

27 September 2022 - ESG Webinar

Stefan

Slide – Title slide

Slide – Disclaimer

Hello everyone... and thank you for joining our webinar today.

We would like to share with you how we have refreshed our approach to our Environment, Social, and Governance agenda - and how this is supporting the delivery of our core business objectives.

Slide – Our refreshed ESG approach supports our strategy, purpose and vision

In January 2021, we outlined our new five-year strategy to transform Imperial into a business better able to deliver sustainable growth year in, year out.

This set out clear strategic priorities, supported by new ways of working and a cultural change programme.

Our plans are on track and the new strategy has begun to deliver a stronger, more consistent performance.

We also launched a new company purpose and vision, defining why we are here and what we are trying to achieve. Embedded within these are our ESG priorities.

Today's presentation will outline how we identified those priorities and how we are transforming our culture.

Taken together – our purpose, vision, strategy, and ESG agenda represent an exciting opportunity to make a positive difference for all stakeholders.

Now, I know there may be some sceptics watching today's webinar who believe any tobacco company talking about ESG is almost a contradiction in terms.

And it is true, there is no escaping the simple fact that smoking is harmful to people's health.

From that standpoint, the best advice is never to start smoking, and if you do smoke, to give up.

But what is exciting about this sector is that it is going through a profound transformation.

Thanks to next generation products, we now have the opportunity to provide potentially reduced harm alternatives.

At the same time, we can make a positive difference to our planet and the lives of our people.

And, as you will hear today, by getting closer to our consumers, Imperial can make a distinctive contribution to the positive change happening in our industry.

Before joining Imperial, I spent five years in the automotive sector, which is going through its own long-term transition from the internal combustion engine towards less carbon intensive forms of motoring.

It's this opportunity to play a part in driving major change with positive social and environmental outcomes, which was an important factor in my decision to join Imperial.

All of which is why I am especially pleased to be speaking to you today introducing Imperial's ESG webinar.

Slide – Developed through a comprehensive review

Following the launch of our strategy, purpose, vision and behaviours we completed an ESG materiality assessment, listening to the views of consumers, customers, employees, regulators and investors.

This assessment identified eight focus areas, which I would like to come on to in a moment.

Our focus areas and the linked metrics and targets have been signed off by the Board, and in July we launched our new 'People & Planet' strategy internally.

We will integrate ESG metrics for consumer health and climate into our executive remuneration for FY23.

Slide - We have identified eight priority areas

Our detailed ESG materiality assessment confirmed eight key focus areas, which are grouped into three categories:

- Healthier futures,
- Making a positive contribution to society, and
- Providing a safe and inclusive workplace.

These are critical to achieving our vision and longer-term purpose, as we build a strong challenger business, powered by responsibility, focus and choice.

Today, we want to be transparent and acknowledge that we are at different levels of maturity for each priority, with different starting points in each of the areas. However, we are committed to delivering our ambitions on all of them.

In this session, we will focus on our work in four of these eight areas.

Slide – Our priorities are aligned to several UN SDGs

Each of our eight focus areas are also aligned to the United Nations' Sustainable Development Goals.

Slide – Our approach is governed by a rigorous process

We've introduced a new governance framework to ensure Imperial is run responsibly and in the best interests of our stakeholders.

In December last year, I became Chair of a new cross-functional ESG committee, which provides a senior level focus on our priorities. The Committee reports regularly to the PLC Board, which provides oversight and guidance.

To track our progress on each priority, we monitor a number of non-financial data points. This is supported by a rigorous audit process.

Just as our financial information is assured by our external auditors, EY, they similarly assure the non-financial information we publish annually.

And as with our financial information, their role is not only to assure but to challenge our approach.

Additionally, for our ESG metrics, we are aligned with a wide range of Global Reporting Initiative Standards to ensure we are reporting in a comparable manner to other companies.

The cost of managing each priority is part of our financial planning and we use the assured data to track our progress.

This year we will publish our first standalone report detailing our strategy for climate change in line with the requirements of the Taskforce on Climate-related Financial Disclosures.

For Climate reporting, we have been aligned with the global greenhouse gas protocol for several years, again, to ensure comparability.

Slide – With executive sponsors for each ESG priority

For the first time, we have Executive Leadership Team sponsors for each of our ESG priorities. This is intended to inspire engagement throughout the entire company.

We firmly believe this executive-level sponsorship puts us in a stronger position to deliver against our goals.

In the past year, we invested to enhance our ESG skills and capabilities.

Our new ESG function is led by Tony Dunnage, who joined us last year. Tony brings 34 years of end-to-end operational expertise and supply chain management at Unilever.

Tony has practical experience of implementing energy reduction and efficiency programmes, including helping 200 Unilever factories worldwide transition to zero waste.

We are also driving a strong linkage between our ESG initiatives and our global culture transformation by having Tony report to Alison Clarke – our Chief People and Culture Officer. Alison will provide further detail on our progress later.

Slide - Focusing on four key areas today

We recognise that this is just the start, and that in some of these topics we are early in our journey.

You can find further information on all eight topics on our website.

However, today we are focusing on the four areas that have scored most highly in our materiality assessment.

These are: Consumer Health, Climate Change, Farmer Livelihoods & Welfare and Diversity, Equity & Inclusion.

Slide – Today's agenda

At Imperial, we start with the consumer.

Andy Dasgupta, our Chief Consumer Officer, will provide detail on our approach to consumer health.

Putting our chief consumer officer in charge of our drive to reduce harm is very deliberate.

The way Imperial will make a material contribution to harm reduction is by getting ever closer to our consumers, understanding their needs and habits and then innovating at pace and creating new compelling propositions.

Andy has a long track record of working closely with consumers in large global businesses such as GlaxoSmithKline, PepsiCo and Fonterra

A second material issue is Climate Change and Tony Dunnage will set out our initiatives here. Last year, we committed to net zero by 2040 – among the first in our industry to do so.

We have a strong track record of delivery here, and our future ambitions are supported by detailed short and medium-term objectives.

Next, Mark Ballance, our Leaf Sustainability Manager, will explain our approach to Farmer Livelihoods and Welfare. Mark, who comes from a family of tobacco farmers in Zimbabwe has a deep expertise of leaf sourcing and of our partnership approach.

Finally, Alison Clarke will share the great progress we are making with our cultural transformation, as well an update on our work in making Imperial a more diverse and inclusive organisation. Creating the right culture is a core foundation of our ESG agenda, just as it for our wider corporate strategy.

Following our presentations, there will be plenty of time to answer your questions.

Let me now hand over to Andy Dasgupta who is the sponsor for our consumer health priority. Andy... over to you...

Andy

Slide – Consumer health – title slide

Many thanks, Stefan. And hello everyone.

Aligned with our purpose, one of Imperial's most important ESG ambitions is to make a meaningful contribution to tobacco harm reduction.

The only way one can achieve this ambition is by starting with the consumer and by giving them choices to potentially improve their health outcomes, through our portfolio of next generation products – and more importantly, making sure that they accept them.

Slide – Tobacco harm reduction starts with the consumer

Here is why tobacco harm reduction is not a simple thing to achieve. It is not just about selling potentially reduced harm products... it is about the individual journeys of each of the world's one billion adult smokers.

As illustrated in this equation, next generation products have the potential to improve consumer health, yes – but to facilitate harm reduction, these new products must be accepted by consumers as alternatives to cigarettes.

This is why we firmly believe harm reduction starts with the consumer.

Our consumers smoke for moments of relaxation and pleasure. And this smoking habit has existed for over a couple of thousand years in different forms as one can see even in old Egyptian tomb paintings. So clearly, the pleasure of smoking is not something that people necessarily want to compromise on.

So when we try to convert these consumers it's very important to ensure the experience they get from our product is as close to the experience of smoking as they are willing to accept.

It's an informed choice made by adult smokers and our products are focused solely on smokers.

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

Starting with these consumers, we've found they fall into three different categories:

1. Still smoking, and wanting to try new products but wanting an experience as close to smoking as possible;
2. A more health-conscious smoker, who is looking to find something potentially less harmful and is likely to compromise somewhat on the experience but not fully; and
3. Willing to compromise on the experience but doesn't want to give up the nicotine.

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

Slide – Our new NGP approach is focused on driving consumer choice

To that end, we have reset our NGP strategy, by defining an approach that plays to our strengths and is centred on meeting consumer needs.

It is an important point of difference from how we operated in the past and from our larger competitors.

And it's a good example of our challenger mindset in action.

As the smallest of the global players, we do not think it is our role to create new categories in markets. At this stage, we are focused on markets where an NGP category has an established presence and where we can leverage our existing combustible routes to market.

Once we've identified which markets are attractive to us we must understand what our target consumers value most about their smoking experience. This allows us to define a clear boundary around our innovation. It also lets us know how best to engage with our consumers.

Having clearly understood the consumer dynamics, our role in these markets is to provide greater consumer choice with a differentiated product offering that meets an untapped consumer need. This allows us to offer something unique versus our competition, which is very important to us.

We're making smart investments in brand building and consumer communications and making use of our trade partners to provide consumers with a compelling offer. We know clearly which consumer touchpoints provide us with the highest ROI - and that's where we focus.

And as we develop our understanding of these consumers, our messages and the channel choices are based on where to best engage with them – with what attributes they value that will make them switch and repurchase.

As the smallest player, we are also focused on identifying partners who might help us, not just deliver better products, but also provide new go-to-market means or tools, which would be beneficial for us.

Ultimately, we believe this approach, which is grounded in consumer insight and data - and which plays to our strengths - will be more successful, creating more opportunities to make a meaningful contribution to harm reduction.

Slide – Nicotine products have different risk profiles from cigarettes

But first it's important to establish that products in different nicotine categories have different risk profiles from cigarettes, and we classify their risk compared with that of cigarettes on our relative risk scale.

The crucial point is that, unlike cigarettes, no next generation product involves the burning of tobacco - the most harmful way to consume nicotine.

This means next generation products don't produce the harmful smoke that is the primary cause of smoking-related diseases.

Our relative risk scale, based on current scientific evidence, shows ALL next generation products have the potential to significantly reduce harm, relative to continuing to smoke cigarettes.

If we think of the three consumer groups I mentioned earlier... the first who want a close to smoking experience, is most likely to choose heated tobacco as the closest alternative to smoking, the second group are likely to choose vaping and the third would probably choose modern oral, compromising on their experience but still

getting their nicotine. Of course, this explanation is rather simplistic – and illustrative honestly, while in reality there are some complex multiple category usage dynamics as well.

Slide - Persuading consumers to switch requires innovation across the entire value chain

For people to quit smoking we need to ensure their journey is as easy as possible. The more hurdles they perceive, the less likely they are to quit. So we have to keep innovating.

The alternative has to be within an arm's reach for them, when they want it, how they want it and at the price they want it and with the same, or similar, experience. Because the smallest barrier to availability, might well be the trigger for some of the consumers to get back to smoking.

Delivering this requires innovation across our value chain. This includes developing agile supply chains and superior distribution networks, it needs rigorous science, focused consumer insights and novel go-to-market and marketing models.

We seek to substantiate the reduced harm potential through our scientific research in the laboratory, at the clinic and once products are in-market.

Imperial's scientific assessment framework is a multi-stage, multi-year testing and research programme designed to evaluate each of our NGP's harm reduction potential relative to combustible cigarettes. You can find further details on the Imperial Brands Science website.

Insight into our consumers enables better targeting, to understand why they purchase and why they might switch.

Our findings to date suggest no manufacturer has yet created the perfect reduced-harm cigarette alternative. This is encouraging for us as there is still time to continuously develop and improve our offering.

Distribution is also key. The good news is that the majority of NGP consumers will typically purchase through the same channels as they bought their cigarettes, so we are leveraging our existing sales and marketing organisations.

Finally, our marketing approach needs to resonate with the target consumers to convince them to use our product and build brand awareness. Frankly, this is an area where we have lagged in the past and this is where we can begin to make a difference with our new capabilities vs competition.

All these elements enhance our ability to produce a portfolio of next generation products that appeal to adult smoker consumers to potentially improve their health outcomes.

Slide - Our products target existing adult smokers

So our focus is on driving consumer acceptance, while recognising that not all consumers and markets are the same.

There are different preferences and regulations across different markets, which is why we are taking a portfolio approach with our range of products.

Our heated tobacco product, Pulze for instance, is targeted at consumers who prefer multiple sessions between charging. We also know that some consumers prefer a compact heated tobacco device. This is why we have focused on these two key attributes for our first launches in heated tobacco with our Pulze product. We have also enhanced the stick experience with our brand iD, which has resonated well.

In vaping, feedback on our all-new blu 2.0 product launched in France suggests consumers find it among the best vaping experiences. It has a longer battery life and enhanced ergonomics, so it feels really good in the hands of consumers. The new pods address some of the previous concerns over leakage and the pods now dock neatly with a magnetic 'click'.

In modern oral, we are taking an olfactory approach, which means we are trying to see how we can enhance both the taste and smell of the experience to satisfy our target consumers – while delivering the nicotine that they want.

When usage of potentially reduced harm next generation products is coupled with a reduction in cigarette smoking, that's likely to be consistent with 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 what regulators often cite as a concern is the gateway or 'on-ramp' to cigarette smoking by consumers who do not already smoke.

It's vital that any next generation product use by 'never-smokers' - including youth - is minimised or eliminated altogether. Next generation products, at least from us, are meant for adult smokers and adult nicotine users only.

Failure to acknowledge and quash the on-ramp will severely diminish any Tobacco Harm Reduction potential - and our contribution towards it.

So, our entire NGP philosophy reflects a no-tolerance approach to youth access through every stage of our products' life. From conception, development and manufacturing through to perception and behavioural science, marketing and post-market surveillance. We maintain a strict "responsible marketing" protocol.

A good example is where we use mystery shopper programmes to ensure regulatory requirements are being met at a retail level, and receive direct consumer feedback on age verification, among other controls. Where it is violated, we immediately take corrective actions.

To reinforce our commitment to youth access prevention, we seek to ensure that regulatory requirements are implemented, adhered to and enforced. From manufacturers to retailers, we believe everyone must take responsibility for their role in preventing youth access to adult products.

As an example, in the UK we partner with the trade to make sure retailers put 18+ signage on any tobacco units we provide. We also put 'for adult smokers and vapers only' on all consumer and shopper facing communication.

And where we are able to use social media with next generation products we strictly look to target smokers over 21 years.

By collectively committing to responsible marketing and high product standards across the board, we can create a united front against youth access to nicotine products.

Slide – We have made a good start to our NGP journey

So where are we today and where are we going?

We started further back than our competition and than we would have liked but we have achieved a great deal in the past 18 months.

Our first step was to bring the different NGP teams together under the Global Consumer Office – so we can leverage our insights and expertise more effectively across tobacco and NGP.

We then made some important new hires to improve our capabilities in key areas such as consumer insights and innovation.

We also made some tough decisions to exit certain markets, where we lacked the local route to market and where our NGP approach was just not working.

The good news is that we have run successful launch pilots for Pulze in Europe and for a new consumer marketing proposition for blu in the US. These have validated our strategy and our approach and we are now moving forward with further market roll-outs. For example, most recently we have rolled out Pulze and iD in Italy.

I believe, that we now have the foundations to build a growing and sustainable NGP business that can make a meaningful contribution to harm reduction – and I look forward to updating you on our progress.

Let me hand over to Tony Dunnage, who will take you through our Climate Change priority and how we are moving towards net zero.

Tony

Slide – Climate change

Thank you, Andy.

And hello to everyone.

As identified in our materiality assessment, climate change is a priority for us.

We know that climate change represents a large risk to business and society - with asset destruction, crop failure, and mobility all likely to be increasingly affected.

In line with the recommendations from the Task Force on Climate-related Financial Disclosures, we've explored the impact that climate change is likely to have on our value chain.

These will be reported in our 2022 Annual Report and Accounts.

Today we are going to focus on the positive role we intend to play in the global drive towards mitigating the impacts of climate change.

Slide – UN Sustainable Development Goals

As Stefan mentioned earlier, we've aligned our work to the United Nations Sustainable Development Goals. This means we are part of something much bigger.

One of the topics we're focusing on in our climate change ambition is energy. Here, we draw on the United Nations Sustainable Development Goal 7 - affordable and clean energy.

Slide – Sustainable Development Goal 7

Sustainable Development Goal 7 highlights the importance of clean and affordable energy.

Slide – Sustainable Development Goal 7

This goal is split into parts and encourages increasing renewable energy and improving energy efficiency.

Put more simply, it's about how much energy we consume and the composition of that energy. Two areas where we are increasing our activities.

Slide – There is a clear call for collective action

Before I go into detail on how we intend to deliver on our ambitions, let me first put the challenge in perspective in relation to global CO2 emissions.

The chart on the left shows the increase in global emissions from pre-industrial levels to date. We're all aware, that this trend now needs to reverse, and quickly, in order to limit global warming.

To put our contribution into context, we emit around 1.2 million tonnes of CO2 equivalent annually of the 35 billion tonnes emitted globally.

But there is no other path, than for all companies, all governments, and all of society to pull together and get behind the decarbonisation commitments that have been made.

And we accept our responsibility to reduce our carbon footprint. We aim to achieve net zero in a two-stage process. First, in our own operations and then, across our value chain. We know that we can make a meaningful contribution in this space.

Slide – Our climate change priorities

We've been reporting in line with greenhouse gas protocols for several years. Strong data availability allows us to take a data-led approach on our climate change metrics and underpins our decision making.

According to our company life cycle assessment, completed for our baseline year of 2017, 22% of our emissions occur within our direct operations.

As these are our direct emissions, or Scope 1 and 2 emissions, this is our current focus, and we've mapped a five-step approach towards Net Zero.

The first three of these steps relate to our Scope 1 & 2 decarbonisation plan; including energy efficiency, switching to renewable grid electricity and then a transition of all other energy types to renewables.

Our Scope 3 emissions - those that we accrue from our value chain and are not within our direct operations - are the rest.

This is an area we're still working on with our supply chain partners.

For instance, we've identified that 104 of our largest suppliers contribute around 80% of our scope 3 footprint and more than 50% of this group of suppliers will have science-based climate targets in place by 2025.

We're using the CDP platform as the main engagement channel and will provide further detail on our plan when it is firmed up.

Slide – Our scope 1 and 2 transition to net zero

So, how are we doing against those ambitions?

Taking 2017 as our Base line at 100%, efficiencies during the period between 2017 and 2021 have delivered a 14% reduction in emissions, driven by operational and energy efficiency programmes.

During the 2022 financial year we took a company decision to accelerate our transition to renewable electricity. You can see a large drop in CO2 during 2022, mostly driven by this decision.

And we expect a further reduction in 2023, again driven largely by renewable electricity.

We're working through how to transition the balance as shown in the chart.

We're currently evaluating options for our Scope 1 fuel transition.

Transitioning all our energy, not just our electricity, to net zero is a much more complicated task.

We're engaging with external partners to determine our best options, ranging from technology change to fuel transition... for example, a switch to biofuels.

Slide - We are well positioned to achieve this

Our recent performance on our climate change metrics gives us confidence in our quest to go further, faster.

We've reduced our Scope 1 and 2 emissions by more than a third compared to our 2017 baseline.

And we've achieved a healthy reduction in total energy consumption of 17%.

And earlier this year, we were excited to join a group of prestigious companies for the RACE TO ZERO initiative.

And we're proud to have been recognised by multiple agencies including CDP, who have ranked us as an A for climate in the last 3 years.

And the FT, who have named us as a climate leader for two years running.

This places us broadly in a similar place to our much bigger peers.

Although we do not yet have all of the answers, we believe we're now well positioned to achieve our climate ambitions.

Slide – Our ambition

What does this mean?

In the last year we committed to Net Zero in our total operations, that's Scope 1, 2 and 3, by 2040

We're among the first in our industry to do so and this is 10 years ahead of the Paris agreement and aligned to a 1.5 degree scenario.

In support of this we also set interim targets:

First, 100% of our purchased electricity to be from renewable sources by 2025, and we've taken a big step towards this moving from 3% in 2021 to currently over 90%.

Second, to be net zero from our direct operations, that's Scope 1 and 2 by 2030.

These actions have led to a big reduction in our CO2 emissions in 2022, and we anticipate another large reduction next year.

Given this solid early progress, we have confidence we'll make our Climate Change targets.

Let me now hand over to Mark Ballance, Senior Manager of Leaf Procurement & Sustainability.

Mark has been with Imperial for five years and comes from a family of tobacco farmers in Zimbabwe. At Imperial, he's helped to develop our oversight and business planning in the leaf procurement, developing strong relationships with suppliers and a keen understanding of the salient issues in the area of farmer livelihoods and human rights.

Over to you, Mark.

Mark

Thank you Tony.

It's great to be able to speak about Farmer Livelihoods and Welfare. This is something I'm passionate about and is one of the key aspects of the S in ESG – where we are part of making a positive contribution to society.

We'll start with a short video, that will provide some insight into the agricultural world.

PLAY VIDEO

Slide: Title slide

As we saw in the video, there are big challenges facing agriculture globally, but there are also many opportunities.

And this is just as true within our industry as others.

We know that like others with agri-supply chains, everything starts on the farm and supporting those farmers' livelihoods and their welfare isn't only important for their future, but for ours too.

By continuing to collaborate with the industry and supporting our suppliers to help their farmers, it is not only having a positive impact on the planet, and for farming communities, but helps our supply chain become more robust and sustainable into the future.

Slide: Working together as an industry

Imperial continues to focus on 3 main pillars:

One - working with our suppliers,

Two - collaborating as an industry, and

Three - conducting our own due diligence through the Imperial CARE programme.

We understand that we can't tackle systemic issues alone and need to work with a wide group of stakeholders, including our suppliers.

This partnership approach enables us to collaborate to amplify positive outcomes for both communities and the environment.

Therefore, we are re-emphasising our partnerships and collaborations.

A key one is the Sustainable Tobacco Programme - an industry-wide approach providing access to both verified data and the opportunity to collaborate with subject matter experts such as the foundation for Eliminating Child Labour in Tobacco Growing.

Our work is centred around the Imperial Leaf CARE programme.

As well as verifying that our suppliers due diligence processes are robust, the programme works with suppliers to ensure the alignment of their standards to the United Nations Guiding Principles.

Slide: We partner with reputable suppliers

We source the majority of our leaf through two tobacco suppliers, Universal Leaf and Alliance One.

These are large, reputable multinationals, with their core competency in growing and processing tobacco.

Their governance procedures are robust, supported by code of conducts, speak-up mechanisms and policies that are being practised on the ground.

They have established due diligence processes in place, including Agricultural Labour and Good Agricultural Programmes, that have been refined and implemented over many years.

They have deep engagement with their farmers, with regular on farm visits and the use of 'seed to sale' technology to ensure transparency.

Slide: Robust governance to manage risk

Our suppliers have field technicians on the ground that use GPS tracking to record the location of their visit and provide both traceability and data. This is consolidated and fed into our industry programmes.

On average, each technician typically covers 120 farms and each farmer is visited on average eight times a year, through both announced and unannounced visits.

The data collected during these visits is made available to us and ranges from crop information to adherence with labour and environmental regulations and best practices.

Our suppliers also actively support communities in addressing some of the root causes of key issues they face.

For example, last year Universal planted millions of trees around the world as part of their reforestation programme.

And as part of Alliance One's commitments to improving access to education, the supplier initiated projects to improve school infrastructure, established after-school clubs and set-up vocational training programmes.

More details of these programmes can be found in their sustainability reports, which are available on their websites.

Slide - Drive improvement and create a positive impact

These robust governance processes are reported by suppliers and verified by third parties.

This supports mature programmes such as the industry wide Sustainable Tobacco Programme, which allows the industry to collaborate to create positive impact in tobacco growing communities and to drive continual improvement.

The STP is guided by frameworks including the United Nations Guiding Principles on Business and Human Rights and the United Nations Sustainable Development Goals which support supply chain due diligence expectations.

All suppliers from whom we source tobacco are expected to participate in the STP and all data is verified and made available to Imperial.

Slide - Imperial's due diligence process

Our own due diligence actions are supported through our CARE programme, which links in to the STP. The CARE programme guides our actions through our supplier partnerships and industry collaborations.

As part of the programme, we support suppliers through our 'Leaf Partnership' Projects.

These are projects conducted in tobacco growing communities.

The aim of each project is to have a positive impact on either people or the environment in that target area.

In 2021, our Leaf partnership projects benefited 130,000 farmers and their families and the projects underway in 2022 are expected to benefit an additional 84,000.

Our mature and ongoing projects have currently improved access for up to 136,000 farmers and their families to water, sanitation and hygiene.

This means, that for example, some people had access to a physical toilet for the very first time.

Improving access to education is key and Imperial has participated in more than 20 projects in recent years to increase access to schools, including school feeding programmes, infrastructure improvement, after-school clubs and during COVID even adapting programmes to 'Let's Play at Home'.

And in Madagascar, where we directly grow tobacco, 80% of the fuel used in the tobacco curing process comes from renewable sources, through a combination of tree planting, biomass, and briquettes.

By 2023, we hope this will be close to 100%.

Slide – Our ambition and progress so far

So, what do we want to achieve globally?

Within our farmer livelihoods and welfare strategy we are committed to three overarching ambitions...

First, we are supporting farmers with access to projects to increase financial security by 2025. This includes access to productivity initiatives and complementary crops.

Secondly, we want to build on the programmes that we and our suppliers already have in place.

These are to provide 180,000 farmers, and their families, most in need, with increased access to basic needs, such clean water and education, as well as projects to help them diversify income streams and increase productivity.

Our third ambition is to support our suppliers and their farmers, to implement sustainable agriculture practices. This includes a target to provide access to sustainable wood by 2025.

For us, everything starts on the farm, and we aim to have pride in every leaf purchased.

Thank you.

Let me now hand over to Alison Clarke. Alison joined Imperial in 2020 as our Chief People and Culture Officer, and has led culture change programmes at several major international businesses.

Over to you, Alison.

Alison

Slide – Cultural Transformation – title slide

Many thanks, Mark.

And hello everyone.

So, back in January 2021 at our capital markets day, I described a roadmap for building a performance-based culture to support the delivery of our strategic priorities.

And I am pleased to report today that we have made significant progress.

And, as I will explain, the development of our ESG strategy and capabilities is an essential pillar of our culture change journey.

Last year, I described how Imperial had many strengths, but its culture at that point was too siloed.

We also lacked the consumer capabilities needed to build brands and a sustainable NGP business.

I said then that we would use two key levers to build our new culture:

One, investment in capabilities we need to service our new aspirations and

And two, deep collaboration with our people to retain institutional knowledge.

Slide – Creating an inclusive performance-based culture

So how have we delivered?

So, starting with capabilities: we said we would appoint a new Chief Consumer Officer to drive greater consumer-centricity and reboot our NGP operations.

We quickly brought on board Andy Dasgupta, who has assembled a very talented new team, which is already delivering results.

We have taken this same approach to developing our capabilities in ESG, which – done properly – requires people with distinct, specialised skills.

Now you heard from Tony Dunnage, who joined as ESG Director last year from Unilever, and he's building a really strong team.

And similarly, we have also invested in creating a new team who have experience of driving strategies for Diversity, Equity & Inclusion in complex, global businesses.

And last year, I also promised we would co-create a new purpose and vision to align and engage our people. And we did this by working with our people from across the organisation.

In fact, we went much further than that.

So let's look at our purpose and vision for a moment.

An important point to call out is that our commitment to ESG is enshrined in these two statements.

Our purpose expresses our ambition to build a “healthier future” – and this applies not only to our consumers but also to our communities and planet.

And our vision states that our pursuit of commercial success will be “powered by responsibility”.

And to underpin the purpose and vision, we co-created five new core behaviours that articulate what success looks like in our new culture.

And these too are directly linked to our commitment to ESG.

So, “Authentic and inclusive to all” puts front and centre our commitment to DE&I.

“Taking accountability with confidence” was developed with an eye to building a stronger culture of health, safety and wellbeing. And internally, we now articulate an ambition for zero injury in the workplace.

“Build our future” is in part about building the patient, long-term mindset that’s needed to deliver on our net zero targets.

And, “Start with the consumer” means we need to be aligned with the long-term consumer trend towards potentially less harmful moments of relaxation and pleasure.

These behaviours underpin an important element of our culture change and ESG journey.

Deep collaboration with our people is essential if our progress is to be genuinely sustainable.

The initial materiality study that shaped our approach was done in consultation with colleagues.

And in the past few months, Tony and the team have spent many hours discussing our new ESG ambitions with colleagues to collectively build plans to achieve them.

And it means our people understand the strategy, are thinking how they can get involved, and are even starting to provide “crowd-sourced” ideas that will help us achieve our goals faster.

To really engage people, within the company we have dispensed with the ESG acronym, and we now refer instead to our “People and Planet” strategy.

Slide – A company-wide culture change programme

All the different elements of culture change come together in our Connections programme, which we launched last year.

So over the past 12 months, we have focused on providing development to ensure that every single one of our people has a really good understanding of our purpose and our vision and our behaviours – and, in particular, how to deploy these behaviours in their everyday working lives.

So for our 1,500 most senior leaders, this has meant an immersive 15-hour programme where they have had the time to think deeply about what the behaviours mean to them and then start to practise using them and become role models

The programme has been structured in waves that cascaded through the Group: starting with the Executive Leadership Team and their immediate reports, then fanning out to other senior leaders, factory managers and functional heads.

Every one of our employees will have completed My Connections by the end of 2022.

And we are now moving to the next phase of our culture change journey. During 2023 we will be focused on two activities.

First, we are embedding our behaviours into performance management, with the bonuses of senior leaders now being awarded against both 'how they deliver' and 'what they deliver'.

And second, we are building our leadership capability in performance coaching.

Because these two things together will accelerate our journey to create a performance culture, which, as I have said, is a really key enabler to our strategy.

Slide – Change programme gaining momentum

Earlier this month, Stefan and I launched this programme with our leadership community, and there was a high level of engagement on these calls.

This anecdotal evidence that culture change is starting to become embedded is backed up by data.

So a survey conducted in July with our top 500 leaders, indicated the culture change programme is exceeding every single external benchmark, with 93 per cent understanding what our behaviours meant for them in their roles.

Slide – Improving diversity, equity and inclusion underpins cultural change

Similarly with diversity, equity and inclusion, we have developed our approach in close collaboration with our people.

And at the centre of our efforts have been four new employee resource groups focusing on gender, ethnicity, disability and LBGTQ+.

The 500 members of these groups have been instrumental in developing our strategy for this area.

As I have said, diversity, equity and inclusion is really important for our culture change programme and for our ESG ambitions.

So when we started two years ago, there had been no structured, group-wide approach in this area.

We are pleased with the progress we have made, but we know we are still at the early stages of a long journey.

But as we began the work in this area, we wanted to send a clear message from the top.

And in the last 18 months, we have transformed our Executive Leadership Team from 14% women and no people of colour or different ethnic background, to 30% women and 30% people of colour or different ethnic background.

We've made similar improvements at the Board level.

Slide – Cultural change ambition

Much more work now needs to be done to drive fairer representation across our broader leadership team and the enterprise as a whole.

And that's why, with strong input from our employee resource groups, we have been developing an end-to-end five-year strategy, which we will be presenting to the Board next month.

Now given where we are in this process, it would be inappropriate to go into too much detail today, but what I can say is that over the next 12 months we intend to focus on three areas:

One, improving our employee data. We know we need a more solid baseline to measure future progress.

Two, creating a community of allies, which is a bedrock for a sustainable approach to DE&I.

And three, reviewing how we attract, recruit and retain talent, and how we manage career advancement. And we know we need a deeper understanding of the critical issues for under-represented groups across the entire employee journey.

I hope this presentation has given you a stronger understanding of how seriously we are taking culture change; how culture is intertwined with our approach to ESG; and how these elements are coming together to support our strategy to create a more sustainable company.

I'm now going to hand you back to Stefan.

Stefan

Slide: We are committed to making a difference

Thank you Alison and to all our presenters today.

I'd like to conclude by summarising why we are committed to our new ESG agenda.

Our ESG priorities are fully aligned and integrated into our strategy, purpose and vision.

In some areas, such as climate change, we are building on solid foundations, where we have already made really good progress.

However, we recognise there are other areas where we are coming from behind but there is an opportunity to make a real difference, such as in consumer health.

Creating the right culture is critical to both our corporate strategy and our ESG agenda.

And we are reinforcing delivery of our ESG objectives through new hires, strong executive accountability and clear governance.

Put simply, the goal of our refreshed ESG strategy is to support the delivery of our corporate strategy, creating value for all our stakeholders over the long-term.

Thank you for listening to all of us today. We would now like to take your questions.

Q&A

Peter Durman (Imperial Brands): Thank you, Stefan. Hello, I'm Peter Durman, Head of Investor Relations at Imperial Brands, and I'll help coordinate the Q&A today. We have all the presenters here ready to answer your question. If you'd like to ask a question, you'll need to dial in to the conference call using the dial in details and the PIN that you received when you registered. If you're currently dialled in and would like to ask a question, please press star one and one on your keypad. I'll repeat that because that's slightly different from normal. Please press star one and one on your keypad. If you've misplaced your dial-in details or you need to register to receive them, then you can find these details on the top right hand of the webcast screen, where you can register to dial into the conference call. So just to repeat, just at the top right hand of the screen where it says 'phone details'.

I should add, we'll not be commenting on current trading today ahead of our trading update that we'll issue next week on Thursday, 6th October. So perhaps while we wait for people to gather their questions, I'll start off with a couple, and both of these will be for you, Tony.

Clearly, the materiality exercise has been an important – really important way to understand how we prioritise our eight focus areas, particularly around consumer health and climate change. Can you talk to us a little bit about what you went through with material, and how that worked in practice, what you went through? And how did these issues sort of rise to the top, if you like, of the priority list?

Tony Dunnage: Yeah. Sure, happy to answer that one, Peter, because we didn't cover it particularly in the presentation.

So for any programme or strategy, focus is key, and you'll hear that as a theme running through certainly in that presentation and as much of the communication that comes from us as an organisation. And the topic of ESG can be incredibly complicated, if we let it. So our job, of course, is to simplify it. Now, there are more than 400 emerging themes in 70 overarching targets, so we used a process to rank these topics, to see those which were the most material in terms of risk and opportunity for us. So let's call the materiality assessment.

Now this past time when we conducted that assessment, we used an artificial intelligence tool, which really took us into a new level of being able to carry out this process. And that tool is equipped with huge data sets, all regulation relative to markets where we operate and also allows us to do the stakeholder engagement, which Alison mentioned earlier.

And basically after that incredibly complex exercise, it gives us that two by two in terms of what's most material to us as a business and our strategy, and then on the other axis, what's most material to the stakeholders, because in the end, in this multi-stakeholder environment in which we operate, it's those two things. So always being true to our purpose, vision and strategy, but listening to the voice of the many stakeholders, whether that's consumers, whether it's employees, whether it's shareholders. So that's the process we undertook, which gave us the eight very clear priorities.

Peter Durman: Great. Thanks, Tony. And then one more, and then I'll hand it back to the operator. So one further one. You've made a clearly significant improvement in sourcing electricity from renewable areas in the past year. Can you just shed a bit of light on exactly what you've done there? How have you achieved that significant improvement?

Tony Dunnage: Sure. I think if you look at the Imperial management team now, and most people have acknowledged that it's a relatively new team, there's a lot of new hires coming from large global organisations, and one of the great things when you get that discontinuity is fresh eyes and fresh inputs.

So the obvious exercise that we carried out first of all, was to look at where have we got what we would call low-hanging fruit in each of the areas. And in climate change, renewable electricity was one of those areas that hadn't really been adopted in a big way. And myself and mostly our Chief Supply Chain Officer, Javier Huerta, who have some connections from the past actually saw it as a great opportunity, mobilised legal procurement teams and actually from 1st December last year, activated a lot of renewable electricity. And you would see, those with a keen eye who are looking at the chart, actually, some of that will flow through into 2023.

Now I think it's important to say that renewables do have a premium in terms of cost. And one of the important conversations we had is if you look at our past performance in the area of energy efficiency, it's somewhere where we've really excelled. And what we're really confident about is the fact that our energy efficiency programme will more than compensate in terms of the additional premium that we see for the renewable electricity.

Peter Durman: Great. Thanks, Tony. I can see we've got some questions online. So I'm going to hand back to the operator, if I can hand over to you to line up the calls, please.

Operator: Thank you. Before I take the first question, once again, star one and one on your telephone keypad if you would like to ask a question. We will take the first question. Please stand by. Your first question comes from the line of Vladimir Demine from Morgan Stanley. Please go ahead. Your line is open.

Vladimir Demine (Morgan Stanley): Hi everyone. It's Vladimir Demine from Morgan Stanley Investment Management. Thank you very much for a very interesting presentation. Can I follow up on the issue of child labour? And when I look at your bigger competitors, what I can see is they have quite – now they have quite a lot of disclosure in terms of helping us to track the progress on that, so incidents or potential incidents of child labour and how they've been dealt with, for example.

And the second thing I can see is they've been increasing collaboration with third parties, be it NGOs or supply chain experts and auditors, that help them assess and – assess the situation on the ground, develop plans for improvement. And I couldn't find much in terms of reference to such actions in your disclosures. So can we discuss whether you have similar programmes? Do you plan to have similar programmes and actions and disclosure? And if not, why not? Thank you.

Stefan Bomhard: Thanks, Vladimir. I'm going to hand over to Mark to answer that question.

Mark Ballance: Hi, Vladimir. Thanks for the question. So I'm going to break it down into two parts. So the first is just around child labour and how we are tracking and reporting on this versus strategies of our peers. And the second is around collaboration.

I think the first point to note in terms of our supply chain, we have a slightly different strategy to our peers, and we really have a partnership approach with our suppliers. Around about 97% of our supply chain is outsourced, which is the vast majority of what we purchase.

In terms of the data that we get through from our suppliers, that is very much their data that they share with us through the Sustainable Tobacco Programme. So we use that data to make sure that we are aware of what our suppliers are doing to be responsible when they get issues reported through to them and that they identify it through the systems that they have on the ground. But that data very much belongs to them. So for us to share data from our suppliers and the public domain isn't really our play.

In terms of our direct operations, we have a very small number of directly contracted farmers, and that information also passes through the Sustainable Tobacco Programme. And any information through that, we will share through our modern slavery statements, and that would be reported publicly.

From a collaboration perspective, this is a really good point as well. And what we've started doing a lot recently is increasing our collaboration. So through the Sustainable Tobacco Programme, we are working very closely with a lot of the other manufacturers and with our suppliers.

We also are building relationships with the likes of the ECLT, which is Eliminate Child Labour in Tobacco Growing, and various other organisations such as that.

Vladimir, the reason we're doing that, we also use third parties to help us really identify what the root causes are. So the way we look at these kind of issues is every country is specific. So we want to make sure when we are looking at issues in that country, our suppliers are focusing on what the priority issues are, which we can help them to identify. And thereafter, the third parties that we're using as our peers are doing, are really making sure that we're identifying the root causes.

Through the partnerships – the lead partnership projects that we fund, we then go on and support our suppliers through stakeholder management as well to address those root causes in specific countries.

Stefan Bomhard: Great. Thanks, Mark.

Vladimir Demine: Okay. Thank you very much.

Operator: Thank you. Once again, if you would like to ask a question via the telephone, please press star one and one on your telephone keypad. I will hand back to Peter while we wait for further questions.

Peter Durman: Great. Thanks. Perhaps another one in connection with the climate change and our commitment to get to net zero, and I'll hand this one to you, Tony, if I may. Clearly, this is obviously some ambitious targets set out over decades. Can you give us a little bit more colour around how we expect to get there? And in particular, around Scope 3, which is obviously the kind of – obviously outside our control. I can understand how we get there with things that are in our control, but how do we get there with the Scope 3 emissions? What's our thinking on that?

Tony Dunnage: Yeah, sure. I think, in case people didn't notice, that one of the early actions we took a year ago actually was to bring forwards our 2050 ambition for net zero to 2040 because we really believe that that's possible. And I think that's the first point to make.

And then if I start from 2022 and roll out to 2040, picking up the point on suppliers to us, so also when we make these long-term ambitions, we absolutely need short and medium-term goals along the way to be able to demonstrate progress. So we were really clear that we wanted some 2025 goals, because quite frankly, that's just around the corner. And that's why we want to follow the path that many organisations have done and really activate the renewable electricity we spoke about.

So by 2025, our grid electricity, all from renewable sources. That actually really makes a huge reduction in our CO₂ footprint, actually, more than two thirds. And I think it's a really important point. So a big quick early reduction.

By 2030, we also want to get the non-electrical related emissions. So this is on our sites, it's the gas, it's diesel, it's the fuel oil and also the fleet. So we've got quite a large fleet as an organisation. So that's the transition of those other fossil fuels, and that's quite tricky but we've got some early signs. Some may have seen that we've got our first net-zero factory in Sweden. We're working hard to plot the pathway for others. But we really believe that 2030 ambition, we're making great progress on.

And then, Peter, as you asked, the 2040 is somewhat more complicated, of course, because it's the footprint around us, our Scope 3. So that's basically the upstream and the downstream. So we've made a very encouraging start, I would say, and we use the CDP platform. So many analysts may be aware of the CDP organisation.

But we use the CDP platform because that's where most organisations are reporting via at the moment.

So we've engaged with around 100 suppliers who are about 80% of our footprint. Great engagement. Actually, we received an A for our supplier engagement, which we feel very proud of. And that early engagement, as I say, is encouraging. So we're really beginning to have joint discussions and look at where we can see joint value in the exercise we do.

So lots and lots to do in the Scope 3, it's everyone's more complicated area. But as I say, 80% is the focus at the moment, a great start, but we certainly won't rest on our laurels there.

Peter Durman: Great. Thanks, Tony. So I've had a message from Pallav at Barclays. He's having trouble to get through on the telephone line, so he's emailed me his question. So perhaps I can ask this question. It's about electronic waste. So it's probably got two angles. Maybe, Andy, you can talk about it from a kind of consumer side and maybe Tony, you can think about it more from a sort of waste management side.

So the question is, in contrast to traditional tobacco products, so cigarette, cigars, etc., the newer generation heated tobacco devices and e-cigarettes are powered by batteries. And – sorry, excuse me, a second – and the performance starts to deteriorate clearly after each charging cycle, which implies the devices will need to be replaced every one – so one and a half to two years. How are you planning to handle the electronic waste side of things? And maybe you think about it from a consumer education side and maybe from your side from the waste management side?

Andy Dasgupta: Yeah. So thanks, Pallav. Thanks for the question. And clearly, this is something that's top of mind for us as well. We are approaching this through, I'd say, three different lenses. The first lens is really answering the question around the material that we use in our products, ensuring that, for example, the plastic that we use is recycled or recyclable. And now to that effect by next year we will be moving over 2,000 tonnes of plastic, recyclable plastic, in the EU from where we are today. So that's kind of the first area, and we're looking at it across the different types of materials that we have.

The second piece is really around process improvements that drive recyclability of things like our pods. Now we have actually been piloting a programme in a few markets like Germany and France, where we do have – we encourage our consumers to return the pods into specific locations. What we have learned, though, is that the return rate is rather low. So what we are doing now, and this goes back to the comment that I made earlier, effectiveness in this area is going to be through really understanding consumer behaviour and by removing barriers to consumption. So consumers typically, we have found, will not go out of the way to do things just because we want them to do it.

So we are now studying consumer journeys through our market pilots to really understand where do they purchase, how do they purchase, where do they – in the store? And on the basis of that data, we are now going to be preparing a full-fledged proper recycling plan, where we are going to be partnering with whether it's key customers in the market or whether with NGOs who are doing a lot of good work in this space.

And the third piece is really around effectively how we are going to be measuring ourselves in this and how we are going to be driving this as we move forward. And this, again, is critical for us because we believe the how in the journey and how we measure ourselves, which stage of how we are tracking the consumer through their lifestyle of usage, as well as the product lifecycle, whereby we are putting in a huge amount of effort from our R&D side in doing what might look very basic, but by improving, for example, the life cycle of our batteries by 50%, you delay and you improve recyclability by a significant amount.

So that's where we are putting in a huge amount of effort. And those three, we believe, is going to be some of the key initiatives.

Now the other thing that is important, especially in certain areas such as disposables, is consumer education. And we are watching this space very closely. We are also preparing a full-fledged consumer education plan, which will be compelling in nature and because that is what is going to ensure consumer compliance. So I hope that answers your question, Pallav. We are approaching it at multiple ways.

Tony Dunnage: Yeah. And let me try to answer without repeating too much, actually. So when I talk about lifecycle assessment, it's something slightly different to the lifetime of the battery. So what's really important when you consider waste and the real end-to-end is to take what's called a lifecycle approach. And that's really looking from the very start of that, any element which is in a product, to the consumer disposal, and for sure, the biggest and most challenging element is the consumer disposal.

Now, as our NGP business growth, we fully accept the responsibility on us to be able to, as Andy said, educate the consumer, work with our customers and to create an ecosystem where it's, I would say, much more frictionless in terms of the consumer wanting to return and understanding the value of returning.

The other point I would add is the lifecycle assessment exercise, which is a very well understood exercise by most organisations, really gives an output which in research and development teams are able to assess and they can look at product A versus product B and element C within those products versus element D, where they can make a comparison on what the environmental impact may be, how that plays through with the changing regulatory environment. And also, again, you'll hear from us how we play that out to the consumer, always keeping the consumer first in mind with everything we do.

So a very, very complex area. And I think this is one where we'll definitely continue to use consumer insights, be very data-led and be quite scientific in terms of the end-to-end life cycle assessment.

Peter Durman: Great. Thanks, Tony. So another analyst who's having trouble getting through on the phone, so this is Andrei Condrea from UBS. And this is really one for you, Andy.

The UK, France and Germany saw a massive rise in disposable e-cigarettes, bringing with them a very high risk of underage vaping. Should Imperial enter this segment, how would Imperial prevent underage vapers using these products in this area?

Andy Dasgupta: Thank you, Andrei, and it's a great question. So yes, we have seen that the disposables category within vaping has exploded over the last 12 to 18 months. We are very closely watching this space because it is in this space where responsible marketing becomes supremely important. From our point of view, what we do believe is that there are two things.

One is unlike the perception, the data that we have gathered around disposables suggests that a bulk of the users are still adults, and many of them are adult smokers who are switching into disposables for specific occasions of use. So that is one area that we have definitely identified.

Now having said that, as far as youth consumption goes, we are putting into place, not just on the disposables area, but we have very stringent rules in place with our customers, with the key retailers and so on with proper signages. We've got – and I referred to it during my presentation – we have put in place activities such as mystery shoppers to see whether our products are getting sold to underage consumers, who we are not targeting. And in case we do identify areas where there might be a violation, we do take corrective actions very rapidly.

So if we do choose to enter this space, it would be with very clear guidelines, not just from our side in terms of consumer communication but also from our partners like retailers, etc., to ensure their compliance.

Peter Durman: Great. Thank you. So I don't think there's any further questions at the moment online. In terms of another question I think that's on people's minds, clearly, given consumer health – this one for you, Andy – given that consumer health is such an obviously important priority for us, have we considered setting out some sort of targets or some sort of size of our ambition from what we – how big we think this could be as part of our business? And if not, why not?

Andy Dasgupta: Thank you, Peter. This is a question very close to my heart because I think, firstly, we've got to acknowledge the fact that we are definitely behind where we would have liked to be at this point in time. We are behind our competitors. But funnily enough, that's probably one of the reasons why I, along with many of the senior executives, actually joined this company. Because I think the passion and the intent of this company under senior leadership to create a fully sustainable business, a sustainable and substantial business, for us is extremely strong. So I know that's the reason why I am here.

One of the things that we also learned from our past is that we did not want to make commitments with proper quantitative targets before we understood the consumer dynamics as well as the market dynamics inside out. We believe, as I said earlier, there are so many different factors at play to create a successful consumer business around NGP that the approach that we have taken is not just through deep consumer insights work that we are doing, but also through actual pilots, where we've got trackers in place to understand consumer, trade, shopper dynamics.

Now once we do it, we believe that the better metrics for us to track would be the how we are going to be getting there to have a clear metric across every step of our consumer journey, rather than have a long-term goal, whereby – of course, we have that, we're all here for that reason – but we would much rather make sure we are measuring progress on this journey and step by step, but definitely getting there.

Peter Durman: Okay. Thanks, Andy. Just in terms of – maybe one for you, Alison, around culture change. Clearly, we've highlighted culture change is a key enabler for the strategy and also for our ESG delivery. But how we are measuring our progress here? It's obviously quite a difficult area to have metrics? So how will we know – how will investors know from the outside that we're kind of getting to the right culture in place within the organisation?

Alison Clarke: I mean, it's a kind of simple answer really, is that any cultural activity that you do, needs to be in pursuit of delivering strategic deliverables. So you measure our success in terms of how strategy is performed. So it's all the external KPIs are indicators of whether or not we're being successful or otherwise.

What we also do internally is we measure and track our progress. So as I talked about in the webinar, there are many things that we've done this year, which has been about engaging our people in the purpose and the vision and the behaviours. And each time we engage with people on those events, we've got 9,000 events, by the end of the year, we'll have 20,000 people tried it. We ask people, do you understand it, do you believe it, are you engaged with it?

And all of our measures, we've just received a Pulse survey. 76% of our people believe that they are aligned, they understand it and they're enabled. In fact, one of the best kinds of input measures was 92% of people believe that they understand how they can take their position and behaviours into their day-to-day activity.

So on each initiative, we track it and monitor it so that we can course-correct, and then ultimately, people can hold us to account in terms of the business growth and the KPIs.

Peter Durman: Great. Thanks, Alison. And we have another question in from Pallav from Barclays. This is in connection – I'll pass this one to you, Tony, if I may. Is there a risk that with the European factories facing sort of gas rationing this winter, first of all, do we have contingencies in place? So not quite an ESG question, but quite a topical question. And could this or other sort of the broader energy crisis have an impact on our ability to reduce emissions over time?

Tony Dunnage: Yes, it's a very topical question, of course. So to answer the first element, do we have contingencies in place? Yes, we have standby generators. We have some retro fit on the boilers, for example, so they're able to burn gas alternatives. And of course, you would expect us to do that.

And to – then coming to the second part of the question, what are the consequences of that? Quite frankly, gas alternatives are higher in CO₂. They are actually more expensive as well.

So we have these contingencies in place. If we need to activate them, we will because it's a business continuity action. And we will report accordingly on what that means in terms of difference to our CO₂ output and energy consumption. And what I would say is that would be, I would hope, a 2023 and not beyond action. I think we all hope that. So no significant impact in the mid or long-term expected.

Peter Durman: Great. Thanks very much. So we have no further questions at this time. So I'm going to hand the call back to Stefan for his closing remarks, if that's okay.

Stefan Bomhard: Thank you, Peter. I mean, just firstly I want to thank you all for your questions and the interest in our webinar today. And I also want to thank the presenters for their contributions today.

I hope that to all of you, the webinar today has demonstrated our commitment at Imperial to the ESG agenda and how it is an integral part of our wider strategy, purpose, ambition. And I am clearly and we're all aware that some might be sceptical of a tobacco company talking about ESG. However, I feel strongly that we have the opportunity to make a real positive difference to society and to the wider planet. And I would say, in many ways, this is a bigger opportunity in tobacco than in lots of other businesses.

And as I shared with you earlier, this is one of the things that attracted me to this role, that's one of the key reasons why I joined Imperial Brands. And I sincerely hope that you, and each one of you, as investors, would also want to be part of this important journey with us. Yes? We look forward to providing you with further updates on the progress that we're making in the future, but hopefully, you take away some good messages from today.

So thank you again for spending this hour with us. And I say now goodbye to everyone. Thank you.