OUR PEOPLE AND PLANET AGENDA

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.

Tony Dunnage
Global ESG Director

In January 2021, we outlined our new five-year strategy to transform Imperial into a business better able to deliver sustainable growth year in, year out. Later that year, we launched a new Company purpose and vision, defining why we are here and what we are trying to achieve. Our commitment to environmental, social and governance (ESG) issues is enshrined in these two statements. Our purpose expresses our ambition to build a "healthier future" and this applies not only to our consumers but also to our communities and planet. Our vision states that our pursuit of commercial success will be "powered by responsibility".

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

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

Working with our employees, we also created five core behaviours that articulate what success looks like in our new culture, and these too are linked directly to our ESG commitments.

Following the launch of our strategy, purpose, vision and behaviours, we completed an ESG materiality assessment, listening to the views of consumers, customers, employees, investors and shareholders. This survey identified eight focus areas, which we have grouped into three broad categories: Healthier Futures, Positive Contribution to Society, and Safe & Inclusive Workplace. Each of our eight focus areas is also aligned to at least one of the United Nations' Sustainable Development Goals (UN SDGs). Alongside this work, we introduced a new ESG governance framework to ensure rigour in the way in which we set objectives and deliver on our commitments. See page 56 for further details. Our focus areas and the linked metrics and targets have been endorsed by the Board.

Executive Leadership Team sponsors have been appointed for each of our eight ESG priorities. This is intended to inspire engagement throughout the business. We believe this executive-level sponsorship puts us in a stronger position to deliver against our goals.

We have made external hires and promoted internal subject matter experts in order to build a strong team capable of delivering on our ambitious objectives.

For each of the eight priority issues, we are at varying levels of maturity, but we are committed to delivering our ambitions on all of them.

TRANSFORMATION IN ACTION

Jan 2021 → Sept 2022

New strategy launched	Purpose, vision and behaviours unveiled	ESG materiality study completed	ESG Board and executive governance agreed	New ESG strategy developed	ESG strategy signed off by ESG Committee and Board	Internal "People and Planet" agenda launched	ESG priorities integrated into executive remuneration metrics. (introduced for FY23)

We refer to ESG internally as our "People and Planet" agenda and our new approach was introduced to our top 500 senior leadership population in July 2022, through a series of webinars. This was followed by a roll out to all colleagues using digital and face-to-face channels.

In September 2022, we introduced our new ESG approach to some of our investors in a webinar. This focused on three of the eight priority areas: consumer health, climate change, and farmer livelihoods and welfare. We also highlighted the importance of the culture change programme. We have integrated ESG metrics for consumer health and climate into our executive remuneration for FY23. Please see page 132 for further details.

Further information on our People and Planet agenda is available on our website in our ESG Strategy document and our 2022 ESG: People and Planet Performance Summary.

Our Reporting Criteria document provides further information on ESG-related KPIs. To note: Logista remains out of scope for all ESG-related KPIs.

We report ESG-related information in accordance with the core options of the Global Reporting Initiative (GRI) Standards and against the Sustainable Accounting Standards Board (SASB) framework for tobacco. Details can be found in our 2022 GRI and SASB Index.

Further information in the Healthier Futures section of our website

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 AND WASTE

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

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.

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.

SUSTAINABLE DEVELOPMENT GOALS

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

SAFE & INCLUSIVE WORKPLACE

EMPLOYEE HEALTH, SAFETY & WELLBEING

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

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.

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.

HEALTHIER FUTURES

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.

Consumer-led harm reduction strategy

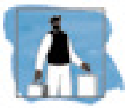
We start with our consumers, focusing on consumer insight and research to ensure we build a portfolio that suits them. The only way we can make a material contribution to harm reduction is by getting ever closer to our consumers, understanding their needs and behaviours, and then innovating at pace and creating new compelling propositions.

Tobacco Harm Reduction (THR) = **Potentially Less Harmful Product** x **Consumer Acceptance**

As illustrated in the above equation, NGP have the potential to be less harmful to consumer health than tobacco. However, in order to do so, these new products must be accepted by consumers as alternatives to cigarettes.

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

Behaviours



Start with the Consumer

Link to SDGs

3 GOOD HEALTH AND WELL BEING

We are committed to tobacco harm reduction

We understand society's concerns about the health risks of smoking and recognise our role in helping to reduce the harm caused by combustible tobacco products.

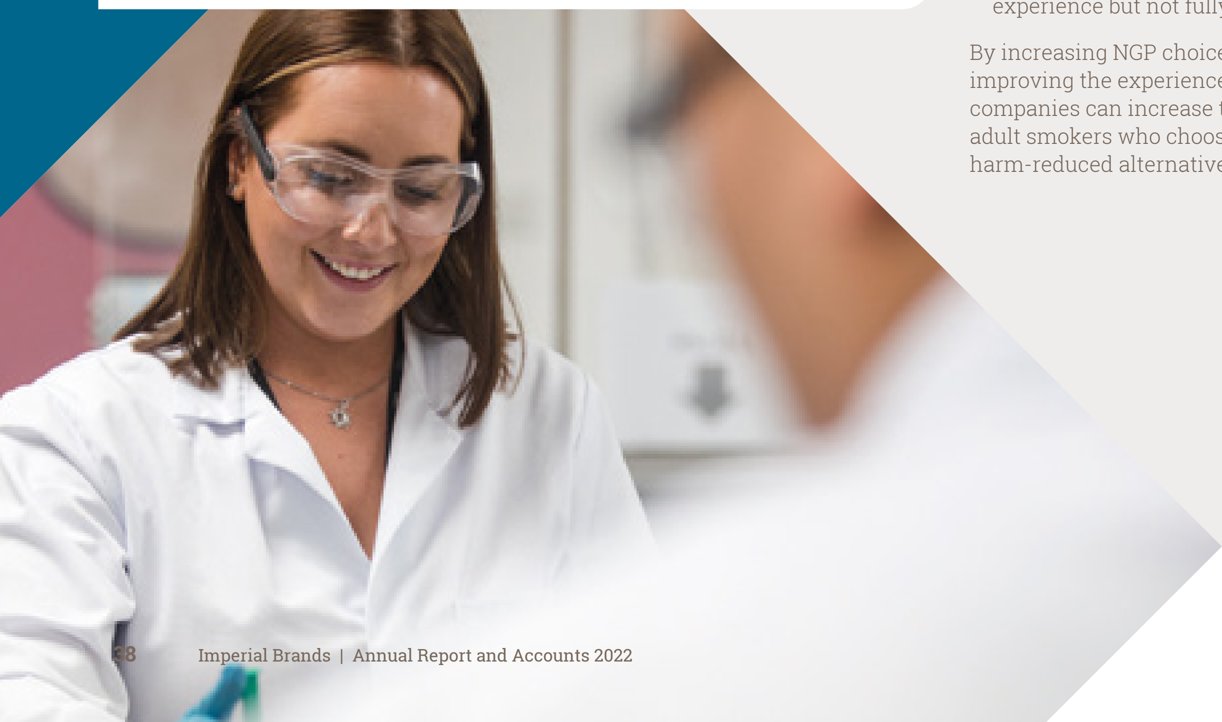
Our ambition is to make a meaningful contribution to tobacco harm reduction. This ambition is also directly linked to target 3.4 of the UN SDG 3, which is "to reduce mortality from non-communicable diseases and promote mental health".

Tobacco harm reduction starts with the consumer. This means developing a deep understanding of the diverse lives of the world's one billion adult smokers, and the individual occasions when they choose to smoke. Smoking is deeply rooted in our cultures. People derive pleasure from smoking and many are reluctant to compromise on that pleasure. So, when we provide adult smokers with an alternative to combustible tobacco products, it is important to ensure their experience is as close to the experience of smoking as possible. Our products are focused solely on existing adult smokers.

Clearly, the best health-related outcome is for adult smokers to stop smoking. However, the next best option is to offer potentially harm reduced alternative products to those consumers who are uninterested or unwilling to stop smoking. We have found these consumers fall into two distinct categories and are likely to be attracted to different product types:

1. Willing to try new products but wanting an experience as close to smoking as possible.
2. A more health-conscious smoker, looking to find something potentially less harmful and likely to compromise somewhat on the experience but not fully.

By increasing NGP choice and improving the experience, tobacco companies can increase the number of adult smokers who choose potentially harm-reduced alternatives.



The relative risk scale

An illustrative representation of the current scientific evidence:

Our new NGP strategy is focused on driving consumer choice. We have defined an approach which plays to our strengths and is centred on meeting consumer needs. As the smallest of the global players, it is not our role to create categories in markets. At this stage, we are focused on markets where an NGP category is already well established and where we can leverage our existing combustible routes to market.

Once we have identified which markets are attractive to us, we seek to understand what our target consumers value most about their smoking experience. Having clearly understood the consumer dynamics, our role in these markets is then to provide greater consumer choice with a differentiated product offering that meets an untapped consumer need.

NGP have the potential to make a significant contribution to harm reduction. Products in other nicotine categories, whilst not risk free, differ from cigarettes in their risk profiles, as illustrated on the chart above. Current scientific evidence suggests NGP have the potential to significantly reduce harm, relative to continuing to smoke cigarettes. While each category of NGP has a differing risk profile, no NGP involve the burning of tobacco and so do not produce the smoke which is the primary cause of smoking-related disease.

Persuading consumers to choose potentially reduced risk products requires innovation across the entire value chain. For an adult smoker to choose a potentially reduced risk product, we need to ensure their journey is as frictionless as possible. This requires innovation across our supply chain, superior distribution networks, focused consumer insights and novel marketing models. We seek to substantiate the reduced harm potential through our scientific research in the laboratory, the clinic and once products are in market.

Our products target existing adult smokers. Our focus is on driving consumer acceptance, while recognising that not all consumers and markets are the same. There are different preferences and regulations across different markets, which is why we are taking a portfolio approach with our range of NGP.

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

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

In modern oral, we are focused on improving taste and smell to better satisfy our target consumers – while delivering the nicotine that they want.

Under-age people should never use our products. Regulators have expressed concern that NGP could become a gateway to cigarette smoking for consumers who do not already smoke.

It is vital that any NGP use by "never-smokers", including youth, is minimised or eliminated altogether. NGP are for adult smokers and adult nicotine users only.

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

To reinforce our commitment to youth access prevention, we seek to ensure that regulatory requirements are implemented, adhered to and enforced.

We are committed to marketing and advertising our products responsibly within the laws, codes of practice and voluntary agreements of those countries within which we operate. Our commitment to responsible marketing and sale of our NGP and combustible tobacco products is summarised by our Marketing Principles detailed in the blue box overleaf. By collectively committing to responsible marketing and high product standards across the board, we can create a united front against youth access to tobacco and nicotine products. We are also developing a framework to assess, understand and act to mitigate the risk of underage[1] use. We intend to expand on this framework in 2023.

We seek to substantiate the reduced harm potential of NGP through our rigorous scientific research in the laboratory, the clinic and once products are in market. We firmly believe in starting with the consumer, and this is reflected in our commitment to improving the way we substantiate and communicate the tobacco harm reduction (THR) potential of our NGP to adult smokers in FY23 and beyond. We have refined our scientific assessment framework (SAF), which is a multi-stage, multi-year testing and research programme designed to evaluate the harm reduction potential of each of our NGP relative to combustible cigarettes. Our comprehensive consumer product safety programme ensures we are rigorously validating NGP safety profiles throughout their lifecycles. Simultaneously, we are scientifically assessing the THR potential and relative risks of our NGP compared to cigarettes, focusing on both individuals and wider populations. We believe the SAF is crucial in generating the necessary scientific proof points and evidence to build and maintain trust in NGP with consumers, regulators, public health and the media. We also think the comprehensive scientific assessment of these relative risks should form the basis of risk-proportionate, evidence-based regulation. Our SAF is therefore aligned with guidelines provided by leading global public health authorities and regulators.

We believe that the totality of the research generated by the SAF, alongside in-market consumer data on adult smoker switching/retention rates and the broader scientific literature, will ultimately confirm that our NGP contribute to improved consumer health outcomes compared to continuing to smoke, thus demonstrating our meaningful contribution to THR.

We continue to make our scientific research publicly available: find out more on our dedicated science website. We have published 30 peer-reviewed Imperial-authored papers, and delivered 25 presentations at conferences over the last five years.

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.

By the end of FY22, our commercially available NGP had achieved the following SAF completion[2] rates to demonstrate harm reduction potential:

PROGRESS OF TESTING HARM REDUCTION POTENTIAL OF OUR NGP AGAINST THE SCIENTIFIC ASSESSMENT FRAMEWORK

NGP type		SAF progress	Scientific highlights
Vape device myblu	%	97	Analysis of behavioural data from a 12-month longitudinal study shows 23.1% of smokers quit smoking with myblu after 3 months, 35.9% after 6 months, and 46.2% after 12 months. For smokers who did not quit, they reduced the number of cigarettes smoked per day on average by 51%. For blu 2.0 we have completed safety testing and assessment for launch, and SAF assessment continues.
blu 2.0	%	28	
Heated tobacco Pulze and iD	%	62	Our first clinical study[3] on Pulze and iD, with adult smokers with no intention to quit smoking, demonstrated a good safety profile and that the product reduces their desire to smoke.
Tobacco-free oral nicotine pouch Zone X	%	47	We have now completed two clinical studies[4] on a range of Zone X nicotine strengths. They demonstrate the product has a good short-term safety profile, offers a satisfying alternative to combustible cigarettes and snus, and reduces the users' urge to use nicotine.

1. Underage is defined as consumers under the age of 18 or a higher legal age for purchase.
2. Please note 100% SAF completion is not required for market product launch.
3. Study not yet published in the scientific literature.
4. Only one of these studies is currently published in the scientific literature.

CLIMATE CHANGE

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

Strong track record of performance

From our 2017 baseline year we have:

- Reduced our absolute Scope 1 and 2 carbon emissions (CO_2e tonnes) by 19%
- Reduced our absolute energy consumption (GWh) by 19%
- Reduced our absolute water consumption in our operations (m^3) by 28%

Our plan

(from a 2017 baseline year)

2025

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

2030

- 100% of energy sourced for our operations will be from renewable sources
- Be net zero in our direct operations (Scope 1 and 2 GHG emissions)
- Reduce our total carbon footprint (absolute Scope 1, 2 and 3 GHG emissions) by 30%
- Reduce absolute Scope 3 emissions by 20%
- Reduce energy consumption by 25%
- Reduce water consumption across our operations by 30%

2040

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

Behaviours

Build our Future

Link to SDGs

13 CLIMATE ACTION

7 AFFORDABLE AND CLEAN ENERGY

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

As identified in our materiality assessment, climate change is a priority for us. We know that climate change represents a potential long-term risk across the whole of our value chain and to society in general. Disruption in climate and energy has the potential to impact our business from challenges as diverse as crop failure, asset destruction and interruption in distribution.

In line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we have explored the impact that climate change is likely to have on our value chain. Please see page 59 for details.

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

We are focused both on curbing our use of energy and changing the mix of the energy we continue to use. Our ambitions are aligned to UN SDG 7: affordable and clean energy, specifically targeting points 7.2 and 7.3, which are to "increase the global percentage of renewable energy" and "double the improvement in energy efficiency".

Our first renewable energy site (for definition see our Reporting Criteria document), 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.

We are currently evaluating options for our Scope 1 fuel transition and are engaging with external partners. We will be looking both at technology change and fuel transition, for example, through a switch to biogenic fuels.

Our Scope 3 emissions are those that we accrue from our value chain and we are working with our suppliers and other partners to better understand these emissions. We do this largely through the internationally recognised CDP Supply Chain Programme.

Although we do not have water-intensive manufacturing processes, we maintain a strong track record of managing water use effectively, having reduced consumption by 28% since our 2017 baseline year.

NET ZERO BY 2040

We have a strong track record of reducing our environmental impact through energy efficiency and carbon emissions management. Since 2019, we have had Scope 1, 2 and 3 targets, consistent with reductions required to limit climate warming to 2°C, approved by the Science Based Targets initiative (SBTi). However, in FY21 we set our sights higher and joined the Business Ambition for 1.5°C Race to Zero initiative, a campaign led by the SBTi. This means we are now committed to reaching science-based Net Zero emissions by 2040. To achieve this, we have reset our science-based targets for carbon, increasing our ambition in line with 1.5°C global warming limits. These are detailed in "Our plan" which we will submit to the SBTi for their approval in FY23.

We have also set new energy targets which support our Net Zero emissions ambition. For example, during FY22 we took a Company decision to accelerate our transition to renewable electricity.

At the end of FY22, 52% of our purchased grid electricity was supplied by traceable renewable source

We will also continue to work towards validating our Scope 3 data.

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 removing additional carbon dioxide from the atmosphere.

CLIMATE CHANGE PERFORMANCE

Performance indicator	Unit	2017 (base year)	2020	2021	2022	Commentary
Operations with ISO 14001 certification	%	92	86	78	**83**	Travel restrictions resulting from the COVID-19 pandemic adversely impacted recertifications in 2020 and 2021, but these are now increasing. We aim to continue increasing certification levels in FY23.
Absolute energy consumption[1]	GWh	875	773	729	**712**[A]	Within our Net Zero ambition, one of the targets is to reduce energy consumption by 25% by 2030 versus a 2017 baseline. In FY22, energy consumption had reduced by 19% compared to 2017 and therefore we are on track to achieve this target.
Relative energy consumption[1]	KWh/£m net revenue	112,801	96,625	95,740	**91,364**[A]	In compliance with the UK streamlined energy and carbon reporting (SECR) requirements, our total UK energy consumption was 12.42 GWh which is 1.74% of the global total (2021: 13.46 GWh and 1.84%).
Electricity from purchased renewable sources[1]	%	8	5	6	**52**[A]	We purchase Renewable Energy Certificates (RECs) from within the same market boundary as electricity is being consumed, where possible, as defined by CDP. In markets where the means to purchase renewable electricity is less developed, we purchase from a nearby geographical location, but keep this under constant review with an intention to purchase from within the same market boundary once a source becomes available.
Absolute Scope 1 CO_2e emissions[1]	Tonnes	114,270	105,242	92,900	**91,007**[A]	Our Scope 1 emissions arise from stationary fuel combustion at our sites, refrigerant gases, and mobile fuel combustion in our fleet of Company sales vehicles. We have seen a 2% decrease in Scope 1 emissions since last year and a 20% reduction from our 2017 baseline year.
Absolute Scope 2 CO_2e location-based emissions[1]	Tonnes	161,360	131,463	133,292	**131,236**[A]	Our Scope 2 emissions comprise the indirect emissions resulting from the use of purchased electricity, heat and steam at our sites. We have seen a 1.5% decrease in Scope 2 location-based emissions since last year and a 19% reduction from our 2017 baseline year.
Absolute Scope 2 CO_2e market-based emissions[1]	Tonnes	173,902	–	–	**84,759**[A]	We report Scope 2 location-based and market-based emissions according to the GHG Protocol Scope 2 Guidance (2015) and CDP guidance. We have seen a 51% reduction in emissions compared to the 2017 baseline year.
Total absolute Scope 1 and 2 location-based CO_2e emissions[1]	Tonnes	275,630	236,887	226,192	**222,243**[A]	We have seen a 19% decrease in our total Scope 1 and 2 emissions from our 2017 baseline. Our target is to be at Net Zero in our direct operations by 2030. We have also set a Scope 3 target to be Net Zero by 2040.

Performance indicator	Unit	2017 (base year)	2020	2021	**2022**	Commentary
Relative Scope 1 and 2 location-based CO_2e emissions[1]	Tonnes/£m net revenue	35.5	29.6	29.7	**28.5**[A]	In compliance with the UK SECR requirements, our total UK Scope 1 and 2 emissions were 2655 tonnes CO_2e emissions, which is 1.19% of the global total (2021: 2975 CO_2e emissions and 1.24%).
Scope 3 CO_2e emissions: business travel[1]	Tonnes	–	–	1,837	**5,901**[A]	Business travel is travel undertaken for work or business purposes. Increased emissions from business travel in FY22 reflect the easing of COVID-19 restrictions enabling increased business travel.
Key suppliers by spend with science-based targets	%	–	38	41	**34**	We aim to ensure that 50% of our suppliers by spend will have set science-based targets by 2024. In 2022 we more than doubled the number of suppliers in scope to 104 (2021: 51) and of these 34% had set science-based targets.
Logista absolute Scope 1 and 2 CO_2e emissions	Tonnes	38,554	38,407	45,557	**–**	Logista is managed remotely due to commercial sensitivities and has provided independently assured data for absolute Scope 1, 2 and 3 emissions. Data for 2022 is still undergoing independent assurance. In 2021 Logista significantly increased transport activity under their operational control which resulted in an increase in their Scope 1 emissions. Logista's 2021 relative Scope 1 and 2 emissions comprise 43 tonnes (2020: 38) of CO_2e per £million of 2021 distribution fees (our non-GAAP revenue measure for Logista). Further information on the scope of Logista's GHG reporting is available at www.grupologista.com.
Logista absolute Scope 3 CO_2e emissions	Tonnes	193,611	205,240	194,634	**–**	
Absolute water consumption[1]	m^3	1,468,626	1,198,523	1,109,178	**1,056,982**[A]	Having already achieved the original target of 15% reduction in water consumption by 2030, we have set a new target of 30% by 2030 versus a 2017 baseline. In FY22, we saw a 28% reduction in water consumption compared to the 2017 baseline year.
Relative water consumption	m^3/£m net revenue	189	150	146	**136**[A]	

A. Select 2022 data has been independently assured by Ernst & Young LLP (EY) under the limited assurance requirements of the ISAE 3000 standard. EY Assurance Opinion is available on our website. Our reporting scope and definitions are detailed in the Reporting Criteria document published on our website.

1. Our 2022 environmental data covers the reporting period Q4 2021 to Q3 2022. This is to allow for data collection, validation and external assurance. We use the industry leading GHG Protocol standard to inform our reporting of Scope 1 and 2 emissions. In FY22 we reset our baseline and subsequent years' data for Scope 1 and 2 GHG emissions to make it consistent with the latest guidance from the Greenhouse Gas Protocol and CDP, particularly relating to Scope 2 market-based emissions reporting.

We are proud to have been been recognised for a second consecutive year as a Climate Leader by the *Financial Times* 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 website.

HEALTHIER FUTURES

PACKAGING AND WASTE

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

Consumer research

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

- Value waste reduction. They would like more information on how to recycle products, and they would like to see brands reduce the amount of packaging used and remove unnecessary plastic.
- Seek clarity on how we source materials which go into our products as well as the proportions sourced from recycled materials.
- Value human rights and expect us to commit to ethical work practices. Please see page 50 for our approach to human rights.

Our plan

(from a 2017 base year)

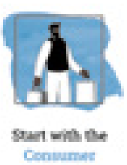
2025

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

2030

- We aim to reduce waste generated within our operations by 20%

Behaviours



Link to SDGs

We aim to ensure sustainable consumption and production patterns.

Given our global reach we want to play a role in protecting the natural environment and we actively work to minimise our environmental impacts. We also recognise that 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 also supports efficiency and cost optimisation.

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

In April 2022, we launched our zero waste to landfill project across our manufacturing sites, and since last

year, we have seen a 20% decrease in waste to landfill. We have established a global knowledge hub on waste management to share best practice across sites and to encourage collaboration.

We have conducted recycling assessments on our packaging for products sold in the EU. These assessments have been conducted by a third party and have allowed us to identify non-recyclable packaging on which to focus our improvement efforts. To date, 86% of packaging formats that we have assessed in the EU are recyclable.

We acknowledge that as our NGP business grows, we are faced with additional waste and recyclability issues. We continue to look at how we can improve the sustainability of NGP materials and packaging.

We will continue to implement a consumer-led, regulatory compliant packaging strategy in FY23 and we are aiming to provide further details during this year.

We have reviewed and updated our waste and packaging-related targets, and these are detailed in “Our plan”.

As we target zero waste to landfill, we amended our definitions for waste to account for local regulations which require hazardous waste to be landfilled. For this reason we have restated our waste to landfill baseline and subsequent years’ data. Our waste performance is shown in the table below.

WASTE PERFORMANCE

Performance indicator	Unit	2017 (base year)	2020	2021	2022	Commentary
Absolute waste[1]	Tonnes	49,141	40,253	41,714	**41,969[A]**	Our target is to reduce waste by 20% by 2030. We have seen a 15% decrease in waste from our 2017 baseline year. We have seen a slight increase of 0.6% in waste compared to last year which is mainly due to increased production volumes at our McAdoo site.
Relative waste[1]	Tonnes/£m net revenue	6.34	5.03	5.48	**5.39[A]**	
All waste sent to landfill[1]	Tonnes	7,200	6,646	10,619	**8,544[A]**	Our target is to achieve zero non-hazardous waste sent to landfill by 2025. This year we have redefined waste to landfill to include waste incinerated without energy recovery and have therefore restated our data. Compared to last year, we have seen a 20% decrease in waste sent to landfill.
Relative waste to landfill[1]	Tonnes/£m net revenue	0.93	0.83	1.40	**1.10[A]**	
Landfill avoidance rate[1]	%	88	88	83	**85[A]**	A key element of our environmental approach is to minimise the waste sent to landfill. Some factories have reduced the amount of waste they send to landfill by reusing waste, recycling, composting and incineration (with energy recovery).

A. Select 2022 data has been independently assured by Ernst & Young LLP (EY) under the limited assurance requirements of the ISAE 3000 standard. EY Assurance Opinion is available on our website.
Our reporting scope and definitions are detailed in the Reporting Criteria document published on our website.
1. Our 2022 environmental data covers the reporting period Q4 2021 to Q3 2022. This is to allow for data collection, validation and external assurance.
To note: Absolute waste does not include reused waste.

POSITIVE CONTRIBUTION TO SOCIETY

FARMER LIVELIHOODS AND WELFARE

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

Aims

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

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

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

Our plan

2025

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

2030

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

Behaviours

Link to SDGs

We aspire to have a positive impact on the planet, and the farming communities in which our suppliers operate. We do this by continuing to support our suppliers to help their contracted farmers increase access to basic needs, diversify their income and farm sustainably. This supports our efforts to build a more responsible supply chain that is sustainable for the future.

We are working to enhance standards in our leaf supply chain both directly with our suppliers and through partnerships, such as those created through the Sustainable Tobacco Programme (STP). The STP aims to have a positive impact in tobacco-growing communities, and all tobacco leaf suppliers are expected to participate. This is an independently managed framework that provides us with visibility over our supply chain in two ways: first, by empowering our suppliers to report on the actions they are taking to address any risks identified, and how they are having a positive impact on the ground; and second, by verifying these actions both remotely and in the field. This informs our strategy to support our suppliers in taking effective action.

In 2022 (based on the tobacco leaf crop year 2021), 96% of our suppliers reported on their due diligence to the STP.

Our suppliers provide training on sustainable practices, human rights, and modern slavery to their farmers, especially prior to peak growing periods. In addition, they use posters, handbooks, storytelling and kits to help convey key messages in their tobacco-growing communities.

Within the last year we participated in four independent Supply Chain Impact Assessments (SCIA). These assessments help focus our suppliers to prioritise topics and develop or enhance action plans to have a meaningful impact on the ground. Where collaboration is beneficial to achieving impact, we jointly commission these assessments with other manufacturers or suppliers. A recent example of industry collaboration is the Türkiye 2021 SCIA. A total of 560 stakeholders' perspectives on social conditions in the Turkish Tobacco Leaf supply chain were secured during field research in tobacco growing communities during the harvest period. The third party also worked with each of the six participating suppliers in establishing individual action plans that address the findings, and an outcome was the establishment of an industry-wide body to collectively address areas of common focus. We have closely followed the development of these action plans and working groups over the last year, and will continue to stay informed through dialogue with our suppliers on their progress.

Through Leaf Partnerships we work directly with suppliers to fund specific projects that complement the work they are already doing and thereby amplify their impact in tobacco-growing communities. These projects range from enhancing farmers' businesses to supporting communities increase access to basic needs, such as education and clean drinking water. In FY22, Imperial provided financial support to projects in 11 countries. These projects are benefiting at least 84,000 farmers and their families.

We are committed to purchasing tobacco from socially and environmentally responsible suppliers

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.

In support of our ESG strategy, Imperial has committed to supporting suppliers and their farmers to access sustainable wood by 2025. There are various tobacco leaf curing methods, including air-curing, sun-curing, and flue-curing. The type of curing method is dependent on the tobacco variety. Flue-cured tobacco requires wood for curing, since the tobacco leaf is dried, in curing barns, by means of heated air. As such, to be wood sustainable, the wood used for curing should not contribute towards deforestation or should utilise renewable energy curing methods.

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

Through our Leaf Partnership programme since 2012, we have funded the construction of over 5,000 energy-efficient tobacco-curing barns. These barns can use up to 20% less wood fuel compared to standard curing barns.

5,000 energy-efficient curing barns constructed with suppliers between 2012 and 2018

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. In Madagascar, since 2017 we have planted 1300 hectares of commercial forestry, delivering 80% wood sustainability to date (2022), with 100% wood sustainability expected to be achieved by 2025. Please see our Madagascar video on our website for more details.

1,300 hectares of commercial forestry planted in our own operations in Madagascar

Chief Executive Stefan Bomhard during a visit to a tobacco farm in 2022

ADDRESSING CHILD LABOUR

1. **The Sustainable Tobacco Programme** (STP)
   The Human and Labour Rights section of the STP is informed by the relevant International Labour Organization (ILO) core conventions and the principles and guidance contained within the UN Guiding Principles on Business and Human Rights.
2. **Our Leaf Partnership Projects**
   We are working directly with our suppliers to fund projects to help tackle some of the root causes of child labour.
   Eliminating Child Labour in Tobacco Growing (ECLT) Foundation
3. We actively support the ECLT and its aims to tackle the root causes of child labour.

FARMER LIVELIHOODS AND WELFARE PERFORMANCE

Performance indicator	2021	2022	Commentary
Percentage of suppliers' directly contracted farmers growing complementary crops[1]	88	**94**	Complementary crops are grown alongside or in rotation with tobacco. These crops are grown for household consumption, sale, or as rotational crops to enrich and conserve the soil. These efforts have resulted in an increase of 7% in this metric over the last reporting year.
Percentage of suppliers' directly contracted farmers with access to initiatives to improve agricultural productivity[1]	97	**98**	Suppliers aim to provide all their directly contracted farmers with access to initiatives to improve agricultural productivity, including technical support, improved efficiencies, and improved infrastructure. These efforts have resulted in an increase of 1% for suppliers' directly contracted farmers with access to initiatives to improve agricultural activity over the last reporting year.
Tobacco farming community members benefiting from new Imperial Leaf Partnership projects	130,000	**84,000**	Imperial continues to fund projects aimed at addressing key livelihood and welfare issues in tobacco communities. This number represents the number of new beneficiaries from 2022 projects. Imperial currently supports 230,000 farmers and their families through ongoing projects.

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

BIODIVERSITY

The responsible husbandry and restoration of natural habitats, soils, and water are integral to sustainable agriculture. Our suppliers are encouraged to protect and enhance biodiversity in their growing areas. This includes topic areas covered by 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.

We intend to publish a full biodiversity policy in FY23.

WATER

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

Up to 136,000 farmers and their families benefiting from water, sanitation, and hygiene projects we have funded

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

Between 2021 and 2022 our investment in water, sanitation, and hygiene projects in countries of most need, including Mozambique, India, the Dominican Republic, Guatemala, Brazil, and Honduras equates to around US$ 1.8m.

CHILD LABOUR

Like other agricultural industries, the risk of child labour is highest in the cultivation part of our supply chain. In addition to working directly with our suppliers, we recognise that 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 detailed in the green box on page 47.

POSITIVE CONTRIBUTION TO SOCIETY

SUSTAINABLE AND 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.

Procurement strategy

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

CDP SUPPLIER ENGAGEMENT LEADER 2021

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

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

Our plan

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

Delivered in 2022

- Refreshed our Supplier Code of Conduct
- Further developed our risk assessment framework

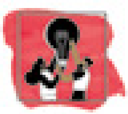
2023

- Launch refreshed Supplier Code of Conduct
- Update risk assessment of our supply base according to our refreshed Supplier Code of Conduct

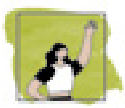
2024

- 50% of our suppliers, by spend will have science-based targets by 2024.

Behaviours



Collaborate with Purpose



Take Accountability with Confidence

Link to SDGs

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We aim to ensure sustainable consumption and production patterns.

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

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

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.

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

Supply Chain Due Diligence

Tobacco leaf supply due diligence is covered in the Farmer Livelihoods and Welfare section on page 46.

Our existing Supplier Qualification Programme is the first screening process for all new non-tobacco material (NTM) and NGP suppliers. Once on board, our Supplier Quality Assurance Audit team undertake a phased cycle of onsite supplier validation audits using a risk-based approach, following a detailed Supplier Audit Risk and Control Matrix which includes the supplier providing evidence for their management of ESG issues which are listed in the green box below.

In FY22 we engaged with relevant internal stakeholders from across the business to review and update our Supplier Code of Conduct, and agreed to include more detail on environmental and human rights aspects. The updated Supplier Code of Conduct will be rolled out in FY23.

We have also developed our risk assessment framework to include the five major categories within our supply chain and this will also be rolled out to the business in FY23.

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 climate issues.

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

2022 PERFORMANCE HIGHLIGHTS

In 2022, 34% of our suppliers by spend had set science-based targets. This supports our Scope 3 reduction activities.

We have refreshed our Supplier Code of Conduct, dividing topics into three sections for clarity: Business Integrity, Human Rights, and Environment. This will be launched externally in 2023.

HEALTHIER FUTURES

HUMAN RIGHTS

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

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

We have identified the following key human rights issues that are particularly relevant to our direct operations:

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

Human rights topics within our value chain are covered in the Farmer Livelihoods & Welfare and Sustainable & Responsible Sourcing sections.

Our plan

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

We aim to avoid disruptions, create a thriving workplace, and consolidate best practices.

Continue to strengthen

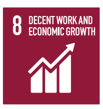
- Employee access to Speaking Up channels and a remediation process.
- Monitoring of human rights leading indicators in our operations and report on the number of audits completed.
- The audit process of our facilities management supplier across its Europe sites, using our anti-modern slavery internal audit module.
- Modern slavery training needs to ensure effective understanding globally.

2023

- Assess priority locations for salient human rights issues, to inform and test the robustness of our due diligence processes.

Behaviours

Link to SDGs



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

Human rights abuses are unacceptable. We have established due diligence programmes to respond to and mitigate the risk of human rights abuses in our direct operations and supply chain through appropriate processes and procedures. As part of this, our internal escalation channels, including the Human Rights Compliance Working Group and Leaf Compliance Working Group, ensure potential and actual risks are reported and responded to appropriately within the business.

Human Rights within our value chain are covered in the Farmer Livelihoods & Welfare (page 46) and Sustainable & Responsible Sourcing (page 49) topics.

Where non-conformance is identified in our direct operations, we prioritise, respond, measure and report on actions taken to implement corrective and preventative actions.

We have created a Modern Slavery Working Group to step up our alignment and response to potential human rights violations as and when required.

Raising awareness and broadening our knowledge about human rights are crucial factors in delivering our strategic objectives. Throughout the year we run several communication campaigns focused on human rights, modern slavery, and the use of our independently operated Speaking Up tool. Through our Slave-Free Alliance membership, we commemorated UK Anti-Slavery Week, which was an opportunity to raise the profile of our work to minimise our exposure to modern slavery and human trafficking.

In 2022 we created an ESG digital learning programme and its Human Rights module pays special attention to modern slavery, its most prominent indicators and how to report perceived or real concerns. This digital learning programme is mandatory and will be available both online and offline to our employees across the business with roll-out planned for FY23. Having a training programme that covers the needs and specificity of a wide range of our working locations will help to apply our knowledge most effectively.

Our Human Rights Policy has been updated to align with our refreshed ESG Strategy. We included feedback from several external agencies, as well as our internal stakeholders. The result is a Policy in line with our current progress and understanding, which lays the foundation for future improvements. We aim to review the Policy annually to ensure it captures new developments and renews its ambitions regarding respecting and promoting human rights.

Our Human Rights Policy is informed by the International Bill of Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and the ILO's core conventions, as well as the principles contained within the United Nations Guiding Principles (UNGP) on Business and Human Rights, OECD Guidelines for Responsible Business and the UN Sustainable Development Goals.

In 2022, we also carried out an internal analysis to update our list of salient human rights issues. They are: child labour, modern slavery, occupational health, safety and wellbeing, fair wages and decent work, gender equity, non-discrimination and non-harassment, and freedom of association and collective bargaining. Having a clearer picture of the type of risks our business and operations might be exposed to will help us take the most informed course of action to prevent and mitigate negative impacts. By focusing our efforts on these new salient human rights issues, Imperial Brands additionally contributes to UN SDGs 1, 3, 4, 5, 8, 10, and 16, which aligns with our new ESG Strategy and Human Rights Policy.

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

2022 PERFORMANCE HIGHLIGHTS

- Strengthened our due diligence framework and embedded human rights awareness across the business through designing an anti-modern slavery internal audit module, reinforcing human rights -focused internal structures, and creating a dedicated new mandatory ESG digital learning programme which includes a focus on human rights and modern slavery.
- Improved governance through the appointment of a new Human Rights Manager and reinstated a refreshed cross-functional Human Rights Compliance Working Group to drive and steer actions related to the human rights ambitions of our ESG strategy.
- Updated our Human Rights Policy to ensure better alignment to evolving international best practice guidelines and principles.
- Continued to monitor human rights leading indicators in our operations and updated modern slavery internal audits of our manufacturing sites.
- Conducted an anti-modern slavery audit with our Europe facilities management provider in Germany, and an internal review of our manufacturing sites in Poland and the Philippines.
- Updated our list of salient human rights issues for our priority locations.

SAFE & INCLUSIVE WORKPLACE

EMPLOYEE HEALTH, SAFETY & WELLBEING

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

Commitment

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

Our plan

(from a 2019 base year)

2023

- Obtain employee feedback on wellbeing and safety via our global employee experience survey.
- Design and launch a global wellbeing strategy based on employee feedback.
- Establish wellbeing KPIs.
- Launch zero injury aspiration programme.

2025

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

2030

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

Behaviours

Link to SDGs

We aim to promote healthy lives and wellbeing for all.

We want to continue to create a working environment where the wellbeing and safety of our employees are absolute priorities. As part of this commitment, we have health, safety & wellbeing as one of the core focus areas of our refreshed ESG strategy. This includes setting new, long-term targets as well as launching a "zero injury" aspiration. But we can only achieve this if all colleagues take personal responsibility. Therefore, our health, safety and wellbeing key message to colleagues is: "I Own Safety".

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 integration of our health and safety standards as well as adopting robust governance and reporting processes.

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

We have global procedures to help maintain consistent standards across the entire business, covering areas such as hazard identification, risk assessment, road risk and incident investigation. These are applicable to all locations and are audited as part of our internal and external audit programmes.

Wellbeing

The wellbeing of our employees is of paramount importance to us and has been confirmed as an ESG priority, following the refresh of our ESG strategy and the outcome of a materiality assessment. The COVID-19 pandemic has had a significant impact on this topic, further increasing the need to do more. We are working to improve our management of and approach to 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 also 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. In addition a number of sites also have wellness rooms for employees to use.

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 several surveys to check-in on their wellbeing.

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

We aim to demonstrate our commitment to the mental health and wellbeing of employees, contractors and visitors in its broadest, holistic sense, with our new Wellbeing Plan detailed in the purple box.

In October 2021 we celebrated World Mental Health Day with a new campaign called "The Importance of Belonging". The campaign's purpose was to encourage awareness of mental health and create opportunities for us to promote positive mental health and wellbeing. We provided resources for employees to access on our internal Safe & Well hub.

In May 2022 we also supported Mental Health Awareness Week in the UK. The official theme was "loneliness" and, across the week, we encouraged people to build meaningful connections with their friends, family, colleagues, and communities. As part of this, we launched two optional training courses on Workday, our HR platform: Stress Awareness and Managing Anxiety.

In the UK we also involved our Mental Health Champions in another initiative during this campaign, where we offered three 'wellbeing tickets" (vouchers for free coffees) to encourage them to promote themselves as wellbeing ambassadors and hold meaningful conversations with three of their colleagues. In addition, we launched two new sessions: face to face "Tea & Talk" sessions and online "Spotlight on Wellbeing" guest speaker sessions, during this campaign.

We have reviewed and updated our targets related to health and safety and these are detailed in "Our Plan". Performance against these targets is provided in the Health and Safety Performance table.

Our Wellbeing Plan:

- Launch our refreshed wellbeing strategy during our 2023 financial year.
- Include wellbeing responsibilities into our policies.
- Assemble a Wellbeing Working Group responsible for over-seeing and maintaining effective governance of wellbeing activities within Imperial's operations.
- Benchmark the range of support available in our priority locations for the maintenance of mental health.
- Develop a Wellbeing Framework with key leading indicators.
- Measure our performance moving forward.
- Foster a mentally healthy culture by incorporating these principles into People Leader training.
- Run regular initiatives to raise awareness of mental health issues at work.

HEALTH AND SAFETY PERFORMANCE

Performance indicator		2019 (base year)	2020	2021	**2022**	Commentary
Employee fatalities[1]	Number	2	3	1	**0**	Health and safety remains a priority for all our employees.
Contractor fatalities[1]	Number	0	0	0	**0**	Health and safety remains a priority for all our stakeholders.
Members of the public fatalities involving Imperial Brands vehicles[1]	Number	1	0	0	**0**	Road safety remains a priority across all our operations.
Lost time accidents (LTAs)[1,2]	Number	101	80	65	**57**	There has been a 12% decrease in the number of lost time accidents compared to last year.
LTA rate[1,2]	LTAs per 200,000 hours worked	0.40	0.32	0.27	**0.24**[A]	We have seen an 11% decrease in our lost time accident rate compared to last year. During FY22 we continued to increase the use of leading indicators to better manage risk throughout our operations.
Total number of accidents[1,2]	Number	850	720	573	**522**	We have seen a 9% decrease in total accidents compared to last year.
Accident rate[1,2]	Total accidents per 200,000 hours worked	3.39	2.19	2.36	**2.24**	We have seen a 5% decrease in our accident rate compared to last year. We are pleased to see a continued reduction in our total number of accidents and our LTA rate.
Fleet collision rate	Accidents per million kilometres	5.03	4.19	3.95	**2.8**	There has been a 29% decrease in our vehicle accident rate compared to last year. Road safety remains a key priority for us. We adopt global standards for road safety and use our Drive Safe campaign to promote awareness and influence behaviour.
Fleet vehicles fitted with an IVM system	%	–	–	–	**57.3**	Evidence shows that in vehicle monitoring systems (IVM) typically lead to fuel reduction and improved safety performance – we will continue to test and extend coverage.
Compliance with the OHSE Framework (Manufacturing)	%	–	–	–	**87**	We aim to be at 100% compliance with our framework standards by 2025.
Compliance with the OHSE Framework (Sales)	%	–	–	–	**93**	We aim to be at 100% compliance with our framework standards by 2025.
OHSAS 18001/ISO 45001 certification	%	79	79	74	**71**	Re-certification of some sites (particularly in Africa) continues to be a challenge since the Covid-19 pandemic.

A. Select 2022 data has been independently assured by Ernst & Young LLP (EY) under the limited assurance requirements of the ISAE 3000 standard. EY Assurance Opinion is available on our website. Our reporting scope and definitions are detailed in the Reporting Criteria document published on our website.
1. Our health and safety data is for the full 2022 financial year.
2. Accidents reported do not include commuting to or from work, or those sustained by third parties such as distributors.

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.

We have developed our approach to diversity, equity and inclusion in close collaboration with our employees. At the centre of our efforts have been four new Employee Resource Groups (ERGs). The 500 members of these groups have been instrumental in helping us to develop an end-to-end five-year strategy which will be launched in FY23.

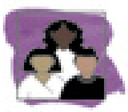
Global Employee Resource Groups

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

Our four ERGs have continued to grow their memberships and raise awareness across the organisation on key diversity topics.

The ERGs have also begun to partner with DEI Centre of Expertise (CoE) on priority programmes of work, including increasing diversity data disclosure throughout the business and creating a community of global allies to support our DEI ambitions.

Behaviours



Link to SDGs

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

Diversity, equity and inclusion (DEI) is critical for our business, for our culture change programme and for our ESG ambitions. We are developing a performance-driven and inclusive culture which supports the delivery of Imperial's strategy. Underpinning our cultural shift is a set of five clear behaviours, which demonstrate how we need to think and act to succeed. To "be authentic and inclusive to all" is one of our core behaviours and aligned to our commitment to DEI.

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 define diversity as everything that makes us unique; equity as giving fair treatment, access, opportunity, and advancement for everyone; and inclusion as involving and accepting every individual and valuing their difference.

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

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

In FY22 we formed a new Global Diversity, Equity, and Inclusion Centre of Expertise (CoE). The CoE is developing our new global DEI ambition and strategy which will inform our activities across the business in pursuit of becoming a truly diverse and inclusive organisation.

DIVERSITY, EQUITY AND INCLUSION PERFORMANCE[1]

Performance indicator		2020	2021	2022	Commentary
Female employees in the workforce	%	43	40	**40[A]**	Female employee numbers remain the same as last year, even though there has been a significant increase in the employee turnover rate.
Female senior management[2]	%	–	–	**29[A]**	We are committed to increasing representation of women in senior management (Global Grades 3, 4, 5) and clear KPIs will be set as part of our strategy.
Female Executive Leadership Team (ELT) members	%	14	33	**30[A]**	Female representation on the ELT as at 30 September 2022 (end of FY22) was 30%.
Female PLC Board members	%	25	22	**40[A]**	We made a commitment to increase female representation in senior management roles to 30% by 2023. We are pleased to report that on 30 September 2022 (end of FY22) female representation on the Board was 40% and includes the Chair of Imperial Brands.
Ethnic background on our Board	%	–	10	**20**	At 30 September 2022 (end of FY22), 20% of the Board members identified as being from an ethnic minority background.
Employee turnover rate[3]	%	14	10	**30**	There has been a significant increase in involuntary turnover for employees with permanent contracts due to workforce reduction and divestiture.

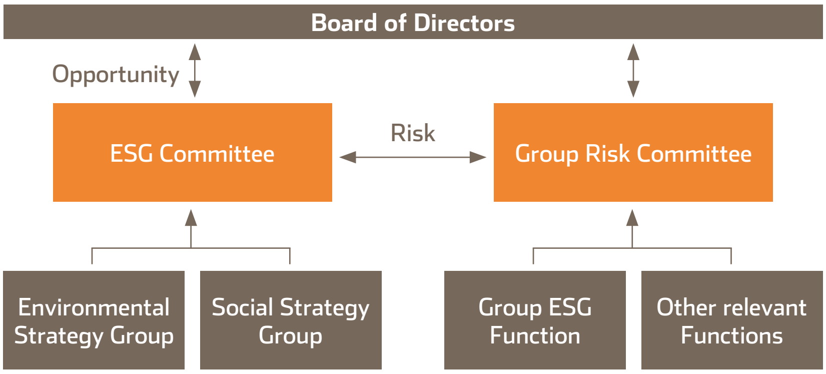
A. Select 2022 data has been independently assured by Ernst & Young LLP (EY) under the limited assurance requirements of the ISAE 3000 standard. EY Assurance Opinion is available on our website.
Our reporting scope and definitions are detailed in the Reporting Criteria document published on our website.

1. We recognise the need to gain more comprehensive employee demographic data in order to understand the diversity of our employee base and drive inclusion. This will form a key part of our new DEI strategy and will help us measure (where appropriate) ethnic minority, disability, LGBTQ+ and other key DEI dimensions.
2. The proportion of senior management employees (Global Grade 5 and above) recorded as female across Imperial Brands Group excluding Logista.
3. This reflects all employees excluding those employed by ITG Brands and Logista

We promote diversity within the business through awareness campaigns, career talks, unconscious bias training and diversity celebrations. We have provided bespoke e-learning courses in 11 languages to help our people leaders understand the issues of unconscious bias and microaggressions. Throughout FY22 we continued to celebrate globally important cultural events, including International Day of Persons with Disabilities, International Women's Day, World Day for Cultural Diversity for Dialogue and Development, and Pride. Members of our Executive Leadership Team globally sponsor our ERGs and actively steer and support their work. Our new global DEI strategy is expected to be finalised in the first quarter of FY23 and this will set out our diversity and inclusion approach for the next five years. In FY23 we intend to focus on three areas: One, improving our employee data. We know we need a more solid baseline to measure future progress. Two, creating a community of allies, which is a bedrock for a sustainable approach to DEI. And three, reviewing how we attract, recruit and retain talent, and how we manage career advancement. We will continue to raise awareness of DEI through learning modules in inclusion and allyship and embedding DEI into everything we do. We are pleased with the progress we have made to date but we know we have more to do.

POWERED BY RESPONSIBILITY

ESG Governance structure



Leadership and governance

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

To ensure the Board has full oversight of all relevant ESG issues, we have established a cross-functional ESG Committee, chaired by the CEO of Imperial Brands. The Committee meets at least three times per year. Permanent members of the Committee include all of the Executive Leadership Team (ELT), making it an executive committee to oversee the management of our material ESG issues and ensure the successful delivery of our ESG strategy. Senior managers representing functions including Investor Relations, Group Legal, Governance, Corporate Affairs, Supply Chain and Procurement, Communications and ESG attend meetings as required.

We have a comprehensive governance structure, ensuring appropriate levels of focus, cross-collaboration, risk management and escalation pathways covering every ESG area of focus. The Board reviews our ESG performance on a quarterly basis. The ESG Committee reports to the Board for ESG-related opportunities, and to the Group Risk Committee for potential material ESG-related risks.

The cross-functional Environmental and Social Strategy groups report to the ESG Committee and are in turn fed into by a range of ESG topic-specific working groups. This strengthened governance approach enables cross-functional collaboration and avoids duplication of efforts.

Further information on our approach to risk and opportunity management is available on page 82.

We have a broad range of policies to support our approach to risk management and good governance. Our Code of Conduct, translated into 32 languages, 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. The Code of Conduct sets out the responsible behaviours we expect from employees in their dealings with colleagues, customers, consumers, suppliers, agents, intermediaries, advisers, governments, and competitors. All employees and business partners are expected to act with integrity and in accordance with the standards of behaviour set out in the Code. We expect our suppliers to conduct their business in an ethical and responsible manner and to comply with all applicable laws and regulations. Our Supplier Code of Conduct, based on our employee Code of Conduct, sets out the behaviours we expect our suppliers to demonstrate. The Supplier Code of Conduct is embedded into our Procurement Policy and processes, which govern how we select and contract with our suppliers. Our Supplier Code of Conduct is available in 19 languages.

Governance education training for employees

Mandatory governance education modules on a variety of topics are rolled out to employees with online access, based on role and location. For employees who do not have access to our online systems, we work with local markets to provide translated PDF versions of courses that can be used locally to deliver face-to-face training. All employees who are assigned courses are required to complete these modules. One of our key e-learning courses is on our Code of Conduct. Part 1 of this course introduces our Code of Conduct, reviews our Company values, explains why we have a Code and emphasises how we all have a responsibility to follow the Code. Part 2 of the Code of Conduct course explains the responsibilities each of us has, regardless of our role, seniority or location, to act in ways that promote a culture of mutual trust and respect. We also have an e-learning course on modern slavery, now available in 15 languages. This course provides a short overview of modern slavery and explains how employees can raise concerns.

Speaking Up

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

The Speaking Up policy is made available both internally and on the Group website.

Issues raised included allegations of mistreatment of employees, claims of unfair treatment or wrongful termination, allegations of unprofessional behaviour, pay concerns and protection of personal data. Claims of conflict of interest, breach of control environment, and bribery and corruption were also raised. These claims were investigated and found to be without merit. Our People and Culture teams were involved in dealing with a number of these issues, while others were managed by the Company Secretary, with investigation support and advice provided by members of our Finance, Group Security, Group Legal, HR and Internal Audit functions. At all times, the anonymity of the individual making the complaint was a key consideration.

INVESTOR BENCHMARKS

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

We maintained our A rating from MSCI ESG Ratings in their last report updated in October 2022. In its June 2022 update, Sustainalytics gave us a medium risk rating score of 27.9 and concluded that "the company is at medium risk of experiencing material financial impacts from ESG factors, due to its medium exposure and strong management of material ESG issues. The company is noted for its strong corporate governance performance, which is reducing its overall risk." Vigeo Eiris (part of Moody's ESG solutions since 2019) gave us an overall ESG score of 42/100 and a Company Reporting Rate of 82% in their last update in October 2021.

In 2021, CDP awarded us an A rating for our Climate Change submission for a third consecutive year. We await the results of our 2022 submissions to CDP. We continue to participate in the CDP Supply Chain Programme, which gathers information from our key suppliers on how they are managing their climate risks and opportunities. We were pleased to be recognised as a Supplier Engagement Leader by CDP in 2021 for a third consecutive year. We have also participated in the investor-backed Workforce Disclosure Initiative (WDI) since 2019. This benchmark is currently based on disclosure, and performance scores have not been allocated.

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

INDEPENDENT ASSURANCE

We appointed Ernst & Young LLP to provide limited independent assurance over selected ESG content within the Annual Report for the period ended 30 September 2022. The assurance engagement was planned and performed in accordance with the International Standard for Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

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

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

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

We continue to align and improve our climate-related disclosures because we recognise the benefit the guidelines bring to our stakeholders as well as our business itself. In accordance with its four primary components: governance, strategy, risk management, and metrics and targets, the TCFD mandates the sharing of both qualitative and quantitative information. It also seeks to enhance the transparency of climate-related risks and opportunities and give stakeholders the knowledge they need to conduct thorough and consistent analysis of the possible financial effects of climate change. For more information on our climate change strategy, please refer to page 41.

COMPLIANCE STATEMENT

In accordance with LSE Listing Rule 9.8.6(8) R we present our 2022 TCFD compliance index. We confirm that in this report we have made climate-related financial disclosures for the financial year ended 30 September 2022 (FY22).

In the table below, we include cross-references to disclosures made elsewhere within the Annual Report and explain the reasons for only partially complying with certain of the TCFD recommendations and recommended disclosures. We are set to expand on the partially compliant disclosures in FY23.

In assessing compliance with LSE Listing Rules 9.8.6(8) R, we took into consideration the documents referred to in the guidance notes to the Listing Rules, as well as considering on a voluntary basis the updated guidance on Implementing the Recommendations of the Task Force on Climate-Related Financial Disclosures published in October 2021.

TCFD elements	TCFD recommended disclosures	Cross-reference or explanation for non-compliance	Compliance Statement	Next steps and other comments
Governance	a. Board oversight	Page	Compliant	Will be evolved to reflect status as it develops.
	b. Management's role	Page	Compliant	Will be evolved to reflect status as it develops.
Strategy	a. Climate-related risks and opportunities	Page	Compliant	Will be evolved to include comment on specific risk areas, particularly in regard to mitigations in place.
	b. Impact on the organisation's strategy	Page	Compliant	Will continue to evolve in line with our strategy, including mitigation and transition plans.
	c. Resilience of the organisation's strategy	Page	Partially compliant	Existing mitigation analysis and further localised action plans will be put in place in 2023. Financial materiality assessment will also be considered. Will continue to evolve in line with our strategy, including mitigation and transition plans.
Risk management	a. Risk identification and assessment process	Page	Partially compliant	Existing mitigation analysis and further localised action plans will by put in place in 2023. Financial materiality assessment will also be considered. Will be evolved to include comment on specific risk areas, particularly in regard to mitigations in place.
	b. Risk management process	Page	Compliant	Our risk management for climate is integrated into our company wide risk management, and will evolve accordingly.
	c. Integration into overall risk management	Page	Compliant	Will continue to evolve in line with our risk management.
Metrics and targets	a. Climate-related metrics in line with strategy and risk management process	Page	Partially compliant	We are developing our understanding of how to link our analysis to specific actions within our strategy. Will continue to develop, in line with our strategy.
	b. Scope 1, 2, (and 3) GHG metrics and the related risk	Page	Compliant	We report in accordance to the GHG protocol, and have integrated our principle risks into this reporting.
	c. Climate-related targets and performance against targets	Page	Partially compliant	We are developing our understanding of how to link our analysis to specific actions within our strategy. Will continue to develop, in line with our strategy and performance against it

GOVERNANCE

We have integrated ESG oversight and management, including climate change, at all levels of the business.

The Board's role

The Board of Directors has regard to climate-related matters through our ESG strategy and performance, which includes management of climate risk. The Board has endorsed all climate-related targets. To ensure the Board has appropriate regard to climate-related issues, the Board endorsed the formation of a cross-functional ESG Committee which is chaired by the CEO.

The ESG Committee reports to the Board. In FY22 the Board of Directors were updated on climate-change related matters quarterly, following the ESG Committee meetings in November 2021, February 2022, May 2022 and September 2022. In November 2021, the Board endorsed new climate change metrics and targets, which included the activities ongoing for this TCFD disclosure, and in all other meetings the Board has been updated on performance against our climate change targets. The Board is also informed on the detail of our climate transition plan, which includes financial risk and opportunity.

It is through reporting from the ESG Committee, as well as Board-level consideration and approval of (i) enterprise risk appetite, assessment, and management; (ii) longer-term strategy; and (iii) the annual budget plan that the Board has regard to business plans, including expenditure for climate-related matters.

Tony Dunnage, Global ESG Director, conducted an additional ESG training to the Board in May 2022 to ensure the Board has appropriate regard to material environmental topics.

We also have two Non-Executive Directors (NEDS) with specific experience in climate-related matters. Diane de Saint Victor, appointed to the Board in November 2021, has been associated with a variety of companies playing a major role in addressing climate change. This includes serving as an executive committee member at one of the world leaders in technology solutions that help industries in reducing their energy consumption.

Alan Johnson, another of our NEDs, appointed in January 2021 is also the president and chair of the Board at the International Federation of Accountants. This organisation campaigned successfully to establish the International Sustainability Standards Board (ISSB), which was established at COP26 in November 2021. The Federation is now supporting the new ISSB and working with regulators across the world on the assurance of climate-related disclosures.

Management's role

We have integrated climate governance across our functions, which enables us to bring together experts and decision-makers across the organisation.

Climate change is a central topic of the ESG strategy and 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 ESG team is led by the Global ESG Director, who reports to the Chief People and Culture Officer, and is the secretariat of the ESG Committee. The Senior Planning Manager in Group Finance is responsible for the long-term financial planning and alignment of climate-related risks and opportunities.

Risk factors are overseen by the Group Risk Committee. The Group's formal approach to risk management includes an update to the Board on a half-yearly basis on the enterprise-wide risk management framework (EWRMF), which contains all the Group risks and their associated control measures. This fully incorporates climate-related risks and opportunities and links them to our principal risks. The Group Risk Committee meets at least three times per year and works closely with the ESG Committee. Please see page 57 for the governance structure.

Both the ESG Committee and Group Risk Committee are informed by a matrix of supporting functions including the Group ESG function. The Environmental and Social Strategy Groups consist of experts from across the business, providing coverage of our eight material ESG topics including climate change. The groups meet on a regular basis and directly influence the Company's detailed ESG strategy. Climate-related issues in the business are assessed and managed through the Environmental Strategy Group. These Groups are chaired by the Global ESG Director and provide oversight of ESG risks and opportunities across the business.

STRATEGY

In an ESG materiality assessment conducted in November 2021, climate-related issues were ranked as second most important ESG topic for our Company, after consumer health. This mandate, combined with the requirements of the listing rule formed our strategy to approach this TCFD disclosure.

Our Approach

In 2022 we conducted a quantified climate scenario analysis with a 4°C and 1.5°C pathways (RCP 2.6 and RCP 8.5), aligned with the recommendations of TCFD and the Paris Agreement utilising a third party supplier for modelling, and with a cross functional group including members from Group ESG, Group Finance and Group Governance.

The scenario analysis takes into consideration climate-related physical and transition risks as well as opportunities in the short, medium and long term – the period from 2022-2050. Imperial Brands financial planning period covers three years and is thus included in the short-term period. Imperial Brand's risk time horizon covers 10 years, as recommended by CDP[1] and is presented in the table on page 62. However, in line with requirements the analyses have considered a longer time frame of at least until 2050.

The climate scenario analysis covers key owned and third-party sites. Overall, 44 operational sites and 9 leaf sourcing regions, covering 31 countries, were identified for a "deep dive" risk assessment. Sites and sourcing regions included were chosen due to their strategic and financial importance to Imperial Brands.

This structured approach was taken to define a short-list of the potentially most significant climate risks and opportunities within the portfolio. The short-list is the result of a thorough data and document analysis and a quantitative financial value chain analysis. The short-list was then carried forward for further analysis for financial impact. For the scenario analysis KPMG's Climate IQ tool was used. This tool combines climate science, macro-economics and financial information.

The table on page 62 sets out the different types of risks aligned to Imperial Brands risk framework, and the associated maximum value at risk (MVAR). MVAR is defined as the accumulated maximum risk quantum over 10 years between the 1.5°C and 4°C scenarios. The MVAR relates to the gross risk and assumes no mitigation or adaptation activities by Imperial. The dots represent the degree of significance of the risk in each of the 1.5°C and 4°C scenarios comparing to the total of the Company asset base.

The MVAR calculation does not include inflation, nor does it take into account the impacts of government policies, or any mitigating action already taken**.** To qualify the MVAR values, an expected impact has been added to reflect the position once mitigation or adaptation associated with our strategy is applied – such as the Imperial Brands Net Zero 2040 ambition. Risks and opportunities have been prioritised based on the findings of the scenario analyses.

Scope

The scenario analysis covers both physical and transition risk for Imperial Brands PLC, inclusive of Fontem Ventures and ITG Brands , but not Logista[2], who voluntarily make a TCFD disclosure separately (see Logista's 2021 Annual Report, page 83). We have assessed the impact of climate change on Logista and have found nothing to represent a material risk at Group level.

1. A not-for-profit charity previously known as the Carbon Disclosure Project https://www.cdp.net/en
2. Logista is not a FTSE listed company and therefore is not under mandatory TCFD disclosure rules.

Climate-related risks and opportunities

		Type of Risk[4]	Maximum value at risk calculated over time frame (£m)	Timeframe: Short (0-2y)	Timeframe: Medium (3-5y)	Timeframe: Long (6-10y)	Scenario: 1.5ºC	Scenario: 4ºC	Scenario: Net Zero by 2040	Mitigation through Strategy
Physical risks associated with climate change										
Chronic	Impact of physical hazards (e.g. riverine flooding) on key assets could lead to a decrease in revenues due to supply chain disruption and its effect on production capacity	Product supply	10							The group takes out insurance for the coverage of this risk within direct operations, and maintains business contingency plans.
	Chronic drought risk[2] could lead to a decrease in revenues due to supply chain disruption and its effects on production capacity	Product supply	nq							The group takes out insurance for the coverage of this risk within direct operations, and maintains business contingency plans.
	Changes in tobacco crop yield[2] resulting from climate change could lead to decrease in revenues due to agricultural supply chain disruption and its effects on production capacity	Product supply	nq							Expected to be partially offset by an increase in land suitable for the growing of tobacco, and the flexibility of the leaf sourcing supply chain, allowing for location selection on a yearly basis.
Acute	Increased frequency and severity of extreme weather events could lead to a decrease in revenues due to supply chain disruption and its effects on production capacity	Product supply	2							The group maintains supply chain contingency plans and insurance cover for the coverage of this risk within the supply chain.
	More severe hurricane risk[2] could lead to a decrease in revenues due to supply chain disruption and its effects on production capacity	Product supply	nq							The group maintains supply chain contingency plans and insurance cover for the coverage of this risk within the supply chain.
Transition risks associated with transitioning to a low-carbon economy										
Emerging regulation	Increased costs could result from emerging regulations such as carbon taxation[1] and the carbon pricing mechanism, predicted to begin in 2024.	ESG Delivery	20							It is expected that we will mitigate this through our net zero strategy, aiming to be net zero in our direct operations by 2030.
Market	Materials costs in NTM and Leaf could increase due to increases in the operating costs of suppliers and raw materials. This could reduce access to capital. Key impact is excepted to be from the introduction of carbon taxation through our supply chain, predicted to begin in 2024.	ESG Delivery	360							It is expected that mitigation will be possible through partnership with key suppliers to drive change in supply chain before financial impact occurs.
Climate-related opportunities										
Energy sourcing	Energy supply costs[3] could decrease due to resource efficiency and the use of zero emission sources of energy in our direct operations	ESG Delivery	11							The Group is prioritising early action to limit costs and mitigate impact, reflected in the step change in renewable electricity reporting in our performance summary.

Footnotes
1. Assuming no decarbonisation measures are taken by Imperial Brands
2. Impact has been quantified non-financially
3. Cost avoidance from energy transition
4. In accordance with Imperial Brands risk assessment
5. % of asset value

- Mild Change[5] <0.2%
- Moderate Change[5] 0.2%-1%
- Significant Change[5] >1%

Nq= not quantifiable. These risks have not been quantified due to the complexity in calculating financial impact and lack of tool capability. Further assessment is required in these areas to develop a link to financial impact, including an assessment of materiality when taking into account mitigation and action plans in place. .

Physical risk

Scenario analysis has considered the physical risk from coastal inundation, soil subsidence, surface water flooding, riverine flooding, extreme wind, forest fire and water stress to our direct operations, and our tobacco purchasing regions. Of particular note, the analysis considered the impact of storm damage, which to date has been the most prevalent impact of climate change on the business. The analysis predicts that storms are likely to increase resulting in an increase of costs at a rate of 5% but despite this it is not likely to result in a significant impact at Group level. As shown in the table on page 62, the work completed demonstrates that the business is relatively unaffected in both climate scenarios in the short term for physical risk, both chronic and acute.

In the 4°C scenario, the probability of physical risks in the medium and long term increases compared to the aimed 1.5°C scenario, but financial impact can still be considered not significant overall. When viewed by location and based on the third party model, Spain is most affected by physical risks. The Spanish factory is located close to a river, and as such it is considered to have the highest risk of riverine flooding as well as a risk of drought in a 4°C scenario. When considered at Group level, this impact is immaterial. Physical risks in other locations were also considered immaterial.

Other physical climate risks, though not considered material at Group level, continue to be monitored locally as part of business continuity planning. This confirms that our current approach, where climate risks are integrated into local business plans, and do not form a material risk at Group level, will continue to serve us.

Transition risk

Our scenario analysis indicates the most significant climate-related impacts for Imperial Brands are the transition risks common to FMCG organisations operating in the same markets. Imperial's greatest exposure is to the impact of changing materials costs and emerging climate-related regulation, such as carbon pricing. As indicated in the table, materials cost represents the biggest absolute risk as a result of climate change, however the accumulated value over the next 10 years is still likely to be less than 1% of our spend if mitigating action is not taken.

This result confirms that our suppliers' cost base is also likely to increase if they are not already taking steps towards becoming net zero. The analysis indicates that the increase in material costs are mostly represented by 'non tobacco materials' (NTM) and leaf.

Our climate ambitions include targets for reduction of Scope 3 emissions, and we are working with key suppliers to reduce these. For more information, please refer to the section on Metrics and Targets on page 65. We anticipate that material costs can be significantly reduced by meeting our long-term ESG strategy, particularly as we begin to collaborate with partners on Scope 3 emissions.

Impact of risks in financial reporting

Imperial Brands' long-term financial planning covers a 3 year period. Based on the outcomes of this report, increased physical risks and transition risks associated with climate change are not significant over this time period, and as such are not included in long term financial planning. In the coming year we do not expect the risk associated with climate change to be material to the Group, with the largest expected not to exceed 13m GBP (and 56m GBP over the 3-year period).

For other financial statement areas that cover a period beyond the financial planning of 3 years and beyond the Imperial Brand's risk time horizon of 10 years, we have considered the MVAR of the material climate-related risks for the relevant period of those specific areas. For example: assessing goodwill and intangible assets impairment assessment (note 11) and recoverability of deferred tax assets (note 22). We also challenged the Directors' considerations of climate change in their assessment of going concern (note 1) and viability and associated disclosures.

Climate-related opportunities

Proactive ESG management represents our biggest climate opportunity. We have committed to a series of targets, and outline our Net Zero strategy further in the Metrics and Targets section on page 65. By successfully implementing this Net Zero strategy, we can maximise the benefits of the green energy transition and avoid carbon costs across the period in the 1.5°C climate scenario. We have a glide path and transition plan to achieve Net Zero which we expand on in Metrics and Targets on page 65 and in our ESG Review on page 41.

Our analysis shows us that in either scenario, our strategic approach should have a positive effect in managing costs. However, we will continue to monitor the impact that carbon prices could have on our cost base and consider the business' ability to manage or pass through some or all the costs. If new climate-related risks are identified, we are committed to aligning our strategy accordingly and integrating the respective costs into our profit and loss.

Assumptions

This analysis assumes that no action is taken to decarbonise in the supply chain, or within our operations. The work also does not take into account inflation, consider the impacts of government policies or subsidies, or currently existing mitigation. Material costs stated in the analysis include the costs of physical risk materialising in the supply chain.

During FY23 we will build on the scenario analyses conducted in 2022

Our ESG Strategy can turn risk into opportunity

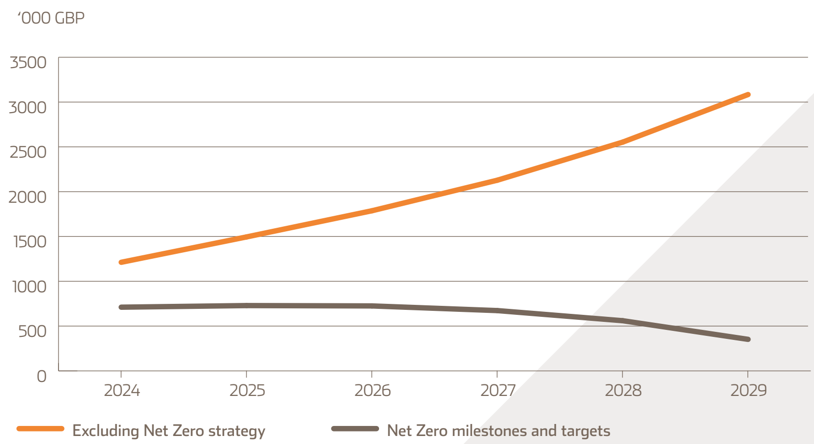


Figure: Potential Carbon Cost of Scope 1 for 1.5°C Scenario to gain a more detailed longer term understanding of the financial materiality of the climate risks and opportunities identified.

RISK MANAGEMENT

For a number of years, we have included information on managing and mitigating climate-related risks in both our ESG reporting and CDP disclosures. We are aligned to CDP's definition of risk terminology.

In 2021 our ESG materiality assessment placed climate change as our second most material issue, and as such it is included in both our ESG strategy, and focused on separately as part of our risk management process.

We integrate climate-related risks and opportunities in our business strategy and financial planning. Whilst we have assessed both the physical (climatic) and transitional (technological) risks that may impact our business, we do not focus on climate change as a principal risk in itself. Instead we find greater value in ensuring that the risks and opportunities are assessed by each risk owner. With the support of subject matter experts, risk owners review the potential cause and likelihood of any risk materialising. As a business we are accustomed to managing risk across a variety of topic areas, including emerging regulatory requirements related to climate change, and we apply the same process for all risk areas. For further information on how we manage risk, please refer to the risk section on page 82.

The Board is responsible for setting the Group's risk appetite and is ultimately accountable for managing the Group's risks and opportunities. It delegates responsibility for managing the Group risks and opportunities to the Audit Committee. The Audit Committee is responsible for approving the risk management approach and for oversight of its ongoing effectiveness. The Group's formal approach to risk management includes an update to the Board on a twice-yearly basis on the Group's risk register documents, including our EWRMF.

Our EWRMF 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 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, control structures and analyse the impacts of the risks upon the business in line with the Board's risk appetite. Therefore, the second line of defence provides support to the first line of defence.

The ESG team is informed about 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 our Internal Audit Team who independently review compliance with, and the effectiveness of, our risk management and internal control system. On an intermittent basis, we also commission a third party to perform its own analyses to validate risks identified by the business.

Due to the long term nature of climate related risks, and in order to make this disclosure, a cross functional project team considered actions relating to these analyses covering and beyond the standard risk time-frame we typically consider for risk and financial planning. In accordance with the listing rule, we have taken into account the period 2022-2050.

Transition Risk Management

The transition risks identified in our climate scenario analysis are embedded in the risk framework and are communicated with the effected sites and functions; action plans are being implemented accordingly, particularly for the primary risks: carbon taxation and materials costs.

Physical and transition risk within our supply chain and direct operations related to climate change are considered on each of our principal risks. This helps us manage and monitor climate risks for core business decisions.

Please also view our 2022 risk matrix on page 82 where we demonstrate climate related and regulatory risk to be of high importance to the Company. We integrate our management of these into our responsible business functions. In the future, Imperial Brands aims to conduct climate scenario analysis on a regular basis.

METRICS AND TARGETS

We monitor the risks identified and put in place intervention or mitigation measures where necessary. However, our targets on climate change represent multiple business opportunities: there are cost and environmental benefits to energy savings, and to efficiency programs.

Since 2019, we have had Scope 1, 2 and 3 targets, consistent with reductions required to limit climate warming to 2°C, approved by the Science Based Targets initiative (SBTi). However, in FY21 we set our sights higher and joined the Business Ambition for 1.5°C Race to Zero initiative, a campaign led by the SBTi. For more details on how this commitment impacts our climate change strategy, please see 'Our plan' on page 64.

To drive business focus in FY23, for the first time, we will have remuneration relating to performance against our climate change objectives.

We have carefully considered the outcome of the analysis, and aligned our climate change metrics and targets with our most material risks: Carbon Pricing and Material Costs.

Carbon pricing

Our carbon pricing risk relates to the likely increase of carbon taxation on emissions within our operations. To drive our emissions down, 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 our ambition in line with 1.5°C global warming limits and submit them for approval by the SBTi.

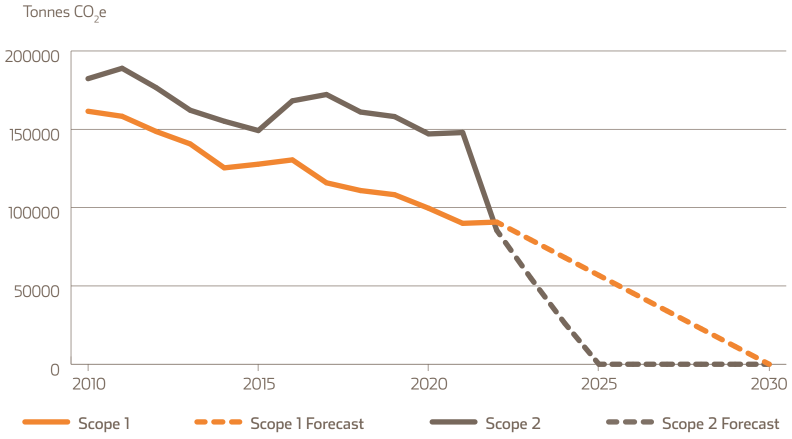
Further, in order to support our Net Zero strategy, we also aim to explore an internal carbon pricing mechanism. For more on our FY22 performance and future plans to decarbonise our operations, please see page 41.

Materials costs

The materials cost relates to the likely impact of carbon taxation on emissions, and the impact of physical risks within our value chain. To drive down emissions within our value chain, we have an SBTi approved supplier engagement target: 50% of our suppliers by spend will set science-based targets by 2024. This target helps us reduce our Scope 3 emissions and thus is fully aligned with our 2040 Net Zero ambition. In our ESG Review we report that 34% of suppliers by spend had already achieved this target. As part of our submission to SBTi, we are also working towards validating our Scope 3 data[1].

Our target to achieve Net Zero in our entire value chain by 2040 is also supported by an emission reduction target of Scope 3 of 20% by 2030. In FY23 we will expand on how we will partner to collectively drive emissions down within our supply chain.

Carbon transition plan for our operations



Our methodology for calculating Scope 1, 2 and 3 emissions is compliant with the GHG Protocol and we disclose our environmental performance in CDP. The scope of targets set includes companies, entities or groups over which we have operational control.

For more information on our 2022 performance, and further information on our current ambitions related to climate and ESG, please refer to our company website and our ESG: People and Performance Summary 2022.

Our plan (from a 2017 baseline year)

2025

100%

of our purchased grid electricity will come from traceable renewable sources

Reduce absolute scope 1 and 2 GHG emissions by more than

50%

2030

100%

of 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%
- Absolute scope 3 emissions by 20%
- Energy consumption by 25%

2040

Our value chain will be

Net zero emissions

(absolute scope 1,2 and 3 GHG emissions)

1. Our Scope 3 emissions include the following categories: Purchased Goods and Services, Capital goods, Fuel and energy related activities, Upstream transportation and distribution, Waste generated in operations, Business travel, Employee commuting, Downstream transportation and distribution, Use of sold products, End of life treatment of sold products, Investments.