

# Independent Assurance statement to the Directors of Imperial Brands plc

We have performed a limited assurance engagement on selected performance data and statements presented in Imperial Brands plc ("the Group") 2020 Annual Report, the Sustainability Performance Summary and on imperialbrandsplc.com (collectively referred to as "the Report").

## Respective responsibilities

The Group's management is responsible for the collection and presentation of the information within the Report. Management are also responsible for the design, implementation and maintenance of internal controls relevant to the preparation of the Report, so that it is free from material misstatement, whether due to fraud or error.

Our responsibility, in accordance with our engagement terms with the Group's management, is to carry out a 'limited level' assurance engagement on selected performance data and performance claims in the Report (the 'Subject Matter Information') set out below. We do not accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

## What we did to form our conclusions

Our assurance engagement has been planned and performed in accordance with the International Standard for Assurance Engagements (ISAE) 3000 Revised<sup>1</sup>. The Group's sustainability Reporting Criteria (accessible at <https://www.imperialbrandsplc.com/content/dam/imperial-brands/corporate/sustainability/sustainability-documents/reporting-criteria-2020.pdf>) has been used as the Criteria against which to evaluate the 'Subject Matter Information' defined below.

The 'Subject Matter Information' comprises the following data sets in the Report regarding the sustainability performance of the Group.

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| Environment | <ul style="list-style-type: none"><li>• Relative environmental waste - tobacco segment (t/£m tobacco and NGP net revenue)</li><li>• Absolute environmental waste - tobacco segment (t)</li><li>• Relative environmental waste to landfill - tobacco segment (t/£m tobacco and NGP net revenue)</li><li>• Absolute environmental waste to landfill - tobacco segment (t)</li><li>• Relative water consumption - tobacco segment (m<sup>3</sup>/£m tobacco and NGP net revenue)</li><li>• Absolute water consumption - tobacco segment (m<sup>3</sup>)</li><li>• Relative energy consumption - tobacco segment (kWh / £m tobacco and NGP net revenue)</li><li>• Absolute energy consumption - tobacco segment (GWh)</li><li>• Relative energy consumption - fleet fuel (kWh / £m tobacco and NGP net revenue)</li><li>• Absolute energy consumption - fleet fuel (GWh)</li><li>• Relative Scope 1 CO<sub>2</sub> equivalent emissions - tobacco segment (t/£m tobacco and NGP net revenue)</li><li>• Absolute Scope 1 CO<sub>2</sub> equivalent emissions - tobacco segment (t)</li><li>• Relative Scope 1 CO<sub>2</sub> equivalent emissions - fleet fuel (t/£m tobacco and NGP net revenue)</li><li>• Absolute Scope 1 CO<sub>2</sub> equivalent emissions - fleet fuel (t)</li><li>• Relative Scope 2 CO<sub>2</sub> equivalent emissions - tobacco segment (t/£m tobacco and NGP net revenue)</li><li>• Absolute Scope 2 CO<sub>2</sub> equivalent emissions - tobacco segment (t)</li></ul> |
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<sup>1</sup> International Federation of the Accountants' International Standard for Assurance Engagements (ISAE3000) Revised, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*.

Safety	<ul style="list-style-type: none"> <li>• Lost-time accident frequency rate (per 200,000 hours)</li> </ul>
Diversity	<ul style="list-style-type: none"> <li>• Female PLC Board members (%)</li> <li>• Female Executive Committee members (%)</li> </ul>

The procedures we performed were based on our professional judgement and included the steps outlined below:

1. **Interviewed a selection of the Group's management** to understand the progress made in the area of sustainability performance during the reporting year and to test the coverage of topics within the Report.
2. **Conducted remote reviews for 4 operational sites** to review local level sustainability performance, data collection processes and to test back to underlying source evidence.
3. **Reviewed data samples and processes at group level** to assess whether data relating to the Subject Matter Information had been collected, consolidated and reported accurately.
4. **Reviewed information or explanation about selected statements and assertions regarding the sustainability performance of the Group.**

## Limitations of our review

Our evidence gathering procedures were designed to obtain a 'limited level' of assurance (as set out in ISAE3000 Revised) on which to base our conclusions. The extent of evidence gathering procedures performed is less than that of a reasonable assurance engagement (such as a financial audit) and, therefore, a lower level of assurance is provided.

Completion of our testing activities has involved placing reliance on the Group's controls for managing and reporting sustainability information, with the degree of reliance informed by the results of our review of the effectiveness of these controls. We have not sought to review systems and controls at the Group beyond those used for the 'Subject Matter Information' (as presented above). The responsibility for the prevention and detection of fraud, error and non-compliance with laws or regulations rests with the Group's management. Our work should not be relied upon to disclose all such material misstatements, frauds, errors or instances of non-compliance that may exist.

We have only sought evidence to support the 2019/20 performance data. We do not provide conclusions on any other data from prior years. We have not sought any supporting evidence for data that has been sourced from the Group's Annual Report and Accounts beyond the 'Subject Matter Information' for which we are providing assurance. We have not provided assurance over claims made by Imperial Brands that are statements of belief or forward looking in nature.

## Our conclusions

Based on the scope of our review our conclusions are outlined below:

### Completeness and accuracy of performance information

#### How complete and accurate is the 'Subject Matter Information' presented in the Report?

- With the exception of the limitations identified in the Group's Reporting Criteria document, we are not aware of any material reporting units that have been omitted from the 'Subject Matter Information' in accordance with the Criteria.
- Nothing has come to our attention that causes us to believe that the 'Subject Matter Information' was not prepared, in all material respects, in accordance with the Criteria, which were applied by management.

#### How plausible are the statements and claims within the Report?

- We have reviewed information or explanation on selected statements regarding the Group's sustainability performance presented in the Report and, in accordance with the Criteria, we are not aware of any misstatements in the assertions made.

## Observations and areas for improvement

Our observations and areas for improvement will be raised in a report to the Group's management. Selected observations are provided below. These observations do not affect our conclusions on the Report set out above.

- Imperial Brands collects Occupational Health Safety and Environment (OHSE) data through its Non-Financial Reporting (NFR) System, which sets out clear processes for collecting and reviewing site level data submitted to the Group. During our review of Lost Time Accident (LTA) reports for a sample of operational sites, we identified no errors in the data reported in the NFR system, and there were clear reporting processes in place to enable accurate and complete reporting of safety accidents across the Group.

- During our review of environment data, we identified instances where internal quality review processes were not always effective in identifying errors prior to year-end submission to the Group. Additionally, sites were provided limited guidance to estimate consumption in the absence of actual data, particularly for energy and water consumption, resulting in inconsistencies across the Group. Whilst all identified errors were corrected before publication, strengthening internal quality review processes and communicating clearer reporting expectations through guidance documents and targeted engagement with sites should continue to be areas of focus for Imperial Brands to enhance data accuracy and completeness.
- Imperial Brands uses the Greenhouse Gas (GHG) Protocol Corporate Standard (the "Protocol") to inform its environmental reporting, which requires companies to report Scope 2 emissions according to a location-based method and a market-based method. In prior years, emissions from green energy were not included in the calculation of location-based Scope 2 emissions. Imperial Brands has addressed this in this year's Report through the restatement of 2019, 2018 and 2017 figures. Furthermore, due to the absence of supplier-specific emission factors, Imperial Brands has adopted the location-based approach. Imperial Brands should strengthen its reporting by calculating and reporting market-based emissions to capture the reduction of emissions more effectively through conscious procurement of renewable energy.

## Our independence and competence

We have implemented measures to comply with the applicable independence and professional competence rules as articulated by the IFAC Code of Ethics for Professional Accountants and ISQC1<sup>2</sup>. EY's independence policies apply to the firm, partners and professional staff. These policies prohibit any financial interests in our clients that would or might be seen to impair independence. Each year, partners and staff are required to confirm their compliance with the firm's policies.

We confirm annually to the Group whether there have been any events including the provision of prohibited services that could impair our independence or objectivity. There were no such events or services in 2019/2020.

Our assurance team has been drawn from our global Climate Change and Sustainability Services Practice, which undertakes engagements similar to this with a number of significant UK and international businesses.

Ernst & Young LLP, London

22<sup>nd</sup> December 2020

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<sup>2</sup>Parts A and B of the IESBA Code; and the International Standard on Quality Control 1 (ISQC1).