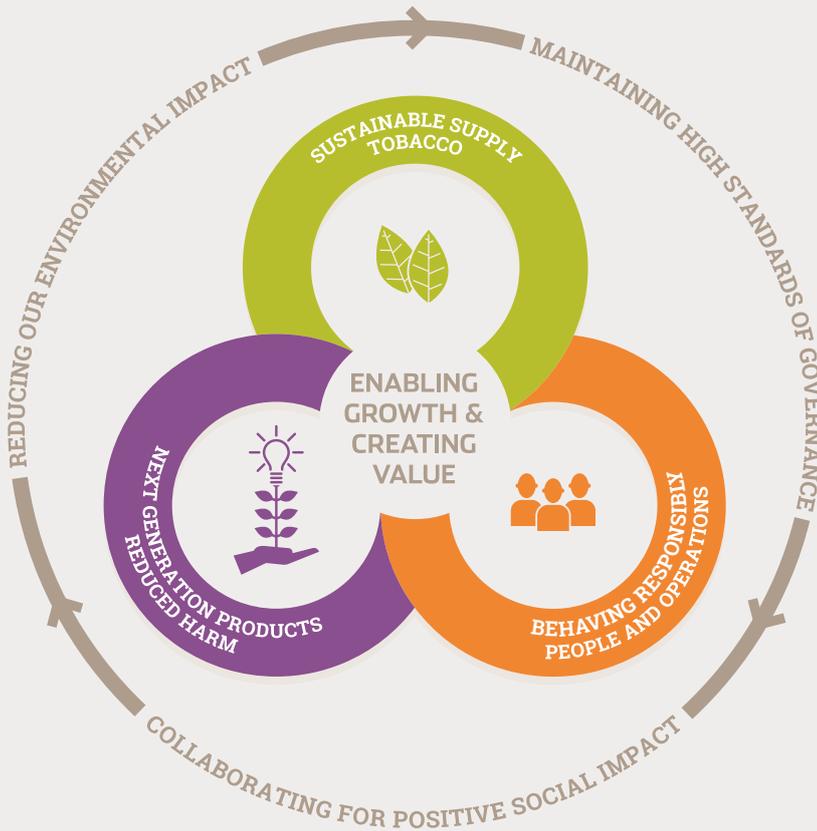


# ENABLING GROWTH

Our sustainability strategy creates shared value for our stakeholders and is integral to the long-term growth of the business, ensuring that we develop a pipeline of Next Generation Products, maintain a sustainable supply of tobacco and operate responsibly at all times. Our strategy is aligned with the UN Sustainable Development Goals (SDGs), which aim to have a transformational impact on the world by 2030 by addressing global challenges such as poverty, availability of clean water, inequality and climate change.



Our strategy focuses on the areas that have the greatest significance to us and our stakeholders:

**REDUCED HARM NEXT GENERATION PRODUCTS (NGP)**

developing alternative products that are potentially 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

These three pillars of our strategy are designed to enable growth and create value and define the approach we take to addressing our environmental, social and governance (ESG) responsibilities.

During the year we convened an independently facilitated panel of stakeholders to review these responsibilities and help shape the way we prioritise and manage ESG issues.

A summary of the panel's feedback is available on page nine. The full report is published on our website: [www.imperialbrandspc.com](http://www.imperialbrandspc.com)

Our sustainability performance is subject to independent assurance and verification. We measure our environmental performance by comparing our results with a 2017 baseline year, using independently assured data.

Each year we participate in the CDP (formerly the Carbon Disclosure Project) climate change and water programmes. Due to a change in CDP's reporting timeframes, CDP is unable to publish company ratings until early 2020. Once their report is published, details will be made available on our website.

The following pages provide an overview of our performance in 2019. More information is available on our website, 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.



## REDUCED HARM

Our focus on science and research and development underpins our commitment to create something better for the world's smokers. We want smokers to transition to potentially less harmful alternatives to cigarettes and have developed a portfolio of Next Generation Products (NGP) that have the potential to reduce smoking-related disease.



## CONSUMER HEALTH

We encourage adult smokers to transition to NGP by providing them with high quality products, underpinned by leading-edge science.

Our NGP portfolio includes the pioneering blu vapour brand, oral nicotine and heated tobacco products.

The scientific research we undertake and monitor continually improves our knowledge of tobacco and the diseases associated with smoking. We use the findings to develop and assess NGP that have potentially lower health risks.

We conduct and publish peer reviewed research and commission independent research. All of our research continues to build scientific confidence in the potential for our NGP to substantially reduce the risks of smoking. Our latest published vaping study showed that in laboratory tests, blu vapour showed no evidence of damage to human lung cells, even after 400 continuous puffs.

This builds on our previous research which has shown that blu vapour is over 95 per cent less toxic than smoke from a cigarette, contains up to 99 per cent fewer toxicants and carcinogens and does not negatively impact indoor air quality.

We invest significantly in harm reduction initiatives and during the year we restructured our science team to further strengthen our capabilities and enhance our ability to drive commercial success in NGP.

We are proud of our science credentials and welcome opportunities to discuss our findings and provide insights into our research and development activities.

Our 2019 stakeholder engagement programme included presenting our work to a number of important industry conferences including the Society for Research on Nicotine and Tobacco, the Society of Toxicology and CORESTA (Cooperation Centre for Scientific Research Relative to Tobacco).

More information is available at our science websites: [www.imperialbrandsscience.com](http://www.imperialbrandsscience.com) and [www.fontemscience.com](http://www.fontemscience.com)

## STRONG INNOVATION CAPABILITIES

Innovation is key to ensuring we have a continually evolving portfolio of high quality NGP that appeal to adult smokers.

We offer smokers a variety of products designed to meet their differing needs and improve smoker conversion rates.

The capabilities of our innovation business Nerudia are extensive, spanning the three NGP categories that make up our portfolio: vapour, oral nicotine and heated tobacco.

The Nerudia team works cross-functionally throughout all stages of product development, from concept to launch and beyond, enabling fast and agile delivery from idea to shelf.

During the year we launched our first heated tobacco product, Pulze, in Japan. By taking the time to properly understand what smokers want from a heated tobacco product, we have been able to develop a high calibre device that delivers a consistent and uniquely personalised experience.

Our innovation pipeline continues to develop, ensuring we have a regular supply of new products designed to accelerate smoker conversion rates and stop smokers reverting to tobacco.

## REDUCING WASTE

We also continue to look at how we can improve the sustainability of NGP materials and packaging. This includes looking at ways of increasing the amount of recycled and recyclable packaging used in our products.

As part of this work we have commissioned an independent lifecycle assessment of a blu device. This assessment examines all stages of the device's life from raw materials to production, distribution, use and disposal, and the results will enable us to better understand and manage the environmental impact of NGP.



## 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.



### TACKLING CHILD LABOUR AND IMPROVING FARMER LIVELIHOODS

Our Sustainable Tobacco Programme (STP) defines our standards for the purchase of tobacco leaf. All our tobacco suppliers are required to participate in STP, which enables continuous improvement through a measurement framework that involves a combination of self-assessment, third party review and our own supplier engagement.

According to the International Labour Organization 108 million children work in agricultural sectors, including tobacco growing. We continue to make every effort to stop child labour happening in our supply chain through the STP, our Leaf Partnership Programme and our support of the Eliminating Child Labour in Tobacco Growing (ECLT) Foundation.

The ECLT works with communities in tobacco producing regions to address the complex root causes of child labour such as poverty, lack of education and insufficient decent work opportunities.

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.

We have a particular focus on supporting farmers in Africa, including working with suppliers and communities to reduce the reliance on wood, which may be used as either a fuel for curing tobacco or as construction material for barns.

We invest in projects that will increase the number of fuel-efficient curing barns and reduce the level of wood consumption and continue to work with suppliers to achieve wood sustainability for our African farmers by 2022. This involved planting around a million trees in 2019.

In Mozambique and Malawi, which are strategic tobacco leaf sourcing locations for Imperial, we continue to fund water conservation projects. These projects are designed to address water scarcity and include the provision of ponds, bore-holes, dams and weirs for clean water access for local communities, as well as crop irrigation.

Where we directly source leaf from farmers, our agronomists and field technicians provide on the ground support and training. In Madagascar and Laos this includes educating farming communities about soil and water conservation, irrigation techniques, crop rotation and energy efficient tobacco curing.

As well as mitigating the effect of climate change, these initiatives secure future tobacco supplies and are essential for providing farmers with a better income and higher standards of living, thereby 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, Modern Slavery Statement, Supplier Code and our supplier programmes STP and the Supplier Qualification Programme. All these materials are published on our website.

We remain committed to strengthening our processes in addressing modern slavery. Our Modern Slavery Act Statement details the steps we take to mitigate the risk of slavery and human trafficking occurring within our business and supply chain.

We are proud to be a founding member of the Slave Free Alliance (SFA). The SFA is part of the anti-slavery charity Hope for Justice and works with businesses to help them achieve slave-free supply chains.

Towards the end of the year we invited the SFA to review all of the policies that underpin our Modern Slavery Act Statement. The SFA identified some good practices within our supply chain and also highlighted opportunities for improvements, including ways of improving our training and our processes for identifying modern slavery risks. We will action these in 2020.



## 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 and NGP are for adults only. We do not want minors to use any of our products and take youth access prevention very seriously.

Legislation governing the way tobacco should be marketed and sold exists in most countries. We also have our own stringent Imperial Brands International Marketing Standard (IMS), which is published in full on our corporate website.

All Imperial Brands companies and employees, and the agencies who work with us, must 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.

We have an equally stringent IMS for NGP and fully support, and advocate for, legislation prohibiting sales of NGP to minors. This IMS can also be viewed on our corporate website.

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.

### RESPONSIBLE USE OF SOCIAL MEDIA

When used responsibly, we believe social media has an important role to play in ensuring greater awareness of the lower risk profile of NGP and agree with regulators that such communication should only ever be aimed at adult smokers.

Instances of our employees and agencies failing to follow our strict guidelines are rare. Whenever we have been made aware of inappropriate social media use, we have immediately removed any offending posts and taken appropriate action after conducting a thorough investigation.

### LONG-TERM ENVIRONMENTAL TARGETS

We are focused on reducing our environmental impact by minimising waste, improving energy efficiency and reducing emissions. We have made good progress over the last decade and in 2019 we developed new long-term environmental targets for the next 10-30 years.

By 2030, from a 2017 base year, we will:

- reduce the amount of waste we generate by 20 per cent
- reduce the amount of waste to landfill by 50 per cent
- increase recycling by 75 per cent
- reduce water use by 15 per cent
- reduce energy consumption by 25 per cent

Our 2019 environmental performance data is reported in our Key Performance Indicators section on pages 16-17 and on our corporate website.

### CLIMATE AND ENERGY

We have reported on our approach to managing and mitigating climate related risks and opportunities for a number of years, both within our sustainability reporting and CDP disclosures.

We are committed to increasing our disclosure and implementing the recommendations from the Taskforce on Climate-related Financial Disclosures and provide additional climate and energy information on our corporate website.

Our carbon reduction targets have been validated and approved by the Science Based Targets initiative. By 2030 we will reduce our Scope 1 and 2 emissions by 25 per cent and our Scope 3 emissions by 20 per cent.

We continue to participate in the CDP Supply Chain Programme to gather information about how our major tobacco and NGP suppliers are managing climate change and water matters.

In our manufacturing operations we use environmental management systems independently certified to the international standard ISO 14001 to drive environmental performance improvement. Eighty-six per cent of our factories were certified as of 30 September 2019.

Additional environmental performance data is available on our corporate website.

## A DIVERSE GLOBAL WORKFORCE

We are proud of the diverse nature of our international workforce and recognise the benefits it brings to our business.

We employ around 32,700 people from different backgrounds and cultures, including 13,559 women, representing 42 per cent of our total workforce.

At a senior leadership level, 11 per cent of the Operating Executive and 40 per cent of the Board are female, as of 30 September 2019. The Board 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 safe work environment that allows equal opportunities for all and ensures employees are employed fairly, safely and in compliance with applicable employment laws and regulations.

We recognise there is more we can do to improve diversity in the business and during the year we brought more expertise in-house and developed a robust Diversity and Inclusion Strategy.

We also made a number of changes to our recruitment processes, resulting in Imperial gaining Disability Confident Committed status from the UK Government.

We are also undertaking an equality impact assessment of our suite of business policies to ensure they are not discriminatory and are appropriate for the modern workplace.

## ENGAGING WITH OUR PEOPLE

Regular engagement helps motivate employees to work together to deliver our strategy.

Throughout the year we provided 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.

Our ongoing efforts to provide a safe and engaging workplace that provides our people with rewarding career opportunities continues to be recognised with a number of best employer awards, including in Taiwan, Spain, Poland, France, Germany and the UK.

## WORKPLACE HEALTH AND SAFETY

The welfare of our people is of paramount importance to us and we are proud to have created a culture where health and safety really matters to our employees.

Eighty-three per cent of our manufacturing operations were independently certified to the international standard OHSAS 18001 as of 30 September 2019.

Our Group-wide health and safety policy sets out our commitment to provide a safe working environment in which everyone works together to prevent injury and ill health to employees and others who work with us.

Given this commitment we were disappointed to see an increase in our Lost Time Accident (LTA) frequency rate in 2018. In 2019 we made a concerted effort to strengthen health and safety across the business, with a particular focus on reducing slips, trips and falls and improving standards in our sales operations.

This resulted in a 13 per cent reduction in this year's LTA rate, reported in our Key Performance Indicators section on pages 16-17, and we will be seeking to build on this momentum in the coming year. We have a number of initiatives planned, including the launch of our Drive Safe Awards, which will further engage, encourage and empower our global sales force to become better and safer drivers.

Our employees and business partners work in some challenging regions. We were shocked and saddened to hear that a third-party sales representative working for Imperial was shot and killed during a robbery in Ivory Coast in September. We provided his family with comprehensive support and have reviewed and strengthened our local security procedures.

## LOGISTA

		Scope 1	Scope 2	Scope 3
CO <sub>2</sub> equivalent emissions (Tonnes)	FY18	38,583	341	189,980
	FY17	38,027	527	193,611
	FY16	36,735	1,441	187,572

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 2018 relative Scope 1 and 2 emissions comprise 39 tonnes (2017: 39) of CO<sub>2</sub> equivalents per £million of 2018 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](http://www.grupologista.com)