



Our Climate goals  
support four of the  
UN Sustainable  
Development Goals



# CLIMATE TRANSITION PLAN



IMPERIAL  
BRANDS

# LETTER FROM OUR CFO

## Our materiality assessments show that climate change is a key priority for our stakeholders.

It is also a critical business concern that has the potential to directly impact financial performance and risk management. It brings financial risks and opportunities which we disclose in our task force on climate-related financial disclosures (TCFD) in our Annual Report and Accounts.

Extreme weather events and supply chain disruptions can pose direct threats to our operations, assets, and revenue streams. And we must continually assess and quantify these physical risks. Ensuring we are always looking to mitigate and adapt to risk.

With these risks come opportunities, such as the realisation of cost savings as we focus on energy efficiency.

As the Chief Financial Officer, I hold a crucial responsibility in helping to ensure accurate and transparent reporting. This data not only allows us to clearly identify our risks and opportunities, it also gives our stakeholders clarity on how climate risks are integrated into our financial planning, budgeting, and capital allocation processes.

We are committed to taking appropriate responsibility for the climate change impact of our entire value chain, with the goal of achieving Net Zero emissions by 2040. This commitment is one part of our Triple Zero campaign.

This is an ambitious long-term goal and it means working towards eliminating our net greenhouse gas emissions, not just within our own business operations, but also across our supply chain. Our journey to Net Zero is a potential win-win. It is an opportunity for us to play our full part in curbing global warming and also to introduce improved manufacturing and sales techniques and to build stronger oversight of our supply chain.

In this Transition Plan, we lay out our targets, actions and priorities for our transition to a low carbon

### Our 5 step plan 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

economy. With this document we concisely set out our strategy for both internal and external stakeholders to make informed decisions.

This progress reflects the commitment of our employees to identify energy efficiency opportunities as we implement our overall business strategy.

We have found that delivery in one area of our energy reduction journey highlights the need for focus elsewhere. For instance, our success in reducing our energy usage in our manufacturing operations, has meant that our salesforce fleet emissions are now almost 30% of our Scope 1 emissions.

Our fleet is crucial for our engagement with our customers. And as we look for energy efficiencies, this goes hand in hand with our strategy to improve our salesforce effectiveness.

Achieving our Net Zero goal by 2040 requires us to manage carbon reduction across our Scope 3 emissions and we've made progress mapping our supply chain emissions.

We're dealing with vast emissions, spend, and numerous suppliers. We've approached this challenge by setting a strategy that prioritizes our large suppliers, those with significant spend and emissions.

To achieve our ambition to be fully Net Zero across our operations and supply chain by 2040 we set ourselves several milestones to ensure credibility with intermediate targets in both 2025 and 2030.

We have a 5 step plan in place, and delivering against it is working.

The next phase is possible because we've galvanised our employees with our performance culture to focus on delivery of internal energy reduction targets. Our enhanced procurement capabilities continue to collaborate with our key strategic suppliers to embrace a new way of working.

Climate change issues, left unmanaged, have the potential to create a high level of uncertainty not only for us but also within our supply chains. A tonne of carbon reduction from Imperial and our supply chain is a tonne of carbon reduction globally. This is about building our future – and it's about being part of building a better future for our planet.

Lukas Paravicini  
Chief Financial Officer



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# OUR ESG APPROACH SUPPORTS OUR STRATEGY, PURPOSE AND VISION

Board and senior management are highly engaged with our ESG agenda



**Our Purpose:**

To forge a path to a healthier future for moments of relaxation and pleasure.



**Our Vision:**

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





Start with the **Consumer**



Take accountability **with Confidence**



Collaborate **with Purpose**



Be Authentic, **Inclusive to all**



Build **our Future**

We have now completed our fourth 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". By focusing our employees on these topics, we can create Zero Heroes to help us achieve our ESG goals, collectively creating big impacts from small actions.

With this transition plan, we aim to further support open and transparent communication on our climate change activities.

We have grouped our most material ESG issues into three broad categories:

1. Healthier Futures
2. Positive Contribution to Society
3. 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).

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 financial year 2023 (FY23) we held Triple Zero events in the US and Türkiye, 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. We continued to build on this in FY24 by developing an environment framework to apply consistent approaches to environment management, waste, water, and decarbonisation across our manufacturing sites.

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.

# OUR ESG STRATEGY

Climate change is one of our eight people and planet topics. It was identified in our materiality assessment in 2023 as the second most material topic for our company.

## 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.

**Paola Pocci**  
Chief Consumer Officer

**Deborah Binks-Moore**  
Chief Legal & Corporate Affairs Officer



**CLIMATE CHANGE**

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

**Lukas Paravicini**  
Chief Financial Officer



**PACKAGING & WASTE**

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

**Javier Huerta**  
Chief Supply Chain Officer

**Aleš Struminský**  
President, Europe Region

## 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.

**Lukas Paravicini**  
Chief Financial Officer

**Kim Reed**  
President and CEO, Americas Region



**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.

**Javier Huerta**  
Chief Supply Chain Officer

**Our ESG strategy remains aligned with the United Nations Sustainable Development Goals (SDGs).**

**SUSTAINABLE DEVELOPMENT GOALS**

## SAFE & INCLUSIVE WORKPLACE



**HUMAN RIGHTS**

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

**Javier Huerta**  
Chief Supply Chain Officer

**Priyali Kamath**  
President, Africa, Asia, Australasia and Central & Eastern Europe Region



**EMPLOYEE HEALTH, SAFETY & WELLBEING**

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

**Javier Huerta**  
Chief Supply Chain Officer

**Kim Reed**  
President and CEO, Americas Region

**Priyali Kamath**  
President, Africa, Asia, Australasia and Central & Eastern Europe Region

**Aleš Struminský**  
President, Europe Region



**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.

**Murray McGowan**  
Chief Strategy and Development Officer

**Alison Clarke**  
Chief People and Culture Officer

4 Climate Transition Plan | October 2024

October 2024 | Climate Transition Plan

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# OUR PLAN WAS DEVELOPED THROUGH A COMPREHENSIVE REVIEW

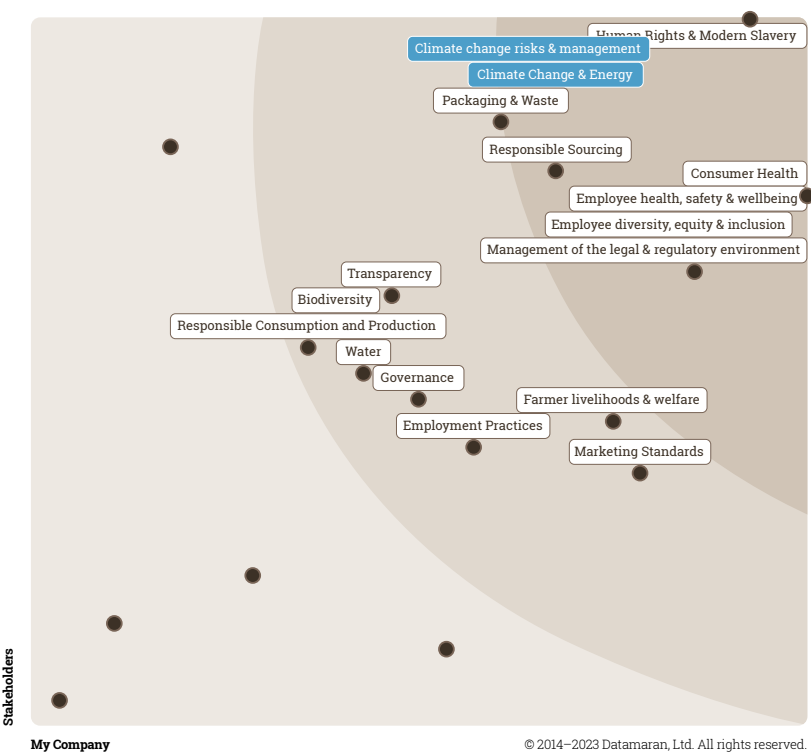
Climate change is an ESG priority, fully integrated into strategy, vision, purpose and behaviours.



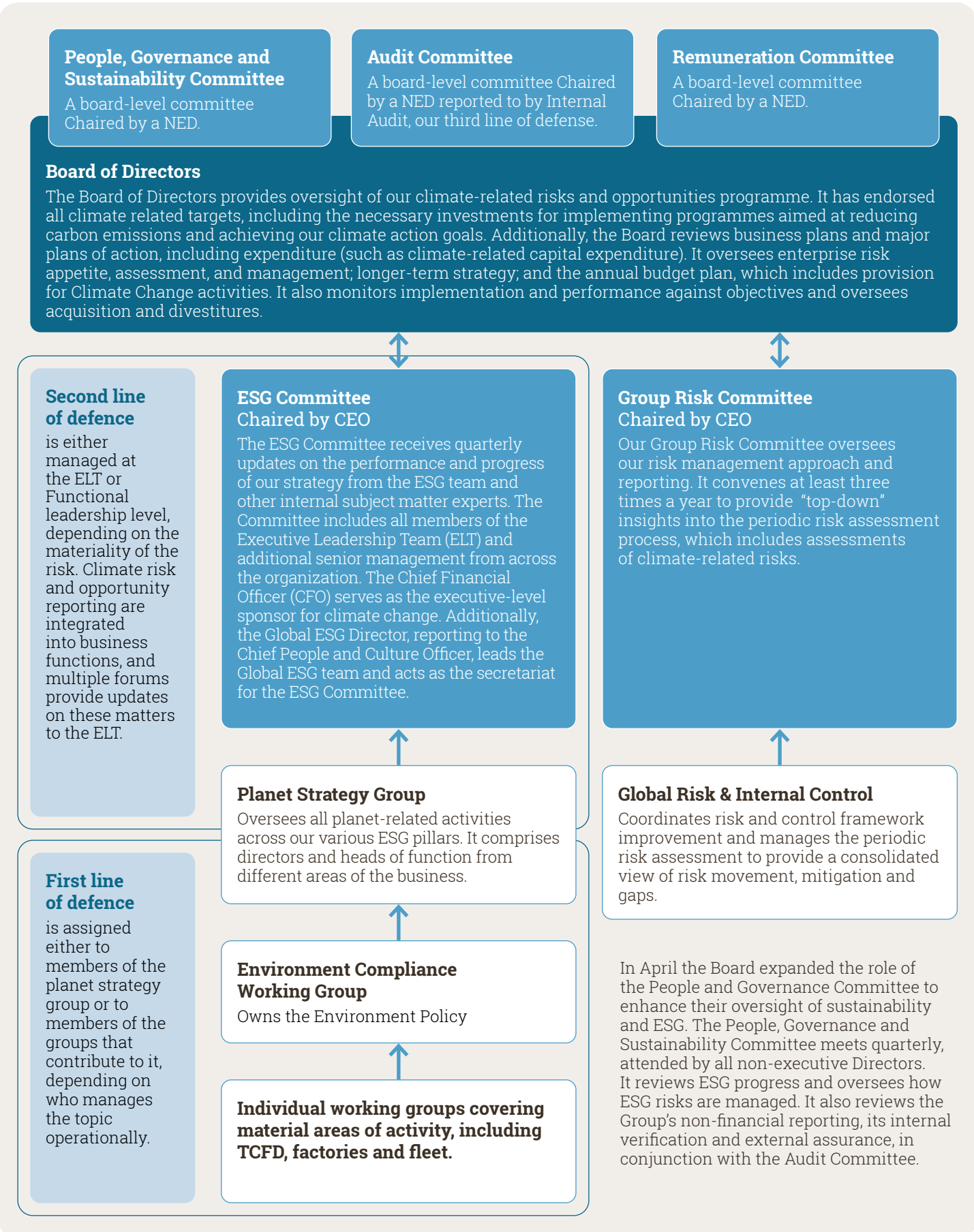
Climate change is integrated into our ESG framework, which receives executive level sponsorship, and is a part of our company vision, purpose, and behaviours. In 2023, we introduced climate related metrics in our executive remuneration. All our ESG topics were informed by a materiality study.

As a central topic of our ESG strategy, climate is fully covered by the ESG Committee. The Committee is informed about the performance and progress of the strategy on a quarterly basis by the ESG team, and other internal subject matter experts. The Committee consists of all members of the ELT as well as additional senior management from across the business.

To the right you can see the result of our 2023 materiality assessment, with climate change energy and risk management highlighted in blue. In 2024, we are developing our double materiality approach to be closer to CSRD requirements. For more information please see the 2024 Annual reports and accounts, page 60.



# OUR CLIMATE RELATED GOVERNANCE RISK MANAGEMENT STRUCTURE





# WHY ADDRESS OUR IMPACT?

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

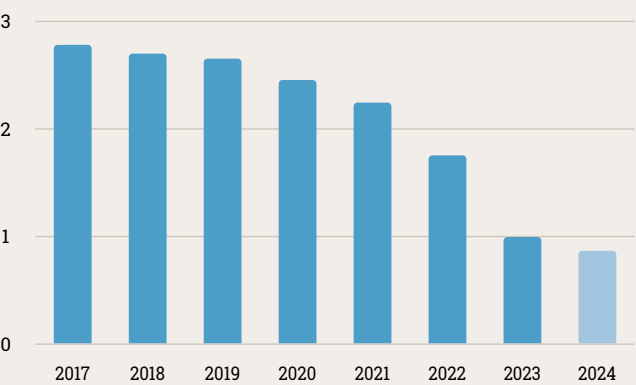
**We conducted a double materiality assessment in 2023, confirming that climate change is our second most material ESG topic, after consumer health.**

## Why is it important?

We know that climate change represents a potential long-term physical and financial 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 through our CDP disclosures, available on the [CDP website](#), and in our TCFD disclosure in our [Annual Reports and Accounts](#). We also recognise the importance of taking action, through conservation and energy efficiency, and have formed a 5 step plan to approach this (page 2).

GHG Scope 1 & 2 market-based emissions (100,000 tonnes CO<sub>2</sub>e)

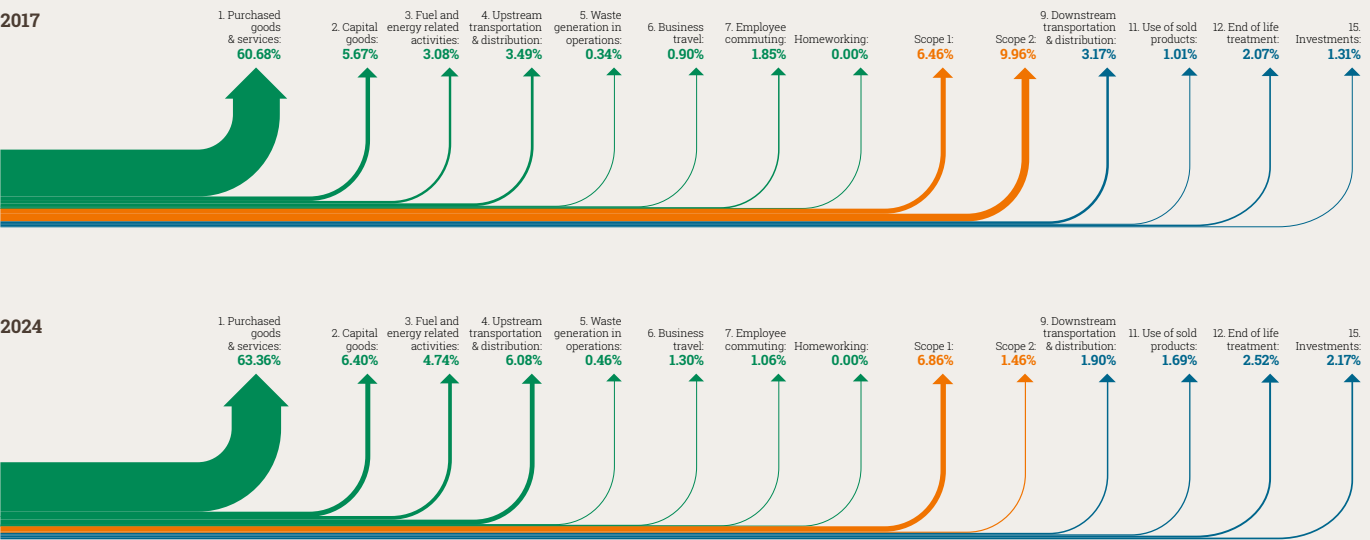


# OUR CARBON FOOTPRINT

● **Our Supply Chain:** Upstream Scope 3 emissions: 2017: **76.02%** 2024: **83.40%** (Percentages of our total carbon footprint)

● **Our Operations:** Direct Scope 1 & 2 emissions: 2017: **16.42%** 2024: **8.32%**

● **Our Products:** Downstream Scope 3 emissions: 2017: **7.56%** 2024: **8.28%**



The numbers relate to GHG scope 3 category numbers

# WHAT ARE WE FOCUSING ON

We have a strong track record of reporting emissions, and have achieved reductions through the last 15 years. In 2021, we committed to Net Zero emissions across our value chain by 2040 (absolute Scope 1, 2, and 3 Greenhouse Gas (GHG) emissions) as part of the race to zero, aligned to a 1.5 degree scenario.

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 actions to decarbonise and contribute to this Net Zero commitment.

Our ESG strategy has eight priority issues/topics, four support our climate ambitions to reduce our environmental impact, both from our operations, and our wider value chain. These priorities, integrated into our business strategy, form the framework of how we focus on our planet. Our five step plan starts with energy efficiency, and sets out our path on how to approach our entire carbon footprint. By focusing the collective energy of our 20,000 employees on this plan, we will drive towards Net Zero by 2040.

## SCOPE 1 & 2

### Climate Change

By 2040 our value chain will be Net Zero emissions. Our first Net Zero target focuses on our Scope 1 and 2 market-based emissions – aiming to be Net Zero by 2030. We have a long history of tracking and reporting our Scope 1 and 2 emissions, and have a strong track record of absolute emissions reduction. Notably, our Net Zero strategy focusses on absolute reduction, rather than offsetting emissions.

We have a clear data-led understanding of our biggest opportunities for decarbonisation: gas use within our

manufacturing sites, and fuel use within our sales fleet. We collect data from all our sites and sales fleets monthly to ensure we are able to track performance. We set short, mid and long term goals internally and link them to executive remuneration.

We are committed to continuing compliance with future applicable regulations, improving our due diligence and transparency in line with international standards.

## SCOPE 3

### Packaging & Waste links to Scope 3 categories 5 & 12 set out in the chart on page 8

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

We are committed to compliance with environmental legislation. Reducing our environmental impact can

also support 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. We also recognise the impact of wood fibre packaging on forestry, and are taking action to ensure this is managed responsibly.

### Farmer Livelihoods & Welfare links to Scope 3 categories 1 & 4

We are committed to engaging with our suppliers to support and develop farming communities and promote sustainable agriculture. While water, biodiversity and deforestation have not been identified at group as material issues for our own operations, they are crucial to ensuring the sustainable future of our tobacco supply. We are members of the industry-wide Sustainable Tobacco Programme (STP) which is independently managed. The STP is aimed at enhancing agricultural supply chain due diligence and accelerating the positive social and environmental impact in tobacco-growing communities. Salient issues identified as part of the work with the STP have included the risk of climate

change, unsafe use of pesticides, protection of natural habitats, soil health and poor waste collection which all have associated emissions. For example, when considering climate change input required by our leaf suppliers through this platform, the STP considers relevant framework and reporting initiatives including CDP, GHG protocol, SBTi's and SBTi FLAG guidance, TCFD, EU CSDDD and EU CSRD\*. We will continue to work with tobacco leaf suppliers on their commitments to Net Zero and other environmental goals. We will continue to follow the development of these action plans and forums to stay informed through dialogue with our suppliers on their progress.

### Sustainable & Responsible Sourcing links to Scope 3 categories 1, 2, 3, 4 & 6

Over 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, as well as leveraging our recently launched Supplier Relationship Management (SRM) Connect Programme. We aim to embed sustainability into our supplier performance

management. In the past year we have re-baselined our Scope 3 inventory and recalculated all 15 Scope 3 categories for 2023.

In reviewing our supply chain emissions, Category 1, Purchased Goods and Services is our most material category, followed by Capital Goods and Upstream Logistics and Distribution.

\* GHG: Global Greenhouse Gas, SBTi: Science based Targets Initiative, FLAG: Forests, Land and Agriculture Guidance, CSDDD: Corporate sustainability Due Diligence directive, CSRD: Corporate Sustainability Reporting Directive

# WITH OUR CLIMATE GOALS, WE SUPPORT FOUR UN SUSTAINABILITY DEVELOPMENT GOALS



## Take urgent action to combat climate change and its impacts.

**SDG 7.1:** By 2030, ensure universal access to affordable, reliable and modern energy sources  
We aim to have 100% of our purchased grid electricity from traceable renewable sources supporting step two of our 5 step plan: 100% renewable electricity.

**SDG 7.2:** By 2030, increase substantially the share of renewable energy in the global energy mix.  
By 2030, we aim to source 100% of our energy globally from renewable sources, with a strategy to achieve absolute reduction of emissions by energy source in all our sites globally, supporting step 3 of our five step plan.



## Ensure access to affordable, reliable, sustainable, and modern energy for all.

**SDG 13.3:** Improve education, awareness- raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.  
We know that in order to achieve Net Zero by 2030 in our operations we need to harness the collective power of our 20,000 employees.

In FY23 we published 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 to mitigate the risks of climate change.

**SDG 13.1:** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.  
We monitor climate-related risks and put in place intervention or mitigation measures where necessary. In line with the recommendations of the TCFD, we have explored the impact that climate change is likely to have on our value chain in terms of both risk and opportunities. Please see our 2024 Annual Report (Page 79) for details.



## Ensure sustainable consumption and production patterns

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



## Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

**SDG 17.14:** Enhance policy coherence for sustainable development.  
With the launch of our Supplier Code of Conduct, and the SRM Connect programme.

**SDG 17.16:** Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries.

**SDG 17.17:** Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.  
Through our work with suppliers in the sustainable tobacco programme, we contribute to a platform that champions best practice within tobacco growing.

# OUR ACTIONS ARE RECOGNISED



**2023 CDP A List for Climate Change:**  
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 fifth consecutive year. Our 2023 CDP scorecard is available on our Performance page.



**CDP Supplier Engagement Leader:**  
We have been recognised as a Supplier Engagement Leader by CDP for a fifth 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.



**2024 Climate Leader:**  
Imperial has been recognised as a 2024 Climate Leader by the Financial Times for a fourth consecutive year, in its ranking of actions taken by European businesses.



**SBTi**  
We are pleased that the Science Based Targets initiative (SBTi) has verified both our near-term and long-term science-based emissions reduction targets. Our overarching target to be Net Zero by 2040 has also been verified by the SBTi.



**Race to Zero**  
In 2021, we joined the UN's race to Zero, the worlds largest coalition of non-state actors taking immediate action to halve global emissions by 2030. In doing so, we joined other members in our goal to reduce emissions across all scopes swiftly and fairly, in line with the Paris agreement, and with transparent action plans and near-term targets



**Business Ambition for 1.5 degrees**  
The business Ambition for 1.5°C campaign was an urgent call to action from a global coalition of UN agencies, business and industry leaders, in a partnership with the Race to Zero. We joined in November 2021, reaffirming our commitment to be Net Zero across all three scopes by 2040.



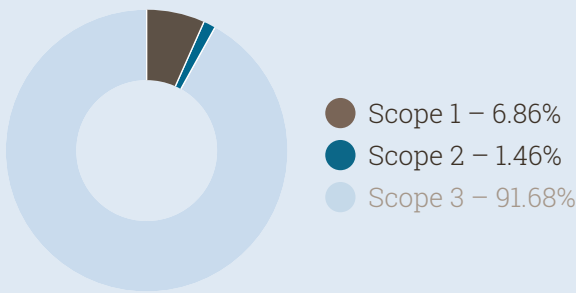
# OUR GLOBAL GREENHOUSE GAS SCOPE 1 AND 2 DECARBONISATION APPROACH

Our Scope 1 & 2 emissions are within our control, and are our primary focus for decarbonisation.

These emissions are created as a result of producing our traditional and Next Generation Products (NGPs) and facilitating their sale.

We calculate these emissions in line with the global greenhouse gas protocol (GHGP). To drive decarbonisation we maintain global standards we do allow for local adaptations to address specific local challenges and opportunities.

GHG emissions across our value chain in 2024 (% tCO<sub>2</sub>e)



**Scope 1:** Emissions that arise from stationary fuel combustion at our sites, refrigerant gases and from mobile fuel consumption in our fleet of company sales vehicles.

**Scope 2:** Indirect emissions which arise from the use of purchased electricity, heat and steam at our sites.

## ESG TOPIC AREAS IN FOCUS:

 Climate Change

### SDGs SUPPORTED:



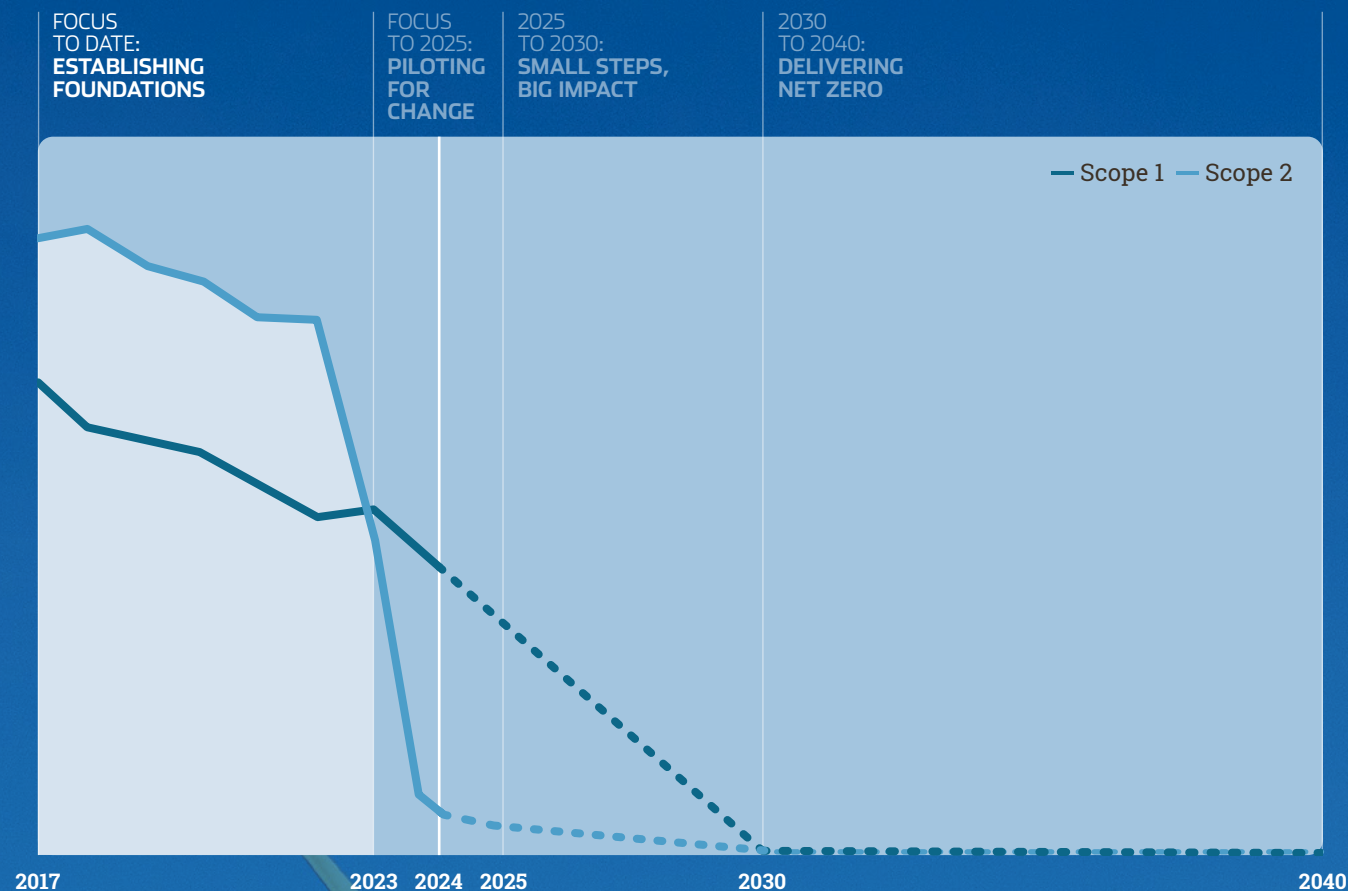
Ensure access to affordable, reliable, sustainable, and modern energy for all.



Take urgent action to combat climate change and its impacts.



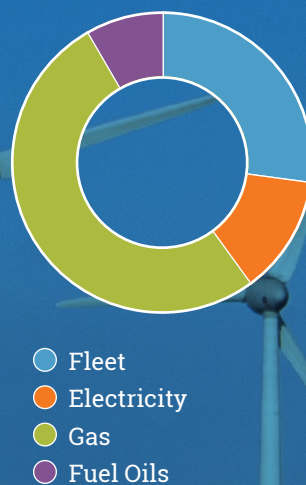
# FOCUS TO DATE: ESTABLISHING SCOPE 1 & 2 FOUNDATIONS



## HIGHLIGHTS

- 32% energy consumption reduction
- 97% traceable renewable purchased grid electricity
- 69% reduction in Scope 1 and 2 market-based emissions
- Designed and launched a climate change training

Emissions by source

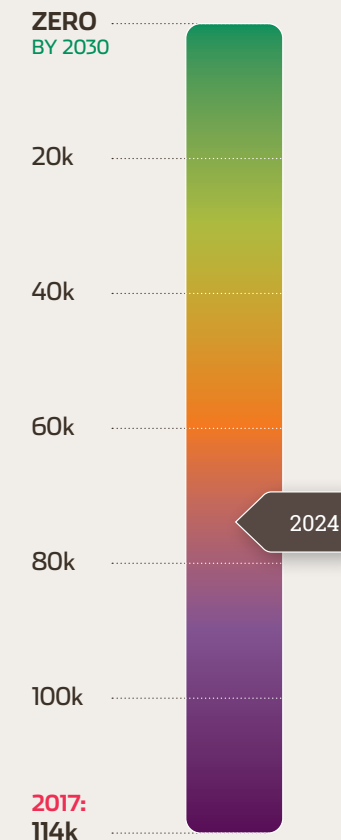


## SCOPE 1 & 2 PERFORMANCE

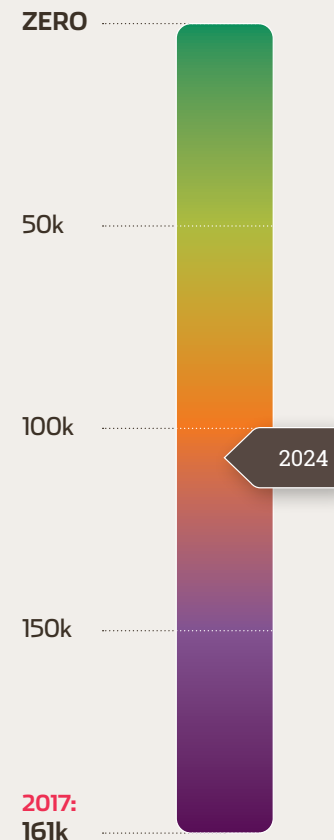
Conscious of our responsibility, we have made good progress on Scope 1 and 2 market based emissions, reducing our emissions by 69% since 2017. When we look to decarbonise, we start with energy efficiency. We're helped here by the decline in combustible product volumes, but we're determined to lead for energy conservation, coupled with energy efficiency and have a team of Zero Heroes in our facilities to make this happen. We are close to achieving our 2030 target of Scope 2 emissions, so our focus is shifting towards addressing Scope 1 emissions. With a Net Zero factory, and other successful examples, we have a solid foundation to guide our efforts in reducing Scope 1 emissions.

As a result, we are on track to meet our 2030 target within our own operations. Although we don't have all the answers yet, we are collaborating with our 20,000 employees to find solutions.

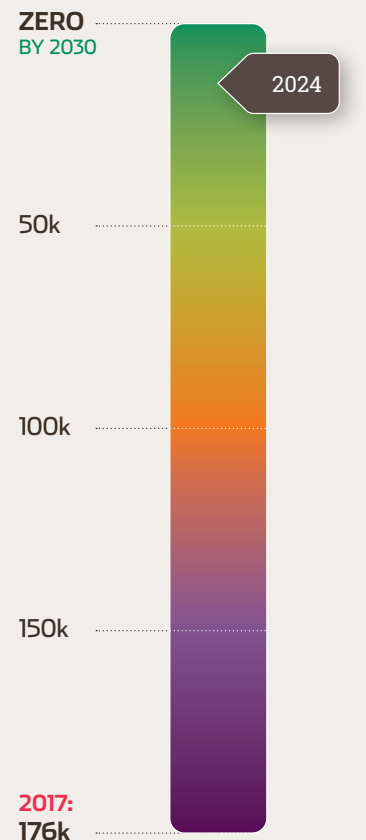
**Scope 1**  
Absolute CO<sub>2</sub>e emissions (tonnes)



**Scope 2 (location-based)**  
Absolute CO<sub>2</sub>e emissions (tonnes)

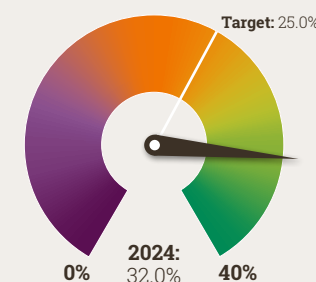


**Scope 2 (market-based)**  
Absolute CO<sub>2</sub>e emissions (tonnes)



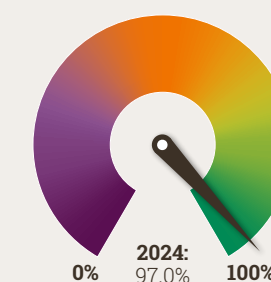
**Reduction of absolute energy consumption**

Reduce energy consumption by 25% by 2030 from a 2017 base year.



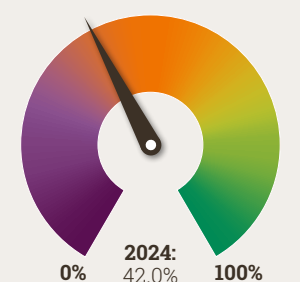
**Electricity from purchased renewable sources**

100% of our purchased grid electricity will be from traceable renewable sources by 2025



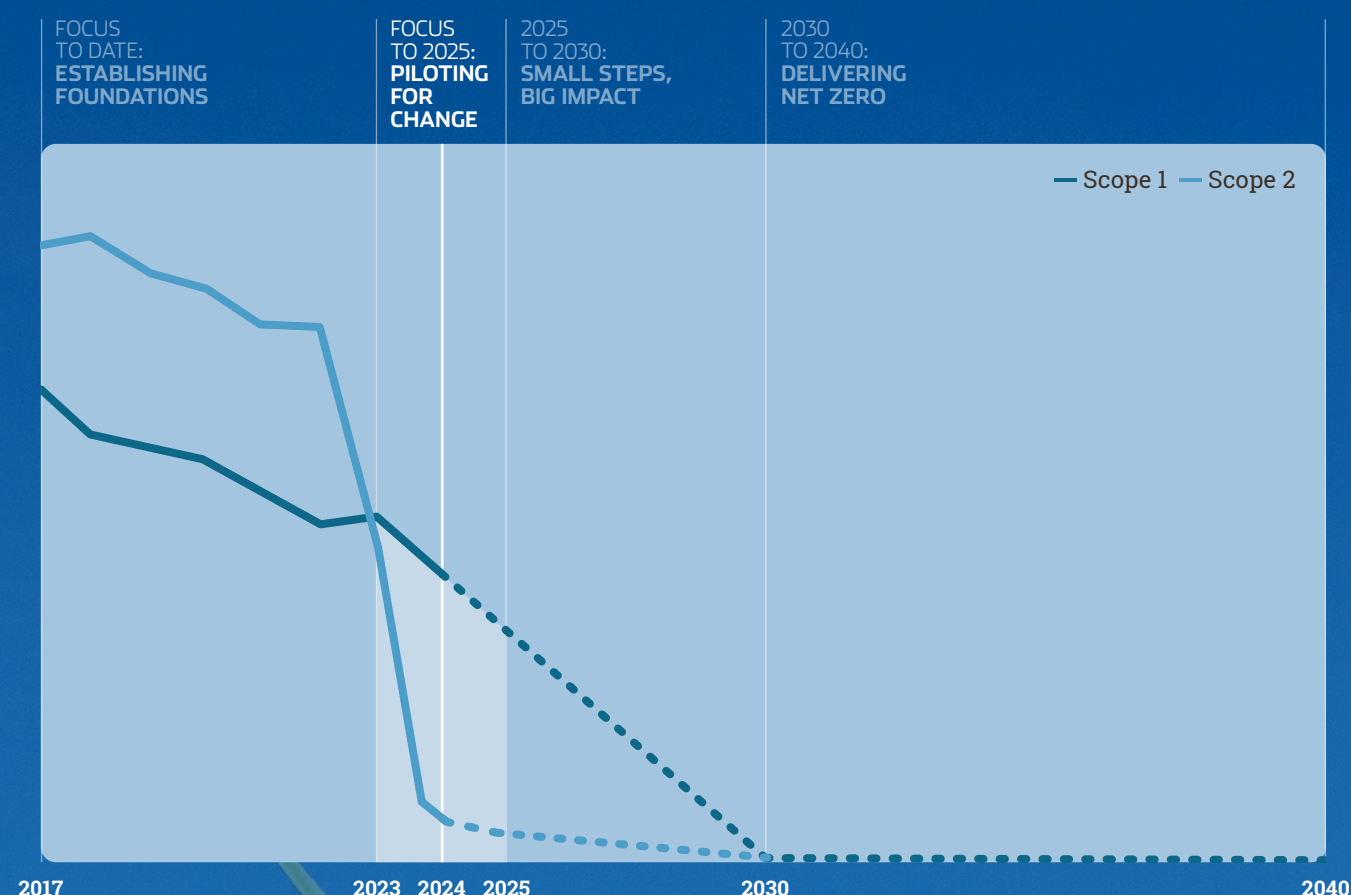
**Total energy renewable %**

100% of the energy sourced for our operations will be from renewable sources by 2030





# NET ZERO FOCUS TO 2025: PILOTING FOR CHANGE



## AIMS

- 100% grid electricity purchased from traceable renewable sources
- Continuing to drive efficiencies: linked to executive remuneration
- Piloting awareness approaches with targeted training modules
- In 2025 we will start to take into account the biogenic emissions associated with our business, as we reported for our SBTi validation.

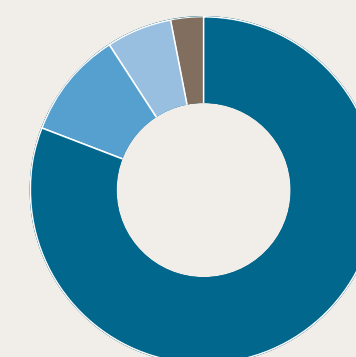
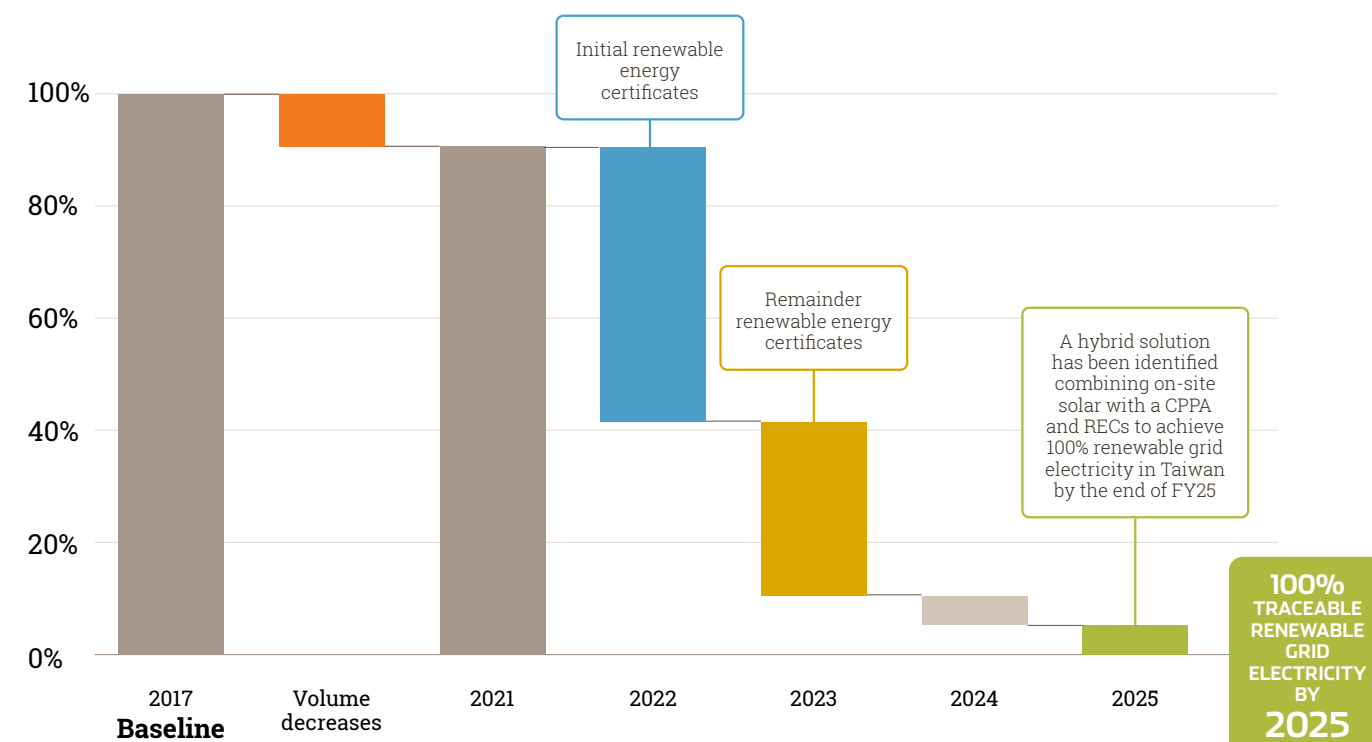
## ⚡ SCOPE 1 & 2 : FOCUS TO 2025



100%

100% of our purchased grid electricity will come from traceable renewable sources by 2025

**To reach 100% renewable traceable purchased grid electricity, we only have one site left to address. In 2024, we reported we had reached 97% purchased renewable grid electricity. The remaining 3% is consumed by our factory in Taiwan, where we are adopting a hybrid approach to meet our 2025 target.**



- RECs in market boundary: 81%
- RECs in outside market boundary: 10%
- Green energy contracts/PPAs: 6%
- Non-renewable purchased grid electricity: 3%

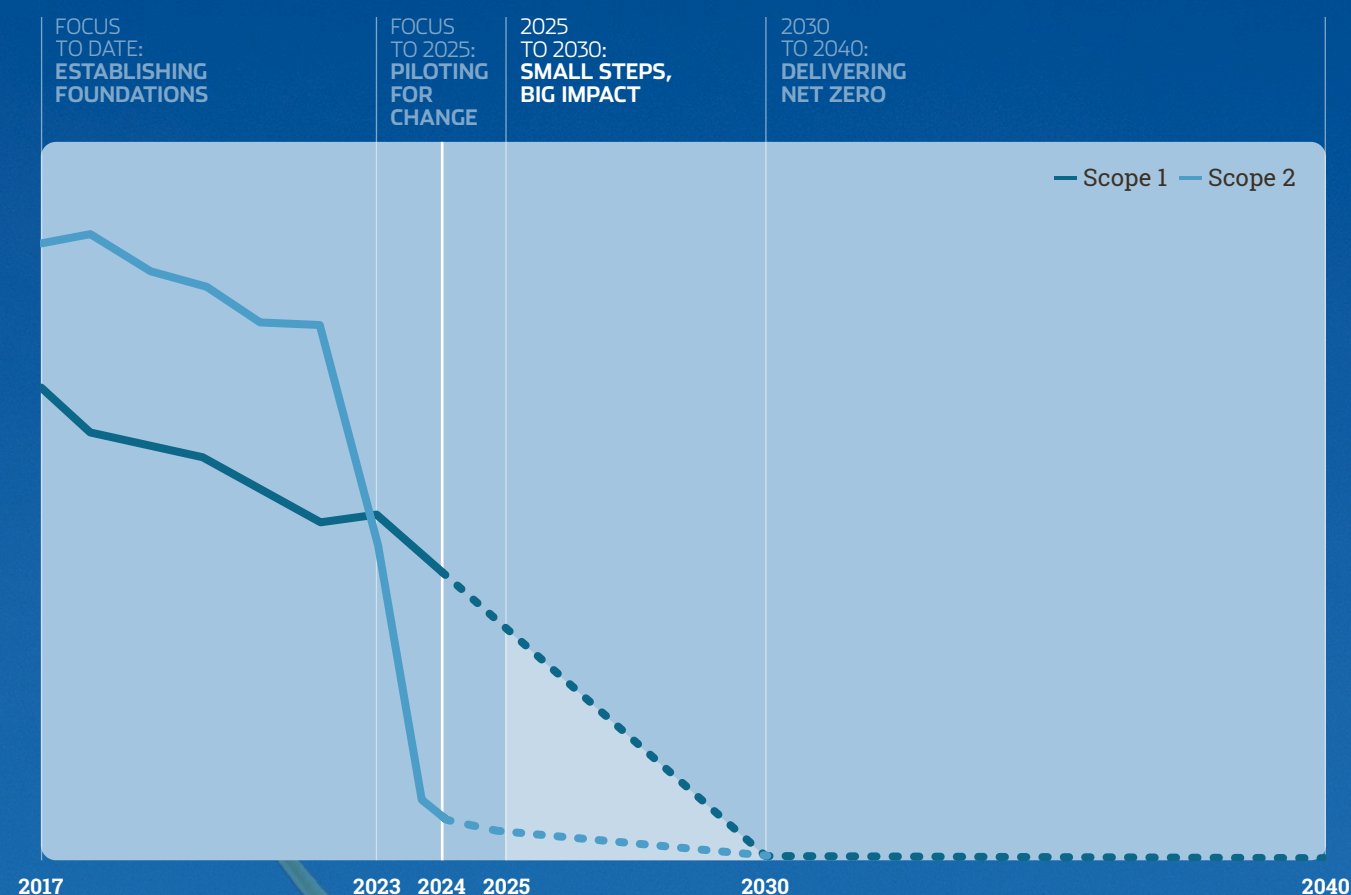
It is important to be choiceful and conscious of wider business strategy when considering options for purchasing renewable grid electricity, and we take this responsibility seriously.

To ensure maximum flexibility, we have mainly purchased Renewable Energy Certificates (RECs) to ensure we meet our 2025 target. From 2025 onwards we will enact our renewable energy procurement strategy, developing our capabilities in green contracts and Power Purchase Agreements (PPAs), as well as on site renewable generation.

To address our only remaining non-renewable purchase of grid electricity, our Taiwan factory, we have taken a hybrid approach. No one solution can cover our entire electricity consumption cost effectively, so we are exploring renting the roof for on-site solar product by a third party with an in-market PPA, and RECs to cover the remaining consumption. RECs in Taiwan are considerably higher cost than elsewhere, so these solutions will help achieve our goal whilst limiting cost exposure. In FY25, we will continue to look for mitigations to further reduce the costs. This project represents an opportunity for our first PPA as part of our renewed Climate Change strategy.



# NET ZERO 2025 TO 2030: SMALL STEPS, BIG IMPACT



## TARGETS

Achieve 100% renewable energy

By 2030, reduce energy consumption by 25% vs 2017

Achieve Net Zero operations

Achieve Net Zero Fleet

## SCOPE 1 & 2: FOCUS TO 2030



**100%**  
**OF THE ENERGY SOURCED**  
for our operations from renewable sources

We have an ambition to fully decarbonise our direct operations by 2030.

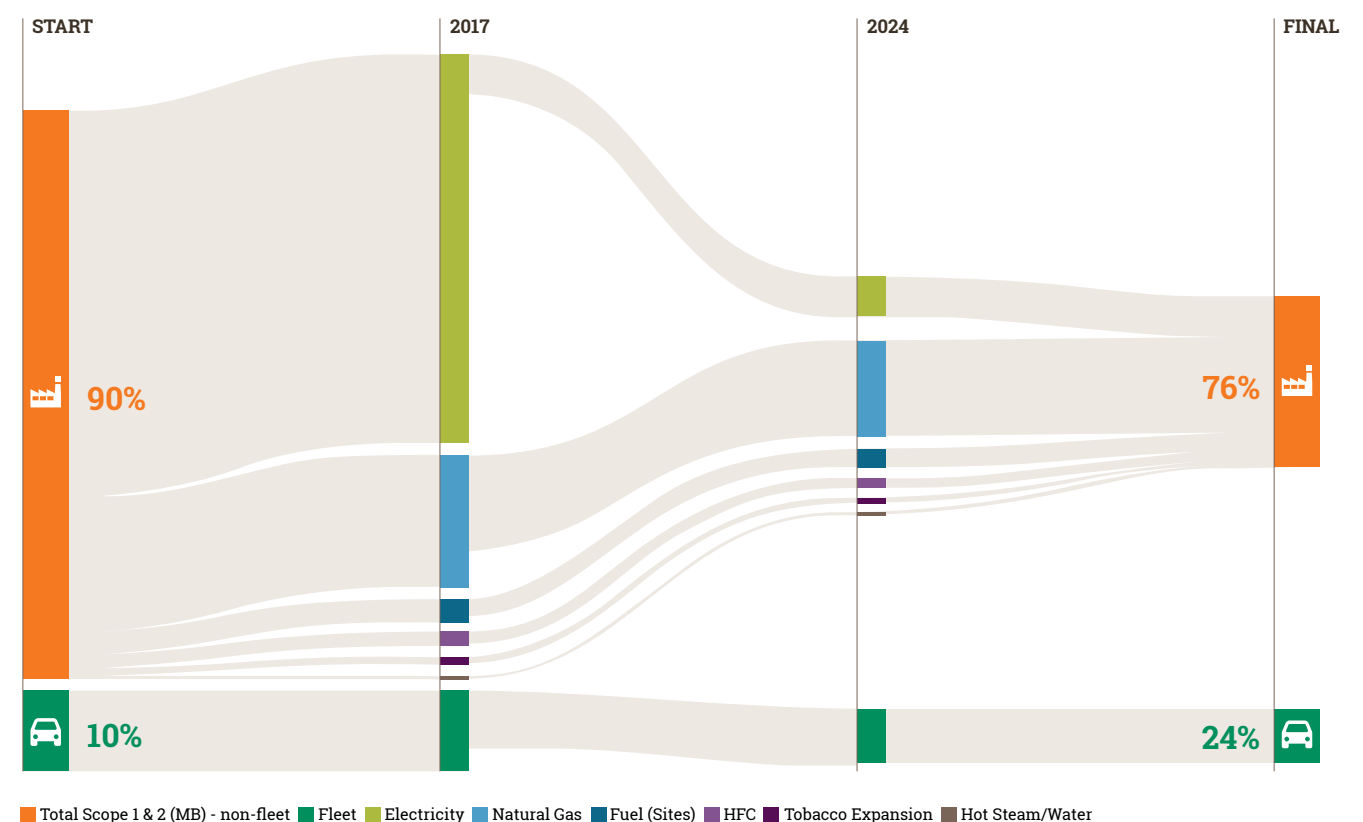
**We have mapped a five-step approach towards Net Zero:**

- 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 gases than we are generating

Since our baseline, we have focused on emissions associated with electricity, as our biggest opportunity. Having addressed the majority of these emissions, our biggest opportunities are now Natural Gas and Fleet fuel, which have become our primary focuses.

Although we have reduced our fleet emissions since 2017, the rate of reduction has not equalled the rate achieved within manufacturing, and therefore fleet has grown in proportion.

In order to achieve Net Zero in Scopes 1 and 2 by 2030, we will need to work with our 20,000 employees. Our Zero Heroes are already working to assess the possible application of biomass, green gas, hydrogen, and battery storage. We also intend to address non-energy sourcing emissions, like those from refrigerant gas leaks.



We have a targeted and prioritized plan to achieve 100% renewable energy by 2030. To do this, we must focus on our biggest opportunities.

To support this, we will focus on energy efficiency. In 2023 we reported we achieved our 25% energy reduction target ahead of time. We are setting a new target subject to approval by the ESG committee.

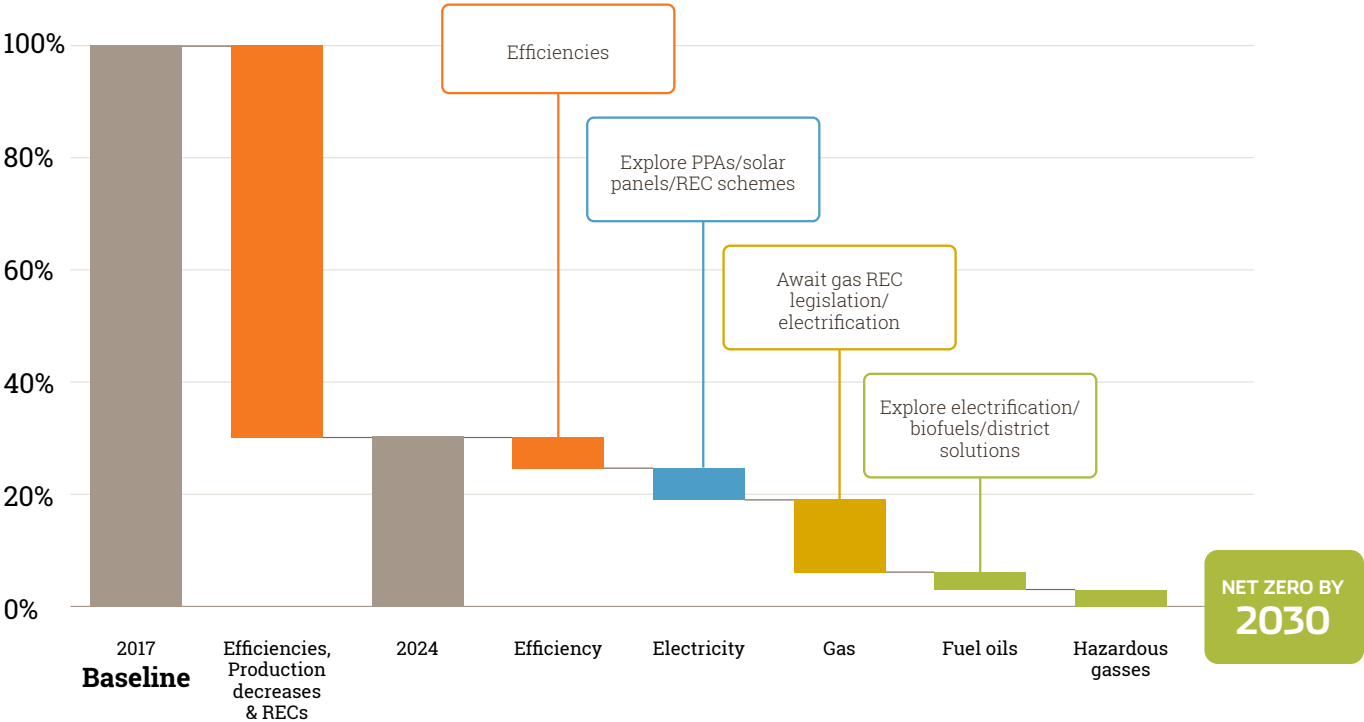
**Manufacturing operations**

**Fleet**



# SCOPE 1 & 2: OUR MANUFACTURING OPERATIONS APPROACH

We have a targeted decarbonisation plan for our Manufacturing sites



Over the past two years we have worked to isolate our fuel sources, understand inefficiencies, and determine possibilities to decarbonise.

We have developed a hybrid approach to decarbonisation, integrating the initiatives from Global Engineering with the energy procurement management strategies of Global Procurement. The resulting plan ensures we will take the best approach for our business, maximising cost avoidance opportunities related to decarbonising.

In order to be able to track emissions reduction to a more granular level, in FY24 we introduced automatic meter reading for our biggest manufacturing facilities, and an initiatives tracker covering all energy and emissions projects to ensure we can monitor delivery against business cases.

We are building out a renewable energy procurement strategy, in order to be able to deliver against our decarbonisation plan, to capitalise on cost avoidance activities. In FY25 we intend to run a pilot assessment to examine the opportunities available for different PPAs as well as grants, subsidies and tax incentives, in order to inform our longer term strategy. As part of this we are also assessing opportunities for on-site renewables for example solar, installed and managed by a third party on our roof presents a significant opportunity in our factory in Taiwan to both source renewable energy, and reduce costs.

Taiwan is currently our last site not already purchasing traceable renewable grid electricity, due to the very high costs associated with RECs in the country. In order to support our 2025 renewable grid electricity goal (page 17) we are examining other routes to achieve 100% renewable grid electricity, including a PPA. While we adopt these approaches, we have published a series of Decarbonisation GreenPrints to provide a global set of standards for local assessment, and if applicable application.

We are conscious that there are risks to track and mitigate as needed related to our decarbonisation of our manufacturing operations, namely the availability of gas RECs, and acceptance in GHGP guidance, carbon pricing, and availability of affordable decarbonisation technology. We are closely monitoring these risks, and will put into place action plans if we are not able to mitigate them within our decarbonisation plan.

Our ability to deliver against these plans relies on the engagement and application of the technical teams and facilities managers in all our sites, as well as our network of procurement professionals. In order to bring these communities together, we have forums to drive engagement, awareness and education, such as the climate change engineering forum which brings together the technical teams from all our sites to share their decarbonisation journeys, including successes and challenges.



## Case Study: Data-led approach for Manufacturing operations

In our manufacturing sites, we have taken a data-led approach to improving our operational efficiency. In the last year, we invested in a new global energy management system to collect energy usage data continuously to gain a more precise understanding of how we use energy in our factories. This has then allowed us to map and compare our manufacturing energy usage across our footprint and over time. Some insights have had immediate effects: simply switching the power off at one site over the weekend when it was not in use will give us an estimated annual saving of around £24,000.

This new data has enabled us to establish a framework of leading environmental indicators and accompanying guidance for our sites to ensure compliance. Over the next year we will roll this framework out to all factory sites, aiming to replicate the insights with most impact across group.



## Case Study: The power of many taking the same small action

Energy efficiency, made up both of efficiency projects and energy conservation is the first step on our five step plan. Since 2021, our Global Engineering team have led on a set of initiatives specifically focusing on small changes which, once applied globally have the potential to create a big change. Projects like these include introducing standards for valve insulation, LED lights, and Adibiatic cooling. In combination with other factors such a volume reductions, these projects have helped to reduce our energy by 32% comparing FY24 with FY17. In FY24 we also published a list of 35 energy efficiency standards in our Decarbonisation GreenPrint Volume 1: Energy Efficiency which factories must assess themselves against by March 2025. This approach takes from initiatives that have already been successful in at least one site, and aims to drive consistency globally.







## Case Study: Our first renewable energy factory

Our first renewable energy site, the Skruf plant in Savsjo, Sweden, is now acting as an exemplar for our other facilities as they work to further prove their energy efficiency, and work towards zero carbon emissions.

Savsjo achieved this through partnering with a local supplier of renewable heat, procuring traceable renewable grid electricity, and transitioning their on-site vehicle fleet to electric. We do not expect to be able to realise the same renewable heating in all sites, but have identified options at three similar locations where we are working to apply this example.



## Carbon pricing pilot

In FY23, we established a Carbon pricing mechanism by implementing a shadow carbon price to facilitate the incorporation of climate change considerations into business case decision-making. To support this we created site-specific guidance on utilising this mechanism to guarantee its integration into the business approval process.

The guide is intended for the use of a carbon pricing mechanism calculator, designed to offer a dependable source for submitting emissions data and obtaining the shadow carbon price, thus aiding informed decision-making.

We also introduced a Climate Initiatives Tracker that monitors all proposed projects for their cost, predicted impact, and alignment with targets. This aids in the evaluation process for project approval.

Following implementation, this method allows us to assess the actual impact and determine if the project should be expanded to encompass additional pertinent sites.

This tracking system is regularly reviewed, and participating sites update their information at least once every quarter.

In FY24 we spent around £6.5 million in CAPEX on climate related activities within our manufacturing operations, which is broadly in line with our internal shadow carbon price of £100/t CO<sub>2</sub>e.

We are in the process of developing a governance decision-making framework for the global supply chain, which will include the integration of our carbon pricing mechanism.

The Global Supply Chain (GSC) directors are reviewing this and aiming to implement in the fiscal year 2025.

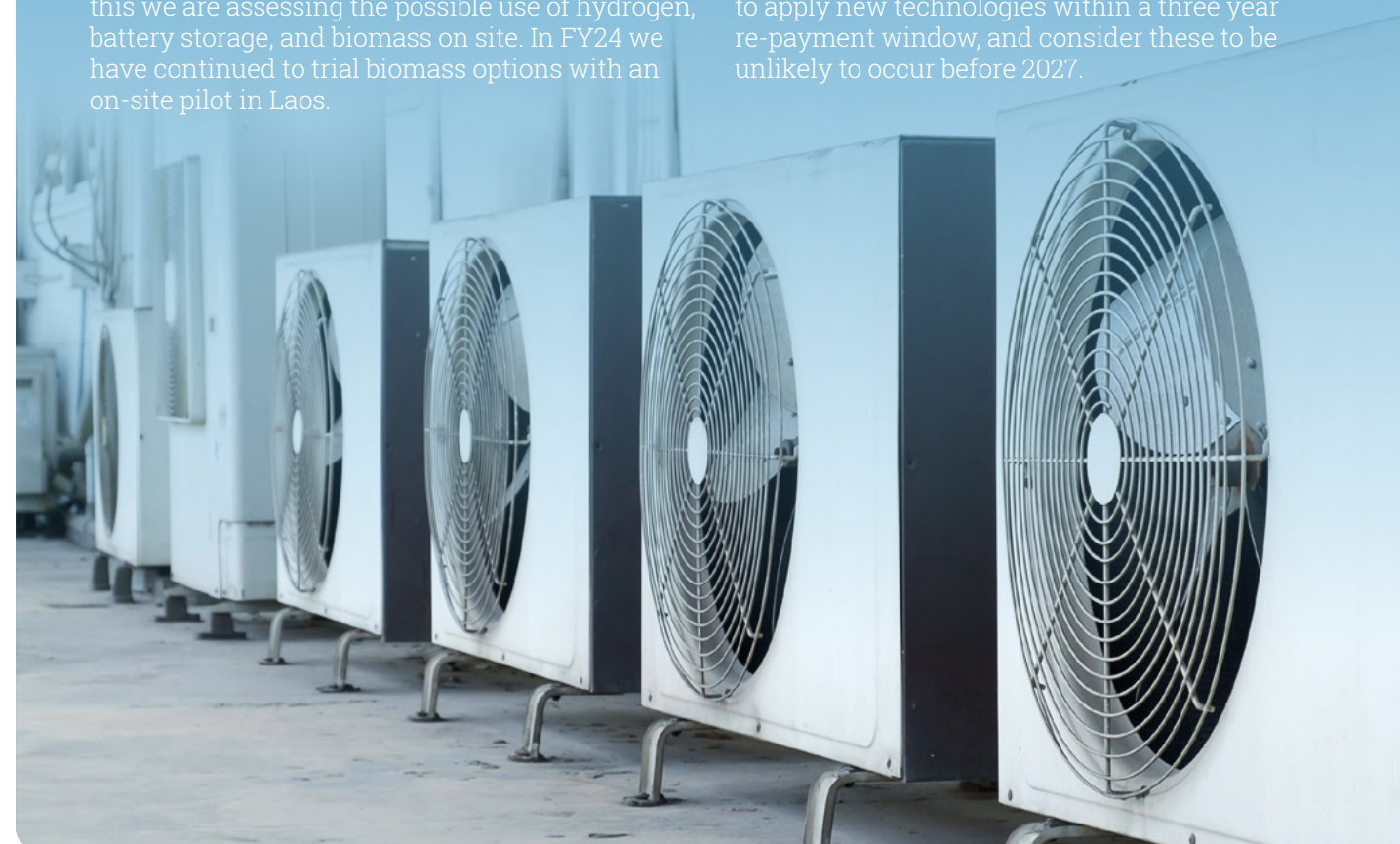
## Emerging technologies

In deploying new technologies, we take a data led and analytical approach, ensuring our initiatives have multiple benefits, and fit without our business's 3 year limit on return of investment.

We are currently working to assess the options available with emerging technologies, as we shift our focus to gas and fossil fuel transition. With this we are assessing the possible use of hydrogen, battery storage, and biomass on site. In FY24 we have continued to trial biomass options with an on-site pilot in Laos.

This addresses both our food waste which is no longer sent to landfill, and our gas consumption in the canteen. In Madagascar, our farms use renewable biomass to cure tobacco. Our use of biomass, in line with our strategy will remain focused on reuse of waste in line with circular economy principles.

In line with our business strategy, we intend to apply new technologies within a three year re-payment window, and consider these to be unlikely to occur before 2027.

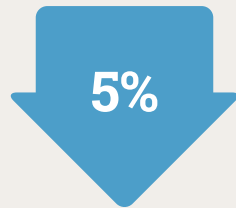
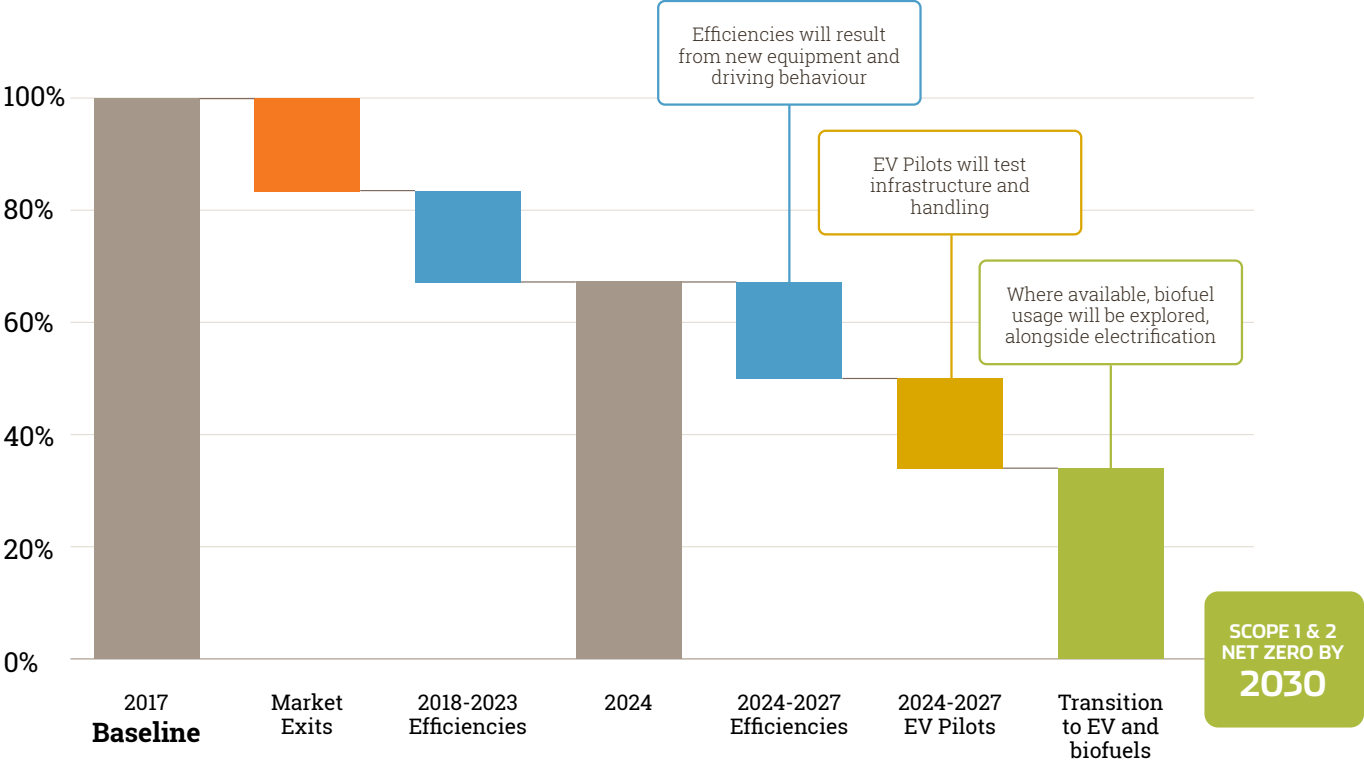




# SCOPE 1 & 2: OUR FLEET DECARBONISATION APPROACH

Due to the continuing decarbonisation of our manufacturing operations, our fleet is a growing proportion of our Scope 1 & 2 emissions, in 2024, it accounts for 24% our Scope 1 and 2 CO<sub>2</sub>e emissions. Our top 5 markets make up half of our total fleet emissions, giving us a clear area to focus trials for decarbonisation, enabling us to both test and learn, and reduce our carbon emissions.

While awaiting infrastructure change such as charging point or bio-fuel availability, these pilots will allow us to ensure we have the correct structure to drive change in the future. We have established a cross-functional fleet steering committee to strengthen the governance over the global fleet policy and bring together decision makers from across the business's sales fleet to oversee the progression to Net Zero.



Reductions in emissions between FY23 and FY24 driven by market closure and efficiencies

We have established a fleet governance structure, including a steering committee to continuously monitor our fleet decarbonisation efforts and address other fleet governance topics, governing decisions around:

- Global data consistency
- Policy
- Tracking performance and delivery against our decarbonisation plan



## New routes to decarbonise

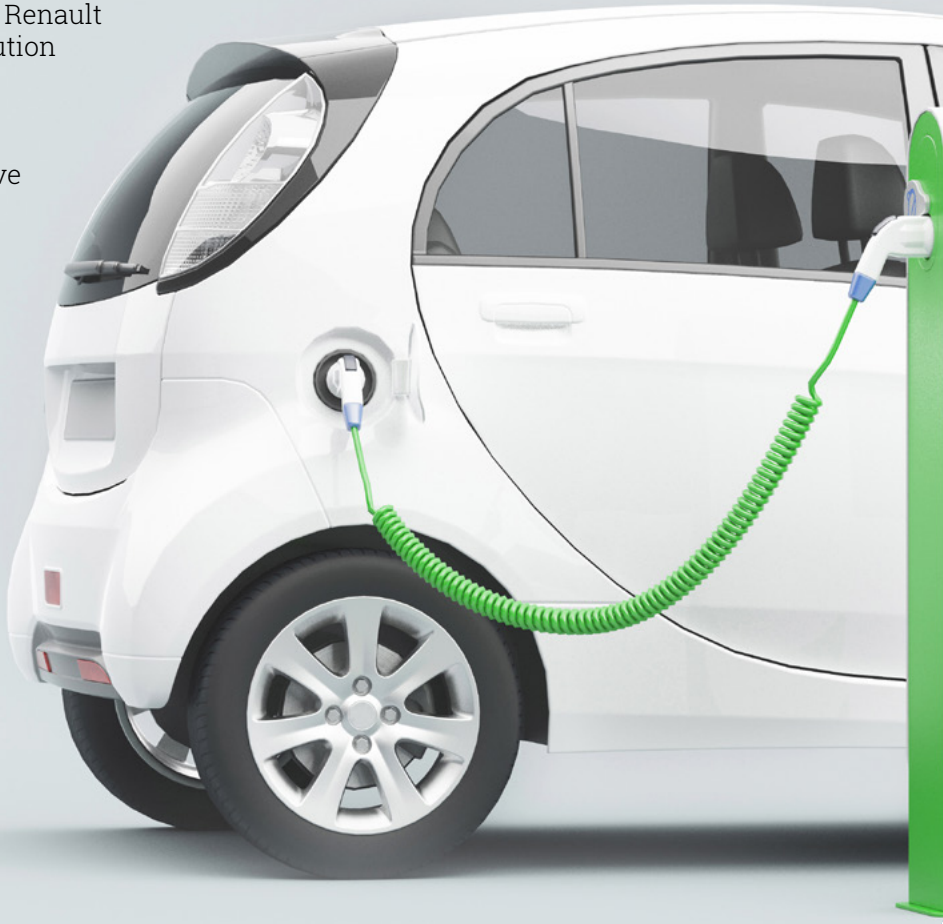
Following our strategic priorities to source renewable fuels to reduce our natural gas and fleet fuel emissions, we have begun to explore biogenics, in particular biogas and biofuels. Although the biogas market is not yet recognised by the GHGP or SBTi, we anticipate some change in this, to cover some of our biggest areas of consumption such as the USA and Germany by 2027. Biofuels represent an opportunity for some of our sales fleets that are unlikely to have an electric vehicle infrastructure by 2030. We also intend to monitor green hydrogen developments for use in manufacturing and in fleet, both sales and logistics as a future decarbonisation option

Our approach is to pilot solutions and capture learnings to accelerate the transition from 2027, relying on our network of fleet procurement specialists and market managers for our different countries. We also intend to monitor the progression of other technologies, such as biofuel availability. We recognise that there are risks associated with our sales fleet decarbonisation, for example, availability of infrastructure: both biofuel and electric vehicle, as well as policy and regulation globally. We continue to monitor these risks at a local and global level, and will work to mitigate them if required in line with our decarbonisation plan to meet Net Zero by 2030.



## Case Study: Electric vehicle trial in France

To support our Net Zero goals, in FY24 our French market took action to pilot electric vehicles. We have a group wide fleet of 4,500 vehicles, contributing around 21,000 tons of CO<sub>2</sub>e a year. The 2024 Olympics in Paris shone a spotlight on low carbon transport, adding nearly 400km of new bike lanes in Paris alone, and introducing incentives for switching to electric vehicles. Additionally, many cities have now banned higher polluting vehicles, with many more planning restrictions from 2025. All diesel cars must be replaced, but there were concerns over the purchase of electric vehicles, including some over lack of access to charging, high electricity costs, and the high purchase cost. Through a trial of the Imperial Brands sales fleet in France, we discovered that 36% of participants could install charging stations at home, and 23% drive less than 250 km per day. Capitalising on this opportunity, we have partnered with Renault to provide a holistic solution allowing us to target a reduction of 25% in CO<sub>2</sub> from the French sales fleet by 2025, and achieve Net Zero in the market before 2030.



## Case Study: Interim steps have had a big impact in our largest sales fleet

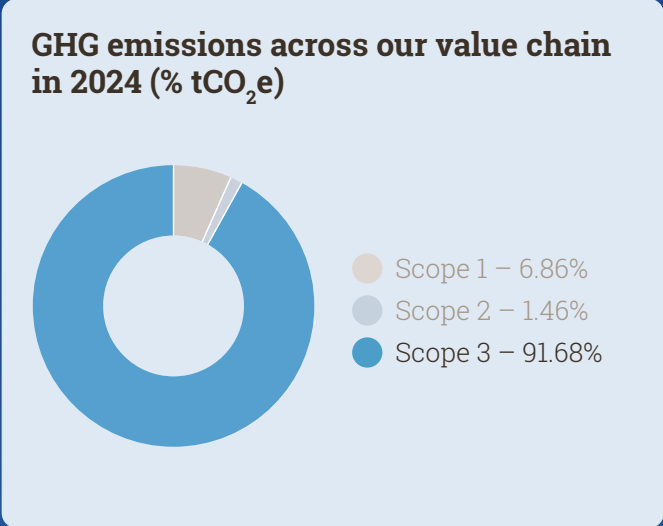
In the United States of America is our largest sales fleet, contributing more than 20% of our fleet emissions annually. In FY23, the decision was taken to switch to Hybrid vehicles, with the potential to be far more energy efficient than the current leased vehicles. Within FY24 50% of the vehicles were changed to plug-in electric hybrids. This change, without use of the plug-in electric charging, has resulted in a nearly 15% decrease of emissions in FY24, vs FY23. The transition has been smooth, and members of the sales fleet have given positive feedback on the new cars, which were selected for their size and range, as well as their efficiency. Within FY25 we expect to introduce a policy on electric vehicle charging, enabling further reductions in emissions from our largest sales fleet.



# OUR GLOBAL GREENHOUSE GAS SCOPE 3 APPROACH

Our Scope 3 emissions sit outside our control, and so we need to take steps to ensure we are collecting accurate data to inform engagement with our stakeholders.

We calculate our Scope 3 emissions in line with the GHGP guidance.



**Scope 3:** All other indirect emissions occurring in the value chain as a result of our activities.

Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. An independent carbon life cycle analysis (LCA) conducted across our value chain identified that around 92% of our total carbon footprint is attributed to our Scope 3 emissions. Some examples of scope 3 activities are extraction and production of purchased materials; transportation of goods; and use of products and services.

## ESG TOPICS IN FOCUS:

-  Sustainable & responsible sourcing
-  Farmer livelihoods and welfare
-  Packaging & Waste

## SDGs SUPPORTED:



We aim to ensure sustainable consumption and production patterns.



Ensure access to affordable, reliable, sustainable, and modern energy for all.



Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.



# SCOPE 3

**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 aim to ensure sustainable consumption and production patterns, taking responsibility for our impact.**

## Our Procurement Strategy

Covers all third-party spend split into five main categories:

- 1

**Tobacco leaf**  
We have a global sourcing footprint of tobacco leaf for cigarettes and cigars, which covers Africa, Americas, Asia and Europe. Of these, our major tobacco sourcing countries include Brazil, India, Spain, China and others in Asia and Sub-Saharan Africa.
- 2

**Non-tobacco materials (NTM)**  
The NTM we buy directly include paper, filters, glue and ingredients for cigarette products. Of our direct material supplier base, approximately 85% of our main spend is with 21 suppliers.
- 3

**Next generation products (NGP)**  
The NGP supply chain encompasses all the components that go into making NGP including electronics, liquids, and packaging materials.
- 4

**Indirect goods and services**  
We have indirect suppliers who provide services and goods such as IT hardware and software, professional and corporate services and provision of utilities.
- 5

**Logistics**  
We have logistics suppliers both upstream and downstream of our operations.

## Scope 3 decarbonisation

Our priorities within Scope 3 are to address topics according to materiality.

We are approaching our most material categories in the following order:

- Engaging with our largest suppliers by spend, to obtain greater granularity of data, through the CDP supply chain programme, **SRM** connect, and direct conversations.
- Assure the Scope 3 data category emissions calculation methodology for transparent reporting.
- Introduce carbon emissions reduction targets into contracts.
- Formulate our Scope 3 category decarbonisation plan & report, with performance against it.

## Most material categories

We know that 80% of our spend is with approximately 100 suppliers. Our most material Scope 3 category is Purchased Goods and Services, driven by the purchase of tobacco leaf and packaging materials for our products. In FY24 we have assured the emissions data calculation methodology for this category for the first time, and in the future we intend to refine our scope 3 emissions data capture by obtaining further activity level data from suppliers directly.

Of the tobacco and packaging suppliers managed globally, 100% have been invited to join CDP supply chain.

Capital Goods and Upstream Transportation and Distribution logistics are our next most material categories. We will follow the same approach as to address these categories to Purchased Goods and Services aiming to avoid risks relating to accounting and disclosing scope 3 emissions data.

## Supplier Code of Conduct:

In 2023, we re-launched our Supplier Code of Conduct with a set of minimum environment standards our suppliers must agree to, in order to work with us.

This can be found in the policies section on our website: [www.imperialbrandsplc.com](http://www.imperialbrandsplc.com)



**Our most material categories, accounting for over 75% of our total Scope 1,2 and 3 emissions are:**

- Purchased Goods and Services,
- Capital Goods
- Upstream Transportation and Distribution

These will be our primary focus for Scope 3 activities.

# OUR SCOPE 3 PLAN

For FY25-27, we will focus on our most material categories, taking a data-led approach to driving decarbonisation. This approach includes:

- 1. Improve emissions accounting methodology** to establish a clear and detailed baseline in order to gain assurance.
- 2. Conduct a data deep dive** analysing the data set to determine a list of priority actions, identifying any 'no regret' scenarios to drive scope 3 category decarbonisation.

- 3. Engage our suppliers** by category, driving inclusion in CDP supply chain, pushing suppliers to set science based targets, and utilising SRM connect for our partner suppliers performance management.

- 4. Further supplier management** structured engagement including introduction and performance management of targets on CDP and Net Zero.

In the longer term, we also intend to examine the potentials of carbon pricing and supply chain financing for use in decision making and driving decarbonisation across our value chain by 2040.



## Case Study: Logistics

**We have a large global logistics network covering 12 shipping lines, 26 road freight carriers, a warehouse for every market we sell into, and widespread distribution to wholesalers.**

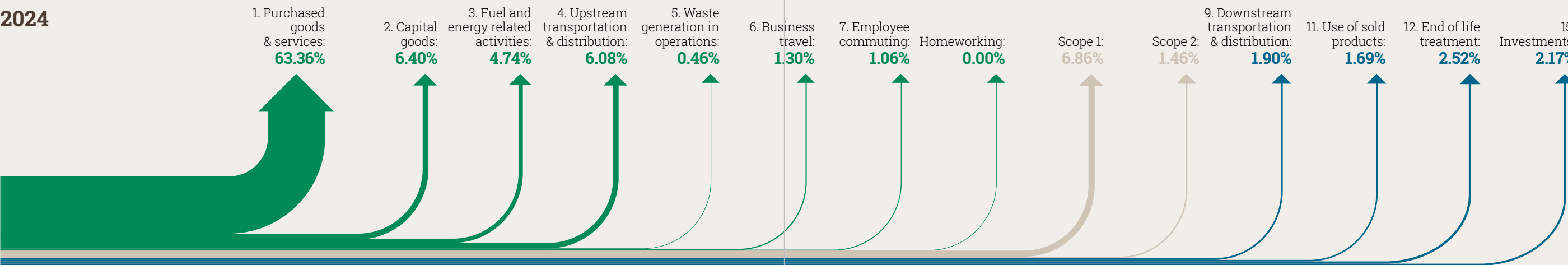
In order to identify decarbonisation opportunities, we have taken a pilot approach to understanding how we can maintain our business whilst reducing our environmental impact. This has included examining rail solutions with a competitive rate, ginaliners on routes with renewable fuel provision, and container loading techniques to optimise load amounts. One of our distribution partners, Logista is a subsidiary, operating in southern Europe. Logista have their own Science Based Targets and CDP submissions, and we continue to work with them on managing climate-related risks and opportunities.





# SUSTAINABLE & RESPONSIBLE SOURCING

● Our Supply Chain:	Upstream Scope 3 emissions:	2017: 76.02%	2024: 83.40%
● Our Operations:	Direct Scope 1 & 2 emissions:	2017: 16.42%	2024: 8.32%
● Our Products:	Downstream Scope 3 emissions:	2017: 7.56%	2024: 8.28%



We intend to continue to improve our Scope 3 calculations and methodology, including more activity related data, and ensuring data flow through established channels such as the CDP Supply Chain Programme. We will continue to work towards assurance for our most material Scope 3 categories, ensuring we have robust data to make informed decisions and achieve Net Zero by 2040.

In 2017, we undertook an independent review of all 15 Scope 3 categories of the Greenhouse Gas (GHG) Protocol to determine where our greatest carbon impacts are. The analysis demonstrated that our most significant carbon impacts came from just three categories, re-confirmed with our re-calculation in 2023, updated again with our recalculation of Category 1 in 2024:

- **Category 1 Purchased Goods and Services** account for around 63% of our Scope 3 emissions.
- **Category 2 Capital Goods** account for 6% and is mainly related to the purchase of new machineries.
- **Category 4 Upstream transportation and distribution** also account for around 6% of Scope 3 emissions.

Based on our business model, we do not report on Categories 8; 10; 13 and 14.

The CDP Supply Chain Programme is a leading disclosure platform for climate, water and forests disclosure. Each year we invite certain suppliers in our highest emitting categories to disclose information within the CDP Supply Chain Programme. For our Scope 3 Purchased Goods and Services emissions accounting, we make use of the data in CDP to provide emissions factors. We also integrate CDP disclosure into vendor rating as part of SRM connect.

We will prioritise our Scope 3 activities by addressing our most material categories:

**Category 1: purchased goods and services**  
100% of spend of the Purchased Goods and Service (PGS) category is in scope as per the GHG Protocol. The PGS categories include: Leaf, NTM and Indirects. Our Procurement spend has been mapped to CDP Sectoral averages to give us a view of tCO<sub>2</sub>e/£ spent. Any spend that falls outside Scope 3.1 has been excluded from the calculation. Where a supplier has submitted to CDP supply chain and has third party verification we have used this data to replace sectoral averages. As per the CDP report guidance we have multiplied our procurement spend by a separate emission factor for Scope 1 & 2 and Scope 3 upstream, this allows for more direct supplier data as many suppliers struggle to report on Scope 3 emissions.

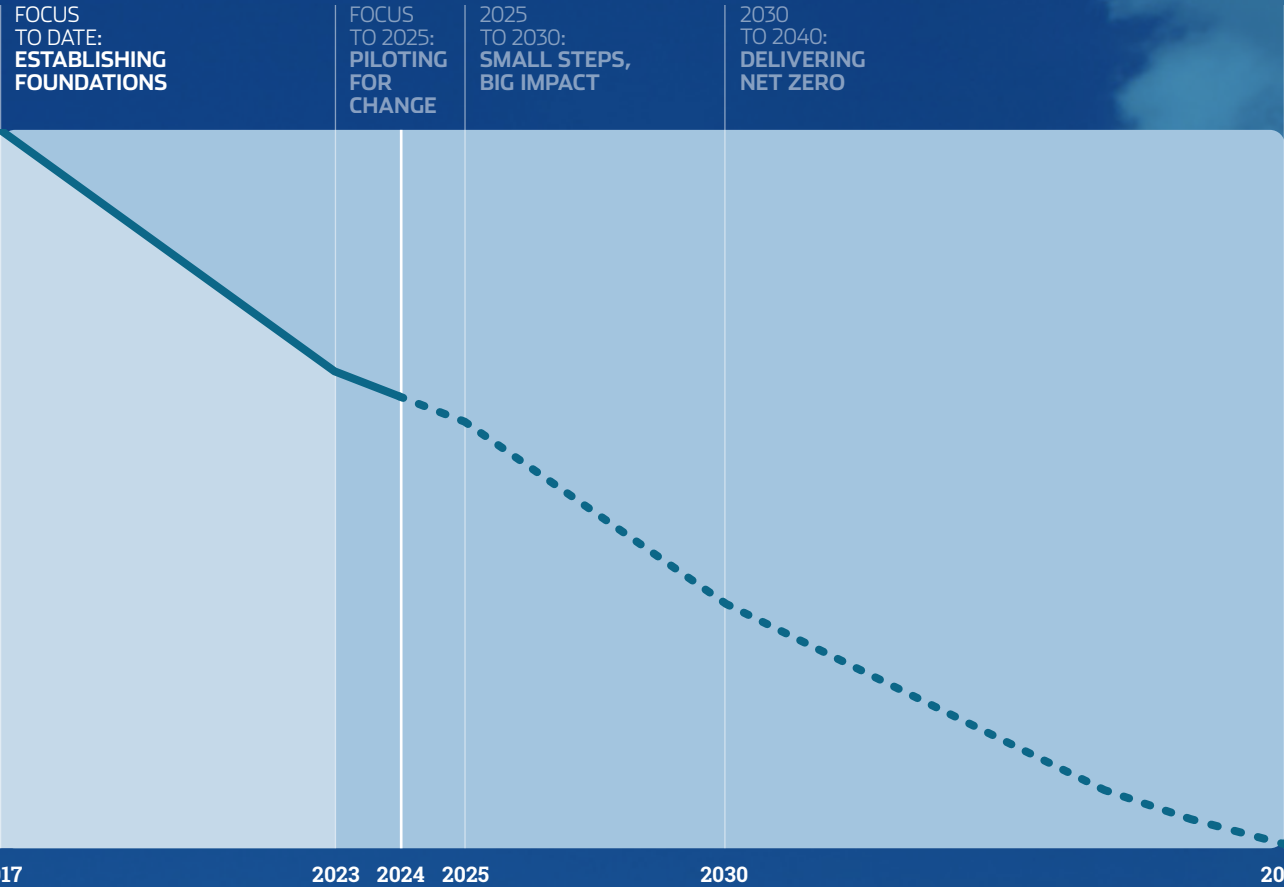
In FY24 we independently assured our Scope 3.1 emissions accounting methodology, and can report that our FY24 Purchased Goods and Services emissions are 678,527 tonnes of CO<sub>2</sub>e.

**Category 2: Capital goods**  
The emissions within category 2 related to the production of Capital Goods. Capital Goods are final products that have an extended life and are used to manufacture our products. Most of the emissions in this category are related to plant and equipment spend such as for machinery. We use a spend-based method for this category and ask for emission data from capex suppliers through CDP. This category is our second most material Scope 3 category.

**Category 4: Upstream transportation and distribution**  
The emissions relating to the delivery of raw materials to Imperial Brands factories. Transportation and distribution of products purchased, between our tier 1 suppliers and our own operations (mainly driven by raw tobacco transportation and NTM transportation). It also includes third-party transportation between our facilities. We take into account different types of transportation such as sea, air, rail and road. This is our third most material Scope 3 category.



# FOCUS TO DATE: ESTABLISHING SCOPE 3 FOUNDATIONS



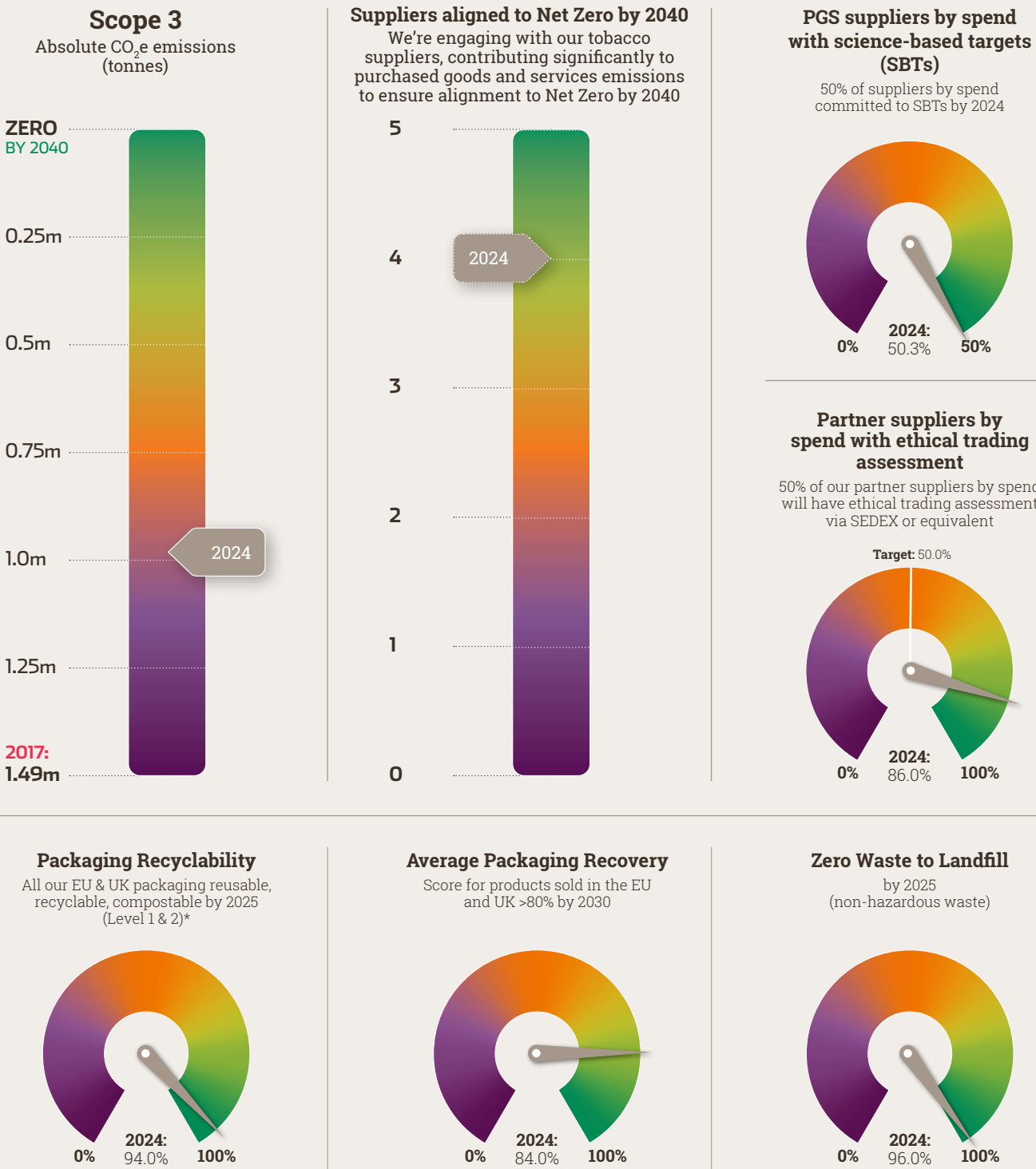
## HIGHLIGHTS

- We have launched a Supplier Code of Conduct with a specific section calling out the importance of environmental compliance, and how we are driving to Net Zero
- Launched Supplier Relationship Management programme (SRM Connect) to engage our strategic suppliers on crucial topics, such as decarbonisation
- 50% of our suppliers within Purchased Goods and Services have committed to science-based targets
- 96% reduction in waste to landfill
- 94% of our packaging formats are recyclable, reusable or compostable

# SCOPE 3: PERFORMANCE TO DATE

Our focus to date on Scope 3 has been on getting our data right. This will continue to drive our actions going forwards too. We work closely with our suppliers to better understand the impact of our supply chain, and its associated emissions. In 2024 we have increased our invitations to CDP Supply Chain Programme to 249, ensuring a wider coverage of our suppliers for climate change. We continue to work on evolving our methodology and engagement on our most material category: Purchased Goods and Services. As both a large risk and opportunity, we have worked in particular with our leaf suppliers to engage them in our Net Zero Journey.

Mapping our emissions to Scope 3 categories, our most material is category 1, Purchased Goods and Services (PGS). Linked to our other ESG topic areas, in particular Farmer Livelihoods and Welfare and Packaging and Waste, there are other categories such as waste disposal and end-of-life of sold products that we are also taking action on, with targets to track progress.





# OTHER PERFORMANCE TO DATE

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

Our Leaf Partnership Programme compliments 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 research into soil health, regenerative agriculture, and natural habitat conservation.

OVER 128,000 new beneficiaries in 13 countries supported through our Leaf Partnership Programme in FY24.

**Biodiversity**

The responsible agriculture 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 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-flora. 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 where we set out our company position on biodiversity. To support improvements in biodiversity within our tobacco supply chain we track two KPIs: farmers growing complimentary crops, and suppliers participating in the STP, where there are specific questions tracking supplier environment management, such as the use of pesticides and fertilizers.

**Forestry**

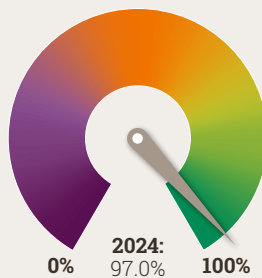
Many of our suppliers’ contracted farmers use wood in tobacco production, either as a fuel in the curing of tobacco or for constructing barns required for the curing of tobacco. Imperial has committed to supporting suppliers and their farmers access sustainable wood by 2025, as such our tobacco will be net sustainable – this means that the ambition is for 100% of the wood harvested to be sustainably sourced or 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 – over one million trees were planted last year in those 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 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.

For our KPI supporting suppliers to provide access to sustainable wood for tobacco curing, we consider the combination of two methods: the percentage of wood used for tobacco curing that is from traceable sustainable sources, and the percentage of wood use that is matched by managed planting. In FY24, we assured the metric: percentage of wood sourced from sustainable and traceable sources, contributing 86% of our total for this KPI. Our NTM supply chain also relies on wood for paper, packaging and filters. We have also introduced a KPI to achieve sustainably sourced wood fibre for our NTMs, and are on track to achieve our 2025 target.

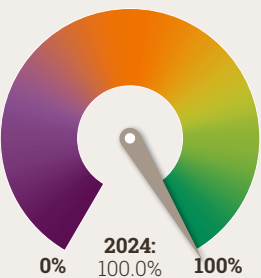
**Farmers growing complimentary crops**

We monitor our directly contracted farmers growing complimentary crops



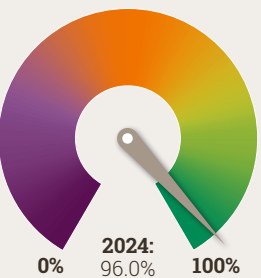
**Suppliers participating in the sustainable tobacco program**

In FY24 100% of our suppliers participate in the STP



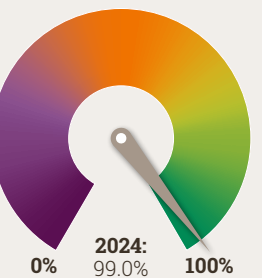
**Sustainable Wood Fibre Sourcing**

100% of all wood fibre used in our packaging sustainably sourced by 2025



**Sustainable Wood Use**

Supporting suppliers to provide access to sustainable wood for tobacco curing





### Case Study:


We are promoting the reduction in wood requirement, through support to research and development into more efficient tobacco curing barns, that will reduce the overall wood requirement for tobacco curing.



**Water**

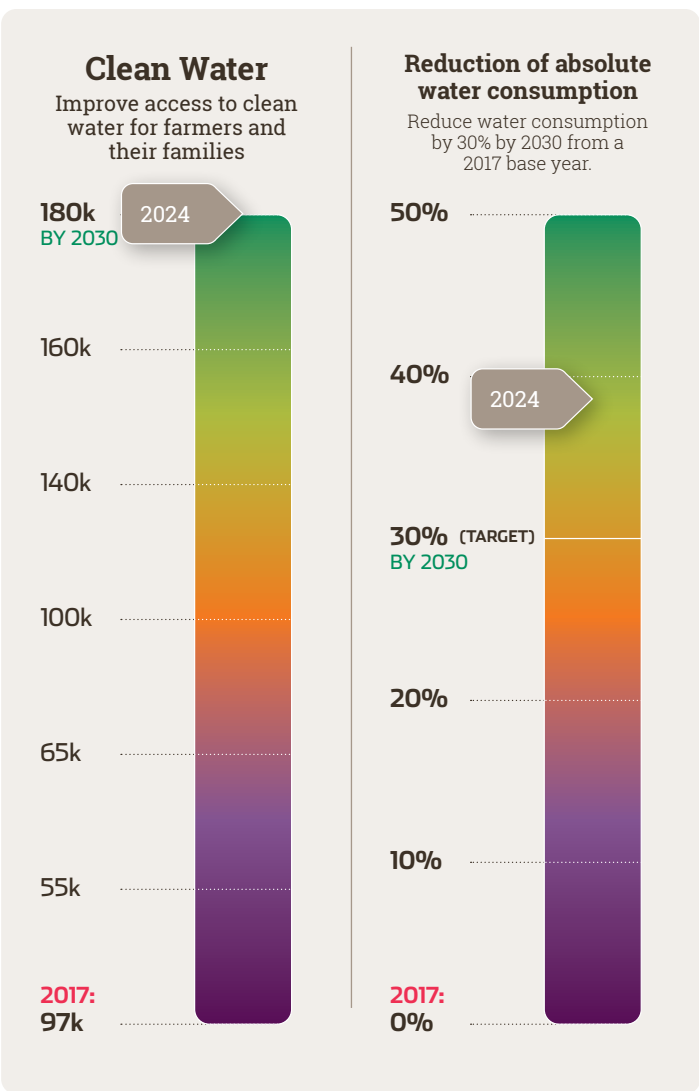
Unlike climate change, water is a local topic. We have operations, and we work with suppliers who are located in water scarce areas. As such, we have to minimise our water use and we are adapting our approach to focus on water conservation, reuse, recycling and treatment with a focus on these sites, and expanding our metering, monitoring and targeting to reflect this. Every year we respond to the CDP water questionnaire, and conduct a water scarcity analysis using the WRI\* Aqueduct tool to identify where water is of high or extremely high scarcity, and prioritise actions there.

We have a strong track record of reducing our water consumption, reaching our 2030 target in 2022. Due to this, we increased our water reduction target to 30% by 2030, which we met in 2023. We are setting a new target, subject to ESG Committee approval. We also have a strong track record of engagement with tobacco suppliers on water conservation and consumption reduction, where water use is often higher than our own. We have Water, Sanitation, and Hygiene (WASH) targets and encourage water stewardship by suppliers through our leaf partnership projects.



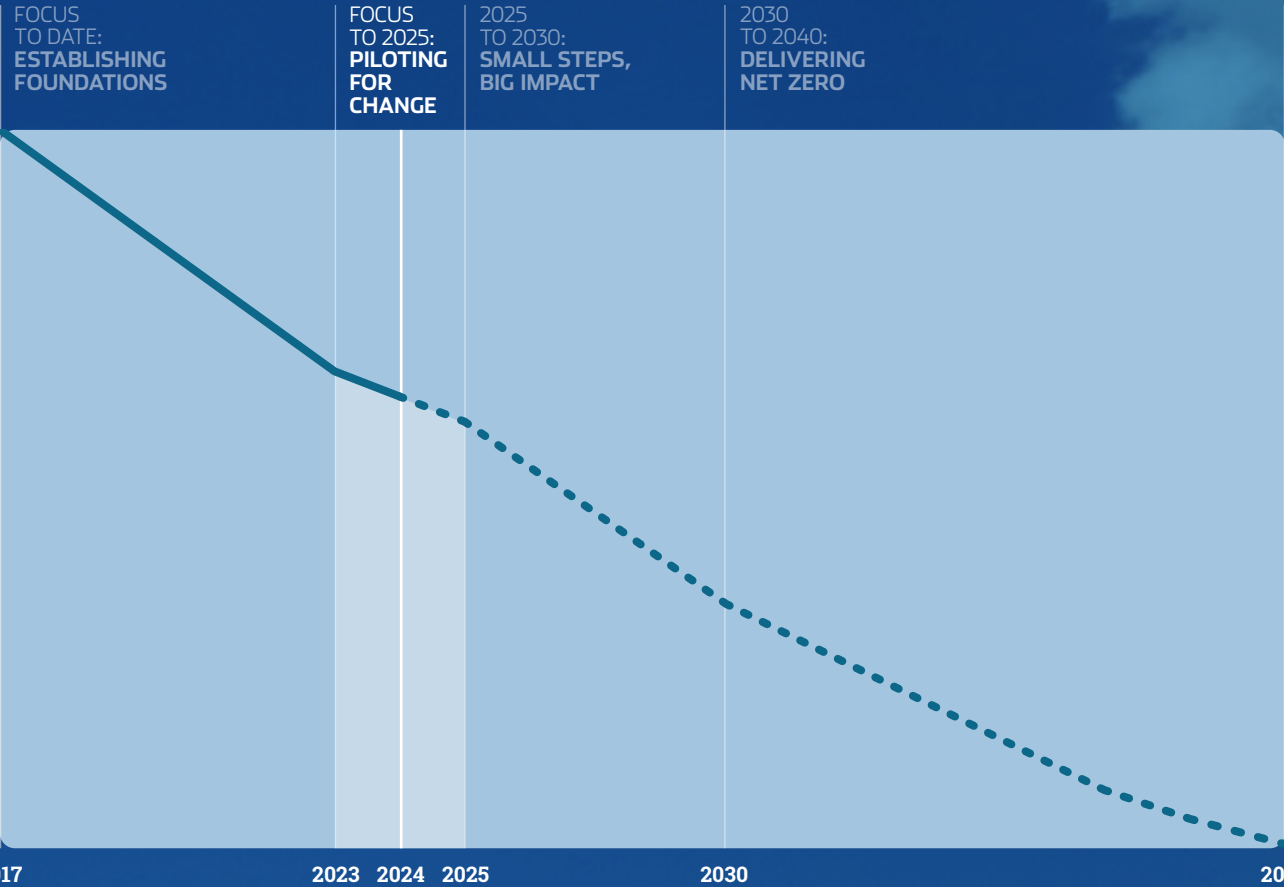
### Case Study:

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 £2.14m.





# NET ZERO FOCUS TO 2025: PILOTING FOR CHANGE



## AIMS

- Supplier engagement in Net Zero targets
- Develop Scope 3 disclosure to cover our most material Scope 3 categories beyond purchased goods and services
- Continue to develop our Scope 3 emissions data calculation methodology to include activity level data
- 100% Sustainably sourced wood fibre in our packaging materials
- Support suppliers to provide access to 100% sustainable wood for use as tobacco curing fuel

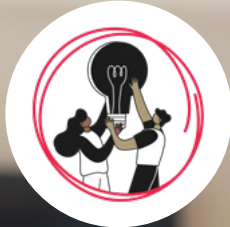


### Case Study: Reaching our supplier engagement goals

In 2019, we submitted science-based targets to the Science Based targets initiative for validation. One of the targets was to achieve 50% of our purchased goods and services suppliers by spend to be committed to science based targets by 2024.

In FY23, we reported that after revising our methodology, 33% of our Purchased Goods and Services suppliers by spend had committed to Science Based Targets (SBTs). In FY24 we engaged all Procurement Category Managers responsible for spend in Purchased Goods and Services, educating them on what a science-based target is, and why and how they should engage with suppliers to clarify current commitments, or gain their agreement to commit to science-based targets.

In 2024, we had achieved 50.3% of suppliers by spend within Purchased Goods and Services committed to SBTs, achieving our target.



### Case Study: Taking a data-led approach to Scope 3

Once we have established out Scope 3 methodology, we will take a data-led approach to identifying priorities for activity and engagement, following the approach we have established within Scope 1 and 2. Having achieved assurance for our Purchased Goods and Services emissions accountant methodology in FY24, we will conduct data analysis using loss tree and sankey data visuals and a series of workshops with the procurement category owners. As a result of this, we aim to have a clearer plan to reduce scope 3.1 emissions, through engagement, structure, and reporting improvements.



## SCOPE 3: TARGETS FOR 2025



### We support suppliers to provide access to **100% SUSTAINABLE** wood use

Within our tobacco leaf supply chain, wood is often used in tobacco production, as a fuel for the curing of tobacco or for constructing tobacco curing barns. Imperial has committed to supporting suppliers and their farmers access sustainable wood by 2025, as such our tobacco will be net sustainable – 100% of the wood harvested will be sourced from sustainably managed forests, or matched by managed planting. In FY24, we achieved 99%. This goal not only ensures continuity of tobacco farmers within communities, but also directly reduces emissions within Scope 3 category 1.

We continue to create partnerships in those remaining countries that are working towards wood sustainability and directly funded commercial

forestry programmes. Planting trees 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.

We are also promoting the reduction in wood requirement, through support to research and development into more efficient tobacco curing barns, that will reduce the overall wood requirement.

With these actions we continue to support suppliers and by extension their farmers to reach net sustainability in the wood used to produce the tobacco in our products.



### **100% OF WOOD FIBRE** for packaging sourced sustainably by 2025

We also consider our impact on forestry in how we package our products. Our consumers expect high quality products, often sold in packaging such as paper or cardboard which relies on wood fibre.

To ensure we are not contributing to deforestation within our packaging supply chain, we have a supplier engagement scheme, requiring them to provide assurance on how they source packaging materials containing wood fibre from sustainable sources. By addressing wood sustainability within our Non-Tobacco Material (NTM) supply chain, we can reduce emissions within Scope 3 category 1.

In 2024, 96% of our board and paper packaging was produced using wood fibre materials sourced sustainably, and we are engaging with suppliers to achieve our 2025 target of 100%.

Taking learnings from this supplier engagement on packaging deforestation, we are starting to apply the same process to non-tobacco materials in our products. We are working to establish a baseline, and engage our suppliers to take this approach on all wood-fibre materials within our products.



### We aim to send **ZERO WASTE** to landfill in our operations

#### **In January 2024, we sent ZERO Waste to Landfill from our operations.**

We kicked off the Zero Waste to landfill programme in 2022, having sent 9,411t of waste to landfill in 2021 – an increase of >45% vs our 2017 baseline. In taking this action, we can reduce emissions in Scope 3 category 5.

We achieved this target in June 2024, ahead of our 2025 goal through using the 4R's principles of: Reduce, Reuse, Recycle, and where we can't apply the first three R's, Recover.

It is our responsibility to support a circular economy, and so we begin by avoiding waste when it is not needed. We aim to use resources efficiently, source them from sustainably managed sources and to introduce recycled materials where possible.

Each of our operational sites has a nominated waste champion who has driven the initiative. Sites have been awarded certificates based on when they achieved zero landfill status.

Following on from this achievement, we need to expand our zero landfill status to include all our non-operational sites, and maintain in all operational sites.

The next step of our zero waste to landfill programme will be to concentrate on waste reduction at source, and to improve our internal reuse and recycling. With this, we support decarbonisation efforts within Scope 3 category 5.

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.



### **MAKE 100%** of our packaging reusable, recyclable or compostable in EU and UK

We take our responsibilities in product development and environmental impact seriously, and with this initiative, aim to further support a circular economy. 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. In taking this action, we directly affect the emissions within Scope 3 category 12.

In line with one of our business behaviours, start with the consumer, and considering how we can reduce the impact of sold product on the environment, we have conducted multiple consumer sessions. These cover how to approach reducing environmental impact without negatively impacting the product perception.

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 94% of our packaging formats assessed are now considered recyclable.

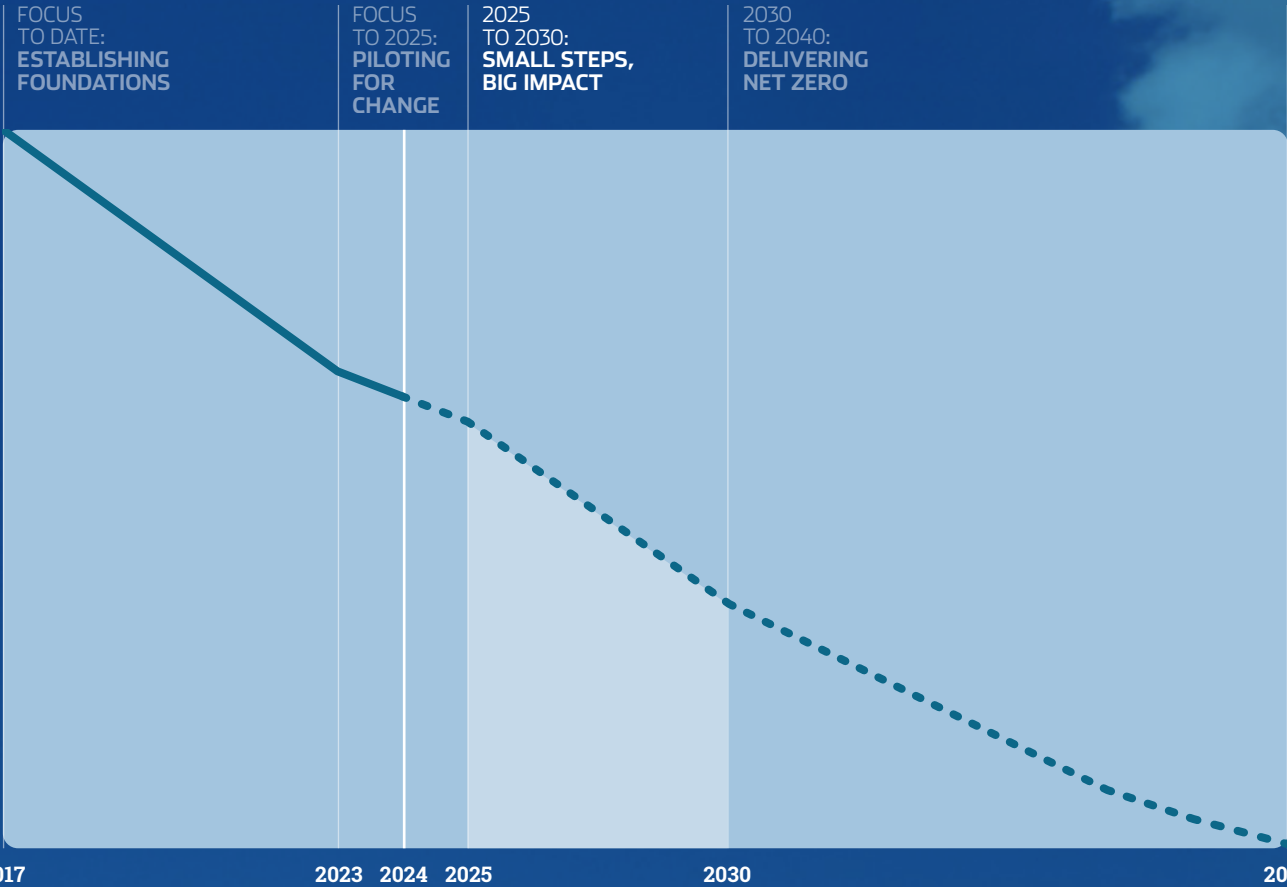
To improve against these goals, we are exploring how to expand our focus from sustainably sourced packaging to the wood fibre materials in our products.

In FY25, we will focus on reducing further unnecessary packaging and to make more of our packaging recyclable, reusable or compostable.

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.



# NET ZERO 2025 TO 2030: SMALL STEPS, BIG IMPACT



## TARGETS

- Reduce Scope 3 emissions by 50% by 2030
- Include Net Zero clauses in contracts
- Develop consumer waste approach
- Achieve third party assurance on our most material Scope 3 category: Purchased Goods and Services
- Net Zero selection criteria to be used for assessing suppliers
- By 2030, reduce water by 30% vs 2017

# SCOPE 3 EMISSIONS: IDENTIFYING OPPORTUNITIES

We have committed to reducing our Scope 3 emissions by 50% by 2030. We intend to take a dual approach to achieving this goal: methodology and engagement.

In 2024, we updated our methodology using CDP submissions and sectoral averages for our Purchased Goods and Services assurance. We intend to continue to expand this to include our other material Scope 3 categories: Upstream Logistics and Distribution, and Capital Goods. There are some specific topics that we are already starting to take steps on, for example: fertiliser use, and

end-of-life treatment of our products, relating to Scope 3 categories 1 and 12. For each category, we will be data-led, by conducting detailed analysis following emissions methodology establishment. Through this activity we will identify and rank decarbonisation activities by priority, identifying 'easy to implement' and 'no regret' activities, alongside those that might require more time, engagement, or investment to undertake.

## ENGAGEMENT THROUGH CDP SUPPLY CHAIN PROGRAMME

As we develop our data approach within Scope 3, we intend to use CDP supply chain data to progress from spend based to revenue allocated and activity data, where possible. To do this we will continue to assess the suppliers we invite to CDP, ensuring their alignment to our most material categories, and engage with them through our programs like SRM connect to incentivise emissions reporting to us through the tool.

### Case Study: Fertiliser Reduction

Fertiliser causes greenhouse gas emissions, and has been linked to biodiversity, soil health, and pest issues. Fertiliser is also a significant cost for our farmers. To address all these points, we aim to work with our suppliers to reduce fertiliser usage, working on some pilots in different regions to understand the impact of fertiliser reduction on yield for different varieties of tobacco, and sourcing origin.

## END-OF-LIFE TREATMENT OF SOLD PRODUCTS

### 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 combatting littering and ecotoxicity resulting from the littering of used filters (cigarette butts), is through partnership of key stakeholders, such as other 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 across the world, both on a voluntary basis and to fulfil regulatory requirements. We capture these emissions within Scope 3 category 12.

### 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

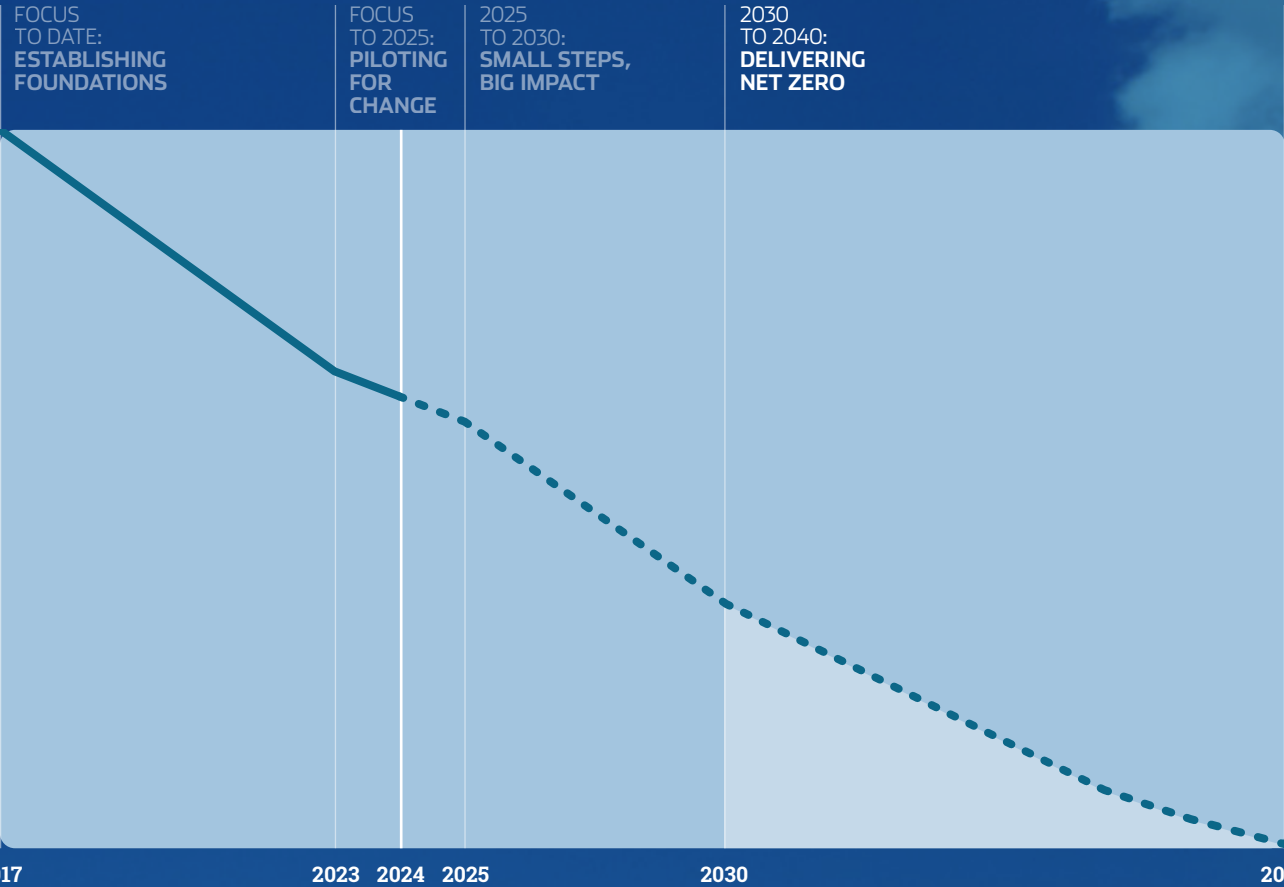
For our Pulze 2.0 product packaging we have achieved a 92% reduction in use of plastic compared to the packaging for Pulze 1.1. We continue to focus on packaging improvements with further solutions under development.

#### Oral nicotine delivery

The sustainability aims are focused on recyclability improvements, exploring more sustainable materials including bio-circular cans, refilling options and return schemes are being investigated across our footprint.



# NET ZERO 2030 TO 2040: DELIVERING NET ZERO



## TARGETS

 Enact plans across all our Scope 3 categories

 Reach Net Zero by 2040

# SCOPE 3 DECARBONISATION BY 2040

We are committed to achieving decarbonisation of our entire value chain by 2040. To do this, we are focusing first on improving the quality of our data, disclosing and assuring it where possible. Secondly, we are driving engagement of our suppliers in achieving Net Zero by 2040, by introducing clauses into contracts and other routes like SRM Connect. Finally, we intend to develop a selection of KPIs and incentives, through the application of an internal carbon price to further drive decarbonisation performance.

Below, we have set out our priorities for Scope 3, the key activities we are taking, and some examples of activities already undertaken. These answer a number of risks that have been identified within Scope 3 emissions, predominately data quality. While we don't have all the answers on how to decarbonise Scope 3, and we know we need to partner with key stakeholders to make to make it happen.

	Priority	Scope 3 Category	Key activities	% of 2024 emissions	Activities to decarbonise taken or initiated in 2024
Upstream Scope 3	1	1. Purchased Goods and Services	Gain data assurance for 2024 Re-map suppliers and ensure good coverage of CDP and SRM connect Introduce supplier or product specific activity data Introduce Net Zero clauses into contracts	63.36%	We have worked with our tobacco suppliers to introduce formal Net Zero by 2040 agreements Within our NTM procurement category, we have begun collection of product specific emissions factors in supplier conversations
	1	2. Capital goods	Map suppliers Disclose and assure data Further improve data accounting methodology by introducing supplier or product specific emissions factors Introduce Net Zero clauses into contracts	6.40%	Exploring decarbonisation opportunities with suppliers
	2	3. Fuel and energy related activities	Gain better data clarity	4.74%	On site renewables for two sites where business cases had a return on investment of less than three years
	1	4. Upstream Transportation & distribution	Explore PPAs with renewable energy generators, in line with our renewable energy procurement strategy Map suppliers Disclose and assure data Further improve data accounting methodology by introducing supplier or product specific emissions factors Introduce Net Zero clauses into contracts	6.08%	Rail transport routes piloted in the EU
	2	5. Waste accumulated in Operations	Drive through our Zero Waste program	0.46%	Zero waste ambition kicked off globally following achievement of Zero waste to landfill for our manufacturing sites
	3	6. Business Travel	Improve data collection Undertake employee engagement and awareness campaigns	1.30%	Addressing the global fleet policy to consider decarbonised options
	3	7. Employee Commuting	Improve data collection Undertake employee engagement and awareness campaigns	1.06%	Net Zero week and earth overshoot day campaigns raised awareness of the impact employees can have on our carbon footprint
Downstream Scope 3		Homeworking	Improve data collection Undertake employee engagement and awareness campaigns	0.00%	Engagement with employees on key international days such as Earth day, Earth overshoot day, environment day, and Net Zero Week
	2	9. Downstream Transportation & distribution	Map suppliers and customers routes Disclose and assure data Further improve data accounting methodology by introducing supplier or product specific emissions factors Introduce Net Zero clauses into contracts	1.90%	Exploring rail routes with customers where possible
	2	11. Use of sold products	Improve data collection Undertake employee engagement and awareness campaigns	1.69%	We have implemented several projects to improve the battery life of vaping and heated tobacco devices, which account for the majority of emissions in this category
	2	12. End of Life treatment of sold products	Improve data collection Undertake employee engagement and awareness campaigns	2.52%	Within our Packaging and Waste category we have committed to ensuring that all our packaging is recyclable, reusable, or compostable by 2025
	3	15. Investments	Improve data collection Undertake employee engagement and awareness campaigns	2.17%	We continue to work with subsidiaries like our distribution business Logista on management of climate change, including risks and opportunities.
		Total		91.68%	(Scope 1 & 2 = 8.32%)



# SUMMARY OF OUR TARGETS



2024

50%

OF OUR SUPPLIERS  
BY SPEND IN THE  
PURCHASED GOODS &  
SERVICES CATEGORY  
will commit to science-based  
targets by 2024



ON TRACK



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%



ON TRACK



2030

100%

OF THE ENERGY SOURCED  
for our operations from  
renewable sources

BE NET ZERO  
in our direct operations  
(Scope 1 and 2 GHG emissions)

REDUCE:  
Absolute Scope 3 emissions by 50%  
Energy consumption by 25%



ON TRACK



2040

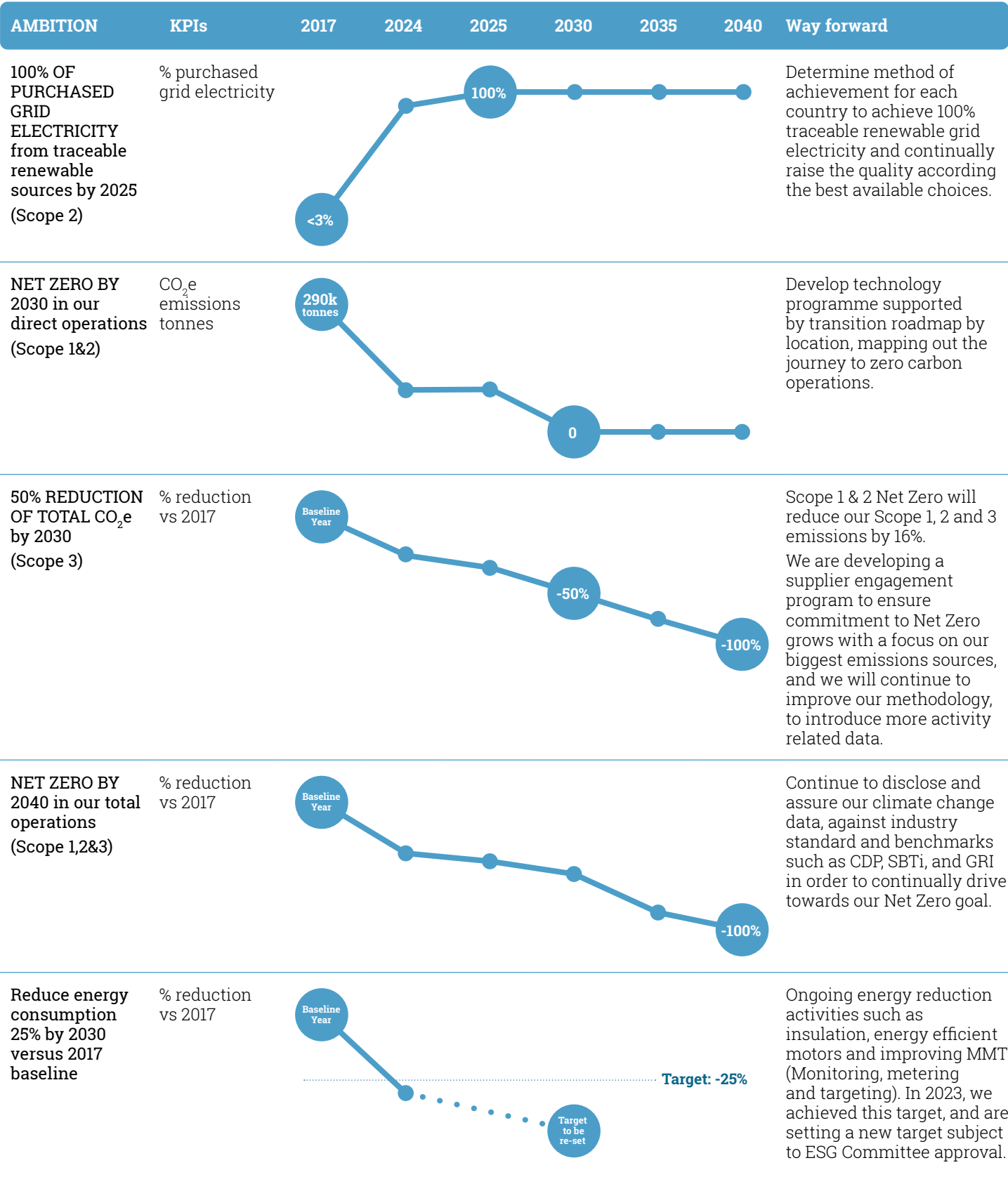
OUR VALUE CHAIN WILL BE  
NET ZERO  
EMISSIONS

(absolute Scope 1, 2 and  
3 GHG emissions)



ON TRACK

# SUMMARY OF PERFORMANCE AGAINST TARGETS





RISK MANAGEMENT

In our principal risk structure, we acknowledge risks related to the impact of business operations on the natural environment where we operate as fundamental to operations.

We also ensure that other principal risks also take into account the risks and opportunities associated with climate change, as appropriate.

Assessment by each risk owner ensures that we accurately determine materiality and integrate ownership of associated climate-related risks and opportunities into the broader business.

In order to do this effectively, we have assessed both the physical (climatic) and transitional (technological) risks that may impact our business. Assessment by each risk owner ensures that we appropriately determine true materiality, and integrate ownership of the associated climate-related risks and opportunities into the wider business.

With support from the global ESG team, risk owners review the potential causes and likelihood of any climate-related risks materialising. For further details on our risk management practices, please refer to the risk section of our annual report and accounts on page 42.

The Group's formal approach to risk management includes a biannual update to the Board on the results of the Group risk assessment, including the Group's principal risks. The Group risk management framework specifies accountability for the identification, assessment

and mitigation of risks throughout the business and is based on the "three lines of defence" model. The first line of defence is our people in operational roles, who identify and report potential risks and opportunities at an operational level. The ESG team, led by the Global ESG Director, are subject matter experts and are part of the second line of defence. They develop appropriate policy, process and control structures and analyse the impacts of the risks upon the business in line with the Board's risk appetite.

The second line of defence provides support to the first line of defence in the design and implementation of local mitigations. The ESG team is key in assessing climate-related risks and opportunities that occur at a local and global level related to the achievement of our climate targets. Our third line of defence consists of Group Internal Audit who provide independent assurance over the effectiveness of the design and operation of the risk management framework.

In FY24 Group Internal Audit performed an audit on our climate change strategy, assessing it for completeness, governance, and progress, as well as integration into business functions. The highest assurance rating of substantial was achieved. On an intermittent basis, we also commission a third party to perform its own analyses to validate risks identified by the business.



CASE STUDY:

One of our north American Factories, Greensboro, in North Carolina, USA, has recognized the rising global incidence and severity of acute climate related weather events, and has adapted their emergency planning accordingly.

As well as emergency procedures for internal emergencies, such as fires, they have also set a protocol for external acute weather events, such as tornadoes and hurricanes.

This protocol identifies the safest places for employees and site visitors to shelter, and includes a bi-annual practice, to ensure employees are aware of the protocol and able to follow it quickly and safely.

To compliment this, the group risk assessment standard includes prompts for risk assessing climate-related weather events. This standard is in use for all our operational sites.



CLIMATE RELATED RISKS AND OPPORTUNITIES

Risks & Opportunities	RISK/OPPORTUNITY IMPACT AND ACTIONS		
	Predicted impact	Mitigating actions	Related Metrics & targets
Physical			
Chronic drought risk	The impact of drought on our tobacco farms and supply chain, causing disruption to production	Procurement strategy, integrated tobacco farms, water projects within our supply chain, alternate sourcing locations	£296,000 has been spent on water access projects in FY24. 96% of our packaging is from sustainably sourced wood fibre.
Changes in tobacco crop yield	Impact in weather changes and events on tobacco crop yield, potentially affecting production availability & quality	Procurement of renewable grid electricity, business continuity plans, high at risk sites with insurance coverage	89% of our tobacco leaf suppliers by spend are engaged in water risk projects. 97% of our directly contracted farmers grow complimentary crops.
Increased frequency and severity of extreme weather events	Potential for supply chain distribution, affecting production	Maintenance of continuity plans & alternative sourcing options	We have a policy for 100% of our manufacturing sites to have business continuity plans in place to mitigate any potential interruption to operations
Severe hurricane risk	Potential for supply chain distribution, affecting production	Maintenance of continuity plans & alternative sourcing options	We have a policy for 100% of our manufacturing sites to have business continuity plans. We will measure the percentage of tobacco leaf produced in high-risk locations with alternate sourcing options.
Transition			
Policy & legal	Increased cost of procuring fossil fuels from carbon taxes	Utilise Net Zero strategy, taking this into account	97% traceably renewable purchased grid electricity. 42% renewable energy.
Market	Increased supply chain costs due to the effects of carbon tax on our supply chain	Supply chain engagement through SRM and CDP.	50% by spend of our Purchased Goods and Services suppliers have science-based targets. 249 suppliers invited to CDP supply chain. 2.4% of our net revenue is from products produced in a renewable energy site. In FY25 we will explore how to add Net Zero clauses into our new contracts.
Climate-related opportunity			
Energy Sourcing	Successful decarbonisation of our energy sources can result in significant cost avoidance	Decarbonisation of energy sources	Carbon tax cost exposure within FY24 is 0.6% of global energy spend.



# THE FUTURE

While significant challenges exist to reduce GHG emissions, there are many opportunities for innovation. We are uniquely positioned to collaborate across our entire value chain to achieve our goals, with a consolidated footprint and supply chain. It is our responsibility to address our impact on the environment, and transparently communicate our actions and plans.

We have set ambitious environmental goals and have a strong track record of demonstrating progress to and achieving those targets. Reaching Net Zero GHG emissions is one of the most complex challenges that global businesses face.

While the global landscape and our technology will continue to change, Imperial remain committed to the actions required to address climate change and achieve our climate goals through our 5 step plan.

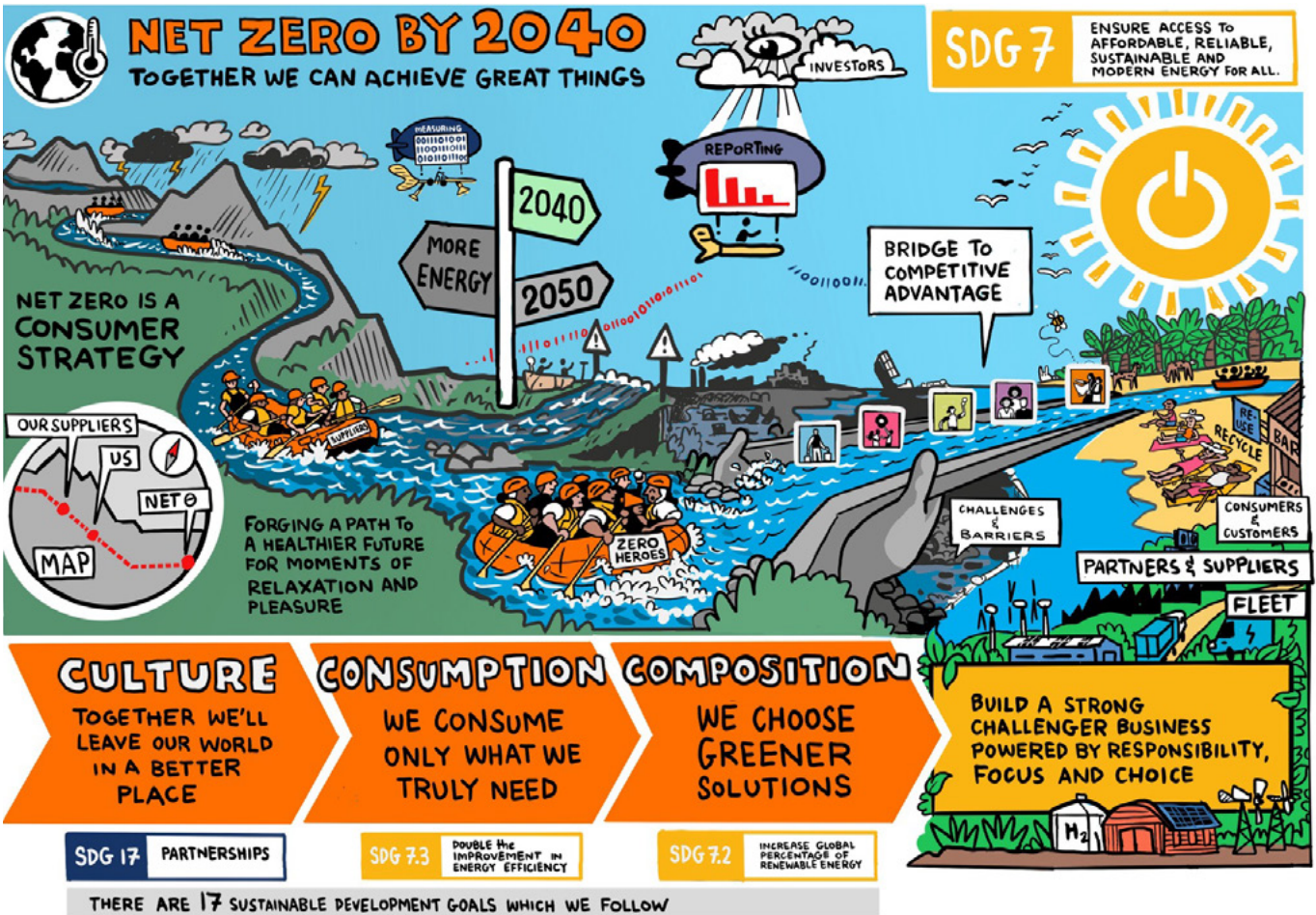
Ultimately, we intend to go beyond Net Zero Carbon emissions, and become a Carbon Positive business.

To do this we will harness the culture of the company, engaging more Zero Heroes through education and awareness to ensure we continue to make the right decisions for our business on energy composition and consumption.

We are taking a data-led approach to identifying priorities, and have launched an internal climate change training to drive peoples understanding of climate change, our data and priorities, and what actions employees can take. We intend to continue to address training to improve knowledge, awareness, and action taking throughout the business.

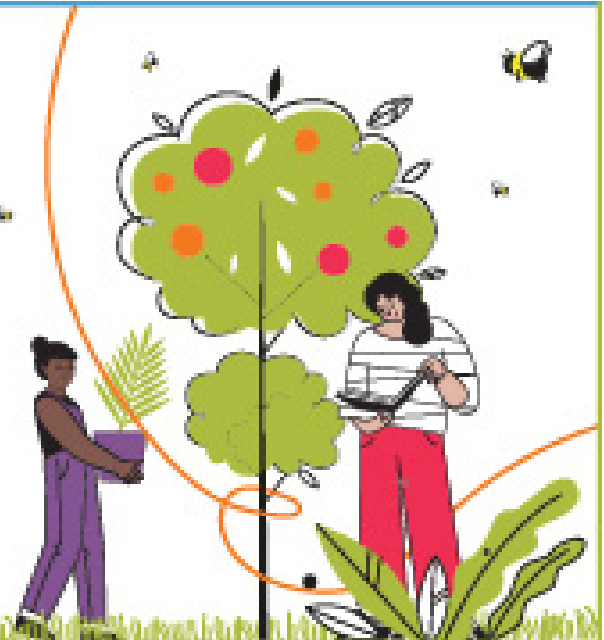
We will also bring a greater focus to biodiversity - in both our impact on our biodiverse environment, and how we can act to reduce it, and the wider impact of our supply chain.

In our Net Zero Symposium, in March 2023, we formed a champions network, and worked together to create our vision for Net Zero, shown below.



## Earth Overshoot Day

Small actions  
Big impact



Small actions  
Big impact

Going car-free can reduce your carbon footprint by up to two tonnes of CO<sub>2</sub>e per year

Walk, cycle, or take public transport to work



### Case Study: Building a Climate Change movement

On 1st August 2024, we marked Earth Overshoot day globally, bringing awareness to our 20,000 employees how global overconsumption is currently requiring the equivalent of 1.7 earths a year.

This is unsustainable, and with our ESG ambition, we aim to do our part by reducing our impact. Following Earth Overshoot day, we ran a global Net Zero Week campaign, asking our employees to get involved and take small actions which can collectively make a big difference, whether at work or at home. Over the following week we had 60 posts from sites and employees in all three of our business regions, engaging over a thousand people on our internal social media platform. Over 11 thousand messages were read, reacted to, or commented on. This formed part of our Triple Zero global campaigns in FY24, with the aim of engaging people across our employees in climate action and raising awareness, and creating a movement to continue to reduce our impact.



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