

30 September 2024 - ESG Webinar

Slide – ESG Investor Webinar

Slide – Disclaimer

Thérèse Esperdy

Slide – Chair’s Overview

Hello everyone.

I’m delighted to present an update on Imperial Brands environmental, social and governance activities.

Slide – Eight Priorities Aligned to our Strategy

In 2022, we refreshed our approach to ESG and in September of that year, we held our first ESG webinar to share our new thinking with you.

We had conducted an in-depth materiality study and identified eight key priorities.

Two years on, having refreshed our materiality assessment, these priorities remain our focus and we’re excited to share our progress.

Before I hand over to Stefan and the management team, I want to spend a few moments on the role of the Board and how we’ve strengthened our wider governance as well as our oversight of ESG.

Slide – Underpinned by a Robust Governance Framework

Over the past two years, we have continued to strengthen our governance framework, with distinct, well-defined roles for management and the Board.

One of the most notable changes this year is the Board’s decision to expand the role of the existing People and Governance Committee to enhance the Board’s oversight of sustainability and ESG.

The expanded Committee meets quarterly and has direct reporting lines from two key Executive Committees: the Group ESG Committee and the Group Ethics & Compliance Committee, both of which are chaired by Stefan.

The ESG committee includes the full Executive Leadership Team and is responsible for delivering our ESG agenda, monitoring progress, and allocating appropriate resources.

This framework gives the Board full oversight of ESG, while ensuring delivery remains firmly at an executive level.

Slide – People, Governance & Sustainability Committee

The newly reframed People, Governance & Sustainability Committee, which contains all non-executive directors, undertakes clearly defined activities for the Board, as shown here.

It plays an important role in reviewing the Group's people policies and practices to support talent and capability, a diverse and inclusive workforce and employee engagement.

One of the most important tasks for this Committee is looking at executive leadership capabilities and overseeing the pipeline of senior talent to deliver our strategy.

This is where we discuss succession for the Executive Team and, of course, the Board as well as Board composition, Board evaluations and wider corporate governance.

The Committee reviews ESG and ethics and compliance reporting, and oversees how risks in these areas are managed.

For example, one recent discussion at the Committee was the Group's whistleblowing programme and how we can improve on the way employee concerns are reported and addressed.

Slide – Review of Non-Financial Reporting

The Committee also reviews all aspects of the Group's non-financial reporting as well as internal verification and external assurance – in conjunction with the Audit Committee, where appropriate.

ESG is not only about us doing the right thing.

It's also about giving you – the people who own this business – comfort that we can clearly evidence our progress.

We are alert to concerns of greenwashing – and that is why I want to assure you that the data points we present undergo rigorous internal and external processes.

The external assurance process for this financial year is underway so these numbers may be subject to change.

Internally we have appointed a dedicated 'Head of Non-Financial Reporting' and externally our auditors EY provide assurance of key published ESG data.

And preparations are already underway for reporting under the EU's Corporate Sustainability Directive.

Slide - Powered by responsibility

Governance isn't only at a Board and executive level. We're creating a strong governance culture throughout Imperial, underscored by refreshed policies and codes.

For example, just this month, the Board approved a new Group code of conduct.

Front and centre of the new code is the message that our people should feel free to speak up about their concerns, anonymously if preferred, and without fear of retaliation.

It is important that we have an environment where difficult issues can be aired and addressed.

Slide – Creating A Skilled and Diverse Board

To support all of this, we have significantly strengthened the Board over the past four years in terms of diversity, skills and experience.

A strong and effective Board is key to underpinning the “G” in ESG.

Since becoming Chair in 2020, there have been nine new appointments.

With eight different nationalities and wide international business experience, the Board now well represents our varied global footprint.

Slide - Strengthening Board Diversity and Skills

My goal has been to enhance all aspects of Board diversity because this drives better discussions and better decision making.

Today the Board is 45% female – up from 22% in 2020 – and we now have voices from broader ethnic backgrounds for the first time.

Just as important has been our drive to enhance the skills and experience of the Board.

For example, the majority of our Board now have direct consumer goods experience in key leadership and operational roles from a wide range of sectors.

Specifically, we wanted Directors with experience of consumer industries undergoing strategic change.

For example, Bob Kunze-Concewitz, has led the successful long-term transformation of Campari Group.

Julie Hamilton, formerly of Coca Cola and Diageo, and Andrew Gilchrist, who was CFO of Reynolds, have both held senior roles in global businesses driving through major change.

Slide- Delivering against our plan

One of our roles as directors is to provide oversight and challenge.

Achieving our ambitious long-term goals will not be easy.

And there will, no doubt, be some challenging boardroom discussions on ESG in the years to come.

However, another key role is to offer support and encouragement.

I have been impressed by what has been achieved already... for example...

In consumer health, we have grown our NGP revenue by more than 40% under our current strategy.

In climate, we have reduced emissions by 69% since 2017 and we have clear but ambitious plans to get to net zero.

Last year, we supported more than 100,000 farmers through our Leaf Partnership Programmes.

This is to name just a few of the highlights.

With this in mind, I want to say a big thank you to Stefan and to everyone at Imperial Brands for the huge progress which has been made.

Today's presentation will demonstrate some of this progress.

I and my Board colleagues have been hugely impressed by the quality of the thinking, rigour of the objectives and the sheer passion of our people.

Stefan – over to you.

Stefan Bomhard

Slide – Title slide

Thank you Thérèse and hello everyone...

Slide – Our Purpose, Vision and Strategy

Most of you have heard us talk about our distinctive role within our industry – our vision to be the strong challenger and how this aligns to our purpose and strategy.

And we have explained how – as the number four player – we need to do things differently.

Today we want to discuss how we are also taking a similar challenger approach to our environmental, social and governance priorities.

We are going to explain how, in ESG, we are also starting with the consumer.

Since our previous ESG webinar two years ago, we have made strong progress across each of our priority areas.

We also recognise there is much work still to do.

In some areas we have been starting from behind – playing catch-up.

But the good news is we are taking the opportunity to learn from others.

Slide – Our ESG Journey So Far

We have been following a clear roadmap to drive ESG into our operations.

We started with a comprehensive materiality assessment, listening to the views of consumers, customers, employees, regulators and investors.

This helped define the eight focus areas that Thérèse set out earlier.

And, more recently, we have strengthened the governance and integrated ESG metrics for consumer health and climate into our executive remuneration.

Slide – Executive Sponsorship for each ESG priority

At launch... we appointed Executive Leadership Team sponsors for each of our ESG priorities to inspire engagement throughout the entire company.

We firmly believe this approach puts us in a stronger position to deliver against our goals.

I am going to give a brief overview of today's agenda before handing over to the team.

Slide – A Performance Culture Drives ESG Delivery

A key element of what makes us a strong challenger business is our performance culture.

This is about strong capabilities, clear lines of accountability and deep collaboration.

Alison, our Chief People and Culture Officer, will talk about how this culture supports the delivery of our ESG priorities.

She will also discuss how we have galvanised our people behind our ESG priorities through the Triple Zero initiative.

This is a programme of activities to inform and energise our colleagues about our goals of Zero Carbon, Zero Waste and Zero Injuries.

Linked closely to the development of our performance culture is our ambition to become more diverse and inclusive.

We now have a much more diverse team around the table.

And these appointments are all aligned to our ambition to be the most agile and consumer centric business in our sector.

Slide – Healthier Futures for Consumers

This is important because, like many sectors, we are going through a long-term transition.

A transition from the old world dominated by combustible cigarettes to a new world where more adult consumers make potentially less harmful, smoke-free choices.

We are committed to making our own important, distinctive contribution to harm reduction.

Industry transitions can be slowed by a lack of consumer acceptance.

They will only choose to make the change if pain points are addressed through innovation and investment.

The world's one billion smokers must choose to quit – or to transition to potentially less risky alternatives.

A successful approach to harm reduction needs to start with a deep understanding of consumer behaviours and the barriers they face to making different choices.

Now in a moment, you will hear from Paola, our Chief Consumer Officer, and Joe, our head of science, about how we are taking a deeply consumer-focused approach to our research.

Slide – Healthier Futures for the Planet

Being a challenger is also about taking advantage of our smaller size to be more agile.

We have been able to move swiftly to create new multi-disciplinary teams collaborating on a global scale.

Our colleagues work smart and deliver in a way that's a commercial win-win:

- Eliminating carbon emissions and creating more efficient manufacturing processes,
- Reducing vehicle mileage and helping our sales force become more effective,

- Cutting packaging costs and creating new, differentiated consumer propositions.

You're going to hear from Lukas, our Chief Financial Officer, and Benjamin who leads our efforts on reducing packaging and waste.

Slide - Healthier Futures for our People and Society

Our challenger mindset extends to our partnerships in farming communities.

Vinay, who leads on leaf procurement will give you some new insights into the issues and opportunities in this area.

And on our ambition for zero injuries in our own workforce, Tony, our ESG director, will explain how we are moving towards this ambition.

Now, it may seem like an impossible mission for a global business of 25,000 people to achieve zero injuries.

But we believe that even a single person harmed in the course of their work with us is a person too many.

We won't get there overnight but this is the right ambition.

Slide – Agenda: Healthier Futures for...

This sets out our agenda for today.

I am delighted we have a selection of our senior leadership team to present to you today.

And I will be back later to provide some concluding remarks.

And the team will be happy to answer your questions in our Q&A.

Now I would like to hand over to Alison to talk about how our performance-based culture drives our ESG delivery.

Alison, over to you...

Alison Clarke

Slide – Performance culture drives ESG delivery

Hi everyone.

I want to cover two things in my presentation.

First – how are we delivering our ESG priorities – and in particular how our performance-based culture enables our progress.

Second – an update on a specific ESG priority – diversity, equity and inclusion.

Slide – How Our Performance Cultures Drives ESG Delivery

As the executive leader accountable for ESG, I want to start by explaining a little more about how we operate.

Our strategic wheel's three enablers guide both commercial and ESG priorities.

Stefan discussed our *consumer*-focused approach, and Thérèse covered governance reforms, which have *simplified* how we work.

I'll focus on performance culture in ESG, which includes having the right capabilities, clear accountability, and deep collaboration across the entire organisation.

Slide: Building capabilities, accountability and collaboration

Let me start with capabilities.

Broadly, these break down into: people, process and data.

Initially, we invested in external hires with global expertise, for example responsible sourcing, and diversity, equity and inclusion and we invested in strong FMCG expertise to drive our consumer health agenda.

To deliver each priority, we built cross-functional groups, embedded in the business and with shared objectives.

A good example is the team responsible for reducing energy use in our factories.

We have brought together people across diverse locations such as North Carolina, Taiwan and Germany to use their deep expertise to build solutions to cut our carbon footprint.

We've also invested in technology to give us better data to enable faster, better-informed decisions.

This includes the Strata energy management system, Sedex, to improve supply chain visibility and Datamaran, which supports our materiality surveys.

Turning to accountability, which is at the heart of our performance culture, there are three levers to call out: measurement, remuneration and audits.

When we built our ESG strategy, we set stretching goals with clear KPIs and then allocated accountability to leaders and teams across the business.

The ESG committee reviews progress against these goals every quarter – and where we are on track we add stretch.

Since 2020, we have also increased the number of assured ESG measures from 19 to 32, which is a significant increase.

And ESG measures also form part of executive pay, with bonuses tied to consumer health and climate change metrics in the long-term incentives.

To ensure our performance is on track we use proactive audits to identify risks.

In 2024, we conducted in-person human rights audits in Morocco, Cote d'Ivoire, and the US, and in health and safety we completed 15 cross-factory audits this year.

Collaboration is a key driver of our performance.

To support this we have created the "ESG Community", of 50 business leaders and subject matter experts, accountable for key deliverables.

Tony Dunnage and I hold working sessions with this team quarterly to identify synergies, share best practice and develop future strategy.

Many of our people have also become Zero Heroes, or local ESG champions to support our initiatives.

Slide: Galvanising our people through communication

As we develop our ESG ambitions, increasingly we need to engage our broader workforce – not just the experts. And this requires a focussing compelling internal communication.

To amplify the messages of our performance culture, we created "Connections TV", a communication tool targeted at sales reps and factory employees.

This year, we dedicated two episodes to ESG, highlighting practical examples of how our people could get involved and make a difference.

We also hold an annual webinar – led by Stefan – for our top 500 leaders on the role that they need to play in ESG.

Slide - Becoming more inclusive to all

Let me turn now to the second part of my presentation – our progress in diversity, equity and inclusion.

We have approached DE&I through the same performance culture prism as the other ESG topics.

We were coming from behind – and our first priority was to build capabilities across the business.

We started by creating four business employee resource groups covering gender, ethnicity, disability and LGBTQ+.

We now have 1,000-plus members, who are important sources of expertise and thought leadership and enthusiastic champions of our agenda.

To lead this agenda, we recruited a strong global team with deep experience to create and drive a comprehensive long-term plan.

Second, we focused on accountability – getting clear, measurable objectives.

Our initial goal was to focus on gender balance, we now have 45% female representation at the ELT, up from 14% four years ago.

And we have also improved the gender balance of our top 500 leaders by more than 15 percentage points to 36%.

Slide – Reflecting our Diverse Customers – Collaborating to drive commercial outcomes

An important focus in DE&I is to drive positive commercial outcomes by creating a more diverse and inclusive workforce.

For example, the salesforce in our largest market, the US, is now majority “diverse” – that is more than 50% female or minority ethnic.

This better reflects the varied nature of the retailers that we serve.

And in Germany, our second biggest market, we used the investment in our salesforce to hire more people from culturally diverse backgrounds.

It’s early days, but in both markets these new recruits are already building closer relationships with retailers from similar cultural backgrounds.

We still have a long way to go in DE&I and across all our ESG priority areas,

But I think the performance culture underpinning the way we approach ESG – supports a more sustainable and consistent delivery.

I’ll now hand over to Paola to talk about how we are working towards healthier futures for our consumers.

Paola Pocci

Slide – Consumer health – title slide

Many thanks, Alison. And hello everyone.

Slide – Forging a Path to a Healthier Future

I am pleased to be the executive sponsor for our ambition of making a meaningful contribution to tobacco harm reduction.

This is core to our purpose of forging a path to a healthier future for moments of relaxation and pleasure.

As Stefan highlighted, we have adopted a challenger approach based on some key principles...

First and most importantly... we start with the consumer. We aim to truly understand adult smokers, their motivations, needs and preferences.

Second, we have a clear role to provide choice to consumers. It is not about telling consumers what to use. It's about seeking to offer better choices to drive acceptance.

Third, is identifying the untapped consumer needs. We are focused on building differentiated challenger brands that meet these needs.

We are not looking to be number one but seeking to carve out a sufficiently attractive share of market.

Finally, it is about the scientific validation of our products. We invest in the science behind our products so we first and foremost ensure product safety.

We can then understand what contribution we can make to harm reduction.

Today, we will focus mainly on the scientific validation aspects of our approach.

Slide – Consumer Choice and Harm Reduction

But before we do that... let me explain the principles of tobacco harm reduction.

It is just not about selling potentially reduced harm products... it is about the individual journey of each of the world's one billion adult smokers.

This equation illustrates how next generation products have the potential to improve consumer health.

However, to facilitate harm reduction, these new products must be accepted by adult smokers as alternatives to cigarettes.

Clearly, the best health-related outcome is for adult smokers not to use any tobacco products.

By increasing NGP choice and by improving the experience, we can increase adult smoker switching.

Slide – Consumer Choice Must Be Provided Responsibly

We can expand this harm reduction equation to explain what we mean by consumer acceptance.

Consumer acceptance and satisfaction is critical to enable harm reduction.

But it is not enough to satisfy current adult smokers with a potentially reduced-risk nicotine product, which we will call 'off-ramping'.

We are conscious of society's concerns around unintended use of these products, especially by youth... or so-called 'on-ramping'. This could diminish the contribution to harm reduction.

At a population level, harm reduction is only achieved if the 'off-ramping' substantially outweighs the risk of 'on-ramping', which we must minimise or eliminate. I will come back to this.

Slide - Providing Product Choice to Drive Consumer Acceptance

So, our focus is on driving consumer acceptance, while recognising that consumers and markets are different.

The chart on the right shows consumer preferences for nicotine vary significantly by market. This is driven by history, regulation, taxation, among other factors.

The goal is consumer acceptance. When NGP use is coupled with a reduction in cigarette smoking, this is likely to lead to improved consumer health outcomes, based on what we know today.

Slide – Under-age people should never use our products...

Let's now address the flip side of this equation – and the concern of 'on-ramping' to nicotine by consumers who do not already smoke.

Let me very clear: Minors should never use any of our products. Furthermore, all of our products are aimed very squarely at existing adult smokers and nicotine consumers.

We maintain a strict "responsible marketing" code.

For example, we monitor for any sales abnormalities that in some instances may indicate potential proxy sales to youth.

We use third-party online age-verification on blu.com, where required.

And we have contractual commitments with retail and wholesale customers to apply our high standards throughout the distribution chain.

We also recommend printing 'for adult smokers and vapers only' on consumer-facing communication for our vape products.

We believe everyone, from manufacturers to retailers, must take responsibility in preventing youth access.

And we support regulation aligned with this goal.

So, to summarise, we have built the foundation for a growing and sustainable NGP business that can make a meaningful contribution to harm reduction.

Today... we are going to focus more closely on the scientific validation of our products.

And I am going to hand over to Joe Thompson to take you through our scientific validation approach.

Thank you.

Joe Thompson

Slide – Scientific Validation of our Products

Thank you, Paola,

I'm now going to focus on how we robustly assess our NGPs, for their safety, efficacy and potential for harm reduction.

We set up our first R&D laboratory in the 1950s and have increasingly invested in the science of harm reduction through NGP over the last decade or so.

More recently, we have added to this track record of clinical expertise with real world behavioural studies – which I will cover later.

Slide – The Scientific Literature Demonstrates of NGP Tobacco Harm Reduction

The scientific and medical literature continues to demonstrate the potential of NGP for harm reduction.

The science is growing, and in 2023 there were over 3,700 peer reviewed publications covering chemistry, biology and clinical outcomes.

It's this growing body of scientific data that enables public health bodies to increasingly conclude that NGP have real potential for adult smokers who switch.

For example, on vaping, the UK Royal College of Physicians concluded that:

“using e-cigarettes for harm reduction to reduce morbidity and mortality from combustible tobacco is based on clear evidence...”

Imperial has contributed by investing in our own scientific research, which we routinely publish in peer reviewed literature.

There are some recent examples here on the slide – and you can find more on the Imperial Brands science website.

Slide – Offering a Focused Choice of Potentially Reduced Risk NGP

You will all be familiar with this chart which shows the relative risk scale for combustibles and various NGPs.

Combustible cigarettes sit on the left with the highest number of toxicants, and the highest risk, caused by the combustion of tobacco.

Combustion is responsible for diseases caused by smoking, not nicotine.

On the right-hand side of the scale are NGP, that have substantially lower levels of toxicants, and the potentially lowest risk, because they do not involve combustion.

However, to substantiate the potential for reduced risk and harm reduction we need to fully assess NGP through several scientific disciplines.

Slide – Our Multi-stage Scientific Assessment Framework

We have developed a rigorous multi-stage, multi-discipline scientific assessment framework or SAF to substantiate the reduced risk potential of NGP.

We begin with ‘product characterisation science’ to understand what’s in the aerosol and what a consumer is exposed to.

This analysis includes aerosol chemistry with a risk assessment of the ingredients, materials used, and a view on product quality and indoor air quality.

Biological science assesses the potential impact on human cells in the laboratory, relative to combustibles.

Clinical science evaluates what’s happening in consumers. It assesses safety and performance of NGP when actually used by adult smokers.

Behavioural science looks at how consumers use products, and what their views are on the health risks of using them.

Computational science involves data modelling that allows us to predict what the potential long-term harm reduction impact could be in markets if existing adult smokers switch to NGPs.

And post market surveillance looks at what is happening in real life once our NGPs are on the market. It monitors product safety, and harm reduction potential.

Slide – Up to 99% Reduction in Harmful Chemicals

Starting with product characterisation... laboratory tests show that NGP has up to a 99% reduction in harmful chemicals compared to combustible cigarettes.

On the left-hand side, our vaping products have greater than 99% reduction, because they do not contain tobacco.

On the right-hand side our heated tobacco products have a reduction of greater than 95%.

This builds confidence that these products greatly reduce exposure. However, we still need to understand the toxicity of that exposure.

Slide – Substantial Reduction in Toxicity in Regulatory Tests

This reduction in harmful chemicals also translates to a substantial reduction in toxicity in regulatory tests.

To do this, we look for specific assays which are predictive of cancer risk. The chart shows the % reduction compared to combustible cigarettes.

The first three bars evaluate our vaping products. It shows that blu is not genotoxic in the in-vitro micronucleus assay, nor has mutagenetic potential in the Ames assay, i.e. blu didn't elicit any response in either assay.

In tests for cytotoxicity, its response was reduced by 99% compared to a cigarette.

On the right-hand side are the results for our heated tobacco products, Pulze and iD. Again, these show substantial reductions compared to cigarettes.

This data builds confidence that NGP has the potential to be substantially less risky than combustibles.

Slide – Assessing Long-term Health Risks

We need, however, to assess other health endpoints, and in the absence of long-term epidemiological data, we use cutting edge techniques that help us assess, and predict, potential long-term risks.

Our policy is to not test on animals unless required to do so by regulators. This is a differentiator compared to competitors.

Instead, we use scientific models of human disease. We work with third parties to develop innovative technologies which use human cells to test for a range of disease markers that may indicate an increased or decreased risk.

The figure on the left, shows histopathology images of 3D lung tissue, which has been repeatedly exposed to the aerosol of vaping, or heated tobacco products or cigarette smoke.

Results show minimal effects compared to cigarette smoke.

On the right side is a heat map which summarises the inflammatory response of cells after exposure to cigarette smoke, shown in the left-hand column versus our heated tobacco product in the middle and vaping on the right.

The inflammatory markers, when interpreted together, give an indication of cardiovascular disease risk.

Red represents an increase in these risk markers; grey shows no change, and blue represents a reduction in risk markers.

Although we are still dealing with novel products here, in these assessments, NGPs clearly show a substantial reduction in potential cardiovascular risk markers in human cells compared to cigarettes.

These are just two examples of the assessments we undertake to try to understand longer-term health risks.

Slide – Effectively Delivering Nicotine

Nicotine delivery is important to consumers.

Our clinical studies show that NGPs deliver nicotine rapidly, and are satisfying for adult smokers.

The figure on the left shows the nicotine delivery of various versions of our heated products compared to a cigarette shown in blue. The y axis is the measure of nicotine in the blood, and x axis is time. You can see that nicotine is delivered rapidly, and whilst at satisfying levels for consumers, is less than a cigarette.

On the right are PET scans of radiolabelled nicotine. You have freebase nicotine on the left, and a salt, nicotine lactate on the right. Nicotine salts help to stabilise nicotine within the aerosol, so it reaches the lungs and improves delivery.

More efficient nicotine delivery was linked to greater satisfaction in our clinical studies, which helps consumer acceptance.

Slide – Marked Reductions in Biomarkers of Exposure

Our NGPs have been tested in clinical studies which measure biomarkers. These are specific chemicals in blood or urine as an indicator for exposure to harmful constituents found in tobacco smoke.

The chart summarises changes in 15 biomarkers.

There was an average of 84% reduction in biomarkers among study participants who only vaped, and 40% reduction for those that vaped and smoked.

The study concluded that both dual use and complete switching have a positive impact on biomarker exposure. Again, building confidence that NGP have the potential to reduce risks of smoking.

Slide – Helping Adult Smokers Transition Away From Smoking

We have done a lot more work recently on understanding the behavioural aspects of our NGPs with consumers.

We have conducted 'actual use' studies with over 1,000 consumers, with no intention to quit smoking.

On the left is a 24-week study in the Czech Republic with Pulze and iD, which shows that 16% of participants switched to exclusive use and a further 34% reduced their cigarettes per day by 50% or more after just six weeks.

This remained stable at week 24, with a further increase in those that had completely transitioned away from smoking to 25%.

On the right is a six-week study for both blu 2.0 and blu bar in the UK, where up to 40% completely switched away from cigarettes, on average across the two studies, or substantially reduced their cigarette consumption.

We are awaiting the 24-week data, but the preliminary results indicate that, blu 2.0 and blu bar could also offer an effective alternative to adult smokers with no intention to quit smoking.

Slide – Potential for Public Health Harm Reduction

We have also developed computational population health models to predict potential public health outcomes and inform regulatory decisions.

These models are built on existing public data and help us estimate the potential health benefits associated with the introduction of NGP in specific markets.

Our model compares mortality rates attributable to smoking under two scenarios: one where the product is introduced and one where it was not.

While cessation is the best option for public health, we estimate that introducing NGP and encouraging smokers, who would otherwise continue to smoke cigarettes, to switch, could have the potential to result in a substantial population health benefit.

Slide – Continuing to Assess Products Once They Are On The Market

We continue to assess products once they are on the market as part of our post-market surveillance activities.

This means we monitor and review the scientific and medical literature related to NGPs generally, and our products specifically.

We capture and assess consumer health complaints reported to us, and monitor notifications made to regulators, ready to take corrective or preventative action, if required.

And continue to conduct studies to assess the potential benefits or impacts of our products on the public health.

Slide – We are Committed to Making a Meaningful Contribution

So to summarise... we are committed to making a meaningful contribution to harm reduction through consumer choice of potentially less harmful products.

Our robust scientific assessment framework is a key part of our commitment to substantiate the harm reduction potential of our NGPs.

Many thanks. I will now hand over to Lukas to talk about climate change.

Lukas Paravicini

Slide – Healthier Futures for our Planet

Thank you, Joe.

In this section we will cover how we are building healthier futures for our planet.

Slide - Towards zero carbon

According to a recent Accenture study, 8,000 companies have pledged to achieve net zero emissions, yet 82% are falling behind on their goals.

We acknowledge both the risks and the opportunities presented by climate change and are determined to stay on track with our ambitious commitments

We know from our materiality assessments that climate change is a key priority for many of our stakeholders.

As the Chief Financial Officer, I am responsible for ensuring accurate and transparent reporting.

This data provides two opportunities for us... first, to assess the climate risks we face as a business and, secondly, identify opportunities for us to reduce our carbon footprint.

Climate change with its extreme weather events can pose direct threats to our operations, supply chains, and revenue streams.

So we continually assess and quantify these risks. Our work on our TCFD disclosures shows these risks are not currently material and we have plans in place to mitigate them.

Our focus today is on the second opportunity, our contribution to reduce our carbon footprint... and to realise cost savings as we focus on energy efficiency.

Slide - Our climate target

We are committed to taking responsibility for climate change impact of our entire value chain, with the goal of achieving Net Zero emissions by 2040.

And, as Stefan mentioned earlier, this is one leg of our Triple Zero campaign.

This is an ambitious long-term goal, and it means eliminating our net greenhouse gas emissions, not just within our own business operations, but across our whole supply chain.

We have set ourselves two key intermediate goals for 2030.

- The first is to be Net Zero for our Scope 1 and 2 emissions.
- The second is to have reduced all our carbon emissions related to our business – that is Scope 1, 2 and 3 emissions – by 50% versus 2017.

We see our journey to Net Zero as a potential win-win.

It is an opportunity for us to play our part in curbing global warming.

Slide - Our carbon challenge in context

Putting our Net Zero targets into context... in 2023 our value chain emissions were more than 900,000 tonnes of carbon.

Our Scope 1 and 2 emissions, accounted for around 10% of total emissions from our value chain.

And our Scope 3 emissions account for the remaining 90% of our carbon footprint.

Scope 3 emissions have become a greater portion of the total because of the progress we have already made.

Slide - Delivering on our direct targets

Our actions have reduced our direct emissions by around 70% since 2017.

To visualise this, in the past year alone we have removed from our carbon footprint, the equivalent of 3,000 hot air balloons filled with CO₂.

This progress reflects the commitment of our employees to identify energy efficiency opportunities that not only reduce our carbon emissions but also our costs.

Slide - Implementation – data-led approach

For example, in our manufacturing sites, we have taken a data-led approach to improving our operational efficiency.

In the last year, we invested in a new global energy management system to continuously collect energy usage data to gain a more precise understanding of how we use energy in our factories.

This has then allowed us to map and compare our manufacturing energy usage across our footprint and over time.

It has given us some interesting insights.

For instance, simply switching the power off at just one site over the weekend when it was not in use gave an annual saving of £24,000.

A simple example but this new data has enabled us to establish a framework of leading environmental indicators and improved guidance for our sites.

Over the next year we will roll out this framework to all factory sites.

Slide - Carbon reduction through fleet management

And as we have delivered in one area, it has helped to highlight opportunities elsewhere.

For instance, our success in reducing energy usage in manufacturing, has meant that our salesforce fleet emissions are now almost 30% of our Scope 1 emissions.

We have an opportunity not only to reduce the emissions from our sales fleet but also to improve the effectiveness of our sales force through route optimisation.

And it is not as simple as just to replace our entire fleet with electric vehicles, it requires detailed mapping of sales routes and charging points.

We have to be flexible: using electric vehicles where appropriate, and hybrid vehicles, for others who travel further than the charge range or where charging points are not available.

A third option is to use biofuels as they become more readily available.

Slide - Progress on our indirect targets

Achieving our Net Zero goal by 2040 requires us to manage carbon reduction across our Scope 3 emissions.

Since we presented to you in 2022, we've made progress mapping our supply chain emissions.

It is a complex challenge with numerous suppliers that represent 90% of our total emissions.

So, we started by prioritising our largest suppliers who represent the greatest spend and emissions.

We've added new procurement capabilities to work with these suppliers to establish reduction targets, improve emission data disclosure, and encourage external validation of their carbon plans through the Science-Based Targets Initiative.

We engage suppliers via the CDP Supply Chain Programme and our internal Supplier Relationship Management.

To underpin these commitments, we will be introducing Net Zero clauses into our supplier contracts from 2025 and will retrospectively address our existing long-term contracts.

I am pleased to report that we are close to achieving our target of having 50% of our supplier spend covered by a commitment to have SBTi validated targets.

This is up from 33% in 2023, reflecting a significant engagement effort.

Slide - We have a Plan and it is Delivering

So we have a clear plan and we are delivering against it.

To achieve our ambition to be fully Net Zero across our operations and supply chain by 2040 we set ourselves intermediate milestones for 2025 and 2030 to monitor progress and prevent backloading.

It is good to see we are delivering against these milestones... and sometimes ahead of schedule.

Slide - Our Ambition

We have more to do but delivery of these targets to date underpins our confidence that we will achieve our net zero aspirations.

The next phase is possible because we've galvanised our performance-based culture to focus on our energy reduction targets.

Equally, our enhanced procurement capabilities continue to make progress with our supplier-base to embrace a new way of working.

A tonne of carbon reduction from Imperial and our supply chain is a tonne of carbon reduction globally.

This is about building our future – and it's about being part of building a better future for our planet.

I will now hand over to Benjamin to talk about packaging and waste. Over to you, Benjamin...

Benjamin Kristen

Slide – Packaging and Waste Introduction

Thank you, Lukas.

As a consumer-packaged goods company, we play an important role in reducing the impact of packaging and waste.

Zero Waste is another leg in our Triple Zero campaign and one where we have made significant progress in the last two years, though there remains more to do.

Slide - Our packaging and waste targets

Like all our priorities, we set ourselves some clear and ambitious targets for packaging and waste. Today I'd like to focus on two of those targets:

- Number one - zero waste to landfill; and
- Number two - reusable, recyclable and compostable packaging.

On the first, we achieved our Zero Waste to Landfill target, two years ahead of schedule, at the end of '23.

Clear accountability and ownership of targets by our 'Zero Heroes' community played a key part in reaching this target as you will see in this video.

Slide - Zero waste to landfill in our operations

VIDEO

Slide - Consumer trends within within FMCG

As we have said, starting with the consumer is key to our strategy.

Our research on the global FMCG sector shows that consumers are becoming more motivated by sustainability when making a decision about the products they purchase.

For example, 28% of consumers have stopped buying products because of ethical or sustainable concerns. And within the GenZ age group this rises to 45%.

Consumers want companies to do better; they want brand owners to do better but they also want the brands to do the heavy lifting.

They won't accept any downgrade in product quality, freshness, or hygiene and they won't compromise on the price.

Slide – All Our EU and UK Packaging Reusable, Recyclable, Compostable by 2025

For our European consumers, the recyclability of packaging is key.

This underpins our target for all our EU & UK packaging to be reusable, recyclable or compostable by 2025.

Working with third party experts to assess the recyclability of our packaging, we developed new ways to create the same quality or better packaging where our existing packaging was not recyclable.

In this way we made four out of six packaging categories recyclable and reduced our plastic consumption by around 320 tonnes... and now around 2,000 tonnes of plastic is recyclable.

Slide – Recycled Packaging: Horizon

A practical example of this is where we have changed our packaging for our roll-your-own Horizon tobacco brand in Spain.

Our consumers told us that it was important the packaging contained recycled material.

And so we launched our first pouch partially made out of recycled plastic.

This had a positive impact on both the perception of quality and on brand choice

And we saw a 10% uplift of sales during the activation compared to other marketing campaigns.

Our solution was a win-win. We took a further step towards a circular economy which was warmly embraced by our consumers.

Slide - Packaging and Waste in NGP

These initiatives also extend across our NGP portfolio.

We continue to explore ways to improve our offering while also supporting sustainable consumer behaviours. Post consumer waste is an ongoing challenge.

For example, providing dedicated vape bins in a number of our markets for our brand, blu, is aimed to help consumers dispose of these products responsibly and ideally recycle them.

Also within vape we continue to innovate, for example the launch of our blu bar kits which now include a rechargeable battery and replaceable pods.

We have made good progress to date but there is more to do.

Leadership from our Zero Heroes across the Group underpins the delivery of our Triple Zero target.

I will now pass to Tony, our global ESG Director, to cover healthier futures for people and society.

Tony Dunnage

Slide – Introduction

Safety has always been a cornerstone of our organisation, but our commitment has evolved since we established our strategy in 2021.

We now aspire to achieve world-class Operational Health, Safety, and Wellbeing standards across our global organisations.

We've set ambitious long-term targets that challenge us to continuously improve. As Stefan has outlined, our Zero Injury aspiration is part of our Triple Zero goal.

We have deployed our strategy to support and empower our people to make the right choices, creating a culture where safety and wellbeing are core values and vital parts of our operations.

In 2023, we refreshed our Group Health, Safety, and Wellbeing Policy.

Our commitment is clear: to provide a safe, healthy, and supportive working environment for our employees and everyone involved in our business, fostering a culture of care where everyone takes responsibility and accountability for safety.

Slide - Driving our performance: Processes, capabilities & behaviours

We approach our Zero Injury aspiration by focusing on three key pillars: improving processes, behaviours, and capabilities.

On processes, we recognized the need for consistency in managing Health and Safety across the Group.

Each location conducted a self-assessment of leading indicators, supported by 38 trained internal reviewers.

This collaborative review identified 321 good practices and 376 recommendations for improvement.

We follow a “plan, do, check, act” approach, with on-site visits to review and assess compliance. Since FY22, we have completed 43 of these visits.

On capabilities, we identified the need to enhance our capabilities with various initiatives undertaken to build a strong health and safety culture.

And our Leaders were trained in the behavioural science of safety, emphasizing impactful safety conversations.

Our behaviours, while our approach has been to foster change we have more to do.

In the next financial year, we will roll out our behavioural safety programme, based on “I own safety” rules.

This programme aims to create an environment where people make the right choices, including peer-to-peer observations, coaching conversations, and timely feedback.

We have already piloted this approach in two factories and are monitoring it for improvements.

Additionally, we are enhancing incident investigation quality and capability, including analysing which human behaviours drive good choices when it comes to decisions around personal safety.

Our focus is on preventative measures, fostering a learning culture, and empowering our teams to proactively identify risks as we move towards our Zero Injury aspiration.

Slide - Initiatives Driving Improved Focus on Safety

What really matters is how we bring all this to life on the ground – and here are a few examples.

We run various awareness campaigns to ensure health and safety remains a priority, including the Zero Hero campaign, which has really gained traction this year.

We launched our inaugural global 'I Own Safety' Rules, which are our universal guide for the safe behaviours we expect at Imperial.

We celebrated World Safety Day at Work with local engagement activities and global initiatives such as the 'Let's Talk Safety' podcast, where senior leaders highlighted our ambitious Zero Injury aspiration.

We've incorporated safety moments into town halls and leadership webinars, as well as in a special People & Planet edition of a global communications programme, where we highlighted our Drive Safe initiatives in Cambodia.

And leaders now have better visibility to monitor trends and understand performance through a near real-time dashboard via an app.

Slide – The Approach Is Delivering Results

One of the key differences in our recent approach is our focus on setting long-term goals.

We are establishing key milestones to track progress towards these targets.

For example, one of the key metrics to measure our safety performance is Lost Time Accident Frequency Rate.

I am pleased that our progress is on track, and, although maintaining a pipeline of activities is challenging, we are confident our focus areas will keep us on course.

I'll now hand over to Vinay Advani, who will talk about Healthier Futures for our wider society and how this supports Farmer Livelihoods.

Over to you, Vinay...

Vinay Advani

Slide - Farmer livelihoods

Thank you, Tony.

Our leaf journey also starts with the consumer.

For consumers to keep enjoying moments of pleasure, farmers must keep choosing to grow tobacco today, tomorrow and into the future.

Slide - Partnership approach to leaf supply

If you recall from our ESG webinar in 2022, we source around 97% of our leaf stock through third-party supplier partnerships.

Our suppliers contract with farmers at the beginning of a growing season and support them with the necessary training and inputs to grow the crop responsibly.

Their technicians monitor the crop and labour practices throughout the season.

We have an established governance process to manage our tobacco leaf supply chain risk, underpinned by the membership of the Sustainable Tobacco Programme, or STP.

Broadly, the STP enables collaboration with other manufacturers and suppliers to further due diligent processes across the sector.

It is an industry body which – amongst other things – verifies 100% of supplier-collected self-assessment data.

We use this data to identify priority countries to focus our interventions, such as through Leaf Partnership projects, which I will cover later.

Slide - New challenges for tobacco growers

However, tobacco farmers are starting to face new challenges. For a smallholder farmer, everything is connected. Everything in their life happens on the same football field-sized farm.

Over recent years, we have seen extreme weather events.

The global pandemic and disruptions to global supply chains have impacted our suppliers and their contracted tobacco farms.

Of the 32 countries where we source our tobacco, 17 are starting to see a greater challenge in contracting farmers to grow tobacco in the future.

On top of this, there are added pressures with the rural to urban migration that all agricultural sectors are experiencing.

As a result of these pressures, some farmers are becoming less motivated to grow tobacco.

Slide - Meeting this challenge

To mitigate this challenge and to ensure we have a resilient and sustainable supply of tobacco, we have three pillars within our strategy.

First, our leaf suppliers are global partnerships, sourcing from many different countries to enable supply chain continuity.

By sourcing 97% of our leaf through these partners, we have the best opportunity to leverage the global hedging.

Second, we maintain a level of leaf stock that covers our expected annual consumption, so we always have a buffer.

And third, we support our suppliers through our Farmer Livelihoods and Welfare programmes.

This helps to support the supply chain and the journey of farmers to achieving a decent standard of living.

Slide - How is a decent standard of living measured?

A decent standard of living is crucial for farmers to continue choosing to grow tobacco.

But how is this defined?

The industry has formally adopted the Living Income Benchmark.

The benchmark varies by country and includes costs for food, housing, education, healthcare, transport, clothing and other essential needs.

Overall farm net income - including income from outside the farm – is measured against the relevant Living Income Benchmark for that location

This income needs to exceed the benchmark to be considered a living income, meaning the farmer can afford a decent standard of living.

We and our suppliers are combining efforts to identify those farmers that have difficulties in achieving a living income and to support them with specific actions via our leaf partnerships.

Slide - A decent standard of living is crucial for farmers

We have a clear plan to support farmers in our supply chain through our farmer livelihood and welfare programmes.

Back in 2022, we set out how our Leaf Partnership programmes are integral to our leaf sourcing strategy.

We are committed to continue to engage with our suppliers to support and develop farming communities and promote sustainable agriculture through three initiatives:

First, dedicated financial sustainability projects to help farmers improve their income, with greater access to projects that support their financial sustainability by 2030;

Second, increasing access to basic needs to make farming communities a better place to live with a target of supporting our suppliers with access to 180,000 famers by 2030;

And third, the introduction of sustainable agricultural practices with a target of 100% sustainable wood by 2025.

Our Leaf Partnership Projects are truly a partnership with the suppliers.

We identify the best local solutions to address the priority issues in each country that the suppliers then implement with our funding.

Slide - Leaf Partnership - improved basic needs and financial awareness

For example, we have rolled our financial literacy training this year to over 1,500 farmers in three countries.

This means we are directly funding productivity and efficiency projects that are aimed at increasing tobacco income.

And we are supporting supplier research and development projects to increase farmer productivity and efficiencies - with the benefit to the farmers.

Our suppliers are doing a lot of good work in this area, so we see our role as an accelerator to help bring their ideas to fruition.

There are now 160,000 tobacco community members benefiting from projects aimed at increasing access to water.

This includes the provision or rehabilitation of 2,000 boreholes and wells and the construction of 26 dams.

And 96,000 children now have increased access to schooling compared to 2020, through Imperial initiatives.

This increased access not only supports their future but also keeps children from working on farms.

All this complements the due diligence monitoring for compliance with our policies that our suppliers do.

Slide - Leaf Partnership – supporting sustainable agriculture

Last year 96% of the wood used in our supply chain was net sustainable.

A key part of Imperial's commitment to sustainable agriculture means that 100% of the wood harvested for tobacco curing is either sourced from sustainably managed forests or to be matched by managed planting.

Imperial plans to achieve 99% this year.

Over 11 million trees were planted in Tanzania alone through supplier driven programmes.

Imperial funded the planting of one million trees in 2024 and a total of two million over the last two years.

We are also funding research into minimum tillage cultural practices with our key suppliers.

And we can confirm 95% of suppliers are committed to practising sustainable pest management, which reduces the reliance on pesticides and herbicides.

Barn efficiency is a key focus and research has shown a 25% saving in wood usage.

We are making good progress towards our commitments to be a responsible business that works with responsible suppliers.

Slide - Partnerships with Suppliers

So, to summarise...

Partnerships are key for Imperial. Our suppliers share our commitments and are on the same journey.

In 2023, 93% of our suppliers participated in the Sustainable Tobacco Programme, in 2024 100% of our suppliers are now participating.

In 2023, 80% of our suppliers made commitments to support farmers on their journey to achieve a decent standard of living. In 2024, it is 98%.

So, through these partnerships great strides are being made.

Suppliers, representing 77% of our tobacco volume, have committed to the net zero journey.

By supporting these programs and working with our suppliers, we identify the best local solutions for the high priority issues in a country.

The suppliers then implement these projects with our funding.

This system works well and complements the projects that the suppliers are already undertaking and the commitments they are making.

I will now hand over to Stefan to provide some concluding remarks. Thank you.

Stefan Bomhard

Slide - Concluding Remarks and Q&A

Thank you, Vinay.

Slide – Good Progress Against Our Priority Areas

I would like to say thank you to all our presenters today.

As you have seen, in ESG we also start with the consumer.

Now since our previous webinar two years ago, we've made strong progress in all priority areas.

And this progress underpins our confidence in the delivery of our longer-term goals.

Key to delivering these goals has been the development of our performance culture. New capabilities, strong executive accountability and clear governance.

But we are also humble; we recognise there is more work to do for us to deliver our ESG agenda.

And we are committed to collaborating with other businesses, organisations and society to forge a path to a healthier future.

Slide – Q&A

Now thank you to you for joining us today. We'd now like to take your questions.

Q&A

Peter Durman: Hello, everyone. Peter Durman here, Head of Investor Relations at Imperial.

I'm sorry for the technical problems we've had on the call today. We will make sure the full recording of the presentation is available on the website in due course, so you'll be able to see the full presentation.

Unfortunately, you missed the section on farmer livelihoods and the end of the section on health and safety.

We do have the presenters here in the room, and we're ready to answer any questions you might have.

If you'd like to ask questions, you'll need to dial in to the conference call using the dial-in details and the PIN that you received when you registered.

And if you're currently dialled in and would like to ask a question, you need to press star and one-one on your keypad. So that's star and one-one on your keypad.

If you've misplaced your dial-in details, or you need to register to receive them, then you can find them at the top right-hand of the webcast screen, where you can register to join the conference call, and you'll see them there at the top right-hand of the screen where it says phone details.

And I should just add, as well, we won't be commenting on current trading today ahead of our trading update that we'll issue next week on Tuesday, 8th October.

So while we're waiting for questions from the audience, I'll just get things rolling.

There are a few questions that we get – the sort of typical questions we get from investors.

So perhaps one for you, Tony, starting with climate change. Clearly, you've made good progress to date. But given these are sort of long-term, multi-decade targets, what confidence can you give the audience about achieving these goals for Scope 1 and 2, but perhaps particularly around Scope 3, given these are outside direct control? And I know you have intermediate goals, but this must get more difficult as you're going for the last mile.

Tony Dunnage: Sure. Thanks for the question, Peter. I think, firstly, we certainly don't underestimate the challenge in this space. But as you say, we've made good progress, which gives us the first steps of confidence.

So, approaching a 70% reduction versus the base year. And interestingly, most of that has come in the last three years as we really begin to get behind this topic and lean into it.

I think if we look at the level of engagement from our workforce and having more than 20,000 people to crowdsource ideas and get their energy and activity behind this, is really where we're seeing the fruit as well.

And then you talk about Scope 3, our partners are highly engaged. You heard Lukas earlier talk about the commitment to the Science Based Targets initiative. So we've now got greater than 50% commitment of product goods and services element of our spend.

So more than 50% of suppliers in that category committed to the same targets as us.

So, that gives us great confidence in that space as well. But we're under no illusion that the last mile will be incredibly difficult.

But we'll keep crowdsourcing the ideas from within from our employees and also within our partnership groups. So a long way to go. Good progress, but very much through partnerships internally and externally.

Peter Durman: And maybe I'll just ask a follow-up question. In terms of the journey already made on renewables, can you give us a bit of a colour about how and what steps have you taken to achieve the renewable targets you've made already?

Tony Dunnage: Sure. So our first commitment - and to your point about having milestones in the short term too - our first commitment was to achieve 100% of our purchased grid electricity from renewable sources by 2025. That's just around the corner, let's say.

So we've achieved that everywhere, with the exception of Taiwan now. We've got the procurement and engineering teams working busily on how we achieve that in a very cost-competitive manner.

So we will achieve that in 2025. That first step along the way, which we committed to for, 2025 is nearing completion.

Peter Durman: Great, thank you. And maybe changing topic, and maybe one as well for you, Vinay.

If we look at our supply chain, one of the questions we often get from investors is about the risk of child labour in our leaf supply chain. Can you tell us about the sort of number of cases we have found in the last year and then kind of what sort of actions to take if you find cases of child labour?

Vinay Advani: Thank you, Peter, for the question. I think what I'd like to start the answer with is that 97% of the tobacco we purchase is through third-party tobacco suppliers.

Now their core competency is growing and processing tobacco while supporting and monitoring the farms that supply them. So this is really their data to report.

And the good thing is the vast majority of the tobacco we purchase comes from two of our global US-based suppliers, both publishing information regarding the nature of their supply chains.

On the other hand, within our own directly contracted operations in Laos and Madagascar, where the remaining 3% of our tobacco leaf originates, we have established farm-level monitoring and response processes to track and address any non-conformance identified.

Now what I can confidently say, we have addressed 100% of any child labour cases in FY23. More information is provided in the Annual Report and also any investigation can be found under our modern slavery statement.

In terms of actions, what I'd like to say is that we do not tolerate any child labour, and we are obviously working with our suppliers to implement any action plans and complement their efforts through our Leaf Partnership projects.

I'd like to share, I've experienced first-hand on some of the projects that we are investing together with our suppliers, which is after school activities and school

feeding programmes, obviously encouraging and pushing – sorry, apologies – to ensure that children are not in tobacco farms.

Peter Durman: Great. Okay, thanks very much, Vinay. And then maybe again changing topics and looking across to consumer health.

So Paola, in your presentation you talked a lot about how important consumer acceptance is in terms of influencing adult smokers to switch to NGP. Can you talk a little bit about the factors that influence a smoker's decision to switch or not to switch to NGP? What's the pushback you've felt there?

Paola Pocci: Yes, absolutely. Consumer acceptance is critical because, let me just step back one second. Obviously, we can provide harm reduction at scale only if we have several consumers that decide to transition and to stay into potentially less harmful products, right?

So the whole game is to make sure that we have more and more consumers transitioning.

To your point, the consumer acceptance is very important, obviously. So what we know from a consumer standpoint is that the first trigger normally to enter into new generation products is a motivation for their own health and well-being. So that's typically what we are understanding is the first trigger.

Then, of course, there are also other things like the social pressure or economic factors, but normally the motivation of health is the most important.

And the other one that is super important for consumers to then say is the sensory. Do they like it? And at the end of the day, it's quite obvious, right?

This is a product that is very intimate for you. You need to have pleasure in interacting with it. And this is what influences sensorial pleasure and the positive experience can be the aroma, can be the taste, can be the ritual. There are a lot of factors around that.

I have to say that when it comes to Imperial, you know that one of our key focus areas is really to start from the consumer. We have really put this notion at the centre also of our new generation product agenda.

In fact, we have created the three innovation hubs, one in Liverpool, one in Hamburg and one in Shenzhen with the purpose of co-creating with the consumers.

And in that place, we put our scientists, we put consumers, and we put our suppliers in the same place, and we co-create with the consumers precisely with the objective to eventually create the solutions that consumers prefer.

So the impact that we can have in the journey to have an action can be even bigger.

And I mean, I don't want to definitely mention any victory, but I think that so far so good. The feedback that we got to our product is positive. So I'm very happy about the journey so far.

There's definitely more to do in order really to recreate this positive experience from when it comes to the consumers who interact into our products. There's definitely more to do.

Nobody has really cracked the figure I think to NGP, but I think as an industry and as Imperial, we have made a huge progress, and we are committed to keep going in this direction.

Peter Durman: Great. Thanks, Paola. And we'll stay with consumer health, but perhaps you did – if anyone on the line wants to ask a question, just as a reminder, you'll need to press star and one-one on your keypad to poll to raise a question. So, staying with consumer health and maybe moving across to you, Joe.

One of the concerns that's often raised about NGPs, such as vaping, is whether they act as a gateway to smoking. So, could you comment at all about how vaping can act as a gateway to smoking?

Joe Thompson: Yes, of course. Thank you, Peter. Does vaping act as a gateway to smoking? No.

Certainly, there's no convincing evidence to suggest so. In fact, the evidence on vaping is pointing the other direction, but it's actually often a gateway out of smoking.

So you saw in the presentation some of the real-world evidence on vaping and over time helping consumers with no intention to quit to actually either quit smoking or substantially reduce their cigarettes per day.

And that is supported by data in the UK, data in Greece, where you can see the reduction in smoking paralleled with the increase in use of vaping in the UK, next-generation products in general in Greece.

So our own research doesn't show that vaping acts as a gateway to smoking, and neither does the analysis of public health bodies. The UK Royal College of Physicians describes such claims around gateways as unfounded, and Public Health England said that there's no evidence so far that e-cigarettes are acting as a route into smoking for children or for non-smokers.

Peter Durman: Great, thank you. And then, again, staying with you, Joe. In terms of the – once you've been launching new products, we've launched the tobacco heat stick and then more recently we've launched the heated tea stick.

In terms of the health implications from inhaling the aerosol, are they similar between the two? What are the health implications from that heated tea stick? Because it's a newer product, to what extent have we been able to test that.

Joe Thompson: It is a newer product, so iSenzia, or our heated tea stick, uses the same device, Pulze device, as our iD sticks. Both of those do not involve combustion, and iSenzia just doesn't contain tobacco.

So what we see through scientific analysis is that the aerosol contains significantly fewer and lower levels of harmful chemicals compared to smoking.

That's chemicals that are of concern – raised concerns by the World Health Organisation, by the US FDA, their list of chemicals. So we've seen substantial reductions in chemicals.

So whilst these products are not risk-free, both Pulze and iD and iSenzia have the potential to make a meaningful contribution to tobacco harm reduction for adult smokers.

And as we continue to progress iSenzia through our scientific assessment framework, the data we're getting is just building confidence in that potential.

Peter Durman: Great. Thanks, Joe. Maybe also staying in consumer health, Paola, in terms of consumer health metrics to measure our progress with consumer health, how are you thinking about metrics, and what is relevant for this particular ESG priority for us?

Paola Pocci: Yeah, we are monitoring several areas from a metrics standpoint. Of course, we keep monitoring the access of our products to the consumer. We monitor the scientific validation of every product that we put in place. And of course, we also monitor the prevention to youths, I mean, the usage by youths. So these are the three key things that we monitor.

But I think in general, what is very important is to really understand the commitment that we have to the harm reduction in general. I think what we are trying to do is to create a business that is, of course, sustainable in terms of, of course, financial, but it's also sustainable in terms of the vision that we are providing to how many consumers and offering our solutions to more and more consumers.

And as I said before, we are doing it in a very rigorous approach by really talking with our consumers and providing choice of options depending on their preference.

And that is one of the reasons why also we are playing into different categories when it comes to the new generation products.

So, of course, our intention is not to become the number one, we are not number one in tobacco. We're not going to become number one in new generation products.

But we are convinced that we see evidence of the fact that we are identifying our own place and our own space in the new generation products, primarily in the spirit of providing some options and choices to consumers in areas that might be overlooked by other companies and to have our different point of views to give more choices to consumers.

Peter Durman: Great. Thanks very much, Paola. We have no questions on the telephone, so what I'm going to do is, first of all, I should just apologise for the technical problems we had today. We'll make sure the recording of the full presentations goes onto the website, so you'll be able to refer back to those in due course.

And with that, I'm going to just hand over to Stefan for some closing remarks.

Closing Remarks

Stefan Bomhard: I mean, first on my side, thank you for you joining us today.

I also want to thank again all the presenters for their contributions today.

And I hope today's session has given you a sense of our commitment to ESG and how it is linked to our wider strategy, purpose, and vision.

And I think we have made good progress over the past two years but I know some of you are probably understandably sceptical about a tobacco company even talking about ESG.

However, I do believe we have a real opportunity to make a positive difference in society and to the wider planet.

And perhaps it is this bigger opportunity here at Imperial and within the wider tobacco sector than many other businesses.

And I sincerely hope that each of you as investors will also want to be part of this important journey.

And we're looking forward to providing you with updates on our progress in the future.

So thank you again for joining us, and goodbye to everyone.

[END OF TRANSCRIPT]