

# SOLID PROGRESS



**Tony Dunnage**  
Global ESG Director

**Purpose:** Forging a path to a healthier future for moments of relaxation and pleasure.

**Vision:** To build a strong challenger business powered by responsibility, focus and choice.

**OUR ESG HIGHLIGHTS**

Reduced our Scope 1 and Scope 2 market-based emissions by

**65%**  
since 2017

Reduced absolute waste across our operations by

**27%**  
since 2017

Scored

**92%**  
on 2022 ShareAction Workforce Disclosure Initiative

**We are now into the third year of our five-year strategy to transform Imperial into a business better able to deliver sustainable growth year in, year out.**

Our commitment to environmental, social and governance (ESG) issues is integral to our business strategy and underpins our purpose and vision. 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. Our vision states that our pursuit of commercial success will be “powered by responsibility”.

**Double materiality assessment**

In 2023 we continued to build on the strong foundations of our ESG strategy established in 2022. Following on from the materiality assessment we conducted in 2021 where we considered the views of consumers, customers, employees, investors and shareholders to establish our priority ESG issues, in 2023 we conducted our first double materiality assessment.

Double materiality identifies both how a company’s operations impact people and the environment and how sustainability matters impact the company itself. We used an Artificial Intelligence tool through an external provider, Datamaran, to process thousands of data points from corporate reports, mandatory and voluntary regulations, and online news.

This allowed us to define which issues were most material to our business. In addition to desk research and interviews, using an objective and consistent methodology on large amounts of information makes the data-driven insights fully traceable and better suited for auditing purposes, including reasonable assurance.

Results from the double materiality assessment show that consumer health remains as our top priority as we continue to strengthen our next generation products (NGP) to make a more meaningful contribution to harm reduction by offering adult smokers a range of potentially less harmful products. The assessment confirmed our eight focus areas, as detailed on page 40, remain priorities. We will check the validity of our material ESG priorities on an annual basis.

**ESG REPORTING FRAMEWORK**

Our [Reporting Criteria document](#) provides further information on ESG-related KPIs.

We report ESG-related information in accordance with the core options of the Global Reporting Initiative (GRI) Standards and against the Sustainable Accounting Standards Board (SASB) framework for tobacco. Details can be found in our [2023 GRI and SASB Index](#).

To note: Logista remains out of scope for all Imperial ESG-related KPIs.

**i** However, the steps Logista is taking to address climate change impacts on its business are detailed in our TCFD disclosures on page 70.

We have grouped our most material ESG issues into three broad categories: Healthier Futures, Positive Contribution to Society, and Safe & Inclusive Workplace. Each of our eight focus areas is also aligned to at least one of the United Nations' Sustainable Development Goals (UN SDGs) and more detail is provided under each ESG issue.

Governance continues to be a key focus and in FY23 we have built upon the ESG Governance framework introduced in FY22. More detail is provided on page 41. Executive Leadership Team (ELT) sponsors have been appointed for each of our eight ESG priorities, to be accountable for performance, challenge strategy development, and drive integration and visibility from the top down.

Internally, we refer to ESG as our "People and Planet" agenda. To further embed our ESG strategy across the business and to inspire employee engagement we developed our Triple Zero campaign. Triple Zero refers to our aspirations and targets for zero injury, zero carbon and zero waste. Through this ambitious message, we aim to harness employee engagement and deepen their understanding of the required collective effort to achieve these ambitions.

In FY23 we held Triple Zero events in the US and Turkey, bringing together factory managers, regional directors and subject matter experts from across our operations to ensure we adopt a consistent approach across the business to meet our targets, as well as develop plans in support of our aspirations. The progress in both employee understanding and likely actions will be measured through our annual employee experience survey.

## ESG: People and Planet Performance Summary 2023

**i** Further information on our People and Planet agenda is available on our website in our [2023 ESG: People and Planet Performance Summary](#).

As part of our approach to continually improve our ESG performance we take a data-led approach. Sources include our online non-financial reporting system, which compiles monthly information on energy consumption, water usage, as well as safety data. This is to drive more robust performance and transparency in our ESG reporting.

**i** In 2023 we have integrated ESG metrics for consumer health and climate into our FY23 executive remuneration. In FY24 ESG metrics will continue to be part of executive remuneration. See pages 142-163 for more information.

We keep abreast of developing and new ESG-related regulations. The Corporate Sustainability Reporting Directive (CSRD) was formally adopted by the EU in November 2022. To meet the requirements of the CSRD, the European Financial Reporting Advisory Group (EFRAG) has developed the European Sustainability Reporting Standards (ESRS). Earlier this year we asked a third party to conduct a gap analysis of our current ESG reporting against the requirements of the CSRD. The aim was to identify the areas we need to focus on to ensure we comply with the reporting requirements which will come into force in 2025 for companies and entities in scope. The CSRD drives in-scope companies to bring non-financial reporting on par with financial reporting, with assurance of non-financial data becoming mandatory.

In FY24 we will establish a CSRD working group to ensure we remain on track to disclose in line with the requirements.

"As we enter the third year of our ESG ambition, we remain very encouraged by the progress made to date and we are determined to maintain this level of performance. We believe the governance structure we have put in place, coupled with our employee engagement efforts, positions us in good stead to continue to remain on track to deliver against our ambitions."

**Tony Dunning**

### NET ZERO SYMPOSIUM

Lukas Paravicini, Chief Financial Officer, is the ELT sponsor of the climate change pillar of our ESG strategy.

On 22 March 2023 we held a Net Zero Symposium in our London hub. The event, opened by Lucas discussed how collective responsibility, partnerships and action will lead to the impact necessary to keep us on track to deliver our Net Zero ambition. We brought together topic experts and practitioners from across our Global Supply Chain, Procurement, Finance, Corporate and Legal Affairs as well as valued partners from insurers, advisers, and leaf suppliers to review the progress and to debate how we could go further, faster, building upon the positive progress we have made to date.

## OUR JOURNEY TO DATE

### 2021

- New business strategy launched
- Purpose, vision and behaviours unveiled
- ESG materiality study completed
- ESG Board and executive governance agreed
- New ESG strategy developed
- ESG strategy signed off by ESG Committee and Board

### 2022

Internal "People and Planet" agenda launched

### Sept 2023

ESG priorities integrated into executive remuneration metrics (introduced for FY23)

### Looking forward into FY24

- Continuous monitoring by the working groups and ESG Committee
- Continuous sponsorship and engagement across the organisation

## HEALTHIER FUTURES



### Consumer health

We are committed to strengthening our next generation products (NGP) and making a more meaningful contribution to harm reduction by offering adult smokers a range of potentially less harmful products.

NGP net revenue has increased by

**41%**

between FY21 and FY23



### Climate change

We are committed to reducing our impact on the climate throughout our value chain. Focusing on both mitigation and adaptation.

Reduced our Scope 1 and Scope 2 market-based emissions by

**65%**

since 2017



### Packaging and waste

We are committed to minimising waste associated with our products, packaging and production processes.

Reduced absolute waste across our operations by

**27%**

since 2017

## POSITIVE CONTRIBUTION TO SOCIETY



### Farmer livelihoods & welfare

We are committed to engaging with our suppliers to support and develop farming communities and promote sustainable agriculture.

**155,000**

people in our leaf supply chain benefiting from our Leaf Partnership Projects aimed at improving access to clean water



### Sustainable & responsible sourcing

We are committed to sourcing products and services in a compliant, sustainable and socially conscious manner. We will work with our suppliers to ensure continuous improvements.

We have been recognised by CDP as

**a supplier engagement leader**

for a 4<sup>th</sup> consecutive year

## SAFE & INCLUSIVE WORKPLACE



### Employee health, safety & wellbeing

We are committed to achieving world-class occupational health, safety and wellbeing for all our employees.

Reduced lost time accidents by

**44%**

since 2019

(absolute numbers)



### Diversity, equity & inclusion

We are committed to creating a truly diverse and inclusive organisation renowned for celebrating difference, enabling our people to feel that they belong and be their authentic selves. We will respect, recognise and value the diversity of our consumers and reflect the communities in which we operate.

Scored

**92%**

on 2022 ShareAction Workforce Disclosure Initiative



### Human rights

We are committed to raising awareness and improving processes in our supply chains, recognising the importance, influence and role we have in promoting and protecting human rights.

All factories report against

**21**

modern slavery leading indicators monthly



Our ESG strategy remains aligned with the United Nations Sustainable Development Goals.

# POWERED BY RESPONSIBILITY



**Andrew Gilchrist**  
at the Board immersion session.

“Imperial’s ESG strategy is underpinned by strong corporate and regulatory governance”.

**Emily Carey,**  
Company Secretary

## We are committed to conducting our operations responsibly and respecting our people, our communities and our planet.

Our ESG responsibilities are fulfilled through a robust governance framework, upholding high standards of corporate governance, transparency and ethics. We continuously review and improve our risk management processes and disclosure practices to ensure we meet evolving standards and practices.

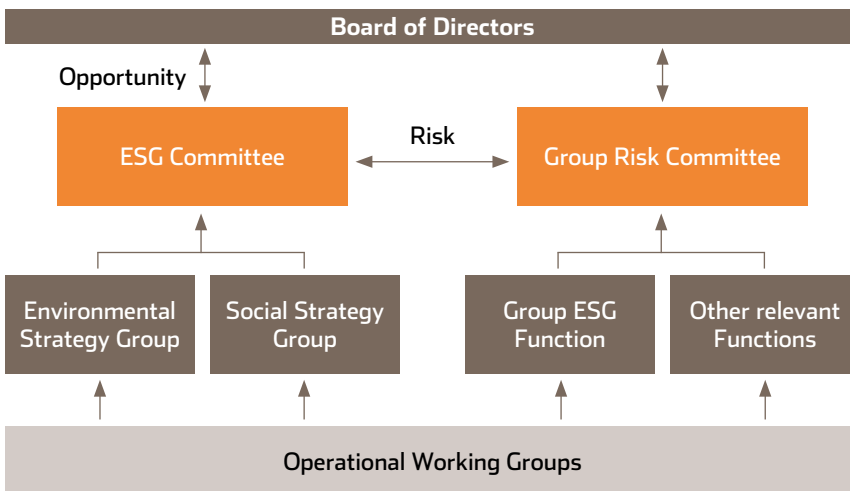
To ensure the Board has full oversight of all relevant ESG issues, we have established a cross-functional ESG Committee, chaired by the CEO of Imperial Brands. The Committee meets at least three times per year. Permanent members of the Committee include all the Executive Leadership Team (ELT), making it an executive committee. The purpose of the ESG Committee is to provide oversight, advice and direction on the implementation of our People and Planet agenda and the Company’s progress on its ESG commitments and objectives, as well as ensuring adequate resources to deliver these. Senior managers representing functions including Investor Relations, Group

Legal, Governance, Corporate Affairs, Supply Chain and Procurement, Communications, Group Science and ESG attend meetings as required.

Our comprehensive governance structure enables appropriate levels of focus, cross-collaboration, risk management and escalation pathways covering every ESG area of focus.

The Board will review our ESG performance on a quarterly basis. The ESG Committee reports to the Board for ESG-related opportunities, and potential material ESG-related risks are reported to the Group Risk Committee.

### ESG Governance structure




The Board of Directors was updated on ESG-related matters throughout the year.



Our CEO, Stefan and independent Board Director, Diane during a store visit in Germany.

The cross-functional Environmental and Social Strategy Groups report to the ESG Committee and are in turn fed into by a range of ESG topic-specific operational working groups which are noted in each of the ESG focus areas. This activity is facilitated by the ESG team. This strengthened governance approach enables cross-functional collaboration and avoids duplication of efforts.

Achieving our ESG targets requires a strong commitment from the top of our organisation. ELT sponsors have been appointed for each of our eight ESG priorities, to be accountable for performance, challenge strategy development, and drive integration and visibility from the top down. This is intended to inspire engagement throughout the business. We believe this executive level sponsorship puts us in a stronger position to deliver against our goals. Our executive sponsors will work with management teams to integrate our ESG targets into our business strategy, monitor progress regularly, report transparently, and lead by example. Their commitment and role-modelling will foster a culture of responsibility throughout the organisation.

 Further information on our approach to risk and opportunity management is available on pages 100-111.

We have a broad range of policies to support our approach to risk management and good governance. Our key policies relating to each of our eight ESG focus areas are listed under the ESG topic area. Our Code of Conduct, translated into 27 languages, is embedded throughout Imperial Brands and enables our responsible approach. It is aligned with the policies, internal controls and risk management processes that underpin our strategy. The Code of Conduct sets out the responsible behaviours we expect from employees in their dealings with colleagues, customers, consumers, suppliers, agents, intermediaries, advisers, governments and competitors. All employees and business partners are expected to act with integrity and in accordance with the standards of behaviour set out in the Code. We expect our suppliers to conduct their business in an ethical and responsible manner and to comply with all applicable laws and regulations.

Our Supplier Code of Conduct, refreshed in 2023, sets out the behaviours we expect our suppliers to demonstrate. The Supplier Code of Conduct is embedded into our Procurement Policy and processes, which govern how we select and contract with our suppliers. Our refreshed Supplier Code of Conduct will be made available in a wide variety of languages.



For further information on our policies, visit [www.imperialbrandspc.com/healthier-futures/governance/policies](http://www.imperialbrandspc.com/healthier-futures/governance/policies)

### Governance education training for employees

Mandatory governance education modules on a variety of topics are rolled out to employees with online access, based on role and location. For employees who do not have access to our online systems, we work with markets to provide accessible local-language versions of courses for face-to-face training. All employees who are assigned courses are required to complete these modules. One of our key e-learning courses is on our Code of Conduct.

Part 1 of this course introduces our Code of Conduct, reviews our Company values, explains why we have a Code and emphasises how we all have a responsibility to follow the Code. Part 2 of the Code of Conduct course explains the responsibilities each of us has, regardless of our role, seniority or location, to act in ways that promote a culture of mutual trust and respect. We also have an e-learning course on modern slavery, now available in 15 languages. This course provides a short overview of modern slavery and explains how employees can raise concerns.

## Speaking Up

Our Speaking Up platform is available both to our employees and to other stakeholders, including suppliers and farmers. The platform offers a wide range of reporting routes and supports anonymous reporting and feedback.

The Speaking Up Policy is made available both internally and on the Group website. Issues raised included allegations of mistreatment of employees, claims of unfair treatment or wrongful termination and claims relating to pay and employment conditions. Where grievances were determined to have merit (in part or whole), appropriate corrective actions were implemented. None of these claims were determined to be systemic.

Allegations were also received of misuse and/or theft of Company property. These claims were not material in value and were determined to be unfounded.

Reports made through our Speaking Up platform were determined to be without merit. A number of alleged frauds were also investigated through the Group's fraud reporting process. Some of these allegations were found to be valid in whole or part. None were of material value.

All reports made to our Speaking Up platform were investigated by appropriate senior management, including from our People and Culture teams, Group Finance, Group Security, and Group Legal. At all times, protection of the individual making the report was a key consideration.

## INDEPENDENT ASSURANCE

We appointed Ernst & Young LLP to provide limited independent assurance over selected ESG content within the Annual Report for the period ended 30 September 2023. The assurance engagement was planned and performed in accordance with the International Standard for Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

These procedures were designed to conclude on the accuracy and completeness of selected ESG indicators, which are indicated in the report with an A.

An unqualified opinion was issued and is available on our website along with further details of the scope, respective responsibilities, work performed, limitations and conclusions.

## INVESTOR BENCHMARKS

Our ESG management and performance is evaluated by a wide range of external rating agencies.

We believe it is important for rating agencies to work together with companies, investors and other stakeholders to improve consistency and transparency in producing robust ESG data and ratings.



We are pleased to note that MSCI has upgraded our rating from an 'A' to an 'AA'. Its latest report dated August 2023 states: "Imperial Brands continues to lead global peers on corporate governance practices. The company has responsible marketing policies and enforcement mechanisms such as regular audits and employee training. However, like industry peers, the company continues to face scrutiny over its supply chain labour practices."



In 2022, CDP awarded us an A rating for our Climate Change submission for a fourth consecutive year. We await the results of our 2023 submissions to CDP for Climate, Water and Forests. We continue to participate in the CDP Supply Chain Programme, which gathers information from our key suppliers on how they are managing their climate risks and opportunities. We were pleased to be recognised as a Supplier Engagement Leader by CDP in 2022 for a fourth consecutive year.



In its August 2023 updated report, Sustainalytics states that: Imperial is at high risk of experiencing material financial impacts from ESG factors, has medium exposure and strong management of material ESG issues. The company is noted for its strong corporate governance performance, which is reducing its overall risk. Imperial's overall ESG Risk exposure is medium and is moderately above subindustry average.



Moody's Analytics gave us an overall ESG score of 42/100 and a Company Reporting Rate of 82% in their last update in October 2021.



We are proud to have been recognised for a third consecutive year as a Climate Leader by the Financial Times in its ranking of actions taken by European businesses.



We have also participated in the investor-backed Workforce Disclosure Initiative (WDI) since 2019. This benchmark is currently based on a disclosure score, and performance scores have not been allocated. We received a 92% disclosure score for our 2022 submission and have submitted our 2023 disclosures to the WDI.

HEALTHIER FUTURES



# CONSUMER HEALTH

NGP net revenue has increased by **41%** between FY21 and FY23



We are committed to strengthening our next generation products (NGP) to make a more meaningful contribution to harm reduction, by offering adult smokers a range of potentially less harmful products.

**Behaviours**



Start with the Consumer

**Link to SDGs**



SDG 3: We are committed to tobacco harm reduction

**Governance**

- Consumer Health Working Group
- Product Stewardship and Health Group (PSHG)

**Key Policies**

- International Marketing Standards
- NGP Policy Positions

**ELT sponsor**

- Andy Dasgupta, Chief Consumer Officer
- Sean Roberts, Chief Legal and Corporate Affairs Officer

**OUR PLAN**

**2023**

- Consumer Health Working Group created.
- Three innovation hubs in Liverpool, Hamburg and Shenzhen.
- Acquisition of range of US oral nicotine pouches from TJP Labs.
- Launch of blu bar, our disposable vape.

**2024**

- New NGP innovations planned across multiple markets.

# THE RELATIVE RISK SCALE

An illustrative representation of the current scientific evidence:



As a responsible manufacturer, we understand and maintain a detailed knowledge of our products and monitor the relevant scientific developments and literature relating to our products and respond accordingly. The Product Stewardship and Health Group (the PSHG) is responsible for formally advising the Board, via the Chief Executive, on all consumer safeguarding issues.

To oversee a more holistic approach to consumer health, in FY23 we set up the Consumer Health Working Group which brings together internal stakeholders from across the business including the ESG team, Group Science & Regulatory Affairs, Investor Relations, Group Communications, Corporate and Legal Affairs, Product Innovation and the Global Consumer Office. This group is responsible for overseeing the actions taken and the progress made related to consumer health.

### Making a positive impact on consumer health through our NGP continues to be a priority.

Globally, more than a billion adults still smoke. Along with others in our industry, we acknowledge society's concerns about the health risks of smoking, and we have a duty to help to potentially improve public health by reducing smoking-related harm. This ambition aligns with SDG 3.4 which aims to: "reduce mortality from non-communicable diseases and promote mental health".

A consumer-centric, challenger approach to next generation products (NGP) supports Imperial's specific contribution to this broader industry-wide commitment to reduce potential harms. As the smallest of the international businesses, we are humble about what we can achieve on our own. But, by engaging with our consumers, innovating fast and working with business partners, we believe we can drive responsible competition and help accelerate the transition to potentially reduced-harm products.

### NGP have the potential to make a significant contribution to harm reduction.

Both our own – and independent – scientific evidence suggests all nicotine products which do not involve the burning of tobacco are potentially less harmful to consumers, compared to continuing to smoke cigarettes.

While public health bodies have concluded that nicotine is addictive, they also agree that it is the smoke created by the burning of tobacco leaf that contains most, and in the highest levels, of the 100-plus harmful chemicals responsible for smoking-related disease. Advances in science and technology enable our NGP to deliver nicotine to consumers without the need to burn tobacco.

To aid understanding of the harm reduction potential of each NGP relative to cigarettes, we have developed an illustrative representation of the current scientific evidence – the relative risk scale illustrated above.

### Imperial has accelerated innovation in potentially harm-reduced products.

Since the launch of our current Group strategy in January 2021, we have been investing in consumer insights, innovation capabilities and third-party partnerships to accelerate our NGP operations. This way of working is most clearly seen in our new innovation centres. Our Sense Hubs in Liverpool and Hamburg, opened in 2023, bring together consumers, our own product developers and third-party partners in a single collaborative space. Our Shenzhen site enables us to get closer to our supply chain partners.

These focused investments have led to a step change in the pace of development of new products across multiple categories – all designed to appeal to existing adult smoker and nicotine consumers.

- Pulze 2.0, our latest heated tobacco innovation, is now available in seven markets.
- blu 2.0, the evolution of our myblu pod-based vape, is available in nine markets.
- blu bar, our new disposable vape, is already established in 11 markets.
- Three new variants of Zone X, our tobacco-free oral nicotine pouches, in select established European markets.

In the US we are poised to launch a new range of oral nicotine products following the acquisition of TJP Labs' range of US nicotine pouches in June 2023.

**Our NGP net revenue has increased by 41% between FY21 and FY23\***

\* FY23 NGP net revenue was £265 million and has been independently assured by Ernst & Young LLP (EY) under the limited assurance requirements of the ISAE 3000 standard. EY's Assurance Opinion is available on our [website](#).



**Supporting consumer choice – consumer behaviour is becoming more diverse.**

The tobacco industry has made significant progress in tobacco harm reduction. However, even in Europe, the region where NGP has made most progress, cigarettes still represent 91% of the total market.

Analysing the global and regional figures, we are seeing growing diversity in consumer behaviour market by market. For instance, in three examples of neighbouring countries in Europe: France is a significant vaping market, while Italy is the largest heated tobacco market in Europe and in Austria oral nicotine is the dominant NGP category.

Furthermore, we are seeing similar diversity of consumer behaviour when we analyse nicotine use by individual occasions – or “moments.” Over the past two years, Imperial has conducted a major piece of consumer research, using an approach called “demand spaces”. This method breaks down the lives of our consumers into individual moments when they enjoy our products: for instance, in the morning or evening; in the home or out and about; and alone or with friends.

We interviewed c.8,600 consumers across eight countries, collecting in-depth information on c.15,800 different consumption occasions. Our research highlighted how, moment by moment, there are wide variations in how consumers behave.

We learned that, in some markets, NGP are already the dominant category for certain moments or occasions – the moments, for example, when people meet with friends outside the home. Equally, however, we learned that there are certain moments – which account for a high proportion of nicotine consumption – where NGP have made few inroads. These are typically moments when people are on their own at home, for example taking a break between tasks.

These trends suggest that there will be no one-size-fits-all solution in tobacco harm reduction – and there is room for a wide range of businesses, including Imperial, to carve out distinctive roles catering for specific consumer needs.

**Substantiation of reduced risk - our innovation is underpinned by a rigorous scientific framework.**

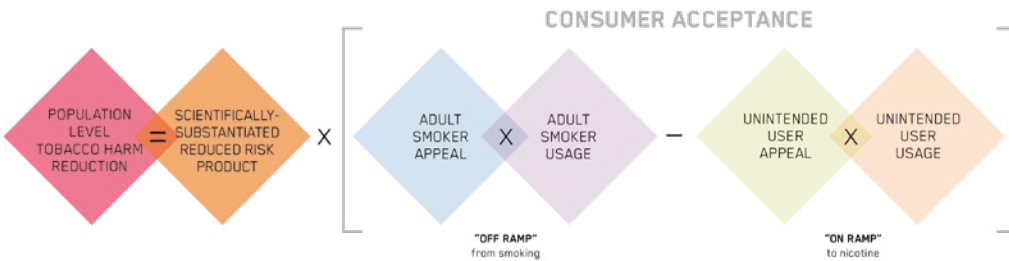
Our Group Science function, partnering closely with our consumer teams, ensures each of our NGP is substantiated against our Scientific Assessment Framework. This is designed to:

1. Reassure our consumers by ensuring all our products are manufactured to a high and consistent standard.
2. Evidence that our NGP are potentially reduced-risk compared to continuing to smoke, and that they are compelling to try and satisfying when used by adult smokers and existing NGP users (the “off-ramp” on the graphic below).
3. Support the conclusion through a wide range of measures that our NGP are unattractive to unintended populations, including never-smokers and the under-age. Furthermore, current internal research indicates that alternative nicotine products may be competing with combustible cigarettes rather than promoting smoking thereby potentially preventing “on-ramp” to potential cigarette smoking.



For further information please visit Imperial Brands Science website: [www.imperialbrandsscience.com](http://www.imperialbrandsscience.com)

**THE HARM REDUCTION EQUATION**



## SCIENTIFIC ASSESSMENT OF NGP

One example of our structured approach to scientifically assessing our NGP through our Scientific Assessment Framework is the research we have conducted into our heated tobacco system, Pulze and iD.

After proving that Pulze does indeed heat, and not burn, tobacco, we analysed its aerosol and demonstrated significant reductions in the harmful and potentially harmful constituents compared to cigarette smoke. We then confirmed these findings translated to reduced cell toxicity across a series of laboratory tests, with reductions of between 90-98% compared to cigarette smoke.

Clinical trials have also been conducted to confirm Pulze and iD delivered nicotine effectively to adult smokers, while also reducing their desire to smoke. Simultaneously, we published behavioural research to show Pulze appealed to its intended audience – adult smokers – but was not attractive to never-smokers, including young adults.

This activity also supports our dialogues with regulators and policy makers as we seek approval for new NGP products and secure support for the broader principles of tobacco harm reduction.

To confirm the tobacco harm reduction potential of our heated tobacco products in market, we have recently conducted a behavioural study on Pulze 2.0 in the Czech Republic, where we tracked adult smoking participants to understand how they use our products over time to potentially help cut down – or perhaps even entirely replace – cigarette smoking. Initial findings from the draft report are positive, suggesting the system's potential to help adult smokers either stop smoking or substantially reduce their cigarette consumption.

While we seek to provide strong, responsible competition in the NGP segment, we also recognise we are part of an industry-wide transformation. Therefore, we are committed to playing our part in furthering the broader scientific debate on tobacco harm reduction. We have published 30 peer-reviewed Imperial-authored papers and presented 29 scientific research posters at conferences over the last five years.

### Unintended use of NGP - we are committed to discouraging unintended use.

Imperial is proud of its long track record in minimising consumption of its products by unintended users, including young people.

Our blu vape brand was launched in 2009 and acquired by Imperial in 2015, and the average age of blu consumers in the UK – the brand's largest market – is closely aligned to the average age of cigarette smokers.

Across all markets, blu's marketing proposition targets mature consumers making a broader lifestyle shift.

Similarly, the Pulze heated tobacco proposition, with its long battery life, is specifically designed to encourage smokers to stay within the heated tobacco category.

We are committed to marketing and advertising our products responsibly within the laws, codes of practice and voluntary agreements of those countries where we operate. Our commitment to responsible marketing and sale of our NGP and combustible tobacco products is summarised by our Marketing Principles and underpinned by a strict Group-wide International Marketing Standard for Next Generation Products.

In some markets, irresponsible product design, marketing and sales, combined with inadequate and inconsistently enforced regulation, have created growing public unease about youth access to nicotine products. We share these concerns. That is why we are engaging with policymakers to develop regulatory frameworks which better balance adult smokers' needs for an attractive range of potentially harm-reduced alternatives with the

imperative that children should not have access to nicotine products.

Europe has been the key area of focus for Imperial in NGP over the past two years – and in this region we are campaigning for:

1. Regulatory codes for NGP naming, packaging and marketing.
2. Retailer licensing regimes which provide stronger deterrents against under-age sales.
3. The extension of the excise system to the vape category to provide additional enforcement tools against rogue manufacturers and retailers.

The implementation of measures like these will, we believe, help to prevent youth access, and enable responsible NGP manufacturers to continue advancing tobacco harm reduction by offering adult smokers increasingly attractive, potentially less harmful alternatives to cigarettes.

## MARKETING PRINCIPLES

1. We only engage with adult consumers of tobacco and nicotine products.
2. Our marketing is honest and transparent.
3. We give our consumers the information they need to make informed choices.
4. We do not encourage people to start smoking or non-smokers to use recreational nicotine products, and never discourage consumers of our products from quitting.
5. We comply with the local laws, codes of practice and voluntary agreements which govern the advertising, promotion and sale of our products.

HEALTHIER FUTURES



Reduced our Scope 1 and Scope 2 market-based emissions by **65%** since 2017

We are committed to reducing our impact on the climate throughout our value chain, focusing on both mitigation and adaptation.

**Behaviours**



Build our Future

**Link to SDGs**



- SDG 13: Take urgent action to combat climate change and its impacts
- SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all

**Governance**

- Environmental Compliance Working Group
- Climate Change Engineering Forum

**Key policies**

- Environmental Policy
- Biodiversity Statement

**ELT sponsor**

- Lukas Paravicini, Chief Financial Officer

**OUR PLAN**

(from a 2017 baseline year)

**2025**

- 100% of our purchased grid electricity will come from traceable renewable sources.
- Reduce absolute Scope 1 and 2 GHG emissions by more than 50%.

**2030**

- 100% of energy sourced for our operations will be from renewable sources.
- Be Net Zero in our direct operations (Scope 1 and 2 GHG emissions).
- Reduce our total carbon footprint (absolute Scope 1, 2 and 3 GHG emissions) by 50%.
- Reduce absolute Scope 3 emissions by 50%.
- Reduce energy consumption by 25%
- Reduce water consumption across our operations by 30%.

**2040**

- Our value chain will be Net Zero emissions (absolute Scope 1, 2 and 3 GHG emissions).

## STRONG TRACK RECORD OF PERFORMANCE

From our 2017 baseline year we have:

Reduced our absolute Scope 1 and Scope 2 market-based carbon emissions (CO<sub>2</sub>e tonnes) by

65%

Reduced our absolute energy consumption (GWh) by

26%

Reduced absolute water consumption in our operations (m<sup>3</sup>) by


32%

### The specific SDG 13 and 7 targets we are supporting:

**SDG 13.1:** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

In support of this target, we monitor climate-related risks and put in place intervention or mitigation measures where necessary. Our targets on climate change also represent potential business opportunities. We expect to see cost and environmental benefits flow from our energy-saving and efficiency programmes.

In line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we have explored the impact that climate change is likely to have on our value chain in terms of both risk and opportunities. This includes the steps Logista is taking as well.

 Please see page 70 for details.

**SDG 13.3:** Improve education, awareness raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

In support of this target, we want our global workforce to have a common understanding of the topic of climate change. In FY23 we published a training on climate change for our employees. The training focuses on the general topic of climate change as well as Imperial Brands' specific measures and targets that mitigate the risks of climate change, enhance opportunities and create responsible business behaviours.

**SDG 7.2:** By 2030, increase substantially the share of renewable energy in the global energy mix.

In support of this target, we aim to have 100% of our purchased grid electricity from traceable renewable sources by 2025 and we aim to source 100% of all our energy from renewable sources by 2030.

We know that climate change represents a potential long-term risk across the whole of our value chain and to society in general. Disruption in climate and energy has the potential to impact our business from challenges as diverse as crop failure, asset destruction and interruption in distribution. We recognise the importance of disclosing how we are managing climate-related risks and opportunities and we have reported on our approach for several years now, both within our TCFD section on pages 70-81 and through our CDP disclosures which are available on the [CDP website](#).

In FY23 we reviewed the membership of our Environmental Compliance Working Group and the Climate Change Engineering Forum to ensure these groups bring together subject matter experts and engineers from across our operations to discuss initiatives and approve projects to achieve our Net Zero ambition. These groups also provide a platform to exchange knowledge and best practice to help drive consistent performance across our operations.

Further details on our carbon transition plan can be found in our 2023 ESG Performance Summary and in our TCFD section on page 70. Our Net Zero commitment is part of our Triple Zero campaign and all our operations continue to develop local carbon transition plans to ensure they are taking the correct steps and actions to contribute to this Net Zero commitment.

We also established an internal carbon pricing mechanism to account for the cost of greenhouse gas emissions resulting from our operations. The price will be reviewed annually and adjusted



Our actions to cut emissions and mitigate climate risks have earned us a position on the CDP's "A List" for climate change for a fourth consecutive year. Our 2022 CDP scorecard is available on our [website](#).


as necessary to reflect changes in the cost of emissions.

Nearly 90% of our carbon footprint is in our value chain, accounted for in our Scope 3 emissions. We are working with our suppliers and other partners to better understand our Scope 3 emissions. We do this largely through the internationally recognised CDP Supply Chain Programme, and further integration with our sustainable sourcing pillar. In the past year we have re-baselined our entire Scope 3 inventory and recalculated all 15 Scope 3 categories for 2022. For further details see the Sustainable and Responsible Sourcing section on page 60.


### WE HAVE MAPPED A FIVE-STEP APPROACH TOWARDS NET ZERO:


1  Undertake energy-efficiency initiatives

2  Switch to 100% renewable grid electricity

3  Transition all other energy types to renewable sources

4  Achieve Net Zero in our operations

5  Become climate positive, which means saving more greenhouse gas emissions than we are generating

 More detailed information is provided in our 2023 ESG Performance Summary.

## CLIMATE CHANGE PERFORMANCE

Performance indicator	Unit	2017 (base year)	2021	2022	2023	Commentary
<b>Operations with ISO 14001 certification</b>	%	92	78	83	<b>82</b>	We have updated the scope of this indicator to ensure we are addressing largest manufacturing sites. For further details see our 2023 Reporting Criteria document.
<b>Absolute energy consumption<sup>1</sup></b>	GWh	875	729	712	<b>650<sup>A</sup></b>	We set a target to reduce our absolute energy consumption by 25% by 2030 versus a 2017 baseline. We are pleased to report that in FY23 we exceeded this target with a 26% reduction compared to the baseline. We will now set a new target for energy reduction moving forward.
<b>Relative energy consumption<sup>1</sup></b>	KWh/£m net revenue	112,801	95,740	91,364	<b>81,128<sup>A</sup></b>	
<b>Electricity from purchased renewable sources<sup>1</sup></b>	%	8	6	52	<b>96<sup>A</sup></b>	We aim to purchase Renewable Energy Certificates (RECs) from within the same market boundary as electricity is being consumed.  In markets where RECs are not available within the same market boundary, we purchase from a nearby geographical location.  We are regularly reviewing this with the intention to purchase from within the same market boundary once a source becomes available.
<b>Energy from renewable sources</b>	%	5	4	23	<b>41<sup>A</sup></b>	The proportion of energy from renewable sources has increased by 36% since our 2017 baseline year. This is mainly driven by the use of renewable electricity with our RECs scheme.  We have set a target to use 100% renewable energy by 2030.
<b>Absolute Scope 1 CO<sub>2</sub>e emissions<sup>1</sup></b>	Tonnes	114,270	92,900	91,007	<b>81,089<sup>A</sup></b>	Our Scope 1 emissions arise from stationary fuel combustion at our sites, refrigerant gases and mobile fuel combustion in our fleet of Company sales vehicles.  We have seen an 11% decrease in Scope 1 emissions since last year and a 29% reduction from our 2017 baseline year.
<b>Absolute Scope 2 CO<sub>2</sub>e location-based emissions<sup>1</sup></b>	Tonnes	161,360	133,292	131,236	<b>114,059<sup>A</sup></b>	Our Scope 2 location-based emissions comprise the indirect emissions resulting from the use of purchased electricity, heat and steam at our sites.  We have seen a 13% decrease in Scope 2 location-based emissions since last year and a 29% reduction from our 2017 baseline year.
<b>Absolute Scope 2 CO<sub>2</sub>e market-based emissions<sup>1</sup></b>	Tonnes	173,902	-	84,759	<b>18,896<sup>A</sup></b>	We report Scope 2 location-based and market-based emissions according to the GHG Protocol Scope 2 Guidance (2015) and CDP guidance.  We have seen a 78% reduction in Scope 2 market-based emissions compared to last year and an 89% decrease compared to the 2017 baseline year.  This significant reduction in Scope 2 market-based emissions reflects the increase in our use of electricity purchased from traceable renewable sources.
<b>Total absolute Scope 1 and 2 location-based CO<sub>2</sub>e emissions<sup>1</sup></b>	Tonnes	275,630	226,192	222,243	<b>195,148<sup>A</sup></b>	We have seen a 29% decrease in our total Scope 1 and 2 location-based emissions from our 2017 baseline.  Our target is to be at Net Zero in our direct operations by 2030. We have also set a Scope 3 target to be Net Zero by 2040.
<b>Relative Scope 1 and 2 location-based CO<sub>2</sub>e emissions<sup>1</sup></b>	Tonnes/£m net revenue	35.5	29.7	28.5	<b>24.4<sup>A</sup></b>	
<b>Total absolute Scope 1 and 2 market-based CO<sub>2</sub>e emissions</b>	Tonnes	288,172	-	175,766	<b>99,985<sup>A</sup></b>	We have seen a 65% decrease in our total Scope 1 and Scope 2 market-based emissions from our 2017 baseline year. This has been driven by our increased use of electricity purchased from traceable renewable sources.
<b>Relative Scope 1 and 2 market-based CO<sub>2</sub>e emissions<sup>1</sup></b>	Tonnes/£m net revenue	37.15	-	22.55	<b>12.48<sup>A</sup></b>	

A. Select 2023 data has been independently assured by Ernst & Young LLP (EY) under the limited assurance requirements of the ISAE 3000 standard. EY's Assurance Opinion is available on our website. Our reporting scope and definitions are detailed in the Reporting Criteria document published on our website.

1. Our 2023 environmental data covers the reporting period Q4 2022 to Q3 2023. This is to allow for data collection, validation and external assurance. We use the industry leading Greenhouse Gases (GHG) Protocol standard to inform our reporting of Scope 1 and 2 emissions.

Performance indicator	Unit	2017 (base year)	2021	2022	2023	Commentary
<b>Total Scope 3 CO<sub>2</sub>e emissions</b>	Tonnes	981,638	-	-	<b>822,880</b>	In FY23 we recalculated our Scope 3 baseline of 2017 and calculated our 2022 Scope 3 emissions across all categories. This recalculation follows the latest methodology outlined in our <a href="#">Reporting Criteria document</a> , and in accordance with the Global Greenhouse Gas Protocol.  The resulting data shows a 16% decrease in our total Scope 3 emissions compared to the baseline year.  We have a clear methodology for further improving our data capture for Scope 3, by transitioning to a more market-based approach with our partner suppliers and updating using the most recent emissions factors.  Based on our recalculation, we have set a more ambitious target to reduce our Scope 3 emissions by 50% by 2030.
<b>Scope 3 CO<sub>2</sub>e emissions: Business travel<sup>1</sup></b>	Tonnes	16,003	1,837	5,901	<b>18,879<sup>A</sup></b>	Business travel is travel undertaken for work or business purposes. The main driver for the increase in emissions in FY23 is business travel mileage which increased by approximately 100% compared to the previous year.
<b>Key suppliers by spend with science-based targets</b>	%	-	20	25	<b>33</b>	We aim for 50% of our suppliers by spend within the Purchased Goods and Services category to have science-based targets by 2024. Of the suppliers in scope, 33% had science-based targets at the end of FY23.  We are engaging with our key suppliers directly and via the CDP Supply Chain Programme to achieve this target.
<b>Logista absolute Scope 1 and 2 CO<sub>2</sub>e emissions</b>	Tonnes	38,554	45,557	47,099		Logista is managed remotely due to commercial sensitivities and is responsible for its own data. Logista has provided independently assured data from 2022 for absolute Scope 1, 2 and 3 emissions. Data for 2023 is still undergoing independent assurance.
<b>Logista absolute Scope 3 CO<sub>2</sub>e emissions</b>	Tonnes	193,611	194,634	189,709		The increase in Scope 1 and 2 emissions seen in 2022 is due to an increase in transport activity under operational control. The decrease in Scope 3 emissions is attributed to some divestment activity and some emissions reduction initiatives implemented by Logista.  Logista's 2022 relative Scope 1 and 2 emissions comprise 23 tonnes (2021: 22 tonnes) of CO <sub>2</sub> e per £million of 2022 distribution fees (our non-GAAP revenue measure for Logista). Further information on the scope of Logista's GHG reporting is available at <a href="http://www.grupologista.com">www.grupologista.com</a> .
<b>Absolute water consumption<sup>1</sup></b>	m <sup>3</sup>	1,468,626	1,109,178	1,056,982	<b>999,214<sup>A</sup></b>	We set a target to reduce our absolute water consumption by 30% by 2030 versus a 2017 baseline. We are pleased to report that in FY23 we exceeded this target with a 32% reduction compared to the baseline. We will now set a new target for water consumption moving forward.
<b>Relative water consumption</b>	m <sup>3</sup> /£m net revenue	189	146	136	<b>125<sup>A</sup></b>	

### SCOPE 1 AND 2 EMISSIONS – UK AND GLOBAL<sup>1,2,3</sup>

Performance indicator	Units	2023		2022	
		UK and offshore area	Global (Excluding UK and offshore area)	UK and offshore area	Global (Excluding UK and offshore area)
<b>Scope 1 emissions</b>	tCO <sub>2</sub> e	<b>1,841</b>	<b>79,248</b>	1,751	87,500
<b>Relative Scope 1 emissions</b>	tCO <sub>2</sub> e / £m net revenue	<b>0.2</b>	<b>9.9</b>	0.2	11.2
<b>Scope 2 location-based emissions</b>	tCO <sub>2</sub> e	<b>872</b>	<b>113,187</b>	903	130,298
<b>Relative Scope 2 location-based emissions</b>	tCO <sub>2</sub> e / £m net revenue	<b>0.1</b>	<b>14.1</b>	0.1	16.7
<b>Scope 2 market-based emissions</b>	tCO <sub>2</sub> e	<b>0</b>	<b>18,896</b>	310	84,209
<b>Relative Scope 2 market-based emissions</b>	tCO <sub>2</sub> e / £m net revenue	<b>0</b>	<b>2.4</b>	0.04	10.8
<b>Total Gross Scope 1 and Scope 2 location-based emissions</b>	tCO <sub>2</sub> e	<b>2,713</b>	<b>192,436</b>	2,654	217,798
<b>Relative Scope 1 and Scope 2 location-based</b>	tCO <sub>2</sub> e / £m net revenue	<b>0.3</b>	<b>24.0</b>	0.3	27.9
<b>Total Gross Scope 1 and Scope 2 market-based emissions</b>	tCO <sub>2</sub> e	<b>1,841</b>	<b>98,145</b>	2,061	171,710
<b>Relative Scope 1 and Scope 2 market-based</b>	tCO <sub>2</sub> e / £m net revenue	<b>0.2</b>	<b>12.3</b>	0.3	22.0
<b>Energy consumption</b>	kWh	<b>13,233,516</b>	<b>637,059,838</b>	12,421,624	691,831,110

1. We have provided reporting in compliance with UK Streamlined Energy and Carbon Reporting (SECR) regulations (being the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the SECR under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018).
2. For details on the methodology used for SECR calculations, please see our Reporting Criteria document available on our website.
3. Energy efficiency measures taken in FY23 are reported in our 2023 CDP Climate Change disclosures available on the [CDP website](#).

HEALTHIER FUTURES



# PACKAGING AND WASTE

Reduced absolute waste by  
**27%**  
since 2017



We are committed to minimising waste associated with our products, packaging and production processes.

**Behaviours**



Start with the Consumer

**Link to SDGs**



SDG 12: Ensure sustainable consumption and production patterns

**Governance**

- Combustible Product Strategy Group
- Product Sustainability Forum

**Key policies**

- Environmental Policy
- Filter Policy
- NGP Policies

**ELT sponsors**

- Javier Huerta, Chief Supply Chain Officer
- Aleš Struminský, President, Europe Region

**OUR PLAN**

(from a 2017 baseline year)

**2025**

- Our operations will send zero waste to landfill.
- 100% of our packaging will be reusable, recyclable, or compostable in the EU and UK.
- 100% of all wood fibre in our packaging will be sustainably sourced.

**2030**

- We aim to reduce waste generated within our operations by 20%.
- We aim to have a greater than 80% average packaging recycling recovery score in the EU and UK.

We recognise the important role we must play in protecting the natural environment and we actively work to minimise our environmental impacts. Certain resources are finite and, as such, this presents us opportunities to explore solutions that support our business sustainability and protect the environment.

**The specific SDG 12 targets we are supporting:**

**SDG 12.2:** By 2030, achieve the sustainable management and efficient use of natural resources.

In support of this target, we aim to have 100% of all wood fibre in our packaging from recycled materials or responsibly managed forests by 2025.

**SDG 12.5:** By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

In support of this target, we aim to ensure that all our operations will send zero waste to landfill by 2025. We also aim to have 100% of our packaging in the EU and UK to be reusable, recyclable or compostable by 2025.

**SDG 12.6:** Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

In support of this target, we are committed to providing detailed ESG disclosures within our Annual Report and Accounts and on our corporate website. We are committed to partnering with our suppliers directly and through the CDP Supply Chain Programme to collaborate with them to reduce our environmental impact across the whole of our value chain.

**Our operations**


We are committed to compliance with all relevant environmental legislation applicable to our operations. Reducing our environmental impact supports efficiency and cost optimisation. As part of our role in protecting the natural environment, we seek to minimise overall waste, eliminate waste to landfill and make all our packaging in the EU and UK reusable, recyclable or compostable.

In FY23 we continued to use the Combustible Product Strategy Group and the Product Sustainability Forum to discuss existing and upcoming environmental legislation and policies and the potential impact they will have on the business, new product-related sustainability innovations and performance against our ESG targets and goals. These working groups include representatives from Corporate and Legal Affairs, ESG, Product Realisation, Global Supply Chain and local market representatives to ensure we have cross-collaboration and involve the correct subject matter experts in our decision-making process.

We continue to prepare for upcoming regulation such as the EU Packaging and Packaging Waste Directive. These efforts include re-engineering our packaging for recyclability and removing what is not needed. We aim to use resources efficiently, source them from sustainably managed sources and to introduce recycled materials where possible.

To gain further insights, we have conducted recycling assessments on our packaging for products sold in the EU and UK. These assessments have been conducted by an external institute and have allowed us to identify non-recyclable packaging on which to focus our improvement efforts. To date, 96% of our packaging formats assessed are now considered recyclable.

In FY24 we will focus on reducing further unnecessary packaging and to make more of our packaging recyclable. The next step of our zero waste to landfill programme will be to concentrate on waste reduction at source, and to further improve our internal recycling.

 **We have made further disclosures on our efforts to address plastic waste in our 2023 CDP Water Security submission which is available on the CDP website.**

For further information on our policies visit [www.imperialbrandspc.com/healthier-futures/governance/policies](http://www.imperialbrandspc.com/healthier-futures/governance/policies)



**ACKNOWLEDGING THE CHALLENGE**

**Consumer and product waste**

We take our responsibilities in product development and environmental impact seriously. With the NGP business growing, we are faced with additional waste and recyclability challenges. We continue to improve the sustainability and recyclability of NGP materials and packaging. We are keen to understand consumer behaviour and needs related to product waste.

Our consumer research provides insights into what consumers value most. While they do not want to see compromise on the quality of the product, they do:

- Value waste reduction. They would like more information on how to recycle products, and they would like to see brands reduce the amount of packaging used and remove unnecessary plastic.
- Seek clarity on how we source materials which go into our products as well as the proportions sourced from recycled materials.
- Value human rights and expect us to commit to ethical work practices. See pages 62-63 for our approach to human rights.

In FY24, we will continue to implement a consumer-led, regulatory compliant packaging strategy, and report on our progress.

**Cigarette butts**

Consumer acceptance and emissions regulation have meant that we are yet to find an adequate alternative substitute for the traditional cigarette filter. We do not make any product or marketing claims on biodegradability and/or compostability of filters. We believe that the most effective approach to combating littering and ecotoxicity resulting from the littering of used filters (cigarette butts) is through partnership of key stakeholders, such as tobacco companies, government, environmental bodies, businesses and local communities, educating consumers on the importance of the proper disposal of used filters. We recognise the importance of this issue and continue to search for alternative materials for filters which contain single-use plastics. We participate in different Extended Producer Responsibility (EPR) schemes in a number of locations, both on a voluntary basis and to fulfil regulatory requirements.



**NGP waste**

**Vaping products:** To support our consumers with the responsible disposal of our blu products, several markets have introduced “take-back” schemes for vaping devices and pods. In those markets, we have provided incentives to consumers to return their empty pods, which enhances the commercial offering of blu in addition to achieving our environmental objectives.

**Heated tobacco products:** For our Pulze 2.0 product packaging we have achieved a 92% reduction in use of plastic compared to the packaging for Pulze 1.1.

We continue to focus on packaging improvements with further solutions under development.

**Oral nicotine delivery:** The sustainability aims are focused on recyclability improvements, exploring more sustainable materials for cans/refilling options and potential returns schemes are being investigated across our footprint.

**PACKAGING AND WASTE PERFORMANCE**

Performance indicator	Unit	2017 (base year)	2021	2022	2023	Commentary
<b>Absolute waste<sup>1</sup></b>	Tonnes	49,141	41,714	41,969	<b>35,744<sup>A</sup></b>	Our target is to reduce waste by 20% by 2030. We have exceeded this target with a 27% reduction in waste compared to the 2017 baseline year. We will set a new target for waste reduction moving forward.
<b>Relative waste<sup>1</sup></b>	Tonnes/£m net revenue	6.34	5.48	5.39	<b>4.47<sup>A</sup></b>	
<b>All waste sent to landfill<sup>1</sup></b>	Tonnes	7,200	10,619	8,544	<b>4,442<sup>A</sup></b>	Our target is to achieve zero non-hazardous waste sent to landfill by 2025. We have seen a 38% decrease in waste sent to landfill since the 2017 baseline year. This decrease has been driven by our zero waste to landfill initiatives across our operations.
<b>Relative waste to landfill<sup>1</sup></b>	Tonnes/£m net revenue	0.93	1.40	1.10	<b>0.56<sup>A</sup></b>	
<b>Landfill avoidance rate<sup>1</sup></b>	%	88	83	85	<b>91<sup>A</sup></b>	A key element of our environmental approach is to minimise the waste sent to landfill by reusing waste, recycling, composting and incineration (with energy recovery).
<b>Recyclability score</b>	%	-	-	95	<b>96</b>	We aim to have 100% of our packaging material in the EU and the UK to be reusable, recyclable or compostable by 2025. A third party assesses the materials for us and we are on track to achieve this target.
<b>Sustainable sourcing</b>	%	-	-	-	<b>97</b>	We aim to have 100% of all wood fibre in our packaging <sup>2</sup> from sustainable sources by 2025. We are on track to achieve this target.

A. Select 2023 data has been independently assured by Ernst & Young LLP (EY) under the limited assurance requirements of the ISAE 3000 standard. EY's Assurance Opinion is available on our [website](#).

Our reporting scope and definitions are detailed in the Reporting Criteria document published on our [website](#).

1. Our 2023 environmental data covers the reporting period Q4 2022 to Q3 2023. This is to allow for data collection, validation and external assurance.

To note: Absolute waste does not include reused waste.

2. This excludes products from ITG Brands.

POSITIVE CONTRIBUTION TO SOCIETY



# FARMER LIVELIHOODS AND WELFARE

155,000

people in our leaf supply chain benefiting from Leaf Partnership Projects aimed at improving access to clean water



We are committed to engaging with our leaf suppliers to support and develop farming communities and promote sustainable agriculture.

### Behaviours



Collaborate with Purpose

### Link to SDGs



### Governance

- Leaf Compliance Working Group (LCWG)
- Sustainable Tobacco Programme (STP) Guidance

### Key policies

- Human Rights Policy
- Child Labour Policy
- Biodiversity Statement

### ELT sponsors

- Javier Huerta, Chief Supply Chain Officer
- Kim Reed, President and CEO, Americas Region

### OUR PLAN

#### 2025

- Support suppliers to provide access to 100% sustainable wood use.

#### 2030

- Support suppliers to improve access to basic needs for 180,000 farmers and their families.

## SUSTAINABLE AGRICULTURE

Sustainable agriculture impacts our people and our planet, providing food security, establishing livelihoods and supporting environmental stewardship. Imperial works hard to support leaf suppliers' farmers and their families. This includes improving farmer access to basic needs, a decent standard of living and income diversification, enabling them to continue to grow tobacco sustainably.

We purchase approximately 97% of our tobacco through both global and niche suppliers from more than 30 countries worldwide, and only 3% from our own directly contracted farms. Therefore, we work collaboratively with our partners to enhance standards in our leaf supply chain both directly with our suppliers and through partnerships, such as

those created through the Sustainable Tobacco Programme (STP).

We have a strong governance structure in place for our tobacco leaf supply chain. This is overseen by our Leaf Compliance Working Group (LCWG) and part of their responsibility is to maintain effective governance and response to ESG risks within the tobacco leaf supply chain. Our Leaf Compliance and Response (CARE) Programme includes our Leaf CARE tool which is an in-house IT platform to record potential ESG-related issues arising in the supply chain and to track the associated due diligence processes suppliers have established to respond to these potential reported issues. The majority of the data in the Leaf CARE tool is sourced from the STP. A third party reviews and substantiates that information in the STP, before it is uploaded to our Leaf CARE tool.

The STP is an industry-wide initiative aimed at enhancing agricultural supply chain due diligence and accelerating the positive social and environmental impact in tobacco-growing communities. The STP is independently managed and provides us with visibility over our leaf supply chain in two ways: first, by empowering our suppliers to report on the actions they are taking to address any risks identified, and how they are having a positive impact on the ground; and second, by validating these actions both remotely and in the field. This informs our strategy to support our suppliers in taking effective action. All our tobacco leaf suppliers are expected to participate in the STP. In 2023 (based on the 2022 tobacco leaf crop year), 93% of our suppliers reported on their due diligence.

During the past year we participated in six independent Supply Chain Impact Assessments (SCIA) conducted in the field. The objective of these assessments was to identify risks within the leaf supply chain and help focus suppliers to develop prioritised action plans. Where appropriate, we jointly commissioned these assessments with key stakeholders.

We commissioned our own similar Human Rights Impact Assessment (HRIA) within our direct supply chain in Madagascar. Based on rights holder interviews and community engagement, prioritised risks were identified including fair treatment, working hours and children working on family farms. These risks were investigated to further our understanding of root causes and effective solutions. As well as implementing corrective action plans, a thorough preventative action plan was also developed to address all findings regardless of priority level. We have worked intensively on the preventative action plan, which included improving management and monitoring systems, the launch of an operational grievance mechanism, and pilot projects to improve attendance at schools within the community. We are also in the process of supporting the development of workers' committees.

In our direct operations in Madagascar, we have launched interventions targeted at improving awareness amongst rights holders. In our experience, the biggest influencers in preventing child labour are mothers and the children themselves – so we have rolled out posters in schools and community sessions with groups of parents. Through these interventions we have reached 22 schools and just under 1,000 participants in awareness-raising sessions in the last year. In our operations in Laos, several projects are being trialled, including summer sports, film, and arts clubs. We are collecting feedback from the communities on these interventions to ensure they remain targeted and effective. This participatory approach allows us to spot potential improvements and support our long-term aim of addressing the risk of child labour.

Our Leaf Partnership Programme complements the work our leaf suppliers are already doing, amplifying their impact in tobacco-growing communities, by directly funding specific projects. These projects range from enhancing farmers' businesses to supporting communities increase access to basic needs, such as childcare, education, clean drinking water, sanitation and hygiene.

In FY23, Imperial provided financial support for projects in 11 countries, with more than 100,000 beneficiaries.

## SUPPLY CHAIN IMPACT ASSESSMENT IN INDONESIA

A supply chain impact assessment was conducted in Indonesia in partnership with other tobacco manufacturers and included 14 tobacco merchants in total. A total of 231 rights holders were engaged with from tobacco-growing communities to help identify salient risks. These included the risk of unsafe use of pesticides and inconsistent personal protective equipment (PPE) standards, poor waste collection and the potential of children working on family farms. Therefore, in addition to leaf suppliers developing individual action plans, local tobacco companies joined together to form an industry forum to work collectively on some of these non-competitive issues. We have closely followed the development of these action plans and forums over the last year and will continue to stay informed through dialogue with our suppliers on their progress.

## ENGAGING SUPPLIERS

We aim to purchase from and engage leaf suppliers who support their farmers to achieve a decent standard of living by:

1. Continuing to enhance due diligence in our leaf supply chain, co-ordinated through our Leaf Compliance and Reporting e-tool (CARE) programme.
2. Continuing to set high expectations for suppliers who contract with farmers.
3. Increasing our support for projects that have a direct impact within the tobacco communities in our supply chain.

## Forestry

Many of our suppliers' contracted farmers use wood in tobacco production, either as a fuel in the curing of tobacco or for constructing barns required for the curing of tobacco.

Imperial has committed to supporting suppliers and their farmers access sustainable wood by 2025. The ambition is for 100% of the wood harvested to be matched by managed planting.

In 2023, Imperial continued to create partnerships in those remaining countries that are working towards wood sustainability and directly funded commercial forestry programmes. This builds on the forestry programme Imperial directly funded with suppliers in Africa between 2015 and 2019.

Through the tobacco leaf we purchase, Imperial also financially supports national forestry programmes, such as the Tobacco Afforestation Programme in Tanzania. Planting trees sustainably that farmers can access decreases the pressures on the indigenous woodland that is being harvested for use in tobacco production. There are also economic benefits for farmers in labour saving, reduced cost of wood and transport.

## Biodiversity

The responsible husbandry and restoration of natural habitats, soils, and water are integral to sustainable agriculture. Our suppliers are encouraged to protect and enhance biodiversity in their growing areas. This includes topic areas covered by the STP, such as: the mapping of sensitive areas, responsible soil management and integrated pest management (IPM) to reduce the use of pesticides and

increase micro-fauna. We also support and engage with suppliers in the planting of indigenous trees to encourage and grow local biodiversity by supporting insect and bird life.

In FY23 we published our Biodiversity Statement.

## Water

In FY22 Imperial committed to supporting suppliers to improve access to basic needs for 180,000 farmers and their families by 2030. This includes access to clean water, sanitation and hygiene (WASH).

### 155,000 people in our leaf supply chain benefiting from our Leaf Partnership Projects aimed at improving access to clean water

Encouraging a water stewardship approach to managing water in our suppliers' catchment areas and directly supporting their projects through our Leaf Partnership are key areas of importance for Imperial.

Between 2021 and 2023 our investment in water, sanitation and hygiene projects in countries of most need, including Mozambique, India, the Dominican Republic, Guatemala, Brazil and Honduras, equates to around US\$ 2.78 million.



## ACKNOWLEDGING THE CHALLENGE

## Child labour

Like other industries which rely on agricultural products, the risk of child labour is highest in the cultivation part of our supply chain. Addressing issues such as child labour requires a multi-stakeholder response; no single entity can address issues in isolation. In collaboration with key stakeholders including the industry, suppliers and NGOs operating in these communities, we seek to address child labour through three main avenues:

1. The Sustainable Tobacco Programme (STP)
2. Our Leaf Partnership Projects
3. The Eliminating Child Labour in Tobacco Growing Foundation (ECLT)

## The Sustainable Tobacco Programme (STP)

The Human and Labour Rights section of the STP is a critical element for the respect of human rights and is aligned with the relevant ILO core conventions and the principles and guidance contained within other external frameworks such as the UN Guiding Principles on Business and Human Rights.



## Our Leaf Partnership Projects

We work directly with our leaf suppliers to fund projects in tobacco-growing communities to help tackle some of the root causes of child labour.



## Eliminating Child Labour in Tobacco Growing Foundation (ECLT)

We actively support the ECLT and its aims to tackle the root causes of child labour by improving access to education and providing alternatives to childhood working. It also has an advocacy role, raising awareness with governments and communities to galvanise positive action.



See [ECLT website](#) for more information.

Performance indicator	2021	2022	2023	Commentary
<b>Percentage of suppliers' directly contracted farmers growing complementary crops<sup>1</sup></b>	88	94	<b>89</b>	Complementary crops are grown alongside or in rotation with tobacco. These crops are grown for household consumption, sale or as rotational crops to enrich and conserve the soil. Due to the ever-changing nature of our suppliers' farmer base, those that grow complementary crops change. In the next year, we aim to restructure this KPI to have an even more meaningful impact in our leaf supply chain.
<b>Percentage of suppliers' directly contracted farmers with access to initiatives to improve agricultural productivity<sup>1</sup></b>	97	98	<b>99</b>	Suppliers aim to provide all their directly contracted farmers with access to initiatives to improve agricultural productivity, including technical support, improved efficiencies and improved infrastructure. These efforts have resulted in an increase of 1% for suppliers' directly contracted farmers with access to initiatives to improve agricultural activity over the last reporting year. In the next year, we aim to restructure this KPI to have an even more meaningful impact in our leaf supply chain.
<b>Suppliers participating in the STP</b>		96	<b>93</b>	With a change in our leaf supplier base, the total suppliers participating in the STP reduced. We have already initiated discussions with suppliers who do not yet respond to the STP to encourage their participation in the next cycle.
<b>Tobacco farming community members benefiting from new Imperial Leaf Partnership Projects</b>	130,000	84,000	<b>101,410</b>	Imperial continues to fund projects aimed at addressing key livelihood and welfare issues in tobacco communities. This number represents the number of new beneficiaries from 2023 projects.
<b>Purchase from leaf suppliers who are committed to support their farmers access a decent standard of living by 2040</b>	-	-	<b>80%</b>	As part of our ESG journey and restructuring over FY22, this is a new KPI. We require our leaf suppliers to be committed to supporting their farmers access a decent standard of living by having clear written commitments and/or policies in place to support the commitment.
<b>Percentage of sustainable wood used as curing fuel</b>	-	-	<b>96%<sup>A</sup></b>	Imperial has committed to supporting suppliers and their farmers access sustainable wood for use as tobacco curing fuel by 2025. The ambition is for 100% of the wood harvested to be matched by managed planting.

#### Improve access to basic needs for 180,000 farmers and their families by 2030

<b>Childcare and education project beneficiaries</b>	-	-	<b>36,000</b>	Imperial continues to fund projects aimed at addressing key livelihood and welfare issues in tobacco communities. This number represents the total number of cumulative active beneficiaries as of the end of FY23.
<b>Clean water project beneficiaries</b>	-	-	<b>155,000</b>	Imperial continues to fund projects aimed at addressing key livelihood and welfare issues in tobacco communities. This number represents the total number of cumulative active beneficiaries as of the end of FY23.
<b>Sanitation and hygiene project beneficiaries</b>	-	-	<b>33,000</b>	Imperial continues to fund projects aimed at addressing key livelihood and welfare issues in tobacco communities. This number represents the total number of cumulative active beneficiaries as of the end of FY23. Sanitation and hygiene projects, which mainly focus on infrastructure improvement and development, were impacted by cyclone Freddy in a number of African countries.

1. Data is from strategic suppliers in prioritised countries in most need of support, as outlined by a sustainability index compiled using Maplecroft risk indexes.

A. Data has been independently assured by Ernst & Young LLP (EY) under the limited assurance requirements of the ISAE 3000 standard. EY's Assurance Opinion is available on our [website](#).

**POSITIVE CONTRIBUTION TO SOCIETY**



# SUSTAINABLE AND RESPONSIBLE SOURCING

Javier Huerta, Chief Supply Chain Officer, and Vinay Advani, Head of Leaf Procurement & Sustainability, during a visit to a tobacco farm



We have been recognised by CDP as a supplier engagement leader for a fourth consecutive year

We are committed to sourcing products and services in a compliant, sustainable and socially conscious manner. We will work with our suppliers to ensure continuous improvements.

**Behaviours**

**Collaborate with Purpose**      **Take Accountability with Confidence**

**Link to SDGs**

SDG 12: We aim to ensure sustainable consumption and production patterns

**Governance**

- Sustainable and Responsible Sourcing Working Group

**Key policies**

- Supplier Code of Conduct
- Code of Conduct
- Global Procurement Policy
- Human Rights Policy

**ELT sponsor**

- Javier Huerta, Chief Supply Chain Officer

**OUR PLAN**

To source products and services from a diverse supply base that matches our ESG values and ambitions.

**Delivered in 2023**

- Launched refreshed Supplier Code of Conduct which has an increased focus on business integrity, human rights, diversity, equity and inclusion and the environment.

- Using Sedex as the third-party provider to undertake ethical trading assessment of our partner suppliers. This will give us further visibility of our supply chain and enable us to better manage ESG risks.
- Building capability. We appointed a new Head of Procurement Capability and ESG Lead for Procurement.

- 2024**
- 50% of our suppliers by spend within the Purchased Goods and Services category will have science-based targets by 2024.
  - Roll out ethical trading risk assessment to key strategic suppliers.
- 2025**
- Confirm longer-term ESG metrics for our value chain.

### 2023 performance highlights

In 2023

# 33%

of our suppliers by spend within Purchased Goods and Services had set science-based targets.

We are engaging with our key suppliers directly and via the CDP Supply Chain Programme to achieve this target.

We have refreshed our

## Supplier Code of Conduct,

dividing topics into the following sections for clarity: Business Integrity, Human Rights, Diversity, Equity and Inclusion, and the Environment.

This is published on our corporate website.

Using Sedex to obtain ethical trading risk assessment of our partner suppliers.

### Our procurement strategy covers all third-party spend among all five of our supply chain categories:

1. Tobacco leaf
2. Non-tobacco materials (NTM)
3. Next generation products (NGP)
4. Indirect goods and services
5. Logistics

Ensuring continuity in our supply chain has a direct impact on our business today, as well as the potential to impact business sustainability in the future. It is important that the standards we expect in terms of quality, labour practices, human rights and environmental concern are adhered to by our suppliers.

We establish a relationship of trust and integrity with our suppliers. We expect them to conduct their business in an ethical and responsible manner and comply with all applicable laws and regulations.

Our Supplier Code of Conduct, aligned to our Code of Conduct, sets out the behaviours we expect our suppliers to demonstrate. We launched our refreshed Supplier Code of Conduct in September 2023.

We have thousands of suppliers who connect with every part of our business – from leaf to consumer. They work alongside and within our business and are fundamental to our success. Our new Code sets out our expectations for our suppliers and reflects our commitment to be a socially responsible, compliant and sustainable business. It also provides the minimum standards of behaviour we expect from our partners, in the following areas:

- **Business Integrity:** Our suppliers are expected to conduct their business in an ethical and responsible manner and comply with all applicable laws and regulations.
- **Human Rights & Diversity, Equity and Inclusion:** Our suppliers are expected to provide a fair and safe workplace, and demonstrate respect for human rights, diversity, equity and inclusion.
- **Environmental Sustainability:** Our suppliers are expected to adopt policies and practices that protect the planet and reduce negative impacts on the environment.

We expect all our suppliers – new and existing – to adhere to our updated version of the Code. But where possible we want suppliers to go beyond the expectations outlined in this Code. Together we must make a positive social and environmental impact.

The new Code can be found on our website and a link is included in our purchase order T&Cs, contracts and tendering documents. The existing Code will be “phased out” as the new Code is communicated to new suppliers and existing suppliers as and when Procurement teams engage with them, prioritising our key partners.

While suppliers may be managed globally, regionally or locally, the ambition is that all suppliers meet the same standard to enable Imperial to meet its commitments to stakeholders, employers and communities.

### Supply chain due diligence

All our suppliers are required to sign-up to our Supplier Code of Conduct. We have regular meetings throughout the year with all our centrally managed suppliers where any ESG-related concerns can be raised. We will cease our relationship with a supplier if they continually fail to demonstrate how they are managing their ESG responsibilities.

We are using Sedex to encourage our partner suppliers to undertake an ethical trading self-assessment. This not only allows us to identify risks within our supply chain, but also target areas of focus to improve on with our partners.



Tobacco leaf supply due diligence is covered in the Farmer Livelihoods and Welfare section on pages 55-58.

## Sedex Member

### Using Sedex for suppliers' ethical trading risk assessments

We have chosen to use Sedex to gain supply chain visibility, assess supply chain risks and support legislation compliance. We expect our partner suppliers to be registered with Sedex (or equivalent) and have in the first instance completed a self-assessment questionnaire across the following categories: Labour, Health & Safety, Environment, and Business Ethics. Thanks to the insights provided through the Sedex platform and the completion of further in-depth targeted SMETA audits (Sedex Members Ethical Trade Audits) where appropriate, we intend to work with our partner suppliers to drive improvements and mitigate risks through our supply chain.

Our Supplier Qualification Programme is the first screening process for all new non-tobacco material (NTM) and NGP suppliers. This involves suppliers completing a self-assessment which includes questions on business conduct, environmental management and labour practices including discrimination, child and forced labour, freedom of association, remuneration, working hours and health and safety. Once on board, our Global Quality team perform their own reviews which may include the supplier being asked to provide evidence for their management of ESG issues, including how the supplier communicates their own Code of Conduct and grievance policies across their operations, and how they conduct audits and act on findings.

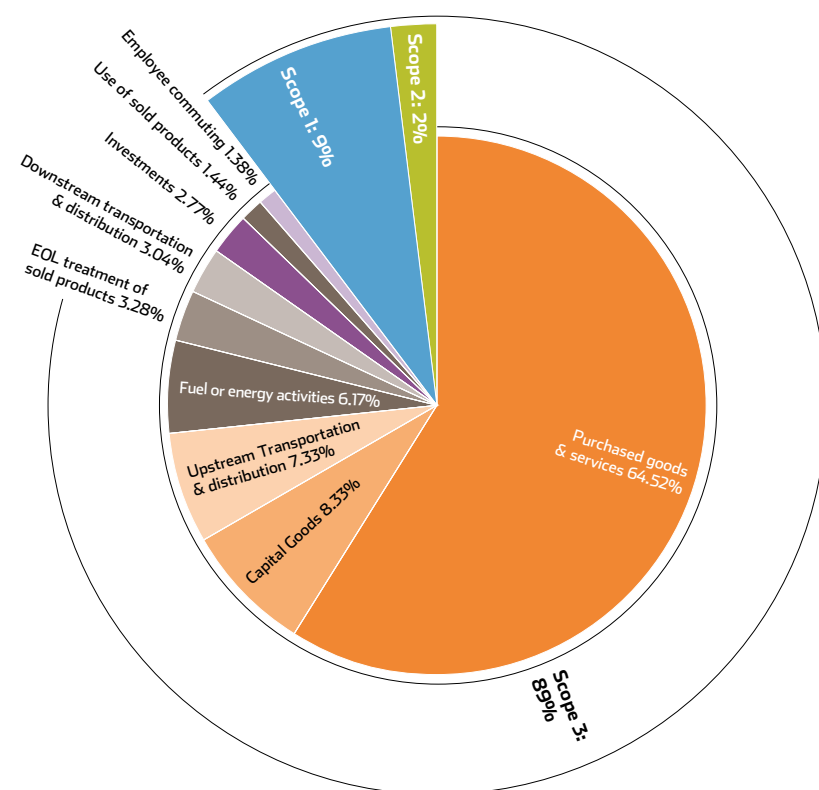
Our logistics and indirect suppliers of goods and services, including facilities management, do not undergo the Supplier Qualification Programme. Where we have run a tender process, we request the supplier provides copies of policies relevant to the services that they supply, which may include those addressing the labour practices, forced labour and child labour (in the case of service outsourcing or goods manufacture). We review the policies as part of the selection process.

In FY23, we continued our membership of the CDP Supply Chain Programme and invited suppliers to complete the questionnaires for CDP Climate, Water Security and Forests as applicable.

We have been recognised as a Supplier Engagement Leader by CDP for a fourth successive year. All companies making climate change disclosures to CDP receive a Supplier Engagement Rating (SER), in addition to their climate change score, rating them on how effectively they engage their suppliers on climate issues.




### Scope 3 Greenhouse Gases (GHG) emissions 822,880 tCO<sub>2</sub>e calculated for 2023



#### Scope 3 GHG emissions

In FY23 we recalculated our Scope 3 baseline of 2017 and calculated our 2022 Scope 3 emissions across all categories. This recalculation follows the latest methodology outlined in our Reporting Criteria document, and in accordance with the global Greenhouse Gas (GHG) Protocol.

 See our Reporting Criteria document available on our website for details.

We have a clear methodology for further improving our data capture for Scope 3, by transitioning to a more market-based approach with our partner suppliers and updating using the most recent emissions factors.

During the recalculation we re-assessed the Scope 3 categories relevant to us and have determined that our most material category is Purchased Goods

and Services (PG&S) which makes up 65% of our total Scope 3 emissions.

We will continue to focus our efforts on the PG&S category and have set the following target: We aim for 50% of our suppliers by spend within the Purchased Goods and Services category to have science-based targets by 2024.

Based on our recalculation, we have now set a more ambitious target to reduce our Scope 3 emissions by 50% by 2030.





SAFE & INCLUSIVE WORKPLACE



# HUMAN RIGHTS

All factories report against **21** modern slavery leading indicators



We are committed to raising awareness and improving processes in our supply chains, and we recognise the importance, influence and role we have in promoting and protecting human rights.

**Governance**

- Human Rights Compliance Working Group
- Leaf Compliance Working Group

**Key policies**

- Health, Safety and Wellbeing Policy
- Code of Conduct
- Supplier Code of Conduct
- Human Rights Policy
- Speaking Up Policy
- Fairness at Work Policy

**ELT sponsors**

- Javier Huerta, Chief Supply Chain Officer
- Paola Pocci, President, Africa, Asia, Australasia and Central & Eastern Europe Region

**Behaviours**



Take Accountability with Confidence

**Link to SDGs**



SDG 8: We are committed to decent work for all and to sustainable economic growth.

**OUR PLAN**

Continue to strengthen our due diligence process in alignment with international frameworks, including the United Nations Guiding Principles on Business and Human Rights, and legislation to ensure we are equipped to identify, prevent and mitigate potential human rights risks. We have legal duties to protect and support our employees.

**2023**

- Three international modern slavery audits conducted by ESG team, following a risk-based approach while maintaining a geographical balance.
- Created a Modern Slavery Toolkit and an escalation process to ensure all employees equipped with necessary knowledge.

- Launched new digital human rights learning programme for employees globally.

**2024**

- Continue to strengthen employee access to Speak Up channels.
- Ongoing due diligence engagement via our Human Rights Compliance Working Group.
- Continue to monitor human rights leading indicators in our operations and report on number of audits completed.
- Align our internal due diligence process to the European Corporate Sustainability Due Diligence Directive and other relevant European and national laws.

**2025**

- Consistently maintain compliance with our 21 modern slavery leading indicators across all manufacturing sites.
- We aim for all relevant employees to understand and access independent Speak Up channels and remediation processes.
- Continuous monitoring of all our priority locations against increasing due diligence requirements.

### Our human rights ambitions

- Continue to strengthen our due diligence processes in line with international frameworks and legislation.
- Provide further access to our independent Speaking Up service.
- Assessing salient human rights issues in our priority locations.
- Training and communications initiatives to increase awareness of human rights.

### The key human rights issues that are particularly relevant to our direct operations

- The potential for modern slavery – which includes forced labour, domestic servitude and human trafficking.
- Ongoing commitment towards fair wages and decent work, gender equity, non-discrimination and non-harassment, freedom of association and collective bargaining.

Alongside prioritising employee health, safety and wellbeing, as well as diversity, equity and inclusion, we believe that respecting and promoting human rights is essential to creating a safe and inclusive workplace.



Human rights topics within our value chain are covered in the **Farmer Livelihoods & Welfare and Sustainable & Responsible Sourcing** sections, pages 55-61.

In compliance with the UK Modern Slavery Act, every year since 2016, Imperial Brands has submitted its Modern Slavery Statement, where we outline our commitments for the upcoming year. You can read our 2022 Modern Slavery Statement on our website. As part of these commitments, together with Slave-Free Alliance, of which Imperial Brands is a founding member, we developed a modern slavery toolkit to help our colleagues to enhance their knowledge about modern slavery, identify its key indicators and characteristics, respond appropriately to potential victims, and to escalate and report any concerns.

### Strengthening our due diligence processes

As in previous years, in 2023, Group Internal Audit assessed modern slavery controls and processes as part of our wider internal factory audits in six cases: Tarnowo Factory, Radom Factory, Wilrijk Factory, Congo Factory, Madagascar Factory and Skopje Factory.

The ESG team also conducted three international modern slavery audits, which followed a risk-based approach

in the Dominican Republic, Spain and Madagascar. These audits enabled us to identify and act on potentially weaker areas of our due diligence activity and share best practices with other factories facing similar challenges. Over the last two years, we have audited six of our top eight priority locations.

All our factories report their compliance against our 21 modern slavery indicators on a monthly basis. This ensures that our sites are both managing the risk of modern slavery and continually improving transparency through reporting. At Group level, we monitor compliance of each site against our leading indicators and facilitate the transfer of best practice.

Similarly, as part of our due diligence, we closely monitored the latest developments regarding upcoming legislation, such as the European directives covering corporate sustainability reporting and corporate sustainability due diligence. Our aim is to be fully prepared for when these regulations come into effect to avoid any potential disruptions in our value chain.

Through collaboration with supply chain experts, we have improved our remediation approach. This included improving how to identify which human rights issues would require escalation and to whom, collecting evidence, and evaluating the success of our actions.

In FY23, we re-assessed our salient issues, confirming that we are focusing on the correct areas, which are: child labour, modern slavery, occupational health, safety and wellbeing; fair wages and decent work; non-discrimination and harassment and gender equity; and freedom of association and collective bargaining. To develop their content, we collaborated with internal subject matter experts and aligned our efforts with the most relevant frameworks and international standards, like the United Nations (UN) Guiding Principles on Business and Human Rights, and the UN Sustainable Development Goals.

In early 2023, we launched a new digital learning programme on human rights for our employees worldwide. We believe that improving broader employee understanding of human rights will further improve our ability to identify potential abuses we may be

exposed to in our operations. This digital training focuses on explaining what human rights are, our commitment and role in respecting and promoting human rights, how to recognise the main signs of modern slavery and, finally, how to report potential instances of human rights violations, both internally and externally.

During September, we partnered with Hope for Justice to host a series of informative sessions aimed at raising awareness about modern slavery. These sessions were conducted in English, French and Spanish and covered four continents.

### In 2024, we will reinforce our efforts to reduce the risk of modern slavery and labour exploitation in our operations.

To achieve this goal, we will closely monitor the performance of our 21 modern slavery leading indicators and provide support for the implementation of action plans in manufacturing sites that are not yet fully compliant. We will also introduce these indicators to a selection of markets and clusters to expand the scope of our due diligence efforts. Additionally, we will conduct three modern slavery audits based on our risk assessment approach and continue to provide human rights-related training and raise awareness through regular communication activities.

We take allegations relating to human rights extremely seriously and are committed to investigating any potential human rights issues within our supply chain and direct operations.

SAFE & INCLUSIVE WORKPLACE



# EMPLOYEE HEALTH, SAFETY & WELLBEING

Reduced lost time accidents by  
**44%**  
 since 2019  
 (absolute numbers)



We are committed to achieving world-class occupational health, safety & wellbeing for all our employees.

**Behaviours**



Take Accountability with Confidence



Be Authentic, Inclusive to all

**Link to SDGs**



- SDG 3: Good health and wellbeing.
- SDG 8: Decent work and economic growth.

**Governance**

- Health and Safety Compliance Working Group
- Wellbeing Working Group

**Key policies**

- Health, Safety and Wellbeing Policy
- Health and Safety Framework
- Human Rights Policy

**ELT sponsors**

- Javier Huerta, Chief Supply Chain Officer
- Aleš Struminský, President, Europe Region
- Paola Pocci, President, Africa, Asia, Australasia and Central & Eastern Europe Region
- Kim Reed, President and CEO, Americas Region

**OUR PLAN**

(From a 2019 base year)

**2024**

- Further roll out of behavioural science in safety leadership training.
- Design Behavioural Based Safety Programme Foundations.
- Launch Group standards for safety leadership routines.
- Zero Injury Aspiration campaign focus on awareness and education.
- Implementation of Wellbeing Framework and Guidance.

**2025**

- 75% of fleet vehicles fitted with an in-vehicle monitoring system (IVMS).
- 60% reduction in fleet collision rate.
- 100% compliance with the Health and Safety Framework.

**2030**

- 75% reduction in lost time accident rate (LTA).

## Commitment

The health, safety and wellbeing of our employees continues to be of the utmost importance to us. We want to continue to create a working environment where wellbeing and safety are absolute priorities, creating a culture of care.

This includes setting granular long-term targets alongside a broader Zero Injury aspiration which is part of our internal Triple Zero campaign. These objectives can be achieved when all colleagues take personal responsibility. We want to develop a Safety Culture of Care and in FY23 we reviewed and updated our Health, Safety and Wellbeing Policy to ensure safety responsibilities were clear across all levels of the business, to link our Zero Injury aspiration to this policy and to include wellbeing responsibilities and guidance for all employees.

To support continuous improvement, we have developed a range of leading indicators to help us measure compliance and identify improvement opportunities. We use these leading indicators to manage our key health and safety risks, such as working at height, operating machinery and driving safely, to measure compliance against our Health and Safety framework which is based on a Plan Do Check Act (PDCA) model. This approach ensures we focus resources in the priority areas and can effectively manage risk across all areas of the business.

In April 2023, we marked the World Day for Safety and Health at Work by publishing our new Health, Safety and Wellbeing Policy. Through the active participation of senior leadership and the ELT sponsors for the Health, Safety and Wellbeing pillar, we communicated the Policy and plans across the business through various channels and toolkits.

We also reviewed and updated our Health & Safety Framework which is based on the PDCA model to provide more focused guidance to our employees to ensure consistency in approach and good governance across the business, translated into a variety of local languages.

To build foundations for a Group-wide behavioural safety programme, which we plan to pilot in FY24.

In FY23, 45 leaders in our Global Supply Chain function were trained on a Behavioural Science Course for Leadership in Safety, accredited by the Institution of Occupational Safety and Health (IOSH). Additionally, 239 leaders in Europe took part in training on impactful safety conversations. We want to prevent accidents occurring and therefore we need to be able to better spot and assess risk.

We trained 3,086 employees from our European manufacturing operations on dynamic risk assessment, and we are going to roll out the training for remaining regions in FY24.

We initiated our Zero Injury Aspiration campaign to educate employees on various health and safety risks and preventative measures. The campaign includes regular safety One Minute Lessons, Health & Safety Newsletters and a Safety Spotlight initiative, to promote safety and best practices for a consistent safety culture.

We are improving our processes for determining the root causes of incidents, to aid in a more targeted approach in addressing and educating our people. In FY24 we will launch updated Incident Reporting and Investigation Standards, alongside an app, for our people to report incidents which will be linked to a dashboard for better monitoring.

In FY23, our vehicle collision rate reduced by 21% through increased leadership engagement and local educational campaigns, which promoted safe driving practices.

Eight of our sites achieved higher levels of compliance with the Drive Safe leading indicators, reaching a global compliance score of 92%. These indicators set clear expectations and encourage continuous improvement in road and driver safety.

Implementing in-vehicle monitoring systems (IVMS) in five additional markets proved effective. Notably, Italy and Taiwan saw a 62% and 51% reduction in collision rates, respectively, thanks to the captured data pinpointing risk-increasing behaviours and enabling targeted training.

Our commitment remains steadfast as we strive to achieve our FY25 target of a 60% reduction in the vehicle collision rate. We will continue enhancing our vehicle safety initiatives to maintain momentum and ensure the wellbeing of our drivers and communities.

## Wellbeing

The wellbeing of our employees is of paramount importance. This was confirmed as an ESG priority in 2022, following the refresh of our ESG strategy and the outcome of a materiality assessment.

Currently, our employee wellbeing support is managed locally and includes resilience training, employee assistance programmes, health checks and awareness programmes, flexible working, family-friendly policies and facilities, and workplace celebrations and social events.

While larger sites have in-house occupational health professionals, others rely on third-party healthcare service providers. Our goal is for a consistent wellbeing approach across the organisation, reflecting our commitment to mental health and wellbeing, as outlined in our new Wellbeing Strategy detailed below.

### Our Group-wide Wellbeing Strategy development

We have set an ambition to provide appropriate and prompt support to our employees, ensuring their wellbeing at work and reducing the likelihood of psychological harm due to workplace factors.

In FY23 we developed a wellbeing framework to achieve this, co-created through an inclusive approach considering the needs of our people from responses to key questions in our employee experience survey and via employee wellbeing focus groups.

This framework provides a clear structure and guiding principles for all wellbeing initiatives across the organisation. It also allows for flexibility, enabling individual regions and functions to adapt practices to suit their specific needs and cultural differences.

We also benchmarked activities in wellbeing. By staying informed about industry trends and best practices, we were able to learn from successful initiatives implemented elsewhere and apply relevant strategies to our own organisation.

We internally benchmarked 50 Imperial locations, finding areas for improvement and wellbeing enhancement.

To capture diverse perspectives, we established a Wellbeing Working Group, which included representatives from different functions and regions. This approach ensured that all areas of the business were involved during the wellbeing strategy development and that the final plan resonated with various stakeholders.

Looking ahead, we plan to establish clear metrics and leading indicators for measuring performance in wellbeing. By tracking the impact of our initiatives, we will be able to assess their effectiveness and identify areas for improvement. This data-driven approach ensures that our Wellbeing strategy remains relevant, impactful and continually evolving to meet the needs of our people.

In May 2023, together with our Disability Employee Resource Group (ERG), we held two events focused on the importance of our wellbeing, specifically targeting anxiety and fear. An external anxiety specialist delivered the session and our people were encouraged to share their experiences with anxiety in and outside the workplace, promoting openness and reducing mental health stigma.

In FY23, 47 employees from nine factories received mental health training. As Wellbeing Champions, they can now better identify the signs of stress, anxiety and depression in themselves and others, how to practise active listening, and to offer support through local networks.

We will continue to develop our approach and strategy for wellbeing in FY24.

**Our Wellbeing Plan:**

- Develop KPIs to measure our performance.
- Foster a mentally healthy culture by incorporating these principles into People Leader training.
- Run regular initiatives to raise awareness of mental health issues at work.
- Enable local sites to design and implement initiatives addressing local wellbeing needs.

**HEALTH AND SAFETY PERFORMANCE**

Performance indicator	Unit	2019 (base year)	2021	2022	2023	Commentary
<b>Employee fatalities<sup>1</sup></b>	Number	2	1	0	<b>0</b>	Health and safety remain a priority for all our employees.
<b>Contractor fatalities<sup>1</sup></b>	Number	0	0	0	<b>1</b>	Regretfully, a contractor fatality occurred in April 2023, at the external premises of the Skopje Factory, North Macedonia. The impacted person was an employee of the Government-owned contractor who was performing a routine waste collection activity.
<b>Members of the public fatalities involving Imperial Brands vehicles<sup>1</sup></b>	Number	1	0	0	<b>0</b>	Road safety remains a priority across all our operations.
<b>Lost time accidents (LTAs)<sup>1,2</sup></b>	Number	101	65	57	<b>57</b>	There has been no change in the number of lost time accidents compared to last year. However there has been a 44% decrease in lost time accidents since the 2019 base year.
<b>LTA rate<sup>1,2</sup></b>	LTAs per 200,000 hours worked	0.40	0.27	0.24	<b>0.30<sup>A</sup></b>	We have seen an 25% increase in our lost time accident rate compared to last year. The number of LTAs stayed the same as last year whilst the number of hours worked has reduced, leading to the 25% increase in LTA rate.  During FY23 we continued to increase the use of leading indicators to better manage risk throughout our operations.
<b>Total number of accidents<sup>1,2</sup></b>	Number	850	573	522	<b>420</b>	We have seen a 20% decrease in total accidents compared to last year.
<b>Accident rate<sup>1,2</sup></b>	Total accidents per 200,000 hours worked	3.39	2.36	2.24	<b>2.24</b>	The total number of accidents compared to last year decreased, however the number of hours worked has also decreased which has resulted in the accident rate remaining the same as last year.
<b>Fleet collision rate</b>	Accidents per million kilometres	5.03	3.95	2.8	<b>2.29<sup>A</sup></b>	There has been a 18% decrease in our vehicle accident rate compared to last year. Road safety remains a key priority for us. We adopt global standards for road safety and use our Drive Safe campaign to promote awareness and influence behaviour.
<b>Fleet vehicles fitted with an in-vehicle monitoring system (IVMS)</b>	%	-	-	57.3	<b>46.9</b>	Evidence shows that in-vehicle monitoring systems typically lead to fuel reduction and improved safety performance and we will continue to test and extend coverage.  The reduction in percentage is due to an increase in fleet size in markets without IVMS, and the closure of a market that had fleet vehicles with IVMS installed.
<b>Compliance with the Health and Safety Framework (Manufacturing)</b>	%	-	-	87	<b>93</b>	We aim to be at 100% compliance with our framework standards by 2025.
<b>Compliance with the Health and Safety Framework (Sales)</b>	%	-	-	93	<b>94</b>	We aim to be at 100% compliance with our framework standards by 2025.
<b>ISO 45001 certification</b>	%	79	74	71	<b>72</b>	Of the factories in scope, 72% have certification for the international standard for health and safety at work.

A. Select 2023 data has been independently assured by Ernst & Young LLP (EY) under the limited assurance requirements of the ISAE 3000 standard. EY's Assurance Opinion is available on our website. Our reporting scope and definitions are detailed in the Reporting Criteria document published on our website.

1. Our health and safety data is for the full 2023 financial year.

2. Accidents reported do not include commuting to or from work, or those sustained by third parties such as distributors.

## SAFE & INCLUSIVE WORKPLACE



# DIVERSITY, EQUITY & INCLUSION

Scored  
**92%**  
on 2022 ShareAction  
Workforce  
Disclosure  
Initiative



We are committed to creating a diverse and inclusive organisation renowned for celebrating difference, enabling our people to feel they belong and be their authentic selves.

We will respect, recognise and value the diversity of our consumers and reflect the communities in which we operate.

### Behaviours



Be Authentic,  
Inclusive to all

### Link to SDGs



SDG 5: We aim to achieve gender equality and a more inclusive organisation.

### Governance

- People and Culture Leadership Team
- Employee Resource Groups (ERGs)

### Key policies

- Code of Conduct
- Fairness at Work Policy
- Human Rights Policy
- Supplier Code of Conduct

### ELT sponsors

- Murray McGowan, Chief Strategy and Development Officer
- Alison Clarke, Chief People and Culture Officer

### OUR PLAN

#### 2021

- Employee Resource Groups (ERGs) set up.

#### Nov 2022

- Board approved a five-year ambition for DEI.

#### 2023

- Workplace and Workforce pillars have been the focus.
- Goals set with each Executive Leadership Team member, measuring progress on a quarterly basis.
- Launched a self-declaration campaign called "I Belong".

#### 2027

- Target set to increase representation of women in senior management from 28.2% in 2022 to 35% by 2027.

“We are committed to creating a truly diverse and inclusive organisation renowned for celebrating difference, enabling our people to feel that they belong and can be their authentic selves, best enabling the performance of every colleague – benefiting our consumers, our business and our people”.

**Alison Clarke,**  
Chief People and Culture Officer

Creating a more diverse and inclusive organisation is an integral element of our cultural transformation.

We define diversity as everything that makes us unique; inclusion as every individual feeling they belong; and equity as giving fair treatment and opportunity to all.

At the centre of our efforts have been our global Employee Resource Groups (ERGs) which were set up in 2021. Our ERGs continue to grow their membership, inform our DEI priorities, and raise awareness across the organisation on key diversity topics.

In November 2022, the Board approved a five-year DEI Ambition and Strategy.

We have defined three strategic pillars, each with clear KPIs.

-Our Workplace focuses on our environment, policies, practices and behaviours.

-Our Workforce focuses on representation – the makeup of our people.

-Our Marketplace focuses on how we operate with consumers and ensuring products and services are sourced from a diverse supplier base.

Our Workplace and Workforce pillars have been our focus during 2023. Our approach has been to set both global and local goals, mindful of local legislation and culture.

One priority goal for our Workplace pillar is to improve the inclusivity of our processes, policies and practices. We use assessments validated by independent expert organisations including the Business Disability Forum, Stonewall and the Centre for Global Inclusion. We have assessed ourselves against criteria set out by these organisations and have a clear view of our baseline against benchmarks on which to improve.

In addition, we measure employee inclusion through four DEI-related questions in our annual global employee experience survey. Our commitment is to move towards high-performing benchmarks, externally validated by our employee experience provider.

In support of developing an inclusive culture, we are creating further interactive training programmes for all employees, to continue to raise awareness and understanding of DEI and create strong allyship. An ally is someone who is proactive in supporting the inclusion and causes of an under-represented group whilst not being a member of that demographic. This programme will provide awareness and understanding of allyship and the skills and actions required to be an effective ally. The training programmes will be implemented in the next financial year.

Our goals for our workforce have initially focused on gender since this is where we have robust data. We have set a global goal to increase representation of women in senior management from 28.2% in 2022 to 35% by end of 2027.

We have implemented targeted candidate attraction campaigns and, in FY24, will introduce digital tools to support the removal of gender-specific language from our recruitment processes and provide inclusive recruitment training for hiring managers.

We have broadened the scope of our annual Global Talent Review to increase visibility of talent deeper into the organisation, identifying diverse individuals we can support and develop to realise their full career potential.

We launched a self-declaration campaign called “I Belong” in July 2023, to access employee data for areas such as ethnicity, disability and LGBTQ+ . Robust data in these areas will inform future goals and actions.

For the Marketplace pillar we are assessing our status and the systems needed to measure diversity of suppliers as part of our supplier management system. We will accelerate work in this area during the next two fiscal years.

While the full achievement of our DEI Ambition will take time, we now have the right plans in place to accelerate our progress.

#### **Global Employee Resource Groups**

- Gender ERG
- Ethnicity ERG
- LGBTQ+ ERG
- Disability ERG

## DIVERSITY, EQUITY AND INCLUSION PERFORMANCE<sup>1</sup>

Performance indicator	Unit	2021	2022	2023	Commentary
<b>Female employees in the workforce<sup>2</sup></b>	%	40	40	<b>39<sup>A</sup></b>	Female representation has remained broadly consistent across the last three years. FY23: 6,672 women, 10,412 men, 66 not declared.
<b>Female senior management<sup>3</sup></b>	%	-	29	<b>31<sup>A</sup></b>	We are committed to increasing representation of women in senior management (Global Grades 3, 4, 5) and have set a goal of reaching 35% women at this level by the end of FY27. FY23: 186 women, 420 men, 2 not declared.
<b>Female Executive Leadership Team (ELT) members</b>	%	33	30	<b>30<sup>A</sup></b>	Female representation on the ELT as at 30 September 2023 (end of FY23) was 30%. There has been no change in the composition of the ELT in FY23. FY23: 3 women, 7 men.
<b>Female PLC Board members</b>	%	22	40	<b>40<sup>A</sup></b>	Female representation on the Board has remained at 40%. We are proud to have met the 40% target set by the FTSE Women Leaders Review three years ahead of schedule. FY23: 4 women, 6 men.
<b>Ethnic minority background on our Board</b>	%	10	20	<b>20<sup>A</sup></b>	On 30 September 2023 (end of FY23), 20% of the Board members identified as being from an ethnic minority background.
<b>FTSE Women Leaders Review Combined Executive Leadership Team &amp; Direct Reports</b>	%	21.4	24.3	<b>26.7<sup>A</sup></b>	The FTSE Women Leaders Review is the successor to the Hampton-Alexander Review. It is the UK's independent, voluntary initiative aimed at increasing the representation of women on FTSE 350 boards and leadership teams. The reporting date is 30 October 2023.
<b>Employee turnover rate<sup>4</sup></b>	%	10	30	<b>16</b>	Following a spike in FY22 due to divestiture and business transformation, turnover reduced significantly in FY23.

A. Select 2023 data has been independently assured by Ernst & Young LLP (EY) under the limited assurance requirements of the ISAE 3000 standard. EY's Assurance Opinion is available on our website.

Our reporting scope and definitions are detailed in the Reporting Criteria document published on our website.

1. We recognise the need to gain more comprehensive employee demographic data in order to understand the diversity of our employee base and drive inclusion. This will form a key part of our new DEI strategy and will help us measure (where appropriate) ethnic minority, disability, LGBTQ+ and other key DEI dimensions.

2. Based on employees recorded in Imperial Brands Group Human Resources Information Systems, excluding Logista, contractors and casual labour.

3. The proportion of senior management employees (Global Grades 3, 4, 5) recorded as female across Imperial Brands Group, excluding Logista.

4. This reflects all employees excluding those employed by ITG Brands and Logista.

