

MANAGING OUR ESG RESPONSIBILITIES

Our sustainability strategy is integral to our long-term success and frames the way we manage our environmental, social and governance (ESG) responsibilities. Our strategy is aligned with the UN Sustainable Development Goals, 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 SUSTAINABILITY STRATEGY



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Next Generation Products
Developing alternative products that are potentially less harmful to health.
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Sustainable Tobacco Supply
Maintaining sustainable agricultural practices to ensure a consistent, quality supply of tobacco.
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Behaving Responsibly
Behaving responsibly at all times and providing a safe and rewarding work environment for employees.

Overseen by the Board and ESG Committee

The Board has oversight of our ESG responsibilities, supported by a cross-functional ESG Steering Committee, chaired by the Chair of Imperial Brands. The Committee meets formally during the year and encourages members to stay in touch with each other on a day-to-day basis to ensure there is regular ongoing dialogue about ESG matters.

► [Read more in our governance report on page 62](#)

OUR PRIORITY ESG ISSUES

1 Consumer health
We understand society's concerns about the health risks of smoking and recognise the important role we can play in helping to reduce the harm caused by combustible tobacco products.



2 Climate and energy
Given our global reach and influence, we have a duty to protect the natural environment and actively work to minimise our environmental impacts.



3 Farmer livelihoods and welfare
Farmer livelihoods and welfare is of paramount importance to sustainable tobacco production and we continue to engage with our suppliers to support farming communities.



4 Human rights – modern slavery
As an international business we recognise the importance, influence and duty we have in promoting respect for human rights across our business and supply chains.



5 Waste
As part of our duty to protect the natural environment, we seek to minimise waste and waste sent to landfill.



► [Find out more at www.imperialbrandsplc.com/sustainability/approach](http://www.imperialbrandsplc.com/sustainability/approach)

Our commitment	How we are achieving this	Our progress in 2020	UN SDGs
<p>We are committed to strengthening our NGP performance and in doing so, making a more meaningful contribution to harm reduction by offering adult smokers a range of potentially less harmful products.</p>	<p>Building consumer and regulatory confidence in NGP by scientifically substantiating their harm reduction potential relative to conventional cigarettes.</p> <p>Seeking to underpin our NGP operations with leading-edge science, innovation and high quality standards.</p>	<p>Completed pre-clinical studies that show NGPs <i>myblu</i> and <i>Pulze</i> aerosols contain fewer and substantially lower levels of toxicants, and reduced in vitro toxicity, compared to cigarette smoke.</p> <p>Our clinical studies show substantial reductions in exposure to harmful chemicals for smokers that switch to <i>myblu</i>.</p>	 <p>We are committed to tobacco harm reduction.</p>
<p>We are committed to reducing our climate and energy impacts across our value chain, from crop production to manufacturing and distribution.</p>	<p>Managing our climate-related risks and opportunities across our business and value chain.</p> <p>Reducing our carbon footprint across our value chain.</p> <p>Better understanding the carbon footprint of our NGP.</p>	<p>We have developed site-based opportunities to ensure we deliver against our 2030 science-based carbon reduction targets.</p> <p>We have seen a 12 per cent decrease in total Scope 1 and 2 emissions from our 2017 baseline year and our target is to reduce by 25 per cent by 2030.</p> <p>We conducted a life cycle analysis of <i>myblu</i> which provided comprehensive information about the product's environmental impact.</p>	 <p>We are taking action to combat climate change and its impacts.</p>
<p>We are committed to supporting farmers to diversify income streams in order to enhance farming community livelihoods and welfare.</p>	<p>Strengthening the industry-wide Sustainable Tobacco Programme (STP) to measure positive impact.</p> <p>Working together with our tobacco leaf suppliers through our Leaf Partnerships to allocate funds to continually improve access to basic needs and diversification of income.</p>	<p>We are members of the STP Steering Committee and are contributing to the development of STP.</p> <p>We supported farmers in Africa and Asia in diversifying their income from growing complementary crops to tobacco, such as fruit trees, maize, groundnuts and vegetables. We funded projects in Africa, Asia and South America enhancing access to basic needs to over 12,000 people. Case studies are on our website.</p>	 <p>We are committed to decent work for all and sustainable economic growth.</p>
<p>We are committed to raising awareness and improving processes for identifying modern slavery in our business and supply chains.</p>	<p>Better understanding modern slavery risk across our business and supply chains.</p> <p>Educating the business on the risk of modern slavery.</p> <p>Introducing a robust human rights framework, which includes how we address modern slavery and the issue of child labour in tobacco farming.</p>	<p>We started to implement the recommendations from the Slave Free Alliance (SFA) gap analysis conducted in 2019, although our work was hampered by the impact of COVID-19. Details are available on our website. SFA conducted a workshop for our global procurement team. Our Modern Slavery e-learning module is now available to employees in 12 languages. Specialist training has been provided for key functional representatives.</p>	 <p>We are committed to decent work for all and sustainable economic growth.</p>
<p>We are committed to minimising the waste associated with our products, packaging and production processes.</p>	<p>Supporting manufacturing sites to achieve the 2030 targets set for waste.</p> <p>Innovating waste solutions for product disposal.</p> <p>Monitoring and responding to EU legislative changes, including the Single-Use Plastics Directive.</p>	<p>Developed the <i>myblu</i> recycling playbook to support markets and our product design teams in understanding how to implement recycling and take-back schemes for current <i>myblu</i> devices, pods and packaging.</p> <p>We continue to explore opportunities for improving material recycling in our cigarette filters and packaging.</p>	 <p>Ensuring sustainable consumption and production patterns.</p>

2020 PERFORMANCE HIGHLIGHTS

We have developed new Key Performance Indicators to reflect our performance against our priority ESG areas, which will be validated against the new commercial strategy and reported on next year. Below we have presented highlights from our 2020 ESG performance. We measure our environmental performance by comparing results with our 2017 baseline year. Our reporting scope and definitions are detailed in the Reporting Criteria Document published on our website.

ENVIRONMENTAL

CLIMATE AND ENERGY PERFORMANCE

Performance indicator		2017	2018	2019	2020	Commentary
Operations with ISO 14001 certification	%	92	91	86	86	Our coverage of certifications remains consistent with last year. One of our African sites was due to be recertified this year but this was delayed due to COVID-19.
Absolute energy consumption¹	GWh	875	842	788	773^A	We have seen a 12 per cent decrease in energy consumption from our 2017 baseline year. Our target is to reduce energy consumption by 25 per cent by 2030. In compliance with the UK streamlined energy and carbon reporting (SECR), requirements, our total UK energy consumption was 14.33 GWh which is 1.85 per cent of the global total (2019: 13.32 GWh and 1.69 per cent).
Relative energy consumption¹	KWh/£m net revenue	112,801	108,926	98,500	96,625^A	
Absolute Scope 1 CO₂e emissions¹	Tonnes	118,000	110,896	108,241	99,577^A	Our Scope 1 emissions arise from stationary fuel combustion at our sites, refrigerant gases and from mobile fuel combustion in our fleet of company sales vehicles. We have seen a 8 per cent decrease in Scope 1 emissions since last year.
Absolute Scope 2 CO₂e location-based emissions¹	Tonnes	161,573	161,020	158,108	147,039^A	Our Scope 2 emissions comprise the indirect emissions resulting from the use of purchased electricity, heat and steam at our sites. We have seen a 7 per cent decrease in Scope 2 emissions since last year. There has been a restatement of 2017 to 2019 data to include emissions from green energy consumption.
Total absolute Scope 1 and 2 CO₂e emissions¹	Tonnes	279,573	271,916	266,349	246,616^A	We have seen a 12 per cent decrease in total Scope 1 and 2 emissions from our 2017 baseline year. Our target is to reduce these emissions by 25 per cent by 2030. We have also set a Scope 3 target to minimise our carbon impact beyond our direct operations. In compliance with the UK SECR requirements, our total UK Scope 1 and 2 emissions were 3,289 tonnes CO ₂ e emissions, which is 1.33 per cent of the global total (2019: 3,210 CO ₂ e emissions and 1.24 per cent).
Relative Scope 1 and 2 CO₂e emissions¹	Tonnes/£m net revenue	39.0	35.2	32.4	30.8^A	
Key suppliers by spend with science-based targets	%	–	19	22	38	We are committed to ensuring that 50 per cent of our suppliers by spend will have science-based targets by 2023.
Logista absolute Scope 1 and 2 CO₂e emissions	Tonnes	38,554	38,924	38,906	–	Logista is managed remotely due to commercial sensitivities and has provided independently assured data for absolute Scope 1, 2 and 3 emissions. Data for 2020 is still undergoing independent assurance. Logista's 2019 relative Scope 1 and 2 emissions comprise 38 tonnes (2018: 39) of CO ₂ e per £million of 2019 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
Logista absolute Scope 3 CO₂e emissions	Tonnes	193,611	189,980	201,566	–	

WASTE AND WATER PERFORMANCE

Performance indicator		2017	2018	2019	2020	Commentary
Total waste¹	Tonnes	49,141	43,388	41,366	40,253^A	We have seen an 18 per cent decrease in waste from our 2017 baseline year. This is largely driven by the impact of COVID-19 on manufacturing and we will continue to review this indicator in 2021. Our target is to reduce waste by 20 per cent by 2030.
Waste to landfill¹	Tonnes	6,746	6,769	7,109	6,431^A	We have seen a 5 per cent decline in waste sent to landfill from our 2017 baseline year. Our target is to reduce waste sent to landfill by 50 per cent by 2030.
Absolute water consumption¹	m ³	1,468,626	1,327,102	1,316,904	1,198,523^A	We have seen an 18 per cent reduction in water use from our 2017 baseline year, which exceeds our target to reduce water consumption by 15 per cent by 2030. However, this decrease is largely driven by the impact of COVID-19 on manufacturing and we will continue to review this indicator in 2021.

STEPPING UP SUPPLIER ENGAGEMENT

Around 75 per cent of our overall carbon footprint comes from activities across our supply chain: our Scope 3 emissions. In order to make meaningful progress in reducing our carbon footprint, we engage with our suppliers to encourage them to measure, monitor, reduce and report their operational carbon emissions.

We have been working with our procurement teams to ensure that all of our key suppliers are invited to report this information to us. This is largely done through the CDP Supply Chain Programme. In 2020 we piloted a programme to directly engage with those key suppliers who do not participate in CDP. With this two-pronged approach we have received information from the majority of our key suppliers. We provide further information on Scope 3 performance and our approach to assessing this in our Sustainability Performance Summary available on our website.

RESPONDING TO THE TCFD

We have reported on our approach to managing and mitigating climate related risks for a number of years, both within our sustainability reporting and CDP disclosures. As we learn to operate with a changing climate, we recognise the importance of increasing climate related impact disclosure and implementing the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD).

One example of how a climatic event has impacted our business occurred in January 2020. Our operations in Madagascar received extremely heavy rainfall, with 50 per cent of expected seasonal rain in five days, resulting in extensive flooding on the smallholder farms and our commercial operations.

Following a detailed assessment a three-year investment plan was approved by the Executive Committee to strengthen the infrastructure of the site.



► Further details of how we manage climate related risk can be found in our TCFD summary on the website



myblu LCA

In 2020, we conducted a life cycle analysis of our myblu starter kit to generate an environmental profile across its entire life cycle. The analysis identified possible improvement areas, including reducing emissions during production and waste management opportunities at disposal stage.

We launched a myblu recycling playbook, which guides our markets to implement local takeback and recycling schemes for devices, pods and packaging. In Germany, we have successfully introduced a pod recycling takeback scheme which we hope to roll-out to other markets too.



SCIENCE BASED TARGETS INITIATIVE

Our carbon targets for Scope 1, 2 and 3 (supply chain) have been approved and validated by the Science Based Targets initiative (SBTi).



CDP HIGHEST AWARD

CDP, the international non-profit organisation that helps companies manage their environmental impact, has awarded us an A rating for climate change and supplier engagement. This is the highest award CDP gives. It recognises the leadership and actions we are taking to cut emissions, mitigate climate risks, contribute to a low-carbon economy and engage with suppliers to manage climate risk and reduce Scope 3 carbon emissions in our supply chain.

SOCIAL

SOCIAL PERFORMANCE

Performance indicator		2017	2018	2019	2020	Commentary
Employee fatalities²	number	0	0	2	3	We regret to have to report three work-related employee fatalities in 2020. We provided family members and work colleagues with comprehensive support.
Contractor fatalities²	number	0	0	0	0	Health and safety remains a priority for all our stakeholders.
Members of the public fatalities²	number	1	4	1	0	Health and safety remains a priority for all our stakeholders.
Lost time accidents (LTA)^{2,3}	number	92	118	101	80	There has been a 21 per cent decrease in the number of lost time accidents compared to last year.
LTA rate^{2,3}	lost time accidents per 200,000 hours worked	0.36	0.46	0.40	0.32^A	There has been a 20 per cent decline in our lost time accident rate compared to last year.
Total number of accidents^{2,3}	Number	937	931	850	720	We have seen a 15 per cent decrease in total accidents compared to last year.
Accident rate^{2,3}	total accidents per 200,000 hours worked	3.66	3.61	3.39	2.19	We have seen a 14 per cent decline in our accident rate compared to last year.
Vehicle accident frequency rate³	accidents per million kilometres	–	–	5.03	4.19	There has been a 17 per cent decrease in our vehicle accident rate compared to last year.
OHSAS 18001 / ISO 45001 certification	%	87	87	79	79	2019 data has been restated due to reporting error. One of our African sites was due to be recertified this year but this was delayed due to COVID-19, therefore our coverage remains consistent with last year.
Female employees	%	40	41	42	42	Female employee numbers remain the same as last year.
Female Executive Committee members	%	11	13	11	14^A	We are committed to increasing female representation within senior management roles to 30 per cent by 2023.
Female Board members	%	30	33	40	25^A	Following a number of Board changes there has been a 38 per cent reduction in female members since last year.
Employee turnover rate	%	15.0	15.1	13.2	11.8	Employee turnover rate has decreased in comparison to last year.

HEALTH AND SAFETY

In these difficult times, the welfare of our people has never been more important.

As of 30 September 2020, 79 per cent of our manufacturing sites were independently certified to the international standard OHSAS 18001. Many facilities were reconfigured during the year to enable social distancing and safe working during the coronavirus.

We were pleased to see a further decline in our Lost Time Accident frequency rate. Details can be found on page 13 of the Key Performance Indicators section.

Despite our relentless focus on health and safety, we operate in some challenging regions that pose risk to our employees. We were deeply shocked and saddened about the work-related deaths of three employees in Africa in separate incidents. One employee died in a road traffic accident and two were murdered. We provided their families and work colleagues with comprehensive support and carried out a thorough review of each incident.



CONSUMER HEALTH

We understand society's concerns about the health risks associated with smoking and recognise the role we have to play in helping reduce the impact of combustible tobacco on consumer health.

We substantiate the harm reduction potential of all our NGP through our Scientific Assessment Framework (SAF), a multi-stage, multi-year testing and research programme. This assessment is done for each NGP type compared to cigarettes to determine the reduced relative risk.

By the end of financial year 2020 we had the following assessment completion rates:

- 71 per cent of the SAF for our vape device, *myblu* (compared to 17 per cent in 2019)
- 34 per cent for our heated tobacco device, *Pulze* (compared to 12 per cent in 2019)
- 23 per cent for our tobacco-free oral nicotine pouch product, *zoneX* (compared to 10 per cent in 2019)

Milestones of note include completing pre-clinical work on *myblu*, including demonstrating it contains fewer and substantially lower levels of toxicants of public health concern compared to cigarette smoke. This translates to reductions in toxicity in vitro.

Our clinical studies also reveal rapid, substantial reductions in exposure to harmful chemicals for smokers transitioning to *myblu*. Our focus is now on assessing longer-term behavioural studies and broader population health assessments.

We've also demonstrated that our heated tobacco brand, *Pulze*, heats but doesn't burn tobacco. This absence of combustion means levels of toxicants are fewer and substantially lower in *Pulze*'s aerosol compared to cigarette smoke. This translates to significant reductions in toxicity in vitro. We have also demonstrated that *Pulze* doesn't negatively impact indoor air quality for bystanders.

Finally, our ongoing research on tobacco-free oral nicotine pouches encouragingly suggests products like *zoneX* are likely to be the most harm reduced of all NGP.

We continue to make our research publicly available. This includes publications in peer-reviewed scientific literature, regulatory engagement, conference presentations and regularly updating our dedicated science website.



DRIVE SAFE AWARDS

This year we launched our inaugural Drive Safe Awards.

Focusing on mitigating one of the biggest risk areas across our sales operations, the awards recognise and celebrate the best examples of road and driver safety.

Ranging from simple initiatives that improve driver behaviour, to the wider achievements of having a robust road and driver safety management system, the awards form part of our increasing efforts to improve health and safety in our sales team.

Ultimately, the awards are designed to engage, encourage and empower our global sales force to become better and safer drivers for themselves, their families, colleagues and other road users. The awards are judged by our divisional sales directors, with the winners announced early in the first quarter of the new financial year.

GOVERNANCE

GOVERNANCE PERFORMANCE

Governance education modules are available to our people through a combination of online and offline learning platforms.. All employees are required to complete these modules.

E-Learning Course Title	Commentary
Code of Conduct	This course introduces and explains some of the standards of responsible behaviour that are set out in our Code of Conduct, which is translated into 32 languages.
Code of Conduct Part 2	This course looks at the Code of Conduct and considers the responsibilities of employees to act in ways that promote a culture of mutual trust and respect.
Competition Law: An Overview	This global overview provides guidance to employees on how to be aware of, recognise, and avoid becoming involved in illegal competition.
Give and Get Bribe: An Antibribery Vignette	This course is designed to refresh awareness of laws that make it a crime to bribe officials to gain a business advantage.
Modern Slavery	During the year we translated this e-learning course into a further two languages, This short overview takes a global look at the human rights abuse of modern slavery and explains how employees can raise concerns, and is now available in 12 languages.
Combatting Illicit Trade	An updated version of the original module was launched in October 2020. This course focuses on combatting illicit trade in two ways, through our collective responsibilities and by every employee taking personal responsibility.
Information Security: Phishing	This course focuses on protecting data properly and the consequences following a significant breach or leak.
Share Dealing Code	A module which provides information about Share Dealing and Market Abuse Regulations.
Data Privacy and Protection: GDPR	Aimed at markets inside the EU, focusing on GDPR, compliance obligations, data handling practices and potential financial penalties if companies fail to comply with their obligations.
Data Protection and Privacy	Aimed at markets outside the EU. This course defines personally identifiable information and provides an overview of the responsibilities and steps required to protect it.

High standards of governance are critical to our sustainability. We have a set of governance structures and practices in place designed to ensure that our company is run responsibly in the best interests of all our stakeholders.

MAINTAINING HIGH STANDARDS OF GOVERNANCE

How we conduct ourselves and our business can have wider impacts for society. Doing business in the right way, having integrity and not tolerating poor behaviour, fraud or bribery ensures we behave responsibly towards our stakeholders.

Our Code of Conduct is embedded throughout Imperial Brands and drives our responsible approach. It is aligned with the policies, internal controls and risk management processes that underpin our strategy.

The Code sets out the responsible behaviours we expect from employees in their dealings with colleagues, customers, consumers, suppliers, agents, intermediaries, advisers, governments and competitors. All employees and business partners are expected to act with integrity in accordance with the standards of behaviour set out in the Code.

We refreshed our onboarding process for new employees during the year. Code of Conduct e-learning is now accessible via an onboarding portal and is made available to employees on their first day with the Company.

SUPPLIER CODE OF CONDUCT

We expect our suppliers to conduct their business in an ethical and responsible manner and comply with all applicable laws and regulations. Our Supplier Code, based on our Code of Conduct, sets out the behaviours we expect our suppliers to demonstrate. The Supplier Code of Conduct is embedded into our Procurement Policy and processes which govern how we select and contract with our suppliers.

Our Supplier Code of Conduct is available in 19 languages.

RESPONSIBLE MARKETING AND YOUTH ACCESS PREVENTION

We are committed to marketing and advertising our products responsibly within the laws, codes of practice and voluntary agreements of those countries within which we operate. This year we updated our marketing standards to reflect developments in technology and our NGP portfolio. These standards are available on our website. All Imperial Brands companies and employees, as well as the agencies who work with us, adhere to our standards and local legislation. Where local legislation is stricter than our standards, this takes precedence, and where local legislation may be less stringent, then our own high standards take precedence.

Tobacco and NGP are for adult smokers only. We do not want youths to use any of our products and take youth access prevention (YAP) very seriously. We fully support YAP and minimum age restrictions for the sale or purchase of our products.



► For more information on our Marketing Standards please visit www.imperialbrands.com

SPEAKING UP

We expect all employees and business partners to act with integrity at all times. If there are ever any concerns they can be raised independently via our Speaking Up service, which is available in 78 countries.

This year we appointed a new partner to manage this service, Got Ethics. Concerns can be quickly and easily reported online and by telephone. The reporting system guarantees security and anonymity for the complainant.

Issues raised during the year included allegations of unprofessional behaviour, pay concerns, breach of company credit policy, inappropriate use of company funds and unauthorised payment of consultants.

Our HR teams were involved in dealing with a number of these issues, whilst others were managed by the Company Secretary, with investigation support and advice provided by members of Finance, Group Security, Group Legal, HR and Internal Audit.

At all times, the anonymity of the individual making the complaint was a key consideration.

RETAILER ENGAGEMENT IN GERMANY

Germany is one of our most important markets. The German Federal Association of Tobacco Industry and Novel Products (BVTE) and its member companies, including Imperial, advocate effective enforcement of the sales age of 18 for nicotine products. To help them achieve this, the BVTE provides an e-learning tool to support our trade partners in effectively addressing youth access prevention.

The content covers age verification and the legal consequences of selling to young people, as well as recommendations for how to behave in a shop situation when dealing with underage customers. More than 2,000 retailers completed the training during the year.

The e-learning tool has been adapted to also cover oral nicotine delivery products.



INVESTOR BENCHMARKS

Our ESG management and performance is evaluated by a wide range of external rating agencies.

We were rated A in August 2020 by MSCI ESG Ratings. In its June 2020 ESG Rating report, Sustainalytics gave us a medium risk rating score and in September 2020, VigeoEiris gave us a Company Reporting Rate of 86 per cent (sector average reporting rate 78 per cent).

We believe it is important for rating agencies to work together with companies, investors and other stakeholders to improve consistency and transparency in producing robust ESG data and ratings.

Following our climate change submission to CDP in 2019, we were placed on CDP's Climate A List which consists of just 2 per cent of the thousands of companies that have disclosed their data. We await the results of our 2020 submission.

We continue to participate in the CDP Supply Chain Programme, which gathers information from our key suppliers on how they are managing their climate risks and opportunities. We are pleased to report that in 2020, all of our key suppliers invited to complete the submission responded.

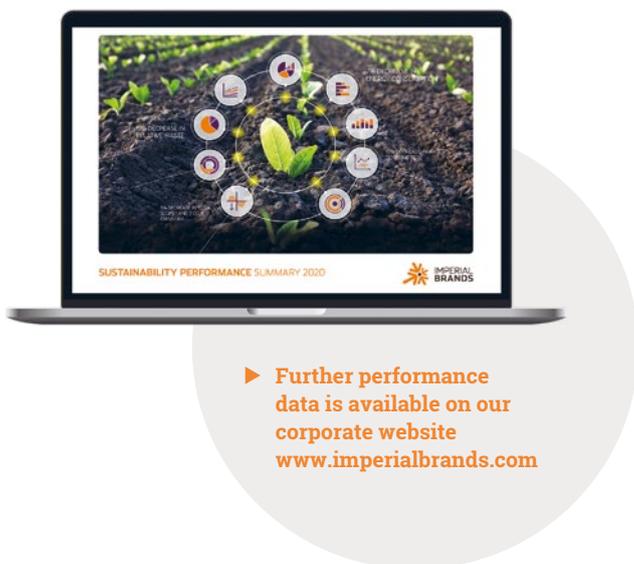
We have also completed the investor-backed Workforce Disclosure Initiative since 2019. This benchmark is currently based on disclosure, and performance scores have not been allocated.

INDEPENDENT ASSURANCE

We appointed Ernst & Young LLP to provide limited independent assurance over selected sustainability content within the Annual Report ("the Report"), as at and for the period ended 30 September 2020. The assurance engagement was planned and performed in accordance with the International Standard for Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

These procedures were designed to conclude on the accuracy and completeness of selected sustainability indicators, which are indicated in the Report with an A.

An unqualified opinion was issued and is available on imperialbrandsplc.com, along with further details of the scope, respective responsibilities, work performed, limitations and conclusions.



► **Further performance data is available on our corporate website www.imperialbrands.com**

- A. Select 2020 data has been independently assured by Ernst and Young LLP (EY) under the limited assurance requirements of the ISAE 3000 standard. The Assurance Opinion is available on our website.
1. Our 2020 environmental data follows the reporting period Q4 financial year 2019 to Q3 financial year 2020. This is to allow for data collection, validation and external assurance. We use the GHG Protocol Standard to inform our reporting of Scope 1 and 2 emissions. Our reporting scope and definitions are detailed in the Reporting Criteria Document published on our website.
 2. Our health and safety data is for the full 2020 financial year. Our reporting scope and definitions are detailed in the Reporting Criteria Document published on our website.
 3. Accidents reported do not include commuting to or from work or third parties such as distributors.