

REPORTING RESPONSIBLE PERFORMANCE: PRINCIPLES, CRITERIA AND METHODOLOGIES

Introduction

This document sets out Imperial Brands' reporting approach and criteria which enables the PLC Board's commitment to disclose our responsible performance.

We aim to:

- Report our activities honestly and give a fair impression of business conduct;
- Provide key stakeholders with appropriate information, as guided by leading frameworks and standards such as the Global Reporting Initiative; and
- Inform relevant investor evaluations and indices

Commitment to reporting

As a UK public company, we are required to disclose specific information in the Annual Report and Accounts, under the UK Companies Act. In addition, we provide other information voluntarily. This helps to demonstrate that our Board of Directors are addressing their social, environmental and economic responsibilities towards key stakeholders; including employees, investors, suppliers, customers, consumers, communities, government and society.

We disclose information relating to our responsible performance in the Annual Report and Accounts, and on our website www.imperialbrandsplc.com/. This better enables us to participate in a number of external indices, to benchmark our responsible performance, to respond to surveys and to answer stakeholder queries.

We engage an independent third party to provide assurance and data verification for our publicly reported information. This is in line with good practice and to help build trust with our stakeholders. The assurance and verification exercise is scoped to test whether reporting is accurate and reliable, and to enable the third party to provide an opinion as to whether the reporting provides a fair and balanced view of responsible performance. The assurance and verification involves data assessment, sample site visits and a number of interviews with management and relevant personnel.

We have a formal approach to responsibility reporting, which identifies important issues and performance indicators. Resulting information is used by Executive Management to set improvement objectives and targets, which are also endorsed by the PLC Board. Performance management is then driven and enabled at functional, market and site level.

Issues of importance

Our approach to identifying and articulating our issues has evolved over time. We have found it useful to reference leading guidelines and indices, which include the Global Reporting Initiative, and the RobecoSAM for Dow Jones Sustainability Index. We also participate in relevant external forums and engage with our stakeholders. We make our own internal assessments by considering global sustainability issues and relevant social and environmental risks. We have internal subject matter experts to help inform and guide our responsibility agenda, and who are represented on our Responsibility Steering Committee.

In 2013, we undertook our first assessment of 'materiality' to determine how important our sustainability issues are to us and our stakeholders. This assessment was informed by the work of an external agency that identified and quantified relevant social and environmental risks within the geographical context of our value chain and the relevance to our main stakeholders. This work was validated by the Responsibility Steering Committee.

Towards the end of financial year 2016, we revisited our materiality assessment to review, identify and prioritise the most important sustainability issues for our business. The assessment involved input from a range of external stakeholders and will help to further develop our Corporate Responsibility (CR) strategy. More details will be reported in 2017.

Scope of reporting

Non-financial reporting (NFR) includes collecting and collating performance data from markets, main offices and manufacturing sites, worldwide. Primarily, we utilise a web-based reporting system known as the 'NFR System', which is powered by Enablon.

We track our CR performance against our progress in four key areas which are:

RESPONSIBLE WITH PRODUCTS

REWARDING WORKPLACE

RESPECTING NATURAL RESOURCES

REINVESTING IN SOCIETY



General reporting principles

In developing our reporting, we have been guided by good practice principles. We therefore seek to report information which is:

- Inclusive; relevant to our key stakeholders
- Significant; mutually important to us and our stakeholders
- Responsive; action based on informed decisions
- Robust; timely, accurate and, where possible, subject to verification and assurance
- Transparent; provide year-on-year comparable data with explanation

Reporting boundaries

Our business is managed and reported on a functional basis. We therefore manage, gather and report data either as a whole or by function. We do not report on a legal entity basis. Where appropriate, we differentiate manufacturing operations as these locations make a greater contribution to the data values for the majority of indicators.

- The logistics part of our Group business operates under the legal entity of Logista. Due to commercial sensitivities, this entity is managed remotely and does not report wholly into Group data. This is specified in the scope of individual indicators as detailed below. We report externally verified information provided by Logista in our Annual Report and Accounts. Logista has provided verified data since financial year (FY) 2014 for absolute Scope 1, 2 and 3 emissions. Further information on Logista can be found at www.grupologista.com
- Our reported emissions include all

main sources from manufacturing sites over which we have operational control and our main offices (Bristol, Hamburg, Paris, Madrid and Casablanca). Operations not included, as deemed de minimis or being outside of our current reporting scope, relate to the small sales offices (which collectively contribute no more than two per cent of our total Scope 1 and 2 emissions). Scope of data is provided in the indicator definitions and clarified in reporting footnotes.

- In order to comply with UK mandatory greenhouse gas emissions reporting regulations, we have adapted our environmental reporting and report on greenhouse gas emissions resulting from our tobacco operations, which fall within our consolidated financial statements using the operational control reporting approach. We report Scope 1 (direct) and Scope 2 (indirect) CO₂ emissions for which we are responsible using a methodology in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (revised edition). As such, we report on the seven main greenhouse gases and report in terms of tonnes of CO₂ equivalents (CO₂e). Our relative emissions are expressed against tobacco net revenue.

Our relative emissions are expressed against net tobacco revenue, which is consistent with the standardised Carbon DP reporting format and facilitates meaningful comparison with other businesses that report both their emissions and financial fundamentals.

Our Scope 1 emissions comprise:

- Emissions from stationary fuel combustion at our sites
- Emissions from mobile fuel combustion in our fleet of company vehicles

- Leakage of refrigerant gases
- Process emissions from the Dry Ice Expanded Tobacco process at our tobacco expansion plant.

Our Scope 2 emissions comprise:

The indirect emissions resulting from the use of purchased electricity, heat and steam at our sites. We report according to the GHG Scope 2 Guidance (2015), using location-based emission factors.

Emissions for financial year 2016 comprise unverified data for the first six months of financial year 2016, and verified data for the last six months of financial year 2015; except for mobile fuel consumption by our fleet vehicles which comprises complete verified data for 2015.

Verified data for financial year 2015 is reported 12 months in arrears to allow for collation, validation and external assurance.

Assurance

We commission external service providers to assure our responsibility reporting. This includes assurance of the qualitative information detailed in the CR Section of the Annual Report and Accounts, the Responsibility section of the website and select non-financial indicators. Details of assurance activities, including the assurance statements, can be accessed on our website www.imperialbrandsplc.com/



2016 RESPONSIBILITY INDICATORS

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Imperial Brands NFR system

The NFR system is the main reporting system for collecting environmental and health and safety data. Further information is provided under each indicator description.

Raw data, in line with NFR data definitions, is entered into the system at site level by Contributors, generally topic specialists in their area. Data is then validated on the system, by a senior manager or one of his or her direct reports, taking full accountability for timeliness and accuracy of the data.

The system calculates performance indicators from the data entered, and can generate reports at any level of the organisation including at local, Function and Group level to inform performance management processes.

The table below shows the generic deadlines which must be adhered to by NFR system users, in order to meet reporting requirements and to ensure:

- Timely and accurate reporting at site or market level
- Quality control at business function level
- Interpretation of results at specialist level; and
- Collation and verification of reports at corporate level

The NFR system is subject to administrative support provided by an external service provider. The service provided includes the following:

- User administration
- Submission and validation status review
- Monitoring late or erroneous submissions and reporting persistent problem users to System Manager
- Annual review and minor updating of

system documentation

- Minor updates of training material
- Campaigns* maintenance
- System administration of indicators, operating entities, parameters, campaigns and end of financial year process
- Disruptions i.e. system outage

Once deadlines have been exceeded, campaigns are closed. Following investigation, amendments can only be made once the system is unlocked by the System Administrator. Amendments may be made as part of the validation and correction process or following the end-of-year assurance. In the unlikely event amendments are significant, the figures will be restated in the subsequent annual reporting with a footnote in the public disclosures explaining the restatement.

* Campaigns are defined as a group of questionnaires launched on a monthly, quarterly or bi-annual basis.

VALIDATION DEADLINES AT SITE/MARKET LEVEL

Area	Data Category	Start of reporting period	Frequency	End of reporting period
Occupational Health & Safety (OHS)	Accidents Near miss / dangerous occurrences Accidents to contractors / visitors Occupational diseases or ill health Human resources reference data Public perception related to occupational health and safety issues	1st day after month closes	Monthly	11th day of the following month
	Occupational health and safety management system self-assessment	1st day of October	Annual	15th of October of the following year
Environmental Impact	Energy consumption and CO ₂ emissions Water consumption Public perception related to environmental issues	1st day after month closes	Monthly	30th day of the following month
	Production volumes (from Frango)	1st day after month closes	Monthly	2nd day of the following month
	Production volumes (cigar data only)	1st day after month closes	Monthly	29th day of the following month
	Environmental waste Use of hazardous gases	1st day after quarter closes	Quarterly	29th days after the quarter closes
	Environmental management self-assessment	1st day of October	Annual	15th of October



MANUFACTURING SITES REPORTING INTO THE NFR SYSTEM

Function	Location	Name
Cigarette Manufacturing	United Kingdom	Imperial Tobacco Limited
	France	Nantes Factory
	France	Riom Factory
	France	MACOTAB (Bastia Furiani, Corsica)
	France	Le Havre Threshing and Treatment Centre (Le Havre)
	Spain	Altadis (Logrono)
	Germany	Reemtsma Cigarettenfabriken GmbH (Langenhagen)
	Poland	Imperial Tobacco Polska S.A. (Tarnowo)
	Poland	Imperial Tobacco Polska Manufacturing S.A. (Radom)
	Ukraine	Imperial Tobacco Production Ukraine (Kiev)
	Turkey	Imperial Tobacco Sigara ve Tutunculuk Sanayi AS (Manisa)
	Macedonia	Tutunski Kombinat A.S. (Skopje)
	Russia	OOO Reemtsma-Volga Tabakfabrik (Volgograd)
	Russia	Balkanskaya Zvezda ZAO (Yaroslavl)
	Congo	Société Industrielle et Agricole du Tabac Tropical SA (Brazzaville)
	Central African Republic	Société Centrafricaine de Cigarettes SA (Bangui)
	Gabon	Société des Cigarettes Gabonaises SA (Libreville)
	Madagascar	SACIMEM SA (Antsirabe)
	Magagascar	Madagascar Farms (SOCTAM)
	Madagascar	SITAM (Mahajanga)
	Chad	Manufacture de Cigarettes du Tchad SA (Moundou)
	Réunion	SITAR (Saint-Pierre)
	Laos	Lao Tobacco Limited (Vientiane)
	Laos	Laos Leaf Processing
	Taiwan	Imperial Tobacco Taiwan Co. Limited
	New Zealand	Imperial Tobacco New Zealand Limited (Wellington)
	Burkina Faso	Manufacture Burkinabe de Cigarette SA (Bobo-Dioulasso)
	Cote d'Ivoire	Société Ivoiriennes des Tabacs SA (Bouaké)
	Cote d'Ivoire	Cote d'Ivoire Printing (III)
	Senegal	Manufacture des Tabacs de l'Ouest Africain (Dakar)
	Mali	Societe Nationale des Tabacs et Allumettes du Mali (Bamako)
	Morocco	Altadis Maroc (Ain Harrouda)
	Morocco	Altadis Maroc (El Moudzine)
Morocco	Morocco Farms	
United States of America	ITG Brands (Greensboro)	
United States of America	ITG Brands (Reidsville)	



MANUFACTURING SITES REPORTING INTO THE NFR SYSTEM

Function	Location	Name
Other Tobacco Products (fine-cut, paper and tubes) Manufacturing	Belgium	Ets. L Lacroix Fils NV (Wilrijk)
	Ireland	Imperial Tobacco Ireland (Mullingar)
	Netherlands	Van Nelle Tabak Nederland BV (Joure)
	Sweden	Skruf Snus AB (Savsjo)
	Germany	Imperial Tobacco (Efka) GmbH & Co KG (Trossingen)
Cigar Manufacturing	Dominican Republic	Tabacalera de Garcia (La Romana)
	Honduras	La Flor de Copan (Santa Rosa de Copan)
	Puerto Rico	Congar (Cayey)
	Puerto Rico	Congar (Comerio)
	United States of America	Altadis USA (McAdoo, Pennsylvania)
	United States of America	Altadis Shade
	Spain	Altadis (Cantabria)
	Philippines	PBC (Philippine Bobbin Corporation) (Cavite)
	Cuba	Internacional Cubana de Tabacos (50%) (Havana)

NON-MANUFACTURING SITES

Function	Location	Name
Offices	United Kingdom	Sinclair Collis Limited
	Germany	Reemtsma Cigarettenfabriken GmbH
	United Kingdom	Imperial Brands Head Office, Bristol
	Spain	Altadis S.A.U.
Laboratory	France	Association pour la Recherche sur les Nicotianées (ARN)
Distribution & Sales Offices	Bosnia-Herzegovina	Imperial Tobacco BH doo
	Croatia	Imperial Tobacco Zagreb doo
	Macedonia	Imperial Tobacco TSK a.d.
	Serbia	Imperial Tobacco SCG doo Beograd
	Slovenia	Tobacna Ljubljana doo
	Kazakhstan	Kazakhstan Sales
	Kyrgyzstan	Imperial Tobacco Kyrgyzstan LLC
	Russia	Imperial Tobacco Sales & Marketing LLC
	United Arab Emirates	Altadis Middle East FZCO
	Denmark	Imperial Tobacco Denmark ApS
	Estonia	Imperial Tobacco Estonia OU
	Finland	Imperial Tobacco Finland Oy
	Norway	Imperial Tobacco Norway AS
	Sweden	Skruf Snus AB
	Bulgaria	Imperial Tobacco Bulgaria EOOD
	Greece	Imperial Tobacco Hellas S.A.
	Italy	Imperial Tobacco Italia S.r.l.
	Hong Kong	ITL Pacific (HK) Limited



Function	Location	Name
Distribution & Sales Offices	Singapore	Imperial Tobacco (Asia) Pte. Ltd
	Taiwan	Imperial Tobacco Taiwan Co Limited
	Japan	Imperial Tobacco Japan Kabushiki Kaisha
	Cambodia	Huotraco International Limited
	Laos	Lao Tobacco Limited
	Vietnam	Vietnam Sales
	Turkey	Imperial Tobacco Tutun Urunleri Satis Ve Pazarlama A.S.
	Australia	Imperial Tobacco Australia Limited
	New Zealand	Imperial Tobacco New Zealand Limited
	Belgium	Ets L Lacroix Fils NV/SA
	Netherlands	Van Nelle Tabak Nederland B.V.
	Austria	Imperial Tobacco Austria Marketing Service GmbH
	Czech Republic	Imperial Tobacco CR s.r.o
	Hungary	Imperial Tobacco Magyarország Dohányforgalmazó Kft. (Imperial Tobacco Hungary)
	Slovakia	Imperial Tobacco Slovakia a.s.
	Morocco	Société Marocaine des Tabacs SA
	France	Société Nationale d'Exploitation Industrielle des Tabacs et Allumettes SAS (SEITA)
	Germany & Switzerland	Reemtsma Cigarettenfabriken GmbH
	Poland	Imperial Tobacco Polska S.A.
	Iberian Cluster	Altadis S.A.
	Ireland	John Player & Sons Limited
	United Kingdom	Imperial Tobacco Limited
	Armenia/Georgia/Moldova	Armenia/Georgia/Moldova Sales
	Azerbaijan	Azerbaijan Sales
	Ukraine	Imperial Tobacco Ukraine
	Central African Republic	Société Centrafricaine de Cigarettes SA
	Chad	Manufacture de Cigarettes du Tchad SA
	Congo	Société Industrielle et Agricole du Tabac Tropical SA
	Gabon	Société des Cigarettes Gabonaises SA
	France (La Réunion)	Altadis Ocean Indien SAS
	Madagascar	Madagascar Sales
	Burkina Faso	MABUCIG
	Cote d'Ivoire	Société Ivoirienne des Tabacs SA (SITAB)
	Mali	SOCTAM SA (Mali)
	United States of America	Fort Lauderdale Main Office
	Morocco	Société Marocaine des Tabacs SA
	United Kingdom	Imperial Tobacco Limited
	United Kingdom	Nottingham Woollaton Road
	Germany	Hamburg Leaf
	United States of America	Tampa – Distribution
United States of America	Habanos Distribution	
United States of America	JR Cigar Inc	

INDICATORS FOR NON-FINANCIAL REPORTING – REPORTING SPECIFICS AND METHODOLOGY

This document details the methodology for all indicators we publicly disclose in the 2016 Annual Report and Accounts and in the Responsibility section of the corporate website. Not all have been subject to third-party data verification. This is clearly stated within the criteria for each indicator.

RESPONSIBLE WITH PRODUCTS

PRODUCTS AND CONSUMERS

Number of countries for which cigarette and fine cut tobacco ingredients are published on the Imperial Brands website

Definition	The Product Science team has developed a new ingredients website which contains information on the ingredients used in our cigarette and fine cut tobacco brands. A link to the site is available on our corporate website.
Scope	The Science and Submissions team has sought to provide information on tobacco ingredients in cigarettes and Roll Your Own. The scope applies to ingredients information which may be drawn from our complete range of cigarettes and the countries in which our products are available.
Reporting Period	As at end of financial year 30 September 2016
Unit	Number of countries
Method	Internal market sales information data is extracted from our internal Science and Submissions product system database, accessed through product specification information.

Third party data verification 2016 **No**

% improvement of the Global Quality Index

Definition	Manufacturing sites use the Product Quality Rating System (PQRS) to measure, manage and report product quality data at site. Group Quality Compliance (QC) sets factories individual targets based on various factors, including past performance, product categories and site-specific considerations. Based on information collated from all sites, QC produces an annual weighted Group Quality Index (GQI).
Scope	The scope covers all manufacturing sites producing factory-made cigarettes, roll-your-own (RYO), make-your-own (MYO), papers, tubes and snus, and three sites producing machine-made cigars and cigarillos. The scope currently excludes sites producing hand-made cigars, pipe tobacco and blends, bobbins and sheets, which are not yet currently applying the PQRS system as effectively as it needs to be.
Reporting Period	As at end of financial year 30 September 2016
Unit	Percentage year-on-year improvement in GQI score
Method	Manufacturing sites are required to submit data to members of the QC team based in Langenhagen, through monthly reports (in Excel form). QC reviews the data and calculates the monthly GQI, which is then shared with the Manufacturing management and the Board. This data is also used to set annual group and site targets. When necessary, the QC team also provides technical assistance and training as well as conducting factory quality audits.

Third party data verification 2016 **Yes**



PRODUCTS AND CONSUMERS

Main operating countries with a formal agreement for combating illicit trade

Definition	We are totally opposed to illicit trade in all its forms and are committed to working with governments and customs and excise authorities around the world to tackle tobacco smuggling and counterfeiting. Operations which require co-operation between the main stakeholders are governed through Memoranda of Understanding (MoUs) and Co-operation agreements. These documents formalise the protocols to facilitate effective action against smuggling and counterfeiting; some are legally binding.
Scope	The scope applies to all MoUs and Co-operation agreements that have been reported to the Group. These formal agreements may be at an individual country level or as part of a collective regional approach, such as within the European Union. Individual countries may agree to a collective agreement as well as an individual MoU. In these instances, such countries are only considered once for the purpose of the indicator.
Reporting Period	As at end of financial year 30 September 2016
Unit	Total number of signed MoUs and Co-operation agreements
Method	Details of Memoranda of Understanding in relation to anti-illicit trade and details of the EU Cooperation Agreement are monitored and reported by the central Group Corporate Affairs Team.

Third party data verification 2016 **Yes**

RESPONSIBLE WITH PRODUCTS

OCCUPATIONAL HEALTH AND SAFETY

Lost Time Accident Frequency Rate

Definition	Lost time accidents are work-related incidents resulting in absence from one or more scheduled workdays or shifts. A workday or shift is the specified hours that the employee is required to do activity on behalf of the company within any 24-hour period. 'Work-related' means that the incident occurred in relation to the employee's activities executed on behalf of the company. This excludes situations such as travelling to and from work.
Scope	Data for this indicator is collected for all Sales and Marketing entities and all Manufacturing sites and offices, including the Cigar and Altadis USA entities. The scope currently excludes Logista. Lost Time Accident Frequency Rate relates to employees who are employed directly by the company whether they are full-time, part-time or on a specific length contract. It does not apply to contractors who are employed by a third party.
Reporting Period	1 October 2014 – 30 September 2015. This is one year in arrears to allow for data reporting, internal consolidation, checking and then external verification.
Unit	Number of lost time accidents per 200,000 hours
Method	Calendar monthly data is entered by local personnel into the NFR system, which then consolidates the data for the central Group OHSE team to review. This is subject to a validation process as explained within the Imperial Tobacco NFR system section. The Lost Time Accident Frequency Rate formula is as follows: Total number of lost time accidents except while travelling to and from work/ (number of hours worked x 200,000 hours).

Third party data verification 2015 **Yes**

Sickness Absence

Definition	We capture absence data for employees who are away from work and have reported themselves as sick. Employees are required to report sickness absence to line managers and HR on the first day of absence and report on their return to work. HR record the period of sickness absence. This sickness relates to both non-work-related and work-related absence. 'Work-related' means that the sickness has occurred in relation to the employees' activities executed on behalf of the company. The sickness absence is calculated as days sickness divided by the average number of working days. A workday is the specified hours that the employee is required to do activity on behalf of the company within any 24-hour period.
Scope	Sickness data covers all employees within the entities for Manufacturing, Sales and Marketing, Cigar and Altadis USA. The scope currently excludes Logista.
Reporting Period	1 October 2014 – 30 September 2015. This is one year in arrears to allow for data reporting, internal consolidation, checking and then external verification.
Unit	Percentage of days sickness absence as a percentage of total days worked
Method	Figures are provided by the Human Resources representatives based on the absence reported. This is collated within the NFR system at six-month intervals and is subject to a validation process as explained within the Imperial Tobacco NFR system section. The sickness absence rate formula is as follows: Number of days sickness absence/(number of hours worked/8).

Third party data verification 2015 **No**



OUR PEOPLE

Human Capital Return on Investment (HC ROI)

Definition	This indicator measures the financial return on the investment we make in our people. We are measuring the investment made in our people in relation to the profit made by the Group.
Scope	The scope covers all employees on both permanent and temporary contracts employed within Imperial Brands PLC, including by Imperial Tobacco, Tabacalera, ITG Brands, Fontem Ventures and Logista employees.
Reporting Period	As of end of financial year 30 September 2016
Unit	Figure
Method	<p>The following figures are taken from the Annual Report and Accounts for 2016:</p> <ul style="list-style-type: none"> • Total tobacco revenue (a) • Total operating expenses for tobacco (b) • Total employee-related expenses which includes salaries and benefits (c) <p>Based on the above figures the following calculation is done: $HC\ ROI = [a - (b - c)] / c$</p>

Third party data verification 2015 **No**

Employee Engagement Score

Definition	A Global Employee Engagement Survey is conducted and run by an external third party service provider.
Reporting Period	As of end of financial year 30 September 2016
Unit	Percentage. The engagement score is the percentage of people answering the survey who are "engaged".
Method	<p>Six questions are used to measure engagement, which are split across three categories: Say, Stay and Strive.</p> <p><i>Say</i></p> <ol style="list-style-type: none"> 1. <i>Given the opportunity, I tell others great things about working here.</i> 2. <i>I would not hesitate to recommend this organisation to a friend seeking employment.</i> <p><i>Stay</i></p> <ol style="list-style-type: none"> 3. <i>I rarely think about leaving this organisation to work somewhere else.</i> 4. <i>It would take a lot for me to leave this organisation.</i> <p><i>Strive</i></p> <ol style="list-style-type: none"> 5. <i>This organisation inspires me to do my best work every day.</i> 6. <i>This organisation motivates me to contribute more than is normally required to complete my work.</i> <p>For each person who responds to the survey and answers at least one question from each of the three Say, Stay and Strive categories, their responses across the six engagement questions are averaged. If the average score for an individual equals or exceeds 4.5 – i.e. they respond positively across the six questions – then that person is "engaged".</p>

Third party data verification 2016 **Yes**



Female Employees

Definition	Imperial Brands employment policies aim to attract the very best people. By applying universally accepted standards for human rights, we ensure they are treated with fairness, dignity and respect. This is reinforced through offering equal opportunities and fair consideration to applications for employment, career development and promotion, without having regard to an employee's gender, race, religion, age or disability.
Scope	The scope covers all employees on both permanent and temporary contracts employed within Imperial Brands PLC including by Imperial Tobacco, Tabacalera, ITG Brands, Fontem Ventures and Logista employees.
Reporting Period	As of end of financial year 30 September 2016
Unit	Percentage. Number of female employees divided by the total number of all permanent employees.
Method	Figures are provided by Group Finance representatives and reported via their systems on a monthly basis.

Third party data verification 2016 **No**

Female PLC Board Members

Definition	The full Imperial Brands Board manages overall control of Group affairs, including responsibility for: commercial strategy; approval of financial statements; major acquisitions and disposals; authority levels for expenditure; treasury and risk management policies; and succession plans for senior executives.
Scope	The scope covers all PLC Board members
Reporting Period	As of end of financial year 30 September 2016
Unit	Percentage. Number of female Board members divided by number of PLC Board members.
Method	Board member adjustments are announced to the Group by Corporate Communications and Company Secretariat. Company Secretariat collate and report the end of year figure as of 30 September 2016.

Third party data verification 2016 **Yes**



RESPECTING NATURAL RESOURCES

ENVIRONMENTAL IMPACT

Operations with ISO 14001 at the time of reporting

Definition	We approach the improvement of environmental performance through risk management, employee training, performance reporting, audits and improvement planning. This is structured by application of formal environmental management systems, which are subject to an annual independent audit by external certification companies, to help drive continuous improvement. We have selected the international standard ISO 14001 as the most appropriate standard for guiding the development of our environmental management systems.
Scope	The scope covers all manufacturing sites including cigarette, other tobacco products (OTP), tobacco leaf processing, paper, tube and cigar operations. It currently excludes laboratories, printing facilities and main offices as well as Logista, Sales and Marketing entities, distribution centres, leaf warehouses, farms and joint ventures.
Reporting Period	As of end of financial year 30 September 2016
Unit	Percentage
Method	Through the NFR system, information on the occurrence of ISO 14001 environmental management system certifications is collated centrally by the Group OHS&E team based in Hamburg, which also coordinates with local environmental management system representatives. The central team calculates the percentage by dividing the number of ISO 14001 certifications by the number of operating sites within the scope. The Group OHS&E team collates copies of certification documents to help ensure the accuracy of the data.

Third party data verification 2016 **Yes**

Absolute & Relative Environmental Waste

Definition	A key element of our environmental approach is to minimise both total waste and the waste sent to landfill. This is also part of our focus on cost optimisation. We seek to reduce waste through reduction, re-use and recycling. A minority single digit percentage of waste is classified as hazardous. Hazardous waste is identified as being potentially harmful to the environment or to humans and its handling is guided by regulation such as the European Regulation on Classification, Labelling and Packaging (CLP Regulation). In general, waste includes items such as tobacco, paper, packaging materials, glues, cellophane, filter tow and cardboard. The handling of waste is dependent on the geographical location. Some factories have reduced the amount of waste they send to landfill by composting the tobacco waste. We are unable to use this disposal route in all countries. In some instances, the compost containing tobacco materials is prohibited for agricultural production. Waste sent to landfill is non-hazardous waste that we have been unable to recycle or re-use.
Scope	The scope covers waste originating from manufacturing sites and main offices. Waste from factories or offices relating to Logista or Sales and Marketing entities is currently excluded. It does not include any material which is re-used.
Reporting Period	1 October 2014 – 30 September 2015. This is one year in arrears to allow for data reporting, internal consolidation, checking and then external verification.
Unit for Absolute Waste	Tonnes
Unit for Relative Waste	Tonnes per £million revenue
Method	Waste data is entered into the NFR system on a quarterly basis and consolidated ready for the Group OHSE team to review.

Third party data verification 2015 **Yes**



Waste Recycled

Definition	Waste materials which have been reprocessed into products, materials or substances whether for the original or another purpose. This includes the reprocessing of organic material but does not include energy recovery and the reprocessing into materials that are to be used as fuels or for backfilling operations. For example, plastic, paper, cartonboard, cleaning solvents and pallets sent to other companies to be recycled.
Scope	The scope covers waste originating from manufacturing sites and main offices. Factories or offices relating to Logista or Sales and Marketing entities are currently excluded.
Reporting Period	1 October 2014 – 30 September 2015. This is one year in arrears to allow for data reporting, internal consolidation and checking.
Unit	Percentage/ tonnes
Method	Data is entered into the NFR system on a quarterly basis and consolidated ready for the Group OHSE team to review.

Third party data verification 2015 **No**

Absolute & Relative Environmental Waste to Landfill

Definition	A key element of our environmental approach is to minimise both total waste and the waste sent to landfill. This is also part of our focus on cost optimisation. We seek to reduce waste through reduction, re-use and recycling. A minority single digit percentage of waste is classified as hazardous. Hazardous waste is identified as being potentially harmful to the environment or to humans, and its handling is guided by regulation such as the European CLP Regulation. In general, waste includes items such as tobacco, paper, packaging materials, glues, cellophane, filter tow and cardboard. The handling of waste is dependent on the geographical location. Some factories have reduced the amount of waste they send to landfill by composting the tobacco waste. We are unable to use this disposal route in all countries. In some instances, the compost containing tobacco materials is prohibited for agricultural production. Waste sent to landfill is non-hazardous waste that we have been unable to recycle or re-use.
Scope	The scope covers waste originating from manufacturing sites and main offices. Factories or offices relating to Logista or Sales and Marketing entities are currently excluded.
Reporting Period	1 October 2014 – 30 September 2015. This is one year in arrears to allow for data reporting, internal consolidation, checking and then external verification.
Unit for Absolute Waste to Landfill	Tonnes
Unit for Relative Waste to Landfill	Tonnes per £million revenue
Method	Waste data is entered into the NFR system on a quarterly basis and consolidated ready for the Group OHSE team to review.

Third party data verification 2015 **Yes**



Absolute & Relative Energy Consumption

Definition	Our operations utilise energy to generate light, heat, power, cooling, refrigeration and steam, and to run compressors. The energy we use originates from a variety of sources including fossil fuels, nuclear and renewable sources. The energy we use is sourced from a combination of energy companies and our own direct-control generation.
Scope	The scope covers manufacturing sites and main offices producing cigarettes, fine-cut and cigar products. Factories or offices relating to Logista or Sales and Marketing entities, are currently excluded.
Reporting Period	1 October 2014 – 30 September 2015. This is one year in arrears to allow for data reporting, internal consolidation, checking and then external verification.
Unit for Absolute Energy Consumption	GWh
Unit for Relative Energy Consumption	KWh per £million revenue
Method	Energy usage data is collated every calendar month at entity level and entered into the NFR System for an automated emissions calculation. Group OHS&E collate and review the data centrally. Energy usage is entered from data sources such as invoices and where not available meter readings, stock-records and usage-records.

Third party data verification 2015 **Yes**

Absolute & Relative CO₂ Equivalent Emissions from Energy Consumed

Definition	As part of our commitment to tackle climate change, we monitor energy usage and calculate our carbon dioxide equivalent emissions with a view to target reductions. We use the GHG Protocol emissions from stationary combustion (www.ghgprotocol.org) and UK DEFRA (www.defra.gov.uk) guidelines to inform our carbon reporting. We keep in line with updates to these guidelines, including updates for conversion factors and, from 2008, the emissions from electricity originating from renewable resources.
Scope	We have adapted our environmental reporting to comply with the UK mandatory greenhouse gas emissions reporting regulations, which impact financial year ends on or after 30 September 2013. See the section "Reporting Boundaries" (page 2) for further information.
Reporting Period	1 October 2014 – 30 September 2015. This is one year in arrears to allow for data reporting, internal consolidation, checking and then external verification.
Unit for Absolute CO₂ Equivalent Emissions from Energy Consumed	Tonnes
Unit for Relative CO₂ Equivalent Emissions from Energy Consumed	Tonnes per £million revenue
Method	Energy usage data is collated every calendar month at entity level and entered into the NFR System for an automated emissions calculation. Group OHS&E collate and review the data centrally. Energy usage is entered from data sources such as invoices and where not available meter readings, stock-records and usage-records.

Third party data verification 2015 **Yes**



Absolute & Relative Water Consumption

Definition	We monitor and measure water consumption. This relates to water provided by suppliers and for water, which we abstract, from natural sources. Water conservation and protection is managed locally within ISO 14001 management systems, and waste water is controlled to meet local consent limits.
Scope	The scope covers manufacturing sites and main offices producing cigarettes, fine-cut and some cigar products. Factories or offices relating to Logista or Sales and Marketing entities are currently excluded. Tobacco factories are where the majority of water is utilised as part of tobacco processing during the manufacturing processes. In general, our factories use mains water from local suppliers. However, some have a well on the premises for the abstraction of groundwater, which, after filtering and treatment, can be used for production purposes. This is done in agreement with the permits issued by the local authority for the amount of water that can be abstracted.
Reporting Period	1 October 2014 – 30 September 2015. This is one year in arrears to allow for data reporting, internal consolidation, checking and then external verification.
Unit for Absolute Water Consumption	Cubic metres (m ³)
Unit for Relative Water Consumption	Cubic metre (m ³) per £million revenue
Method	Water usage information is collated per calendar month at entity level using meter readings, invoices, abstracted water measurements and usage records, as appropriate for the entity. Data is entered into the NFR System for central collation and review by Group OHS&E.

Third party data verification 2015 **Yes**

Fleet Fuel

Definition	In line with changes in mandatory greenhouse gas emissions reporting, we have included fleet fuel data as part of our overall energy consumption data. See the section "Reporting Boundaries" (page 2) for further information. We use the GHG Protocol emissions factors for combustion in mobile sources to calculate emissions associated with fleet fuel.
Scope	Fleet fuel data for FY15 has been collected for 98% of our sales fleet cars. It has been incorporated into the energy (kWh) and CO ₂ equivalent performance indicators. This indicator also includes scheme cars and executives' cars, although sales is the vast majority. In some markets, it was not possible to split the personal mileage from the business mileage, so the overall data includes a small element of personal mileage.
Reporting Period	1 October 2014 – 30 September 2015. This is one year in arrears to allow for data reporting, internal consolidation, checking and then external verification.
Unit	Tonnes
Method	Data is collected in the NFR system once a year. Data is collected through Excel spreadsheets by the Group Fleet Manager based in Hamburg.

Third party data verification 2015 **Yes**



REINVESTING IN SOCIETY

RESPONSIBLE SOURCING

Tobacco Suppliers' Average Performance Score in the Social Responsibility in Tobacco Production Programme

Definition	All companies from which we purchase tobacco leaf are required to participate in our Social Responsibility in Tobacco Production (SRiTP) Programme. SRiTP monitors the social, environmental and economic standards in our tobacco supply chain; from farms through to the leaf processing facilities that produce the finished agricultural products ready for shipping. An expanded, more stringent version of the SRiTP programme came into force in 2012. In general, suppliers are required to complete self-assessment questionnaires annually which automatically generate improvement action plans. The programme is operated on our behalf by independent consultants, who visit suppliers on a rolling programme to share good practice and verify returns.
Scope	The programme applies to all our tobacco leaf suppliers.
Reporting Period	Data is collected based on returns collated and analysed during the financial year 1 October 2014 – 30 September 2015. This is enabled through the application of an Excel spreadsheet package. Data is collected one year in arrears to allow for data reporting, internal consolidation, checking and then external verification.
Unit	Percentage. Weighted average score for all supplier returns.
Method	The average performance score is extracted from the consolidated supplier returns via an Excel database, and data consolidation and analysis undertaken by our independent consultants AB Sustain, based on the list of Imperial Tobacco Leaf Suppliers. The performance report is provided to the Leaf Purchasing and Agronomy, and central Commercial Integrity teams.

Third party data verification 2015 **Yes**



COMMUNITY AND SOCIETY

Group Community Investment (Allocations)

Definition	<p>On a voluntary basis, we seek to support a number of communities in which we operate and from where we source tobacco from. This is through community and sustainability related projects which are over and above the benefits brought by our normal commercial operations and transactions. The term 'community investment' covers funds which are allocated to not-for-profit partnerships, community and sustainability related projects and charitable donations. We have a central budget stewarded by the Corporate Responsibility team, which is referred to as the 'Group Community Investment' budget. An amount of employee fundraising is also matched utilising this 'Group Community Investment' budget.</p>
Scope	<p>The Group Community Investment budget is allocated annually to fund:</p> <ul style="list-style-type: none"> (i) the work of the Altadis Foundation, which is registered as a charity in Spain and is the main community investment vehicle within our Group, (ii) our financial support of the Eliminating Child Labour in Tobacco Growing Foundation (ECLT), (iii) Leaf Partnerships, which predominately addresses farmer viability, rural incomes and environmental sustainability issues in prioritised tobacco-growing communities (iv) community partnerships, charitable donations and employee community-related activities in the UK; and (v) a reserve for ad hoc allocations and requirements, such as in response to a humanitarian disaster. The allocations are predominately facilitated by the UK Charities Aid Foundation (CAF), which provides banking facilities and verifies charitable organisations. The main exception in the use of CAF is for the Leaf Partnerships, where project costs with suppliers are charged directly against the centralised community investment cost-code. <p>We refer to allocations rather than actual spend, because the time at which funds are actually spent within a project may occur later than within the current financial year. The financial value of the Group Community Investment does not include employee time, in-kind contributions, management costs or other community support that may be provided by any budget holder within our Group, at a local level.</p>
Reporting Period	As of end of financial year 30 September 2016
Unit	Reported in UK Sterling Millions of Pounds (£m)
Method	<p>The financial value for the Group Community Investment allocation made within the financial year is extracted from our financial reporting and accounting system by Group Finance, using the specific community investment cost-code. The Corporate Responsibility team reconcile community investment allocations and payments with expected transactions and allocations in relation to the five funding mechanisms i.e. the Altadis Foundation, the ECLT, Leaf Partnerships, UK Community Investment and the ad hoc reserve. Any anomalies potentially resulting from the use of the wrong cost-code or by local entities incorrectly charging against the central code are investigated and addressed; involving the Corporate Responsibility team, local management and Group Finance. All allocations are to £m British Sterling and where applicable utilise the Group's defined average exchange rate for the period in question.</p>

Third party data verification 2016 **Yes**