

LEADERSHIP AND GOVERNANCE

Our Board of Directors is responsible for the delivery of our strategy, and the financial, environmental, social and governance (ESG) performance of the company.

The Board delegates responsibility for developing and implementing strategies and for the day-to-day management to the Chief Executive, who is supported by the Executive Leadership Team (ELT); comprising of the members of our senior management team. The ELT is responsible for supporting the Chief Executive with implementation of Group strategy, monitoring the detailed operational performance of all aspects of the business, and ensuring the Group achieves its financial and non-financial targets.

The Global ESG Director and the central Group Sustainability Team have responsibility for setting the sustainability strategy and supporting the business to implement it. We have cross-functional networks of specialist who deal with sustainability issues within their areas of specialism. These include our Corporate Legal Affairs network, Occupational Health Safety and Environment (OHSE) professionals, the People and Culture team, Product Scientists and Market Coordinators. Our Code of Conduct and Supplier Code sets out the expectations of business conduct and all who work for and with us are expected to comply with the Code.

Executive oversight of our sustainability performance includes an annual review by the ELT, followed by an annual review by the Board. The cross-functional ESG Steering Committee, chaired by the CEO of Imperial Brands, meets three times per. The Committee's remit on behalf of the Board is to oversee the management of our material ESG responsibilities and to ensure the successful delivery of our sustainability strategy.

RISK

In accordance with the UK Corporate Governance Code, the Board has overall responsibility for setting the Group's risk appetite, with accountability for maintaining effective risk management and internal control systems then being delegated to the Audit Committee. During the year, the Group strengthened its risk management framework with the introduction of a Group Risk Committee, chaired by the CEO.

The system of risk management and internal control we have established is designed to manage, rather than eliminate, significant risks the Group may face. Consequently, our internal controls can only provide reasonable, and not absolute, assurance over our principal risks.

In designing an approach that enables the business to achieve its strategic objectives in alignment with the Board's risk appetite, the Company's approach to governance, risk management and internal control has been aligned to the "three lines model".

1st Line of Defence

Local management owns the management of risks and it is their responsibility to identify and mitigate these risks.

2nd Line of Defence

Central functions and committees, employing subject matter experts, develop appropriate policy, process, and control structures in line with the Board's risk appetite and provide support to first line management to best ensure their effective ongoing application.

3rd Line of Defence

Our Internal Audit team independently reviews compliance with, and the effectiveness of, our risk management and internal control system. They report the results of their work to the Audit Committee, who, in turn, report relevant findings to the Board.

Our risk appetite is embedded within our wider risk management framework through leading and lagging key risk indicators (KRIs) which measure our exposure to risk and support alignment with risk management and internal control systems.

We have leading and lagging indicators for our Health and Safety and environmental issues which are embedded within our regular reporting to the Audit Committee, together with explanations of variances against agreed thresholds and mitigating actions being undertaken to ensure risks remain within risk appetite.

Please see the **Annual Report and Accounts** for more detail on Managing Risk.

OUR VALUES

We take pride in what we do and how we do it. Acting responsibly and with integrity has helped us create and sustain a successful business. Underpinning this are our values. These are the essence of what Imperial is about and define who we are. They provide us with a common bond, guiding the way we do business and influencing the way we behave. Our values are about working together, continually improving, taking ownership, and making the most of every opportunity.



STRATEGIC FOCUS

How we manage the most important sustainability issues aligned to our three strategic areas of focus.

TOBACCO SUSTAINABLE SUPPLY

FARMER LIVELIHOODS AND WELFARE FORESTRY AND BIODIVERSITY CHILD LABOUR

Our approach to ensuring a sustainable supply of tobacco is predominately set and defined by the Global Supply Chain (GSC) function. Group Procurement set the standards and requirements for supplier requisitions and payments. The Leaf Sustainability team has managerial responsibilities for working with our tobacco suppliers on the issue of farmer livelihoods and welfare through Leaf Partnership projects. They also engage with suppliers on forestry issues; promoting and implementing good agricultural practices, through the application of the Sustainable Tobacco Programme (STP).

Tackling the issue of child labour is managed through our Leaf Partnerships, the STP and our partnership with the Eliminating Child Labour in Tobacco (ECLT) Foundation.

NGP REDUCED HARM

HARM REDUCTION RESEARCH AND DEVELOPMENT

The Product Stewardship and Health Group (PSHG) consists of senior scientific, research and legal specialists who provide regular updates and advice to the ELT.

We have an Assessment, Guidance and Permissions (AGP) Group, which consists of expert toxicologists who assess, prior to manufacture, the suitability and regulatory compliance of the material specifications to be used. Our Risk Assessment Panel (RAP) are called upon in the event of a suspected contamination; their role is to assess whether the defective product poses potential risk to consumer safety and recommend a course of corrective action.

OPERATING RESPONSIBLY PEOPLE AND OPERATIONS

HEALTH SAFETY AND WELLBEING DIVERSITY

RECRUITMENT, DEVELOPMENT AND REWARD

The Group Occupational Health and Safety (OHS) Team set the Group standards and provide specialist expertise for health and safety which is deployed through a network of Regional OHSE specialists. We operate a 'plan, do, check, act' OHSE framework throughout our operations which includes formal management review processes. Performance is regularly monitored, reviewed and reported to various levels of operational management, ELT, the ESG Steering Committee and the PLC Board.

Employment practices including recruitment, development, reward and diversity and inclusion are defined and set by the People and Culture Team and shared and enabled throughout the Group via Business Partners. This is enabled through our global human resources system – Workday.

Our Internal Policies and Standards

- Code of Conduct
- Anti-Bribery and Corruption
- Competition and Anti-Trust Policy
- Corporate Affairs Engagement Policy
- Fraud Risk and Management Policy
- Global Procurement Policy
- Integrated ITG Leaf Processing manual for cigar manufacturing
- ITG Leaf Processing Manual for cigarette and OTP Manufacture Policy
- Speaking Up (Whistleblowing) Policy
- Supplier Security Compliance
- Sustainable Tobacco Programme (STP)
- Supplier Standards and Contracts
- Supplier Code
- Human Rights Policy

- Code of Conduct
- Global Digital Marketing Policy
- Combustible Tobacco Products and Accessories International Marketing Standard
- Next Generation Products International Marketing Standard applicable also to Associated Products and Accessories
- Guidelines for the use of social media
- Product and Technical Development Policy
- Product Stewardship and Health Policy
- Product Supply Compliance Policy
- Customer Complaints Process
- Sanctions Compliance Policy
- Secure Machinery Disposal
- Standards for Transport and Warehousing
- ISO 9001 Quality Management
- ISO 17001 Laboratory Management

- Code of Conduct
- Employment Policy
- General employment practices
- Employee engagement
- Fairness at work Policy
- UK Gender Pay Report
- Health protection, wellbeing Policy
- Travel safety Policy
- UK Bribery Act
- Speaking up (Whistleblowing Policy)
- Occupational Health and Safety Policy
- OHSAS 18001 / ISO 45001 Occupational Health and Safety management
- ISO 14001 Environmental management
- Community Contributions and Volunteering Policy

ESG FRAMEWORK

Our sustainability strategy is framed by the environmental, social and governance issues that are most important to our business

ENVIRONMENT

CLIMATE AND ENERGY

WATER

WASTE

The central Group Sustainability Team set the Group standards and provide specialist expertise for environmental management which is deployed through a regional network of OHSE specialists. Operational management of environmental issues, management systems and performance are the responsibility of local management, including Factory Managers. Environmental performance data is collected from all sites via our Non-financial Reporting system (NFR) and presented to the ELT quarterly and the Board annually. The Code of Conduct and Supplier Code define our expectations on environmental management by third parties working with us or on our behalf.

SOCIAL

HUMAN RIGHTS

The central Group Sustainability Team lead on the group understanding of Business and Human Rights in line with the United Nations Guiding Principles (UNGP) on Business and Human Rights. The central team work with the most relevant functions and departments, including Leaf Sustainability, Procurement, People and Culture, and Internal Audit to ensure that Group requirements as detailed in the Code of Conduct and Supplier Code of Conduct are met and improvements progressed. Tobacco leaf supply chain issues are managed through our STP programme and the supplier qualification and vendor rating system for non-tobacco material and next generation products. For our direct operations, employment practices, our Human Rights policy and the Code of Conduct are particularly relevant in the respect of Human Rights.

GOVERNANCE

YOUTH ACCESS PREVENTION

ILLICIT TRADE

To ensure our products are sold responsibly, market control activities are enabled worldwide through a network of specialists, including Corporate Affairs. New marketing developments and brand communications are led by central marketing and overseen by the Brand Regulatory Protection Team. We expect all Imperial Brands companies and employees, and the agencies who work with us, to adhere to our International Marketing Standards (IMS) and local legislation at all times. We have an equally stringent IMS for NGP. Anti-illicit trade market activities are overseen by Group Security. We use a Track and Trace System which allows us to keep track of our product movements throughout the supply chain.

Our Internal Policies and Standards

- Code of Conduct
- Environment Policy
- Participation in the Carbon Disclosure Project
- ISO 5001 Energy Efficiency
- Regulatory Compliance for Emissions
- ISO 14001 Environmental management
- Regulatory Compliance for Environmental Impacts and Reporting
- Supplier Code
- Response to Taskforce on Climate Related Financial Disclosure (TCFD)
- Occupational Health, Safety and Environment (OHSE) Framework

- Code of Conduct
- Human Rights Policy
- Supplier Code
- Employment Policy
- Modern Slavery Act Statement
- Sustainable Tobacco Programme (STP)
- OHS Policy
- Environment Policy
- Procurement Policy
- Supplier qualification programme
- Speaking up (Whistleblowing) Policy
- Workforce Disclosure Initiative
- Partnership with Hope for Justice and the Eliminating Child Labour in Tobacco Growing (ECLT) Foundation

- Code of Conduct
- Regulatory compliance with Employment Law
- ITG Inspection and Weight control procedures of tobacco deliveries
- Memoranda of Understanding
- Anti-bribery and corruption Policy
- Speaking up (Whistleblowing Policy)
- Combustible Tobacco Products and Accessories International Marketing Standard
- Next Generation Products International Marketing Standard applicable also to Associated Products and Accessories
- Agency policy manual guidelines
- Product supply compliance Policy
- Competition and Anti-Trust Policy
- Corporate Development Policy
- Crisis Management
- Fraud Risk Management Policy