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# OUR ESG AMBITION



## 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.

An important element of the foundation-building phase of our business strategy has been a refresh of our approach to environmental, social and governance (ESG) responsibilities. Imperial has a long tradition of responsible business with a strong track record of preventing under-age<sup>1</sup> access, combating illicit trade and continually reducing its carbon footprint.

Our recent ESG review has focused on prioritising our activities to ensure they fully align with our new strategy, purpose and vision and meet the evolving expectation of stakeholders.

Our ESG strategy represents an exciting opportunity to make a positive difference, as well as be a platform to demonstrate our strategic risk management of ESG issues. A full materiality study, which combined both quantitative data-led analysis and qualitative stakeholder interviews, highlighted eight key areas of focus.

We have grouped these into three broad categories:

### 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.



#### CLIMATE CHANGE

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



#### PACKAGING & WASTE

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

### POSITIVE CONTRIBUTION TO SOCIETY



#### FARMER LIVELIHOODS & WELFARE

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



#### SUSTAINABLE & RESPONSIBLE SOURCING

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



#### HUMAN RIGHTS

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

### SAFE & INCLUSIVE WORKPLACE



#### EMPLOYEE HEALTH, SAFETY & WELLBEING

We are committed to achieve world class occupational health, safety and wellbeing for all our stakeholders.



#### DIVERSITY, EQUITY & INCLUSION

We are committed to creating a truly diverse and inclusive organisation that reflects the communities in which we operate.

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



# LEADERSHIP AND GOVERNANCE

We are committed to operating responsibly in everything we do, respecting our people, our communities and our planet. We discharge our responsibilities through a framework of governance.

Our Executive Leadership team and the Board both review our ESG performance annually. Additionally, our cross-functional ESG Steering Committee, chaired by the CEO, meets three times per year. The Committee's remit on behalf of the Board is to oversee the management of our material ESG issues as both risks and opportunities, to ensure

the successful delivery of our ESG strategy. Further information on our approach to risk and opportunity management is available in our [Annual Reports and Accounts](#).

We have a broad range of policies to support our approach to risk management and good governance. Our [Code of Conduct](#) is embedded throughout Imperial Brands and drives our responsible approach. It is aligned with the policies, internal controls and risk management processes that underpin our strategy.



Detailed Performance against some of our ESG priorities is available in our [2021 Performance Summary](#).

Our ESG strategy represents an exciting opportunity

# TO MAKE A POSITIVE DIFFERENCE







# CONSUMER HEALTH

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

UN  
SDG



We are committed to tobacco harm reduction.



## Marketing Principles

- 1 We only **engage with adult consumers** of tobacco and nicotine products.
- 2 Our marketing is **honest and transparent**.
- 3 We give our consumers the information they need to **make informed choices**.
- 4 We will **never encourage people to start smoking** or non-smokers to use recreational nicotine products, and never discourage consumers of our products from quitting.
- 5 We **comply with the local laws, codes of practice and voluntary agreements** which govern the advertising, promotion and sale of our products.

## Consumer-led Harm Reduction Strategy

We start with the consumer, focusing on consumer insight and research to ensure we build a portfolio that suits them.

We substantiate the harm reduction potential of our NGP through our multi-stage, multi-year testing and research programme. This scientific assessment framework (SAF) is applied for each NGP type compared to cigarettes to assess the relative risk. You can explore in more detail on our science website [here](#).

Based on our scientific research and market research, we will link the findings into our NGP innovation process in order to innovate for stronger consumer satisfaction and to drive harm reduction by enabling smokers to choose potentially less harmful products.

## Why is it important?

We recognise that consumer health is the most important ESG priority for many of our stakeholders and that we need to build a successful NGP business. Our commercial strategy, launched in 2021, announced our intention to challenge through NGP market trials. This has been a key pillar of our new business strategy, and our ESG strategy aims to complement this by bringing a focus to how we address consumer health by offering adult smokers a range of products that have the potential of harm reduction at population level.

The undisputed best action that smokers can take to improve their health is through cessation of all tobacco and nicotine use. However, millions of adults still smoke despite decades of public health campaigns and the implementation of a wide range of tobacco control policies. With this in mind, transitioning adult smokers to products which are likely to be substantially less harmful than smoked tobacco is acknowledged by many as the next best option. Indeed, this route to reducing the harmful impact of smoking tobacco underpins the concept of the public health principle of tobacco harm reduction, or THR.

Central to THR is a recognition that not all nicotine-containing products are as harmful as smoked tobacco, and that alternative nicotine products are legitimate, harm reduced tools to help reduce smoking-related morbidity and mortality.

While no NGP is entirely risk-free, an increasing body of scientific evidence suggests they are likely to be significantly less harmful relative to continued combustible cigarette smoking.

NGPs have not been available long enough to generate epidemiological data, which looks at potential health impacts after decades of use, and

more research in this area is certainly needed. However, the long-term health impacts of smoking tobacco are well known. For this reason, and based on the scientific evidence to date, it is clear that any potential long-term health risks associated with adult smokers transitioning to NGP – providing the products are manufactured to robust quality and safety standards – are highly likely to be considerably lower than continued smoking.

## What are we doing about it?

At Imperial, we want to provide consumers with access to an informed choice. We are not the biggest player, but we believe that by adopting a challenger approach, we can make targeted investments to enable consumers to make the best choice for them.

We have a targeted challenger approach to NGP launches, we will continue to conduct tests in pilot markets and the data will inform our strategic choices.

This approach enables real consumer choice: offering access to products that are potentially less harmful, which is crucial to making a meaningful contribution to harm reduction.

We uphold high product quality standards, rigorously testing and analysing our products to continually build our knowledge base and meet our duty of care to consumers, as well as helping raise standards across the wider NGP landscape.

We believe openness, transparency and collaboration enhance the scientific understanding of NGP, and invite critique of our science through the process of peer review in international scientific journals, and the regular presentation of our research at international conferences.

We believe, without equivocation, that minors should not use or have access to any nicotine products. We take our responsibilities as a manufacturer and distributor very seriously and work closely with regulators to implement best practices in all commercial activities. To reinforce our commitment to youth access prevention, we seek to ensure that regulatory requirements are implemented, adhered to and enforced. From manufacturers to retailers, we believe everyone must take responsibility for their role in preventing youth access to adult products. By committing to responsible marketing and high product standards across the board, we can create a united front against youth access to nicotine products.

In addition, we are also developing a framework to assess, understand, and act to mitigate the risk of underage<sup>1</sup> use. We will expand on this framework in 2023.

We are committed to the marketing and advertising of our products responsibly within the laws, codes of practice and voluntary agreements of those countries within which we operate. Our commitment to the responsible marketing and sale of our NGP and combustible tobacco products is summarised by our Marketing Principles.

Tobacco and NGP are for adults only. We do not want under age use<sup>1</sup> of any of our products and take youth access prevention (YAP) very seriously. We work with retailers to reinforce the message that tobacco and NGP are solely for adults, and require responsible selling. We support initiatives aimed at preventing the sale of our products to minors, including schemes that highlight the minimum age at the point of sale plus relevant training for our trade partners.

Population-level meaningful contribution to tobacco harm reduction



① Scientifically-substantiated less harmful product



② Adult Smoker Appeal



③ Adult Smoker Usage



④ Unintended User Appeal



⑤ Unintended User Usage

“OFF RAMP”  
from smoking

“ON RAMP”  
to nicotine



# CLIMATE CHANGE

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

UN SDG



We are taking action to combat climate change and its impacts.

## Strong track record of performance

Over the last 10 years (2012-2021) we have:

**26%** Reduced our **absolute scope 1 and 2 carbon emissions** (tonnes) by 26 per cent

**33%** Reduced our **absolute energy consumption** (GWh) by 33 per cent

**42%** Reduced our **absolute water consumption** in our operations (m3) by 42 per cent

2021 Performance against our 2017 baseline year

**17%** **Absolute energy consumption** 17 per cent decrease

**14%** **Total absolute scope 1 and 2 CO<sub>2</sub>e emissions** 14 per cent decrease

**24%** **Reduction in water consumption in our operations** 24 per cent decrease



Imperial has been recognised as a 2022 Climate Leader by the Financial Times for a second consecutive year, in its ranking of actions taken by European businesses.



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 third consecutive year. Our 2021 CDP scorecard is available on our Performance page.

## Why is it important?

We acknowledge our global reach and influence in addressing concerns over climate change. Disruption in climate and energy has the potential to impact our business across the value chain, from crop production to manufacturing and distribution. We monitor this risk and put in place intervention or mitigation measures where necessary. Our targets on climate change represent multiple business opportunities: there are cost and environmental benefits to energy savings, and efficiency programs.

In line with the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) we are exploring what different scenarios of increasing global temperatures would mean to our business across our value chain. These will be reported in our 2022 Annual Report and Accounts.

## What are we doing about it?

We have a strong track record of reducing our environmental impact through energy efficiency and carbon emissions management. We have also set a range of targets covering energy, waste, and water which supports our net zero emissions ambition. Our carbon targets for Scope 1, 2 and 3 (supply chain) have been approved and validated by the Science Based Targets Initiative (SBTi). However, we have increased our ambition to net zero in our operations and value chain.



## Our plan (from a 2017 baseline year)



**100% OF OUR PURCHASED GRID ELECTRICITY** will come from traceable renewable sources

Reduce absolute scope 1 and 2 GHG emissions by **MORE THAN 50%**



**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:**  
Our total carbon footprint (absolute scope 1, 2 and 3 GHG emissions) by 30 per cent  
Absolute scope 3 emissions by 20 per cent  
Energy consumption by 25 per cent



**OUR VALUE CHAIN WILL BE NET ZERO EMISSIONS** (absolute scope 1, 2 and 3 GHG emissions)

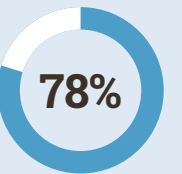
## Net Zero by 2040

We have joined Business Ambition for 1.5°C, a campaign led by the SBTi. This means we are committed to reaching science-based net-zero emissions by 2040. To achieve this, we will reset our science-based targets for carbon, increasing ambition in line with 1.5°C global warming limits and submit them for approval by the SBTi. We will also work towards validating our scope 3 data.

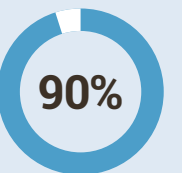
Our first carbon neutral factory, the Skruf plant in Savsjo, Sweden, is now acting as an exemplar for our other facilities as they work to further improve their energy efficiency and sustainable sourcing.

During 2021, we increased the amount of energy we procure from renewable sources across the business, particularly in our manufacturing operations. At least 90 per cent of our electricity is now supplied by traceable renewable sources. Although we do not have water-intensive manufacturing processes, we maintain a strong track record of managing water use effectively.

78 per cent of our operations certified to the environmental management standard ISO 14001



At least 90 per cent of our purchased grid electricity is now supplied by traceable renewable sources



Note: Our Scope 1 emissions arise from stationary fuel combustion at our sites, refrigerant gases and from mobile fuel combustion in our fleet of company sales vehicles. Our Scope 2 emissions comprise of the indirect emissions resulting from the use of purchased electricity, heat and steam at our sites. Our Scope 3 emissions are the emissions arising from our value chain as a result of activities carried out by Imperial. For example from the manufacture of components that go into our products.





# PACKAGING & WASTE

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

UN SDG



We aim to ensure sustainable consumption and production patterns.

## Strong track record of performance

Over the last 10 years (2012-2021) we have:

Reduced **waste generated** within our operations (tonnes) by 24 per cent

24%

Reduced **waste sent to landfill** (tonnes) by 16 per cent

16%

2021 Performance against our 2017 baseline year

Waste generated within our operations **15 per cent Decrease**

15%

Waste sent to landfill **40 per cent Increase<sup>1</sup>**

40%

**78 per cent of our operations certified to the environmental management standard ISO 14001**

78%

**95 per cent of waste of waste diverted from landfill in 2021**

95%



## Consumer research

Our consumer research provides insights into what consumers value most.

- They value waste reduction. They would like more information on how to recycle products and they would like to see brands reduce the amount of packaging used as well as the removal of unnecessary plastic.
- They would like clarity on the sourcing of materials which go into our products as well as sourcing from recycled materials. However, they do not want to see a compromise on the quality of the product.
- They would like to see a reduction in our carbon footprint.
- They value the respect for human rights and expect us to commit to ethical work practices.

## Why is it important?

Given our global reach and influence, we want to play a role in protecting the natural environment and actively work to minimise our environmental impacts. We also recognise that certain resources are finite and, as such, this presents us with opportunities to explore sustainable solutions that support our business sustainability and protect the environment. We are committed to compliance with environmental legislation. Reducing our environmental impact also supports efficiency and cost optimisation.

## What are we doing about it?

As part of our role in protecting the natural environment, we seek to minimise waste, eliminate waste to landfill and make all our packaging reusable, recyclable or compostable in the EU or UK to become part of the circular economy.

We acknowledge that as our NGP business grows, we are faced with additional packaging waste and recyclability issues. We continue to look at how we can improve the sustainability of NGP materials and packaging. This includes looking at ways of increasing the amount of recycled and recyclable packaging used in our products as well as reducing the use of virgin plastic.

We will continue to implement a consumer led, regulatory compliant packaging strategy in financial year 2022 and will provide further details towards the end of this year.



## Our Plan (from a 2017 base year)

2025

Send

**ZERO WASTE**

to landfill in our operations

Make

**100%**

of our packaging reusable, recyclable or compostable in EU and UK

2030

**REDUCE**

waste generated within our operations

**BY 20%**



## Litter

All consumers have a responsibility to properly dispose of their litter, whether this is cigarette butts or any other product or packaging. We are working on different solutions to enable consumers to dispose of our products and packaging responsibly but we acknowledge that litter is an issue being faced by all consumer goods companies.

We take our responsibilities in the area of product development and environmental impact seriously. Consumer acceptance and emissions regulation have meant that we are yet to find an adequate alternative substitute

for the traditional cigarette filter, however, we remain committed to researching a new generation of filters. We are also adopting a challenger approach here, by testing and validating alternatives in test markets before business decisions are made. This is the approach being taken on our latest trial of paper filters, launched in Germany and Finland.

We believe the best approach to tackling litter is for key stakeholders, such as tobacco companies, government, environmental bodies, businesses, and local communities to work together to influence consumer behaviour.

1. This increase is mainly driven by two factors. Firstly, one of our sites in Central America recorded a doubling of waste to landfill in comparison to the previous year due to more accurate measurements by the waste management provider. Secondly, one of our sites was responsible for safely destroying menthol cigarettes due to the menthol cigarette ban in the UK, which subsequently led to an increase in total waste to landfill. This year we have calculated the landfill avoidance rate. This KPI shows the per centage of our waste diverted from landfill



# FARMER LIVELIHOODS & WELFARE

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

UN SDGs



## 2021 Performance Highlights



88 per cent of farmers **growing complementary crops**<sup>1</sup>



97 per cent of farmers with access to initiatives to **improve agricultural productivity**<sup>1</sup>

130,000

Farming community members benefitting from **Imperial Leaf Projects**

## Aims

**Purchasing from leaf suppliers who are committed to support their farmers access a decent standard of living.**

We will seek to achieve a decent standard of living for all their farmers by:

- Continuing to enhance due diligence in our leaf supply chain, coordinated through our Leaf CARE Program.
- Continuing to set high expectations for suppliers who contract with farmers.
- Increasing our support for projects that have a direct impact within tobacco communities.

## Why is it important?

Everything on the farm is interconnected. By continuing to support our suppliers to help their farmers increase access to basic needs, diversify their income and farm sustainably, it is not only having a positive impact on the planet, and for farming communities, but helps make our supply chain more robust and sustainable into the future.

## What are we doing about it?

Our work in this area falls into three categories. Firstly, we work to enhance the standards in our leaf supply chain. Both directly with our suppliers and through partnerships, including those created through the Sustainable Tobacco Programme (STP). The STP is a programme for the industry to collaborate to create positive impact in tobacco growing communities and to drive continual improvement. The programme is guided by frameworks including the United Nations Guiding Principles (UNGP) on Business and Human Rights and the United Nations Sustainable Development Goals (SDGs). Secondly, we set expectations for our leaf suppliers that they commit to support their farmers access a decent standard of living.

Thirdly, we support projects and initiatives that have a direct impact within tobacco communities. We do this through our leaf partnership programme.

We partner with our suppliers to support communities in tobacco-growing countries identified as having the most need. Complementing the work already done by suppliers and others in these sectors, we focus our projects on enhancing farmers' businesses, including productivity and alternative income initiatives and sustainable agricultural practises, that increase the positive impact on the environment.

## Decent standard of living for tobacco farmers

We are committed to engaging with our suppliers to support and develop farming communities to promote sustainable agriculture and we want to contribute to alleviating poverty on an ongoing basis. A decent standard of living is described as the net annual income of a household, which comes from a variety of sources, and is sufficient to cover the cost of a decent standard of living for a typical household in a particular place ([Living Income Community of Practice, 2021](#)).

## 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. The issue of deforestation is most relevant to us in Africa, where we work with suppliers and communities to collectively address the issue.

Since 2012, we have funded the construction of over 5,000 energy efficient tobacco-curing barns. These barns can use up to 30 per cent less wood fuel compared to standard curing barns and have contributed to significant reduction in emissions from our tobacco supply chain.

Imperial has also financially supported national forestry programmes and we continue to promote the value of trees to farmers. 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 savings and the reduced cost of wood and transport, for example, please see our video on our tree planting programme in Madagascar where since 2017 we have planted 1000 hectares of commercial forestry.

## Water

Water for agricultural production and access to clean drinking water and sanitation for the agriculture communities is critical. Engaging with suppliers through STP encouraging sound water stewardship and through our Leaf Partnership projects, we have worked with our suppliers to provide tobacco farming communities with access to clean water for domestic use and stored water for agriculture. In 2021 our investment in water, sanitation

and hygiene projects in Malawi, Mozambique, India, the Dominican Republic and Honduras totalled around US\$1m. We review annually the projects we fund.

**103,000** farmers and their families benefiting from water, sanitation and hygiene (WASH) projects we have funded

**5,000** energy efficient curing barns constructed since 2012

**1,000 HECTARES** of commercial forestry surviving and growing in our own operations in Madagascar

1. Data is from strategic suppliers in highest priority countries as outlined by sustainability index compiled using Maplecroft risk indexes





# FARMER LIVELIHOODS & WELFARE

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

## UN SDGs



### Child Labour

Similar to other agricultural industries, the risk of child labour is highest in our tobacco growing supply chain. In addition to working directly with our suppliers, we recognise that addressing child labour is a multi-stakeholder issue,

which no single entity can address in isolation. In collaboration with key stakeholders including the industry, suppliers and others operating in these communities, we seek to address child labour through three main avenues.

Further detail on how we address child labour in our agricultural supply chain is detailed in our [Addressing Child Labour](#) overview.

### Addressing Child Labour

We seek to address child labour through three main avenues:

**1** The Sustainable Tobacco Programme.  
The Human and Labour Rights section of STP is aligned with the relevant ILO core conventions and the principles and guidance contained within the UNGP on Business and Human Rights.



**2** Our Leaf Partnership Projects  
Working directly with our suppliers to fund projects to help tackle some of the root causes of child labour.



**3** Eliminating Child Labour in Tobacco Growing Foundation (ECLT)  
We actively support the ECLT and its aims to tackle the root causes of child labour.



### Agricultural Tobacco Leaf Supply

We work to continually align our leaf due diligence program to the UNGPs and similar frameworks]. All suppliers from whom we source tobacco are expected to participate in the industry-wide Sustainable Tobacco Programme (STP). STP is independently managed by a Secretariat and provides a framework for continuous improvement. The Secretariat gathers data from suppliers on an annual basis. Focused independent reviews are undertaken, and areas for improvement are identified.

The STP annual assessment is part of our formal supplier relationship management. We are committed to purchasing tobacco from socially and environmentally responsible suppliers and working to drive continuous improvement.



### Our Plan



Support suppliers to provide access to

**100 PER CENT SUSTAINABLE WOOD USE**



Support suppliers to improve access to basic needs for

**180,000 FARMERS AND THEIR FAMILIES**

### Biodiversity

The responsible husbanding and restoration of: natural habitats; soils and water are integral to sustainable agriculture best practice. Suppliers are encouraged through the STP to protect and enhance biodiversity in their growing areas supporting crop rotations and integrated pest management to reduce the use of pesticides and increase micro-flora.

We also support suppliers in the planting of indigenous trees to encourage and grow local biodiversity supporting insect and birdlife.

We are committed to purchasing tobacco from **SOCIALLY AND ENVIRONMENTALLY RESPONSIBLE SUPPLIERS**







# SUSTAINABLE & RESPONSIBLE SOURCING

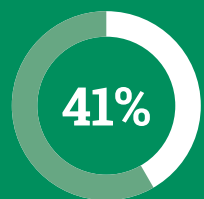
We are committed to source products and services in a compliant, sustainable and socially conscious manner. We'll work with our Suppliers to ensure continuous improvements.

UN  
SDG



We aim to ensure sustainable consumption and production patterns.

## 2021 Performance Highlights



In 2021, 41 per cent of our key suppliers by spend had set science-based targets.



We have been recognised as a **Supplier Engagement Leader** by CDP for a third 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 the issue.

## Procurement Strategy

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

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

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



## Our Plan

Source products and services from a **DIVERSE SUPPLY BASE** that matches our ESG values and ambitions



Refresh our **SUPPLIER CODE OF CONDUCT**

Develop our **RISK ASSESSMENT FRAMEWORK**



Start a **RISK ASSESSMENT** of our supply base according to our refreshed Supplier Code of Conduct



Ensure that **50 PER CENT** of our suppliers by spend, will set science-based targets by 2024

## Why is it important?

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

**Our supply chains consist of four major categories:**

### 1. Tobacco leaf

We source tobacco leaf globally primarily through large international tobacco merchants. We have a global sourcing footprint, 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. In 2021, we had 325 direct material suppliers, 70 of which are managed centrally by our global procurement team and 171 managed by our local procurement teams. Of our direct material supplier base, approximately 85 per cent of our main spend is with 21 suppliers.

### 3. Next generation products (NGP)

The NGP supply chain encompasses all of the components that go into making NGP including electronics, liquids, and packaging materials.

### 4. Indirect goods and services

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

## What are we doing about it?

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

We only select and do business with suppliers who can demonstrate that they operate in a manner consistent with our standards and Supplier Code of Conduct. We also expect our suppliers to ensure that their own business partners meet similar standards.

Sustainability strategies are integrated into the management of our supply chains, via supplier management programmes and standards.





# SUSTAINABLE & RESPONSIBLE SOURCING

We are committed to source products and services in a compliant, sustainable and socially conscious manner. We'll work with our Suppliers to ensure continuous improvements.

UN  
SDG



We aim to ensure sustainable consumption and production patterns.

## Supply Chain Due Diligence

### Tobacco Leaf Supply

Please see details in the Farmer Livelihoods and Welfare section.

### NTM and NGP Supply

Our existing Supplier Qualification Programme is the first screening process for all new NTM and NGP suppliers. Once on board, our Internal Audit team undertake a phased cycle of onsite supplier validation audits using a risk-based approach. Internal Audit follow a detailed Supplier Audit Risk and Control Matrix which includes the supplier providing evidence for their management of ESG issues including how the supplier communicates their own code of conduct and grievance policies across their operations, how they conduct audits and act on findings, and detail on measures to ensure employee health and safety. All new suppliers or supplier sites are subject to a mandatory audit.

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

### Indirect Goods and Services Supply

Our indirect suppliers of goods and services, including facilities management do not undergo the supplier qualification programme. Where we have run a tender process, we request the supplier provides copies of policies relevant to the services that they supply, which may include those addressing the labour practices, forced labour and child labour (in the case of service outsourcing or goods manufacture). We review the policies as part of the selection process. For larger service requirements, for example a new outsourced service or a move of service provision to a different geography, or goods manufacture for Imperial, we would typically conduct a site visit as part of the selection process. We do not carry out regular onsite audits of our indirect suppliers. Any site visits would be ad-hoc and defined on a case-by-case basis if an area of ESG or business risk has been identified or is suspected. Our contracts and PO terms and conditions do, however, typically include the right to audit, and the ongoing requirement to comply with our Supplier Code of Conduct.

## The Supplier Qualification Programme

Self-assessment questionnaire completed by suppliers and includes questions on:

- ✓ Business conduct
- ✓ Environmental management
- ✓ Labour practices including discrimination
- ✓ Child and forced labour
- ✓ Freedom of association,
- ✓ Wages and working hours
- ✓ Health and safety

Source products and services from a **DIVERSE SUPPLY BASE** that matches our ESG values and ambitions





# HUMAN RIGHTS

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

UN  
SDG



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

## 2021 Performance Highlights



Strengthened our **due diligence framework** and embedded human rights awareness across functions within the business.



Strengthened governance through the formation of a cross-functional **Human Rights Compliance Working Group**.



Conducted a **review and benchmark** of all key policies that address human rights issues to identify areas for improvement.



Having assessed employee training needs, we **provided in-depth training** to key personnel across the business via an accredited online course delivered by a third party.



Conducted a **pilot anti-modern slavery audit** with our UK facilities management provider.

## WE TAKE ANY ALLEGATIONS RELATING TO HUMAN RIGHTS EXTREMELY SERIOUSLY

and are committed to investigating potential human rights issues within our supply chain and direct operations



## Our plan

### STRENGTHEN OUR DUE DILIGENCE PROCESS

aligned to international frameworks and legislation



#### ACCESS TO SPEAK UP CHANNELS

and a remediation process

Continue with

#### MONITORING HUMAN RIGHTS

leading indicators in our operations and report on the number of audits completed

#### CONDUCT AN AUDIT

of our facilities management supplier across Europe sites, using the anti-modern slavery control module

#### CONTINUE TO REVIEW AND DEVELOP

modern slavery training needs analysis to ensure effective understanding globally



#### SALIENT HUMAN RIGHTS ISSUES ASSESSED

for each of our priority locations to inform and test the robustness of our due diligence processes

### Why is it important?

As an international business we recognise the importance of promoting respect for human rights. Respecting human rights is of paramount importance in relation to our own employees, external reputation and supply chain sustainability.

**The key human rights issues that might be particularly relevant to our business are:**

- The potential for child labour in our supply chains
- The potential for modern slavery which includes forced and child labour, slavery, servitude and human trafficking in our supply chains, either within our direct operations or indirectly through our supply chain.

### What are we doing about it?

Human rights abuses are unacceptable; we work to mitigate the risk of human rights abuses in our direct operations and supply chain through appropriate processes and procedures. Where non-compliance is observed, steps to implement corrective measures are actioned.

We are proud to be a founding member of the Slave Free Alliance (SFA) and continue to support the international charity Hope for Justice, in their pursuit of a slave free world.

**We are actively working on global issues relating to:**

- Modern slavery, including the California Transparency in Supply Chains Act in the United States of America
- Child labour.

We continue to work with the industry to enhance the Sustainable Tobacco Programme (STP) and the work we and our suppliers do as part of a continual process to improve human rights.

We provide training on sustainable practices, human rights, and modern slavery to our leaf team and directly contracted farmers, especially during peak growing periods. In addition, we use posters, handbooks, storytelling and kits to help convey key messages in our tobacco growing communities.

We do not condone child labour within our direct operations or supply chains. Please see Farmer Livelihoods and Welfare for more information.





# EMPLOYEE HEALTH, SAFETY & WELLBEING

We are committed to achieve world class occupational health, safety and wellbeing for all our stakeholders.

UN SDGs



We aim to ensure healthy lives and promote well-being for all.

## 2021 Performance Highlights

36%

We have seen a 36 per cent decrease in lost time accidents (LTAs) since our 2019 baseline year

30%

The accident rate has decreased by 30 per cent since our 2019 baseline year

33%

We have seen a 33 per cent decrease in our LTA rate since our 2019 baseline year

22%

Accident collision rate has decreased by 22 per cent since the 2019 baseline year

33%

Total number of accidents have decreased by 33 per cent since our 2019 baseline year

74%

74 per cent of our factories certified to the occupational health and safety management standard in 2021

## Why is it important?

The health, safety and wellbeing of our people continues to be of utmost importance to us. We want to create a working environment where safety is an absolute priority, and strongly believe that no one should be injured in the course of their work. We can only achieve this vision if each and every one of us takes personal responsibility and therefore our health and safety identity is: 'I own safety'.

Our safety culture is integral to this and each and every one of us is encouraged to take personal responsibility for safety. Acting responsibly and with integrity has helped us to create and sustain a successful business. Continued promotion of our safety culture facilitates the associated benefits of reduced lost working time and operational effectiveness, and supports Imperial as an employer of choice.

## What are we doing about it?

To help achieve our vision we have adopted an Occupational Health Safety and Environmental (OHSE) framework based on a 'Plan Do Check Act' model. This is applied throughout the business, with a focus on the consistent application of our demanding health and safety standards as well as adopting robust governance and reporting processes.

To support our continual improvement journey we have developed a range of leading indicators to help us measure compliance and identify improvement opportunities. We use leading indicators to manage our key health and safety risks – such as working at heights, operating machinery and driving – and to measure compliance against our framework. This approach ensures we focus resources in the right areas and can effectively manage risk across all of our factories, warehouses, offices and our sales force.

We have global procedures in place covering hazard identification, risk assessment and incident investigation. These are applicable to all locations and are audited as part of our internal and external audit programmes.



## Our Plan (from a 2019 base year)



75 PER CENT OF FLEET VEHICLES

will be fitted with an In Vehicle Monitoring System

60 PER CENT REDUCTION

in fleet collision rate

100 PER CENT COMPLIANCE

with the OHSE Framework



75 PER CENT REDUCTION

in LTA rate

We strive to continually to improve our safety culture to ensure workers feel empowered to always remove themselves from perceived danger. Always acting promptly on near-miss reporting and providing feedback to employees is a key part of this process.

Within our supply chain, health and safety forms a key element of our Supplier Code of Conduct, Sustainable Tobacco Programme (STP) and our NTM and NGP Supplier Qualification Programme where we seek to promote management of good health and safety practices.



## Wellbeing

The wellbeing of our employees is of paramount importance to us and has emerged as a priority ESG issue as a result of the COVID-19 pandemic. We are working to improve our management and approach of this issue.

The personal support we give employees is focused on three key areas: mental, physical and social wellbeing.

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

We provide occupational healthcare services to support the needs of our employees. Some of our larger sites have in-house occupational health professionals whereas other sites use third-party healthcare service providers.

We advocate flexible working and have encouraged our people to find a routine that works best for them and their families. We communicate regularly with employees and have initiated a number of surveys to check-in on their wellbeing.

We have created space for honest conversations about mental health and in 2021 launched our first Mental Health Awareness Week, featuring articles, webinars, expert advice, personal stories, and planned activities through a dedicated section of our employee intranet.

In the UK we have trained an additional 80 mental health first aid

champions, and every department of the UK market team now has at least one designated wellbeing champion. In the UK we also enrolled all employees into an online learning course to support them in taking care of their own mental health and that of their team members.

We also encourage volunteering as a positive way for our people to engage with local communities, broaden perspectives and support a work-life balance.

**In the UK we have trained an additional 80 MENTAL HEALTH FIRST AID CHAMPIONS**

Note: Accidents reported do not include commuting to or from work or third parties such as distributors.



# DIVERSITY, EQUITY & INCLUSION

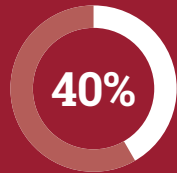
We are committed to creating a truly diverse and inclusive organisation that reflects the communities in which we operate.

UN  
SDG

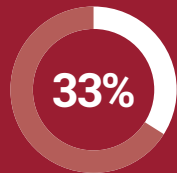


We aim to achieve gender equality and a more inclusive organisation.

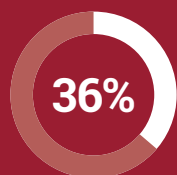
## 2021 Performance Highlights



40 per cent of the **workforce** are female



33 per cent of the **Executive Leadership Team** are female



36 per cent of the **Board** are female



In 2021 we delivered our first sunrise-to-sunset **International Women's Day (IWD)** programme of events, with participation from employees in 43 countries. The event featured internal and external guest speaker sessions, employee stories from across the organisation and a dedicated online hub providing an extensive library of resources.



Our **'Everyone Belongs'** online hub is rapidly gaining recognition across the business as we build inclusion awareness and capabilities throughout our organisation.

## Why is it important?

We have laid the foundations for a performance driven and inclusive culture which supports the delivery of Imperial's new strategy. Underpinning our cultural shift is a set of five clear behaviours – how we need to think and act in order to succeed. To 'be authentic and inclusive to all' is one of our core behaviours. Everyone is welcome. The more diverse we are, the stronger we are.

A key aspect of our cultural transformation is our focus on creating a more diverse and inclusive organisation. We strongly believe that diversity across our organisation not only makes it a better place to work but also helps us realise our commercial strategy. We see diversity as everything that makes us unique; inclusion supporting the mix of diverse teams; and belonging as the glue that binds and ensures diversity and inclusion is effective.

Promoting a diverse and inclusive culture results in increased attractiveness of Imperial as an employer of choice for both current and potential employees.

## What are we doing about it?

We are committed to treating employees with respect and support equal opportunities, as outlined in our Fairness at Work Policy. We want a culture that is vibrant and where our people can be themselves at work.

The diversity of the Executive Leadership Team (ELT) and the Board is an important visible sign of our commitment to diversity and inclusion. We promote diversity within the business through awareness campaigns, career talks, unconscious bias training and diversity celebrations. The importance of diversity, equality and non-discrimination is highlighted in our **Code of Conduct**.

We launched a global diversity and inclusion diagnostic in early financial year 2021 and, as a result of the feedback, set up four global employee resource groups (ERGs) to further understand the issues raised and to co-create solutions. The ERGs represent gender, ethnicity, LGBTQ+ and disability. The ERGs promote many aspects of diversity equity and inclusion. These networks continue to influence employee awareness and engagement and work in collaboration with the central DEI team, sponsors and colleagues from across the organisation.

We are committed to building on our series of customised 'Raising Awareness' learning modules in inclusion, across the business. We have provided bespoke e-learning courses in 11 languages to help our people leaders understand the issues of unconscious bias and microaggressions.

## Employee Resource Groups (ERGs)

We launched a global diversity and inclusion diagnostic in early financial year 2021 and, as a result of the feedback, set up four global employee resource groups (ERGs) to understand further the issues raised and to co-create solutions.

- 1 The Gender ERG
- 2 The Ethnicity ERG
- 3 The LGBTQ+ ERG
- 4 The Disability ERG

The ERGs are collecting data and will provide their recommendations to the business later this year, which we will report.



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