise in minor incidents such as slips, trips and falls. We are focused on working with our people to reverse this trend in 2019.

CO₂ EQUIVALENT EMISSIONS (TONNES/£MILLIONS)¹



LOST TIME ACCIDENT FREQUENCY RATE (PER 200,000 HOURS)¹



1. Environmental and LTA data is reported 12 months in arrears to allow for data collection, validation and external assurance. The monetary value '£ million' is for tobacco net revenue. 2017 data has been independently assured by PwC; see www.imperialbrandspc.com/sustainability for more information.

2. PwC have assured energy from manufacturing sites and offices (92,418 kWh/£million); energy consumption from fleet fuel was out of scope for assurance.

* Unverified 2018 data is estimated based on data from the last six months of 2017 and the first six months of 2018. Verified data for 2018 will be published next year.

** Unverified 2018 data. Verified data for 2018 will be published next year.