WE ARE TRANSFORMING

By becoming a strong challenger, we are building a business more capable of growth year in, year out.

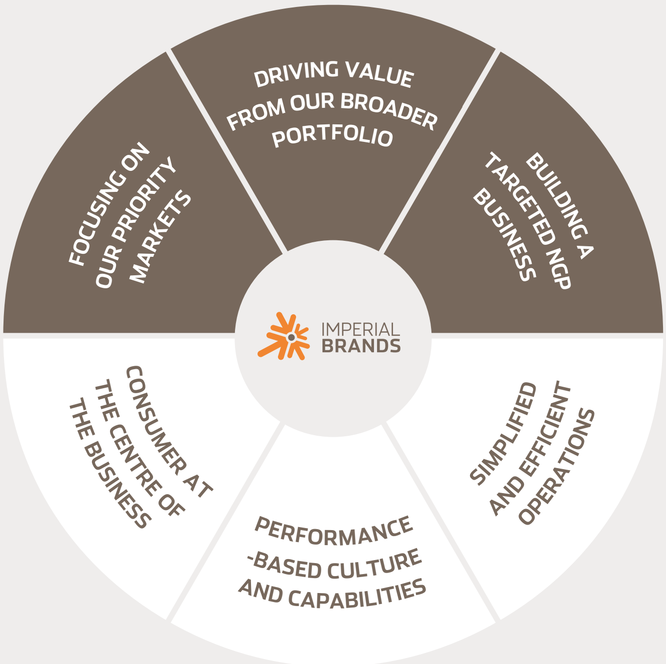
DELIVERING ON OUR STRATEGY

The five-year strategy we launched in January 2021 was the roadmap for our transformation. Since then we have been building the foundations for future success – and we are now on track to move to the next phase of delivery.

WE HAVE A CLEAR STRATEGY TO BECOME A STRONG CHALLENGER...

STRATEGIC PILLARS

Pages 14-19



CRITICAL ENABLERS

Pages 20-25

WHICH WE ARE ROLLING OUT WITH DISCIPLINE...

PHASE 1: BUILDING FOUNDATIONS

Jan 2021

- Five-year strategy launched
- Efficiency programme begins
- New Global Consumer Office established
- Top five aggregate market share stabilised
- New management team in place

Sept 2021

- NGP trials begin
- Purpose, vision and behaviours launched
- Exit of Russia completed
- Refresh of ESG strategy

OUR FINANCIAL PERFORMANCE

Tobacco & NGP net revenue	Adjusted EPS
£7.8 bn	265.2p
+1.5%*	+4.9%*

Reported EPS	Dividend per share
165.9p	141.17p
-44.7%	+1.5%*

* Movement on a constant currency basis.

Performance measures used throughout the report

Reported (GAAP)
Complies with International Financial Reporting Standards and the relevant legislation.

Adjusted (Non-GAAP)
Non-GAAP measures provide a useful comparison of performance from one period to the next. The basis of our adjusted measures is explained in the accounting policies accompanying our financial statements and the APM section within Supplementary Information.

Constant currency basis
Removes the effect of exchange rate movements on the translation of the results of our overseas operations. We translate current year results at prior year foreign exchange rates. See page 75 for more details.

Market share
Market share data is presented as a 12-month moving average weighted across the markets in which we operate.

Stick equivalent
Stick equivalent volumes reflect our combined cigarette, fine cut tobacco, cigar and snus volumes.

Our purpose remains:
Forging a path to a healthier future for moments of relaxation and pleasure.

For more information please see www.imperialbrandsplc.com

STRENGTHENING OUR INVESTMENT CASE...

NGP trials validate further roll-outs

Top five aggregate market share growth

Further NGP market launches

Sept 2022

Operational efficiencies drive improvements

Behaviours embedded in performance-based culture

PHASE 2: IMPROVING RETURNS

- Revitalised tobacco business driving strong cash returns
- NGP business providing options for potential harm reduction and growth
- Strong, sustainable cash flow generated from a high-quality portfolio

2023 – 2025

- New capabilities and more efficient structures delivering operational improvement and strengthening performance
- Progressive dividend supplemented by surplus capital returns via a share buyback

AND DELIVERING FOR ALL STAKEHOLDERS

Our consumers
Millions of adults worldwide choose to enjoy our tobacco and NGP. Meeting their expectations of quality and understanding their evolving requirements are vital for the long-term sustainable growth of our business.

Our colleagues
Our colleagues are our most important asset. It is essential we create a supportive, safe and rewarding work environment to enable them to deliver our goals and develop their careers.

Our customers
We work closely with distributors, wholesalers and retailers to ensure our products are available to adult consumers in a diverse range of outlets worldwide. They play a crucial role in our business model.

Governments & regulators
Approaches to legislation vary significantly across geographies. We support reasonable regulation of tobacco and nicotine products and look to have constructive engagement with policy makers and regulators.

Our investors
Our investors provide capital to the business and monitor management's allocation of that capital within the business.

Our suppliers
We maintain strong relationships with our tobacco, non-tobacco materials (NTM) and NGP suppliers to help ensure sustainable supply and business continuity, underpinned by fair contract and payment terms.

OUR BRANDS

Our portfolio of brands connects with adult consumers in all the key tobacco and next generation product segments. We invest in innovation to meet evolving consumer preferences.

c.120
markets

Cigarettes

JPS John Player Special, Davidoff, West, Gauloises, Winston, Nobel, L&B

Other tobacco products & accessories

Backwoods, Rizla, skruf

Vapour

blu

Heated tobacco

Pulze Heated Tobacco

Modern oral

Zone X

FOUNDATIONS FOR LONG-TERM SUCCESS

DEAR SHAREHOLDERS

This has been a year of significant progress for Imperial against a backdrop of unexpected and challenging conditions.

We have strengthened our core combustible business and reshaped our next generation product (NGP) operations.

We have reduced debt to our target range and begun a £1 billion share buyback.

At the same time, we have further upskilled and diversified our Board and executive team, progressed our broader cultural change agenda, introduced new consumer capabilities, and continued to build a simpler and more efficient organisation.

All this has been achieved against the headwinds of the war in Ukraine and the exit from our Russian business, global supply chain disruptions, high inflation and a squeeze on household incomes.

The team remained focused on the methodical roll-out of our strategy and we are emerging as a strong challenger business – our natural role as the smallest of the four global tobacco companies.

On behalf of the Board, I would like to say a big "thank you" to the entire Imperial workforce for their commitment and the way they continue to embrace change with enthusiasm.

A purpose-led approach to ESG

During 2021 alongside our new strategy we began articulating a new purpose: "forging a path to a healthier future for moments of relaxation and pleasure" as well as a clear vision "to build a strong challenger business powered by responsibility, focus and choice". In the past year we have evolved these high-level aspirations into granular objectives for our most material environmental, social and governance (ESG) priorities, and the Board has been engaged in the development of this fresh approach. For more on our People and Planet agenda see pages 36 to 58.

Our most important area of focus will continue to be consumer health. Smoking is a cause of serious diseases and, despite these health risks, many people choose to continue to smoke. That is why it is important we are successful in offering attractive, potentially less harmful alternatives to adult smokers. Our NGP operations over the past two years have become more consumer-centric and innovative, and in this year the Board was pleased to authorise an ambitious but disciplined expansion of our footprint.

Another area where we can support a healthier future is by delivering on our goal to become a Net Zero company by 2040. This year, for the first time, we are publishing a full report detailing our strategy for climate change in line with the requirements of the Task Force on Climate-related Financial Disclosures (see pages 59 to 65).

Building a more diverse and inclusive business – at all levels – is another important priority. During the year, we brought in new talent from outside the organisation to develop this agenda. I have also been encouraged by the way this team, working closely with our four Employee Resource Groups focusing on gender, disability, sexual orientation and ethnicity, are identifying the key structural issues and developing focused plans.

Underlining our commitment to delivering on our ESG priorities, for FY23 we have introduced metrics on consumer health and climate change for Executive Directors' bonuses (see Directors' Remuneration Report, from page 130). And we will reflect on how ESG can be incorporated into our triennial review of remuneration policy in the coming year.

Upskilling and diversifying the Board

Over the past two financial years, the Board has been substantially strengthened, with two new Executive Directors and four new Non-Executive Directors. These changes have brought a depth of knowledge and capabilities from consumer-facing businesses as well as expertise in strategy, managing international businesses, change management, finance and regulatory affairs. Steven Stanbrook retired from the Board following our Annual General Meeting in February 2022. I would like to thank Steven for his valuable service to the Board over the past six years.

No new appointments to the Board were announced during the past year. Our focus therefore has been on deepening our knowledge of the business and enhancing our engagement with stakeholders, particularly consumers and employees, to enable us to provide more insightful challenge and improve decision making.

Broadening stakeholder engagement

I have continued to have regular dialogue with our major investors and we recently undertook an investor perception study. Encouragingly, the survey suggests investors are supportive of the new strategy and management, and of the changes we are making to strengthen the business.

During the year, we held Board meetings in London, Bristol, Madrid and Greensboro, North Carolina, giving us many opportunities to meet and have active dialogues with employees, customers, consumers and suppliers. In August, accompanied by Stefan, I visited Malawi to develop a greater understanding of our evolving approach to improving farmer livelihoods and agricultural sustainability.

A clear example of how the Board carefully considers the needs of different stakeholders in its decision making is our successful exit from Russia. Our approach had to balance the need to ensure the personal security of our Russian team, with the clear expectations of shareholders, our global workforce and wider civil society. While we have now completed the transfer of our Russian business, we continue to support our 600 Ukraine staff, including through a hardship fund which has been used to finance the reconstruction of war-damaged homes.

Prioritising capital allocation

The Board believes capital allocation is a key value lever alongside the delivery of the Group's strategy. Our strategic review in 2021 defined our capital allocation priorities and the Board regularly evaluates progress against these priorities, starting with the investment needs of the business, followed by the appropriate capital structure and the best way to maximise returns to shareholders through a progressive dividend policy and by returning surplus capital.

The business now has the strategy to deliver sustainable growth in cash flows, and the balance sheet flexibility to deliver meaningful and ongoing returns to shareholders. Having reached our target leverage at the end of September 2022, the Board approved the launch of an ongoing buyback programme with a commitment to initially repurchase shares to the value of £1 billion during our 2023 financial year. We are also recommending a 1.5% increase for the final dividend this year, bringing total dividends for the year to £1.3 billion.

Towards a healthier future

While Imperial is not immune to cost inflation and the squeeze on consumer incomes, the strong foundations we have built over the past two years mean we are now more resilient in the face of short-term pressures and better able to deliver sustainable returns for shareholders. Looking to the longer term, we see a shift towards potentially healthier ways of enjoying moments of relaxation and pleasure – and Imperial is increasingly well placed to support consumers on this journey.

Thérèse Esperdy

Thérèse Esperdy
Chair

DELIVERING ON OUR STRATEGY

We are now two years into our strategy and I am pleased with our progress so far.

The foundations have been built and we are moving to the next phase of the plan: improved, more consistent performance and enhanced returns for investors.

Since the launch of our strategy in January 2021, every action we have taken has been in support of a single overarching goal – the creation of a strong and sustainable challenger business.

As the smallest of the four major global players in our industry, we know that we can only out-compete our rivals by getting closer to consumers, spotting value that others overlook and then implementing at pace and at scale.

The foundational elements in our strategy, which we call the critical enablers, are the capabilities, structures and culture needed to help us to act more successfully and consistently as a challenger.

These firm foundations are already helping us deliver tangible operational and financial outcomes.

Over the past two years we have revitalised our five largest combustible markets, which account for around 70% of our operating profit. We've grown our aggregate share across these five markets by 35 basis points in the last 12 months, while maintaining pricing discipline. As we've previously said, we're unlikely to see growth in all five markets in any given year, but what is important is the aggregate gain (see pages 14-15 for more information).

We have refreshed our next generation products (NGP) business with new propositions across all three categories. One year after launch, our heated tobacco proposition – Pulze and iD – is now available in five European markets including Italy, which is Europe's largest heated tobacco market. Following a successful pilot in France, we have launched our all-new blu 2.0 pod-based vape device in the UK, and added a disposable offering to the blu family of products. In modern oral, we have successfully launched Zone X in Norway. At the same time, we have reduced overall NGP losses and delivered an acceleration in net revenue growth of around 11% (see pages 18-19).

We have also refocused our broader market portfolio, investing management time and expertise in our most promising opportunities. During the year we exited Japan and delivered on our commitment to exit the Russian market, while continuing to support our 600 colleagues in Ukraine (see page 17).

IMPROVED PERFORMANCE

The success with which we are delivering our strategy is translating into improved operational and financial performance, with growth in net revenue of 1.5% and in adjusted operating profit of 1.8% at constant currency in this financial year. Reported revenue was down 0.7% driven by adverse foreign exchange translation and operating profit declined 14.7% driven primarily by charges related to our exit from Russia and associated markets and non-recurrence of gains on disposal of the Premium Cigar Division. Strong cash performance delivered almost £2.6 billion of free cash flow, which has further strengthened the balance sheet, and enabled us to step up returns to shareholders.

These achievements have been delivered against a backdrop of inflationary pressures and a squeeze on consumer purchasing power. As expected, our tobacco price mix strengthened in the second half to 10.7%, bringing overall price mix up to 6.0% for the year.

We are a more resilient business than we were two years ago, and this gives us confidence that we can continue to successfully navigate these short-term headwinds and deliver on our strategy. It has also reinforced our view that the business can commit to an ongoing, multi-year shareholder returns strategy through a progressive dividend and share buyback.

FOUNDATIONS FOR A STRONG CHALLENGER

Successful challenger businesses put consumers at the heart of everything they do. Over the past two years we have taken a structured series of steps to improve our consumer insights and our ability to act effectively on them. The investments we have made in building our consumer-centric capabilities are beginning to bear fruit. The way we are now able to innovate more rapidly can be seen in the successful launch this year of our blu 2.0 vape device. We have also introduced a more structured approach to brand building, which is evidenced in our refresh of Winston in the US. This initiative, which combined careful consumer research, imaginative pack design, distribution initiatives, and innovative digital partnerships, is already leading to encouraging market share progress (see pages 20-21)

We have implemented further changes to make our structures simpler and more efficient, better enabling us to become a strong challenger. In 2021, we reorganised the Executive Leadership Team and made changes to our regional and cluster structure; for example, by creating a new AAA region to focus on market opportunities beyond Europe and the US. Over the past year, we have also been building new functional centres of excellence, which will enable the corporate functions to better support the growth agenda of our consumer- and market-facing teams and this work will continue into 2023. These new ways of working will be further enhanced by a multi-year digital transformation programme to upgrade our Enterprise Resource Planning processes, which is now underway. At the same time, I can also confirm that actions already taken will deliver £120 million of annual savings in FY23 (see pages 24-25).

We continue to embed a high-performance culture, integrating our purpose, vision and new behaviours, which we call Connections. All of us at Imperial – the Executive Leadership Team, managers and front-line colleagues – have invested considerable time over the past year understanding how to use our behaviours in our every-day working lives. For 1,100 of our senior leaders, this has meant spending 20 hours on immersive training sessions focusing on developing both individual behaviours and team dynamics. In addition, each function and region has gone through a detailed process, known as Leading Sustainable Change, to align its goals with our purpose, vision and Group strategy. During 2023, we will fully integrate our behaviours into how we manage the performance of our people and continue to develop the skills of our leaders. For us, cultural change is much more than putting slogans on office walls. This is a highly structured multi-year programme which plays an essential role in our strategy to build a company capable of long-term growth. (see pages 22-23).

We have further strengthened our leadership team, to create a distinctive blend of deep tobacco knowledge and diverse experience from the consumer-packaged goods sector and beyond. During the year, Sean Roberts joined us as Chief Legal and Corporate Affairs Officer. This is a new position in our Executive Leadership Team, which underlines our commitment to acting with responsibility. Sean has 30 years' experience in legal and regulatory roles, most recently as General Counsel of GSK Consumer Healthcare.

I would also like to thank Joerg Biebernick, who decided to step down as President of our Europe region in October 2022. I am grateful to Joerg for his support to me on the Executive Leadership Team and his contribution to Imperial over the past five years. We wish him all the best for the future. Joerg has been succeeded by Aleš Struminský who, during his 20-year career with Imperial, has held a range of senior positions including most recently General Manager for the UK&I cluster.

PURPOSE, PEOPLE AND PLANET

Alongside our new strategy, in 2021 we communicated an updated purpose, "forging a path to a healthier future for moments of relaxation and pleasure" and vision, "to build a strong challenger business powered by responsibility, focus and choice". Over the past year, informed by our strategy, purpose and vision, we have refreshed our environmental, social and governance (ESG) priorities, which internally we call our People and Planet agenda. We have upgraded our governance, creating a new ESG executive committee, which I chair and we ensure there are regular opportunities for the Board to scrutinise our progress. A comprehensive ESG materiality assessment has helped us zero in on

UNDERSTANDING CONSUMER DYNAMICS

COVID-19 unwind
Lifting of restrictions is causing changes to consumer buying patterns.

Impact: Ongoing

Inflationary pressures
Inflation likely to affect purchasing power of some consumers.

Impact: Not material in 2022

Potentially reduced harm
Consumers continue to seek reduced harm alternatives.

Impact: Long-term

For more information, please see page 10.

the priorities across our value chain that matter most to our stakeholders (see pages 36-58).

We recognise that there are health risks associated with smoking and, of course, our most material ESG priority remains consumer health.

This Company's duty is therefore two-fold: to responsibly serve the needs of those adults who have made an informed choice to smoke; and to develop and scale up potentially less harmful choices which are attractive to existing consumers of nicotine products. Focusing on markets where we have established routes to market, we believe we can play a distinctive role in NGP by creating exciting choices for consumers, driving innovation across the industry, and accelerating potential harm reduction.

We continue to make progress towards our ambitious Net Zero targets, reducing our Scope 1 and Scope 2 carbon emissions by 19% since our baseline year of 2017. Following a detailed scenario analysis we are this year publishing our first report articulating our approach to climate strategy and risk, in line with the requirements of the Task Force on Climate-related Financial Disclosures (see pages 59-63).

ALLOCATING CAPITAL WITH DISCIPLINE

Focus and discipline are key elements that underpin our five-year strategy. They are also important principles behind our capital allocation priorities. I am pleased to report we are delivering against our four priorities exactly in line with what we set out in our strategic review in January 2021.

Our strategy is supported by four clear capital priorities:

- Invest behind the new strategy to deliver the growth initiatives.
- Deleverage to support a strong and efficient balance sheet with a target leverage towards the lower end of our net debt to EBITDA range of 2-2.5 times.
- A progressive dividend policy with dividend growing annually, taking into account underlying business performance.
- Surplus capital returns to shareholders once our target leverage has been achieved.

Having now strengthened our balance sheet and reached our target leverage, I am delighted that, since October 2022, we have begun returning surplus capital to shareholders via an ongoing share buyback. We have committed to an initial buyback of £1 billion for the first year, which will be concluded by September 2023. Taking our dividends and buyback together, we expect our capital returns to shareholders will exceed £2.3 billion in the coming fiscal year.

Our improving performance and our confidence in our ability to continue to generate strong cash flows in the coming years supports growing shareholder returns through a progressive dividend and an ongoing buyback programme to meaningfully reduce the capital base over time.

STRENGTHENING DELIVERY

As COVID-19 restrictions have eased, I have spent time face to face with our consumers, people, customers and partners in every continent where we operate. Tobacco farmers in Malawi, factory workers in Poland, convenience store clerks in North Carolina and a panel of consumers convened in a Sydney pub are among the many stakeholders I have had the pleasure of meeting.

These conversations have reinforced my initial analysis that Imperial benefits from hard-to-replicate competitive advantages, including effective supply chain management, deep scientific skills, powerful retail relationships, great brands and strong market positions in some of the world's largest and most attractive markets.

Through these visits I am seeing more and more examples of how our transformation to become a challenger business is driving operational success. Stronger consumer insights, more effective structures and a single global performance culture are enabling us to deliver more consistent, sustainable operational and financial outcomes.

OUTLOOK

We remain on track to deliver against our five-year plan. The additional investment and the actions we have taken during the initial two-year strengthening phase have built strong foundations for the next three-year phase of our plan to deliver improving returns.

As we move into that phase, we continue to expect low single-digit constant currency net revenue growth with constant currency adjusted operating profit growth accelerating to deliver mid-single digit CAGR over the next three years.

We are confident our investments and initiatives will continue to gain traction and we therefore expect the growth rate of our adjusted operating profit to improve within this mid-single digit range over the three years. In FY23, the acceleration will be driven by pricing and operational gearing, improved geographic mix from our priority market focus and cost savings, partially offset by cost inflation and increased NGP investment.

Performance will be weighted to the second half of the year, due to the phasing of NGP investment, the impact of our exit from Russia in April 2022 and the continued unwind of COVID-19 that will all affect the first half. As a result, the first half adjusted operating profit is expected to be at a similar level to last year, at constant currency.

At current rates, foreign exchange translation is expected to be a 5-6% tailwind to net revenue, adjusted operating profit and earnings per share.

We remain confident in our plans in the face of current macro-economic challenges with potential pressure on consumer spending and high inflation. And as we align our business more closely with the secular consumer trend towards healthier moments of relaxation and pleasure, we believe we are well placed to generate long-term value for shareholders and all our stakeholders.

Stefan Bomhard
Chief Executive Officer

A STRENGTHENED TEAM

For more information please visit www.imperialbrandsplc.com

1. **Stefan Bomhard**
Chief Executive Officer

2. **Lukas Paravicini**
Chief Financial Officer

3. **Alison Clarke**
Chief People and Culture Officer

4. **Anindya (Andy) Dasgupta**
Chief Consumer Officer

5. **Javier Huerta**
Chief Supply Chain Officer

6. **Murray McGowan**
Chief Strategy and Development Officer

7. **Paola Pocci**
President, Africa, Asia and Australasia Region

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

9. **Sean Roberts**
Chief Legal and Corporate Affairs Officer

10. **Aleš Struminský**
President, Europe Region

RESPONDING TO MARKET DRIVERS

As the global tobacco industry transforms to satisfy changing consumer needs, Imperial is responding by adopting a challenger mindset.

OUR MARKET

The global tobacco market is valued at US $850 billion, with cigarettes representing the largest category with over 5,200 billion cigarettes consumed each year. The market is heavily regulated and highly consolidated. It is also an industry in transformation as consumers transition to potentially reduced harm products.

Despite the well-known health risks of smoking, more than 19% of the world's adult population still choose to smoke and many of our consumers tell us they value our products for the moments of relaxation and pleasure they provide. Our role, therefore, is to responsibly serve the needs of those adults who have made an informed choice to smoke by offering them a portfolio of high-quality tobacco products across a range of price points.

We also have a role to meet the needs of those adult smokers who are increasingly looking for potentially less harmful alternatives to cigarettes. Our strategy is to understand the needs of these adult consumers and to provide potentially less harmful next generation products (NGP).

This year we started to see a return to pre-COVID consumer buying patterns as international travel recovered and, looking ahead, we anticipate inflationary pressures are likely to affect purchasing power of some consumers.

Regulation and excise

Tobacco and nicotine regulation continues to evolve and remains a significant influence on how we manufacture, advertise and sell our products, and how our consumers buy and enjoy them. Regulation varies widely across regions and markets. At a regional level, the EU is re-examining its Tobacco Products Directive. Nationally, countries such as New Zealand have unveiled comprehensive programmes of new regulation, while the US and Greece have further developed product-by-product approval pathways for the marketing of tobacco and nicotine products. Combustible tobacco is heavily taxed, contributing globally more than US $200 billion to governments each year.

Imperial Brands supports reasonable and rational regulation of tobacco and nicotine products, in some cases going beyond requirements established in law. Most notably, our products are for adult nicotine consumers only. More information on our measures to prevent underage access can be found on pages 38-40.

Harm reduction

Across regions and markets regulators have adopted different approaches to promote tobacco harm reduction policies. Some governments accept that not all nicotine products are equally harmful, and that public health benefits can be realised at a population level if existing smokers transition to potentially less harmful products, so long as there is minimal transition in the other direction, and such products do not attract new users who would not otherwise have chosen to consume nicotine.

While jurisdictions that have implemented tobacco harm reduction policies have seen positive public health results, the approach has not yet captured the support of all regulators. However, where policies have been adopted to limit the transition to potentially less harmful alternatives, such as aggressive excise duty or complete bans, there is a greater risk that this will fuel the growth in illicit trade.

Illicit trade

Unfortunately, the prevalence of the illicit trade in tobacco products means that we face competition from a less scrupulous criminal supply chain. Illicit tobacco deprives the responsible industry of revenue, deprives governments of vital excise, and deprives consumers of the security of enjoying rigorously tested, high-quality products. The illicit trade is a complex phenomenon, driven by economic, practical, and political factors. Fighting illicit trade requires a co-ordinated approach from government and industry. Imperial continues to work with enforcement agencies to reduce this scourge.

OUR ASSETS

Our colleagues
Our colleagues are our most important asset. We have 26,000 committed and passionate employees who want to make a difference.

Our brands
Our portfolio of 160 brands provides enjoyment and pleasure for millions of adult consumers every day.

Our relationships
We have solid, trusted partnerships with stakeholders, including customers and suppliers across c.120 markets.

Our operations
We have a network of 30 manufacturing sites that source and process tobacco raw materials to provide high-quality products at lowest cost.

Our industry knowledge
Our deep knowledge of the tobacco and nicotine industry, including our consumer insights, helps us to operate responsibly in all our markets.

Our financial strength
We are able to raise prices to more than offset volume declines to deliver high margins and strong cash flows to invest and drive returns.

HOW WE OPERATE

ADULT CONSUMER INSIGHTS

We start with the consumer – and everything we do is based around a deep understanding of adult smokers and nicotine consumers. Our insight is led by our Global Consumer Office and we unlock value by ensuring we offer our customers the right product choices to meet consumer needs. These insights provide competitive advantage, and inform our product offerings in both combustible tobacco and NGP and how we communicate with adult consumers.

SCIENCE & REGULATION

We use our know-how and smaller size to be agile in how we respond to regulatory changes. This is supported by our science and corporate affairs teams, who understand the regulatory environment in all our markets and ensure we operate responsibly and provide high-quality products compliant with local standards.

MARKETING & INNOVATION

Our marketing and innovation teams add value by using consumer insights to develop a portfolio of combustible tobacco and potentially reduced harm NGP to engage and excite adult consumers. We use sales and marketing communications and innovation to differentiate our brands and meet evolving consumer needs.

SUSTAINABLE SOURCING

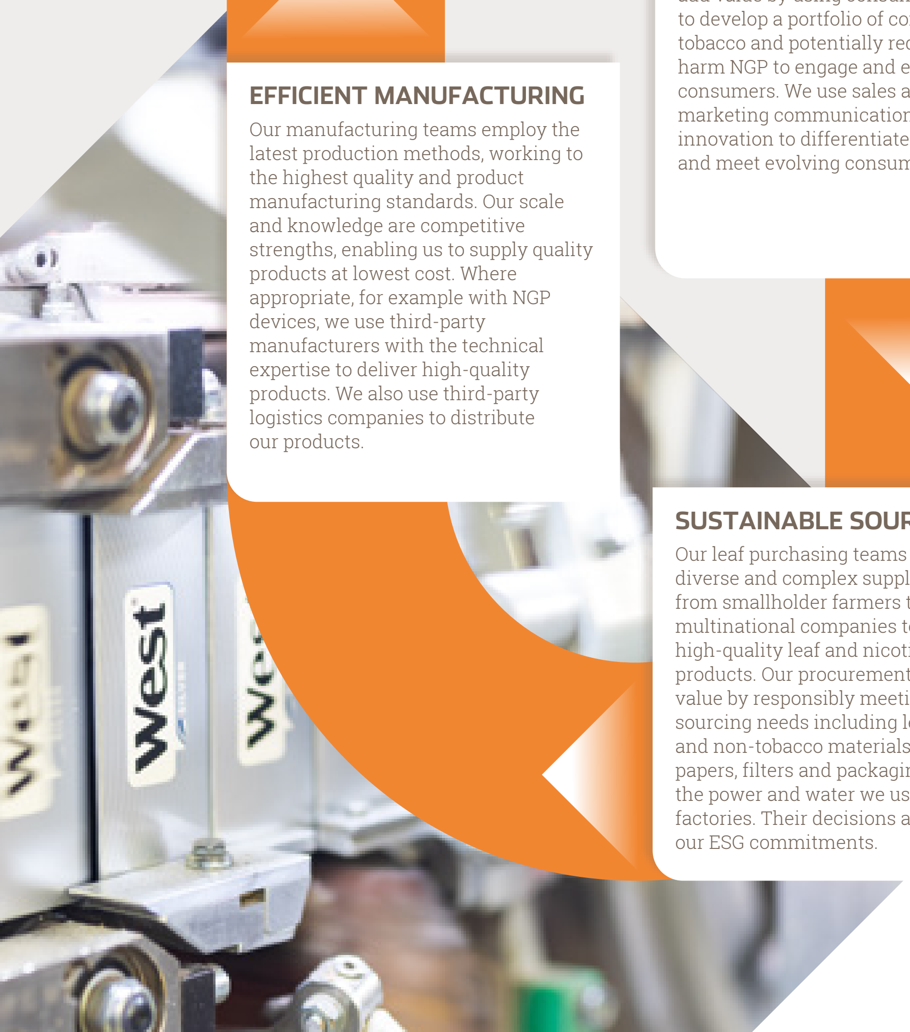
Our leaf purchasing teams work with a diverse and complex supply chain from smallholder farmers to multinational companies to procure high-quality leaf and nicotine for our products. Our procurement teams add value by responsibly meeting all our sourcing needs including leaf, nicotine and non-tobacco materials such as papers, filters and packaging, as well as the power and water we use to run our factories. Their decisions are guided by our ESG commitments.

EFFICIENT MANUFACTURING

Our manufacturing teams employ the latest production methods, working to the highest quality and product manufacturing standards. Our scale and knowledge are competitive strengths, enabling us to supply quality products at lowest cost. Where appropriate, for example with NGP devices, we use third-party manufacturers with the technical expertise to deliver high-quality products. We also use third-party logistics companies to distribute our products.

STRONG RETAIL PARTNERSHIPS

We sell our products to our customers. Our sales and marketing teams have built strong partnerships with them through sales force coverage, retailer incentivisation and point of sale advertising, where appropriate. We understand their needs and help them to navigate the changing regulatory environment. Our goal is to deliver mutually attractive commercial arrangements that support growth and value creation for our retailer, wholesaler and distributor customers.



STAKEHOLDER VALUE

Our consumers
Millions of adults worldwide choose to enjoy our tobacco and next generation products. Meeting their expectations of quality and understanding their evolving requirements are vital for the long-term sustainable growth of our business.

Our colleagues
It is essential we create a supportive, safe and rewarding work environment to enable them to deliver our goals and develop their careers.

Our customers
We work closely with distributors, wholesalers and retailers to ensure our products are available to adult consumers in a diverse range of outlets worldwide. They play a crucial role in our business model.

Governments and regulators
Approaches to legislation vary significantly across geographies. We support reasonable regulation of tobacco and nicotine products and look to have constructive engagement with policy makers and regulators.

Our investors
Our investors provide capital to the business and monitor management's allocation of that capital within the business.

Our suppliers
We maintain strong relationships with our tobacco, non-tobacco materials (NTM) and NGP suppliers to help ensure sustainable supply and business continuity, underpinned by fair contract and payment terms.

OUR TRANSFORMATION IN ACTION

Our choices are guided by our strategy, purpose and vision as well as our refreshed approach to environmental, social and governance (ESG) priorities.

OUR PURPOSE

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

OUR VISION

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

STRATEGIC PILLARS

Pages 14-19

CRITICAL ENABLERS

Pages 20-25

OUR BEHAVIOURS

Page 23

- Start with the Consumer
- Collaborate with Purpose
- Take Accountability with Confidence
- Be Authentic, Inclusive to all
- Build our Future

HOW WE MEASURE OUR PERFORMANCE

Pages 28-29

To measure our performance we have ten financial and four non-financial key performance indicators – see pages 28 and 29. We measure the performance of several other indicators. Financial performance is reported on pages 73 to 81, and non-financial performance is reported on pages 36 to 65.

OUR APPROACH TO ESG

Pages 36-58

HEALTHIER FUTURES

- Consumer health
- Climate change
- Packaging and waste

POSITIVE CONTRIBUTION TO SOCIETY

- Farmer livelihoods & welfare
- Sustainable & responsible sourcing

SAFE & INCLUSIVE WORKPLACE

- Employee health, safety & wellbeing
- Diversity, equity & inclusion
- Human rights

STRATEGIC PILLARS

FOCUSING ON PRIORITY COMBUSTIBLE MARKETS

We're growing market share across our top five markets.

The first pillar of our strategy is a renewed focus on priority combustible markets. Five markets – the US, Germany, UK, Spain and Australia – make up around 70% of our operating profit. In each of these markets, Imperial enjoys a top-three market share position, with established brands and strong customer relationships.

Our two most significant markets are the US and Germany, which together account for around 50% of our net revenue. In both markets, cigarettes remain relatively affordable, providing headroom for future revenue growth through pricing. In Spain, tobacco is also relatively affordable and we have a leading position with a spread of 'local jewel' and global brands. In the UK, Imperial's historic home, we have a strong position in fine cut tobacco in northern England and Scotland. Even in Australia, a market heavily restricted by regulation, we have opportunities to optimise value creation and capitalise on our status as the second largest player.

In the past, however, there was an insufficient focus on these top five markets, and in aggregate Imperial had been the leading donor of market share. At the heart of our new strategy was a recognition that for Imperial to become a business capable of sustainable growth, the long-term share declines in these markets needed to be reversed.

Our strategy defined six operational levers to improve combustible performance and, two years on, we have made significant progress on each front:

1. Increase participation in premium: In the US, a new pack design for Winston and a more targeted marketing approach have driven increased share after a long-term period of decline. And in Germany, our investment behind our Gauloises brand has led to brand growth for the first time in years.
2. Rejuvenate local jewels: In Spain, we have successfully relaunched Nobel, with the brand gaining 15bps over the past two years. In the UK, we have revived the Embassy brand in southern England where we have historically been under-represented.
3. Optimise the value segment: In the US, we capitalised on the exit of KT&G from the market, capturing additional share of around 25bps by expanding our value offering. In Australia, we launched Lambert & Butler as an entirely new value offering to the market, and the brand has grown to around 2% market share in just 11 months.
4. Maximise the potential of fine cut tobacco: We have been strengthening our offerings to consumers in markets where the category is relevant, such as Riverstone in the UK and Paramount in Germany.
5. Drive performance in under-penetrated channels: Investment in our sales teams is an important lever – particularly in markets where we had failed to keep pace with where consumers typically make their purchases. As a result, we have reshaped our sales forces in the US and Germany so that they are more closely aligned to our best growth opportunities by channel and geography.
6. Maximise value creation through key accounts: We have introduced a key account team in the US, where previously this was a gap in our capabilities, and we are refining our approach in other markets, including Germany.

Our success in these six areas has led to growth in aggregate market share for these five priority markets of 35bps over the past year – while at the same time we have maintained strong pricing discipline. During 2022 we saw our US operations increase share by 90bps, Australia by 20bps, UK by 85bps and Spain by 5bps, with declines of 85bps in Germany.

Of course, market share is only one measure of success and we will always take a balanced approach to optimise our operational and financial delivery. What matters strategically is the long-term aggregate strength of our brand franchises in these priority markets.

PRIORITY MARKET SHARES

12 month share

USA	+90bps
Germany	-85bps
UK	+85bps
Spain	+5bps
Australia	+20bps

In each of these markets Imperial enjoys a top-three market position, with established brands and strong customer relationships

Growth in aggregate market share

+35 bps

DRIVING VALUE

FROM OUR BROADER MARKET PORTFOLIO

We've identified a clear role for each of our diverse markets.

STRATEGIC PILLARS

While our main combustible focus is on our five priority markets, we have a clear view on how we can drive value from the breadth of our full market portfolio. Our smaller markets typically have attractive margins and are potential platforms for future growth. And they are markets which are used to operating successfully with more limited resources and leveraging our global capabilities in manufacturing, distribution and brand building.

Our strategy launched in January 2021 proposed a more rigorous approach to getting the most from this diverse set of markets. First, we strengthened our regional and cluster structures, creating a new AAA division under Paola Pocci to give our smaller markets the focus they need. Paola has brought experience and a skill set from working in developing markets for much of her career.

Second, we have evaluated each of our markets and prioritised how we allocate investment behind the best opportunities for responsible growth.

Third, we have identified a clear role for all our markets. As a result, we deploy a variety of operating models across these markets – from wholly owned sales and marketing operations in our larger markets, to distributor partnerships that leverage their local scale and expertise in many of our smaller markets.

We manage many of them in regional clusters, which can represent sizeable profit pools with potential for future growth. For example, our Africa cluster represents almost 10% of our Group tobacco profit and we have strong market positions in several markets such as Morocco, Algeria and the Ivory Coast. We have adopted a clear brand portfolio strategy to leverage key international brands in targeted markets, such as Gauloises in the Francophone markets, while leveraging the strength of our local brands in key markets. This has delivered further market share gains in the region, for example in Morocco and the Ivory Coast, as well as continued growth in revenue and profit.

Similarly, a clear focus on our Central & Eastern Europe cluster has delivered an improved performance despite the challenges arising in Ukraine. We grew revenue and profit from our combustibles portfolio, as well as delivering successful NGP trials.

Managing these smaller markets is also about agility and being able to spot trends and capitalise on emerging growth opportunities. As the restrictions from the pandemic have gradually lifted in the majority of markets, international travel has resumed, and we have ensured our duty free and travel retail channel operations are ready to meet this shift in demand. Our duty free volumes grew by more than 100% this year and traditional holiday destination markets such as Spain also benefited.

Market prioritisation is also about acknowledging when it is right to exit markets. Having entered Japan in 2013, the business remained relatively small and unprofitable, in spite of ongoing investment and huge efforts by our local teams. After a careful review, we concluded that it was unsustainable for us to continue trading in Japan and we exited during the year.

The Russian conflict with Ukraine and the associated international sanctions created a highly challenging environment in Russia with severe disruption to supply chains. We decided to exit Russia this year, swiftly transferring the business as a going concern to local investors.

Russia and Ukraine

In the wake of Russia's invasion of Ukraine, we took decisive action to exit the Russian market and completed the transfer of our entire operation there as a going concern to local investors in May.

We suspended our operations in Ukraine at the outset of the invasion to prioritise the safety of our 600 employees. Following a careful review, many of our activities in Ukraine have been recommenced and we continue to support our people, including with resettlement assistance.

Managing these smaller markets is about agility and being able to spot trends and capitalise on emerging growth opportunities

STRATEGIC PILLARS

Through a consumer-focused approach we aim to make a meaningful contribution to harm reduction.

BUILDING A TARGETED NGP BUSINESS

Our statement of purpose recognises a real opportunity to make a positive difference to society by "forging a path to a healthier future for moments of relaxation and pleasure". We believe we have a role to help adult smokers to make informed choices about the products they consume – whether these are combustible tobacco or next generation products (NGP).

We recognise that smoking is a cause of serious diseases in smokers, and we are committed to making a meaningful contribution to harm reduction by offering adult smokers potentially reduced risk products. This ambition is captured in our strategic pillar to build a targeted NGP business.

As part of our strategy launched in January 2021 we overhauled our approach to NGP. The plan we are now rolling out plays to our strengths; it recognises our position as the smallest of the four global tobacco players, and is based on three clear principles:

- Consumer led: We start by understanding consumers and their needs. This informs our choice of markets, choice of NGP category for each market – vapour, heated tobacco or modern oral – and how we differentiate our propositions.
- Focused: Our role is not to provide a full offering in all markets. Instead we prioritise markets where there is an established category presence and where we have an existing route to market through our tobacco business.
- Collaborative: Our in-house team works in close partnership with third-party innovation houses to harness their expertise and combine this with our knowledge and our insights from adult consumers.

Taken together, this is an approach designed to maximise our contribution to harm reduction and build a sustainable, growing operation, while maintaining a tight focus on costs.

In 2021 we validated this new approach through a series of consumer trials for each of our NGP categories.

For heated tobacco, we ran successful trials for our device, Pulze, and iD sticks in Greece and the Czech Republic. These markets were chosen because heated tobacco already represented at least 10% of nicotine consumption, Imperial had good distribution reach, and the markets were of a size that supported a nationwide launch. We received a positive response from consumers and the trade, and in just 12 months we built a 2.8% heated tobacco share in Greece and a 4.2% share in the Czech Republic. These results confirmed that we had a differentiated product offer with consumer appeal and validated our market investment approach. Building on our learnings, in 2022 we launched in a further three markets – Italy, Portugal and Hungary – and we intend to expand our offering to further European markets in 2023.

In vapour, our enhanced partnership approach to innovation also delivered a first new product in blu 2.0, which we have successfully trialled in four cities in France. As a result, we will now be expanding blu 2.0 nationally in France and into the UK, as well as other markets in the coming year. Our sales in the US of blu declined due to uncertainties caused by the Marketing Denial Order from the FDA which we continue to seek to overturn.

In modern oral, we have launched Zone X into Norway and expanded our flavour offering across other key European markets.

The plan we are rolling out plays to our strengths and recognises our position as the smallest of the four global tobacco players

NGP net revenue growth

10.8%

on a constant currency basis

New NGP strategy launched

Enhanced our insights capabilities

Pulze and iD launched in Greece and the Czech Republic

blu 2.0 launched in France

Jan 2021 | Sep 2021 | Sep 2022

NGP teams brought together under new Global Consumer Office

NGP investment optimised with market exits completed

Zone X launched in several new markets

Further market and product launches planned throughout Europe

PUTTING THE CONSUMER AT THE CENTRE OF THE BUSINESS

CRITICAL ENABLERS

We're investing to support a rigorous approach to consumer insight.

A critical enabler for our strategy is to place the consumer at the centre of the business. This means investing in capabilities, data and insights to ensure the voice of the consumer shapes and influences our decision making and becomes part of the fabric of our culture.

Our first step was to appoint a Chief Consumer Officer, Andy Dasgupta, to bring the voice of the consumer consistently to the Executive Leadership Team and to the broader business. Since joining in April 2021 Andy has built a connected multi-disciplinary team to drive these changes through the organisation. We have successfully attracted talent from a range of blue-chip consumer goods firms who are bringing best practice and combining it with our existing deep knowledge and experience of the tobacco sector.

The Global Consumer Office led by Andy has focused on four priorities in the past year:

- To embed consumer centricity into the organisation;
- To rebuild consumer-preferred brands to stem the share losses across the priority combustible markets;
- To undertake market trials to validate our approach to NGP;
- To build our innovation capabilities by leveraging third-party partnerships.

Embedding consumer centricity

This starts with the consumer, and having strong consumer insights as the foundation to all decision making. This has involved multiple workstreams to enhance our existing consumer insight capabilities, changing how we purchase consumer research and, importantly, how we consistently handle data and use it across the organisation. Our objective is to put in place a framework that offers global and local insights and is accessible to all markets to carry out diagnostics directly linked to their consumers.

We have also significantly increased the number of face-to-face consumer focus groups, initially with our five priority markets and then expanding to other key markets and into NGP categories. We have held these for multiple internal stakeholder groups, including the Board, the Executive Leadership Team, and market and category teams. This has brought the voice of the consumer directly into discussions throughout the organisation.

We have invested in enhancing our revenue growth management capabilities to bring a more rigorous and consistent approach to our portfolio pricing decisions and sales channels' trade investment. In an external environment of rising costs, inflationary pressures and consequent changes to consumer behaviour, these additional capabilities have a key role to play in supporting market managers to respond quickly to market dynamics.

Rebuilding brands to stem share losses across our priority markets

The Global Consumer Office is working in conjunction with our five priority markets to refine their investment plans and initiatives by leveraging our improved consumer insights and capabilities. Each market has developed a detailed bottom-up portfolio strategy for their focus brands. This work has included

TRANSFORMATION IN ACTION

May 2021	Sept 2021	2021-22	2022
New Global Consumer Office established	Consumer leadership team completed	New approach drives market share increase for flagship US brands	Innovation accelerated with launch of new NGP

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

redefining brand equity positioning, and working closely with digital, category and market teams to find new ways to engage consumers.

This is already delivering an improvement in aggregate market share across these markets. We have delivered market share gains in the US with Winston and Kool in the cigarette segment, and through a continued strong performance from Backwoods in the cigar segment. Another key shift in the strategy is to celebrate the heritage of our local brand portfolio in markets such as the UK and Spain. This local brand focus plays to our strengths and recognises consumer affection for these assets.

Undertaking market trials to validate our approach to NGP

Our ongoing validation of product, brand positioning and consumer experience continues at pace. The proximity of the entire NGP team to our insights, innovation and marketing teams has enabled us to leverage the same consumer insights and data used by combustible tobacco teams, and in turn offers a holistic view of consumer behaviour and preferences – all of which continues to inform our approach to testing NGP in prioritised geographies. Consumer feedback from our NGP trials has given us actionable suggestions on how we can improve our propositions. In the Czech Republic, for example, heated tobacco consumers indicated a demand for a wider range of heat stick flavours. We launched two new flavours in response, and consumer reaction has been positive.

Building our innovation capabilities

We are reorienting our innovation capabilities to provide consistent and coherent consumer experiences across combustibles and NGP. We are doing this by exploring and integrating the latest ways of working and we have reorganised to work in more agile ways. We are also embracing external partnerships so that we are unencumbered by ownership of an entire value chain in a world where technologies and products are evolving quickly. We have created a partner ecosystem, and these partners are working with us on our innovation agenda across flavour, device, digital, sensory and packaging. This gives us the ability to test and learn from consumers as we innovate.

'Connections' will be an integral part of the way we set performance expectations and how we lead, recognise and reward people

TRANSFORMING OUR CULTURE

We're embedding a performance-based culture across the business.

CRITICAL ENABLERS

Our new strategy launched in January 2021 identified the development of a performance-based culture and capabilities as a key enabler to successfully delivering our strategy.

This reflects the importance of harnessing the skills, the performance, and the potential of every colleague in pursuit of our strategic goals.

In October 2021, following extensive consultation with colleagues across all markets and functions, we launched 'Connections', our new purpose, vision and behaviours, to all 26,000 of our employees through our first global conference.

Our five behaviours are: Start with the Consumer; Collaborate with Purpose; Take Accountability with Confidence; Be Authentic and Inclusive to all; and Build our Future.

We are now rolling out a highly structured, multi-year programme, where all of our colleagues are expected to invest considerable time immersed in thinking about our behaviours and improving their broader capabilities.

By the end of December 2022, every one of our employees around the world will have experienced development to gain an understanding of these behaviours, and what they mean for them in their role.

This has been supported by leadership events featuring case studies demonstrating how our businesses and functions are applying the five behaviours to create positive operational and financial outcomes. Events in 2022 featured inspiring stories from markets as diverse as the US, Romania, Ivory Coast, Saudi Arabia and global travel retail. These activities have been underpinned by an internal communications campaign which has included online resources and new Connections branding across offices and factories.

A recent pulse survey across our top 500 senior leadership population has shown that 93% understand our behaviours and what they mean for them in their role.

The next phase of our cultural transformation is to embed Connections into our performance management framework for our 2023 financial year. Connections will be an integral part of the way we set performance expectations and how we lead, recognise and reward people.

The bonus plan for all 1,200 of our senior leaders will measure and reward "how individuals deliver", through the demonstration of our behaviours, as well as "what they deliver". A further 5,000 of our people will be aligned to the new performance framework in the coming year.

Development planning will be a separate conversation to objective setting, with dedicated focused time given to this important activity.

This approach will require our managers to further develop how they set both performance and behavioural objectives and how they coach, develop and support their teams to optimise performance and unlock potential. During the next 12 months we will invest in focused leadership development to deepen these skills with the aim of ensuring regular and meaningful performance conversations.

In addition, functions and regions have gone through a detailed process, known as Leading Sustainable Change, to align their goals with our purpose, vision and strategy.

While the development of a global performance-based culture will take time to accomplish, we have a clear plan and commitment at all levels of the Company to deliver on it.

We will utilise regular employee experience surveys and targeted leadership pulse surveys in order to measure and report on our progress, with key performance indicators to be developed in 2023.

HOW OUR IMMERSIVE CONNECTIONS SESSIONS WERE RECEIVED BY OUR COLLEAGUES

"This is the best training I've ever had."

"The workshops have been enlightening... I have enjoyed the meaningful interaction with colleagues around the business."

"A lot of useful learning tools and tips... to transform behaviour and work collaboratively."

"I was extremely sceptical of the invite... on reflection, every second was well spent."

"Excellent tools... after 25 years in Imperial this was new for me."

TRANSFORMATION IN ACTION

Jan 2021	Spring/Summer 2021	Oct 2021	Nov 2021
Strategy launch sets out case for culture change	Consultation with colleagues to develop purpose and vision	New purpose, vision & behaviours unveiled at first-ever all-colleague conference	Immersive Connections sessions start

Feb 2022	Spring 2022	Sep 2022
First top 500 leadership event showcases new behaviours in action	Global office and factory rebranding	Connected Leadership coaching launched

SIMPLIFIED AND EFFICIENT OPERATIONS

We are designing global processes and digital strategies.

CRITICAL ENABLERS

Imperial emerged as the world's number four tobacco business through bold acquisitions over the past two decades. These transactions have given the Company significant positions in some of the world's most attractive markets and a stable of strong brands. Our new strategy identified a need to go further in integrating this portfolio of businesses to create simpler, more efficient operations, enabling us to better capture future opportunities. Two years on, our transformation is well underway with significant structural changes, the introduction of new capabilities, and investment in digital.

We have restructured our sales and marketing operations to remove complexity, support faster decision making, and enable resources to be focused on the biggest opportunities. We have restructured our regions to allow a greater focus on our largest market, the United States, and develop our AAA region as a centre of expertise for emerging markets. We have also rationalised the number of clusters and defined clear operating models for our large, medium-sized and small markets. These changes have been supported by a rigorous new system of monthly performance management.

We have also been introducing new capabilities, enabling us to catch up with best practice across the wider consumer packaged goods sector. A major focus has been the development and embedding of our new Global Consumer Office, which seeks to strengthen our marketing capabilities by joining up resources across markets, improving innovation capability and focusing our next generation product (NGP) agenda. Our drive towards greater consumer centricity is covered in more detail on pages 20-21.

Work is now underway to streamline our global processes and systems to ensure that our resources are better allocated towards the customer and consumer-facing areas of the business – with a particular focus on our five priority markets.

In Global Supply Chain, we are integrating our ways of working so that we are able to respond to changes in consumer demand with greater agility. We are working towards enhanced end-to-end oversight, visibility and budget ownership from forecasting demand to fulfilling customer orders. In our business partnering functions – including Finance, Procurement, IT and People & Culture – we are changing to provide more strategic support to our sales, marketing, and manufacturing teams.

These changes are all being supported by significant digital improvements. These include our five-year, £300 million investment in an all-new Enterprise Resource Planning (ERP) system, which will replace 60 local legacy systems. This is a once-in-a-generation opportunity to enhance the speed, integrity and availability of business information, improving our decision making and agility.

The actions we have taken to date will deliver annualised cost savings of around £120 million, and we are on track to realise annual savings of £150 million on completion of our programme at the end of our 2023 financial year. As outlined in our strategy, these savings are being re-invested in the new capabilities that will support sustainable growth.

Our continued programme of initiatives and investments to create a simplified and efficient organisation will bring agility and resilience, and support the development of a performance-based culture, covered in more detail on pages 22-23.

Two years on, our transformation is well underway with significant structural changes, the introduction of new capabilities, and investment in digital

Investment in new ERP system

£300m

TRANSFORMATION IN ACTION

2021		2022	
New performance management approach introduced	Market clusters reduced from 13 to 10	Changes to business support functions	Investment in new ERP system announced

WHY INVEST IN IMPERIAL?

We have enhanced our investor proposition by building a stronger and more consumer-focused business as well as through our clear capital allocation framework, which supports investment in our new strategy, maintains a strong and efficient balance sheet and delivers enhanced shareholder returns. Our investment case rests on five pillars.

3. SELF-HELP INITIATIVES DELIVERING OPERATIONAL IMPROVEMENT AND STRENGTHENING PERFORMANCE

Continued investment and operational improvements will enhance financial performance as we focus on making our enabling functions more efficient. We are placing the consumer at the centre of our business and our decision-making. We are adopting a challenger mindset and embedding behaviours to support a performance-based culture.

1. REVITALISED TOBACCO BUSINESS DRIVING STRONG CASH RETURNS

The tobacco value creation model remains resilient, with affordability and strong brand loyalty supporting sustainable pricing. By focusing on our top five combustible markets that generate c.70% of operating profit contribution, and with selective investment in brand equity and our sales force, we are starting to stem market share losses. This, together with strong performance from our broader portfolio and the exit from select markets, underpins the generation of improving cash returns from our combustible business.

2. NGP BUSINESS PROVIDING OPTIONS FOR POTENTIAL HARM REDUCTION AND GROWTH

Next generation products have growth potential as they are still a relatively nascent category in the majority of markets. We seek to build a sustainable NGP business through a relentless consumer focus, focusing on offering consumers a choice where they have already expressed an NGP preference and where we can leverage our existing customer relationships.

c.70%

of profit contribution comes from top five combustible markets

4. GENERATING STRONG SUSTAINABLE CASH FLOW FROM A HIGH-QUALITY PORTFOLIO

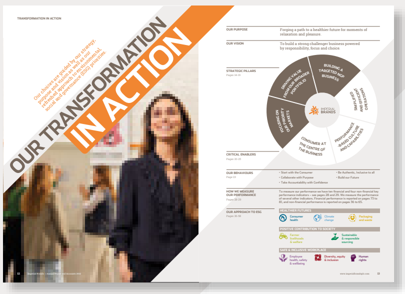
The business remains highly cash-generative with low capital intensity, a working capital focus and disciplined capital expenditure producing adjusted operating cash conversion of typically 90% to 100%. With the foundations for growth in place, expectations are to deliver a three-year mid-single-digit compound annual growth rate in adjusted operating profit.

5. ENHANCING CAPITAL RETURNS THROUGH PROGRESSIVE DIVIDEND AND SHARE BUYBACK

We have clear capital allocation priorities: (1) targeted investment to support our strategy, (2) a strong and efficient balance sheet with an investment grade credit rating, (3) a progressive dividend policy reflecting underlying performance, and (4) to return surplus capital to investors via a share buyback.

PHASE 2 OF OUR FIVE-YEAR PLAN

Our five-year plan is delivering a stronger financial outlook. Having completed the initial two-year strengthening phase of our strategy, we are now focused on delivering improved performance over the remaining three years of our plan.



Further information on our strategy can be found on pages 12 to 25.

	Improving returns FY23 to FY25
Net revenue	Gradually improving trajectory with compound annual growth rate of 1-2%
Adjusted operating profit	Delivering improving profit growth through operational leverage, better geographic mix from continued stabilisation of priority market shares, reducing losses from our investment in NGP and restructuring cost savings
	Compound annual growth rate in mid-single-digits
Adjusted cash flow	Adjusted operating cash flow conversion typically between 90% and 100%
Dividend	Progressive dividend policy reflecting underlying performance
Leverage	Committed to investment grade credit rating, with leverage at the lower end of the 2.0x to 2.5x net debt/EBITDA range
Enhanced capital returns	An ongoing share buyback programme to return surplus capital, with up to £1 billion committed in FY23

HOW WE ARE PERFORMING

We use key performance indicators to assess the progress we are making in delivering our purpose, vision and strategy.

FINANCIAL KPIs[1]

Aggregate priority market share vs prior year (%) R

22	35bps
21	-2bps
20	-17bps

Performance
Our "focus on our priority markets" has led to encouraging progress with an increase in aggregate priority market share vs prior year, following several years of decline. Gains in the US, UK, Spain and Australia offset a decline in Germany.

NGP net revenue (£m)

22	£208m
21	£188m
20	£201m

Performance
NGP revenue grew by 10.8% on a constant currency basis in the year. This growth in our NGP revenue reflects our strategic priority to "build a targeted NGP business". This metric will be used as a bonus performance criterion for Executive Directors from FY23.

Tobacco & NGP net revenue (£bn)

22	£7.8bn
21	£7.6bn
20	£8.0bn*

Performance
Tobacco & NGP net revenue grew by 2.7% at actual exchange rates and increased by 1.5% on a constant currency basis. Tobacco net revenue was up 1.3% at constant currency, reflecting progress made in the two combustible strategic priorities of: "focus on our priority markets" and "driving value from our broader portfolio".

* £7.7bn excluding Premium Cigar Division disposal.

Tobacco & NGP adjusted operating margin (%)

22	44.2%
21	43.5%
20	41.2%*

Performance
Margins improved primarily due to lower NGP losses reflecting our strategic priority to "build a targeted NGP business". We also benefited from our focus to "drive value from our broader portfolio" as we exited the lower profitability markets of Japan and Russia during the period.

* 42.1% excluding Premium Cigar Division disposal.

Adjusted earnings per share (pence) R

22	265.2p
21	246.5p
20	254.4p*

Performance
Adjusted earnings per share was up 4.9% on a constant currency basis, excluding a currency tailwind of 2.5%. Reported earnings per share declined 42.8%. This movement is explained in the Group Financial Review.

* 247.2p excluding Premium Cigar Division disposal.

Dividend per share (pence)

22	141.17p
21	139.1p
20	137.7p

Performance
The dividend grew 1.5% reflecting our progressive dividend policy. This follows the Board's decision in May 2020 to rebase the dividend by one-third to accelerate debt repayment, which we have achieved.

Adjusted operating cash conversion rate (%) R

22	102%
21	83%
20	127%

Performance
2022 adjusted operating cash conversion of 102% reflected neutral working capital in the year compared to a working capital outflow in FY21.

Net debt to EBITDA (multiple) R

22	2.0x
21	2.2x
20	2.7x

Performance
In line with our strategy to reduce leverage, net debt to EBITDA was 2.0x and is now in our target range. The improvement in the ratio was mainly a result of strong cash flow generation.

1. Definitions for financial KPI's can be found in Supplementary Information.

R KPIs used as bonus and LTIP performance criteria for Executive Directors. See Remuneration Report on pages 130 to 148 for more information

NON-FINANCIAL KPIs[1]

More non-financial performance indicators can be found in the ESG Review on pages 40, 42, 43, 45, 47, 54 and 55 and in our Reporting Criteria document available on our website.

Return on invested capital (%) R

22	17.7%
21	16.5%
20	15.2%

Performance

Return on invested capital improved in the year by 120bps to 17.7% driven by the increase in adjusted operating profit and the reduction in annual average capital.

Energy consumption (GWh)

22	712
21	729
20	773

Performance

We have seen a 19% decrease in energy consumption from our baseline year. Our target is to reduce energy consumption by 25% by 2030. We remain on track to achieve that target.

Our 2022 relative energy consumption is 91,364 KWh/£m net revenue.

Absolute CO_2 equivalent emissions (tonnes)

	Scope 1	Scope 2	
22	91,007	131,236	Total: 222,243
21	92,900	133,292	Total: 226,192
20	105,242	131,463	Total: 236,887

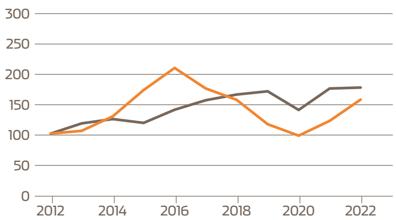
- Scope 1
- Scope 2

Total value is total Scope 1 and Scope 2 absolute CO2e emissions

Performance

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.

Total shareholder return R



Performance

Total shareholder returns continued to rebound in the year, growing 31%, as our results were in line with our guidance and market participants gained confidence in our new management team and our strategy delivery. Over the prior ten years, Imperial Brand's total return remains below that for the FTSE 100 index.

Waste (tonnes)

22	41,969
21	41,714
20	40,253

Performance

We have seen a 15% decrease in waste from our 2017 baseline year. The slight increase in waste of 0.6% we have seen compared to last year is due to increased production volumes at our McAdoo site. Our target is to reduce waste by 20% by 2030.

Lost time accident frequency rate (per 200,000 hours)

22	0.24
21	0.27
20	0.32

Performance

We have seen a 11% reduction in the LTA rate compared to last year and a 40% reduction compared to the 2019 baseline year. Our target is to achieve a 75% reduction in LTA rate from the baseline year by 2030.

We are utilising targeted leadership pulse surveys to measure and report on the progress of our cultural change programme and will develop KPIs to track this in 2023.

1. Definitions for non-financial KPI's can be found in the ESG Review on pages 35 to 58 and in the Reporting Criteria Report available on our website.
2. 2020, 2021 and 2022 non-financial information data has been independently assured by EY. Our Reporting Criteria Document contains detail on definition and scope of all non-financial KPIs.
3. See www.imperialbrandsplc.com/sustainability for more information.
4. Our 2022 environmental data follows the reporting period Q4 financial year 2021 to Q3 financial year 2022. This is to allow for data collection, validation and external assurance. 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. Our reporting scope and definitions are detailed in the Reporting Criteria Document published on our website.
5. Our health and safety data is for the full 2022 financial year. Our reporting scope and definitions are detailed in the Reporting Criteria Document published on our website.

BUILDING TRUST WITH OUR STAKEHOLDERS

Building and maintaining trust with our stakeholders underpins the success and reputation of Imperial Brands. Through stakeholder collaboration we aim to develop the Company, minimise our environmental impact, make a positive social contribution and uphold high standards of governance.

This section of the Annual Report provides insight into how stakeholder engagement is taken into consideration by the Board and the Executive Leadership Team (ELT) in their decision-making processes. It goes on to describe how we monitor the effectiveness of our engagement.

The Board's decision-making process is brought to life in our Section 172 statement on pages 108 to 112 which references specific recent examples.

Further information on how the Board has considered stakeholders when making key decisions is also given on the following pages and in the Governance Report on pages 108 to 112.

CONSUMERS

Our strategy starts with our consumers. Millions of adults worldwide choose to enjoy our tobacco and next generation products. The better we understand the preferences of our consumers, the better we are able to serve them. This helps us grow our business, and it helps us identify and capitalise on opportunities as a challenger business.

How the Board considers this stakeholder

- The Board participated in a number of consumer immersion events over the course of the year, in the UK, Spain and the US. These afforded Board members the opportunity to get closer to the consumer by hearing directly from them about their habits, likes and dislikes. Board members were also able to discuss matters important to both combustible and nicotine product consumers, including the dynamic between local and international brands. The Board was also updated on the impact of the cost of living crisis on consumers.
- A tour of our Greensboro factory during the Board visit to the US also helped Board members understand the full life-cycle of the products our consumers enjoy.

How we engage with this stakeholder

- Consumer roundtables and focus groups are held – virtually where COVID-19 restricted face-to-face meetings – to understand consumers' specific requirements and changing preferences.
- Feedback from these focus groups is used in our decision-making for investments in brand refreshes and marketing.
- The Global Consumer Office, headed by the Chief Consumer Officer, leads consumer-listening initiatives across the Group.

What matters to this stakeholder

- Our focus groups informed us that adult consumers want a choice of brands and quality products at the right price points.
- Feedback has also shown us that consumer preferences such as cigarette pack formats, flavours and filters, as well as the choice of potentially less harmful NGP, evolve over time.
- Our focus groups have shown us that listening to these needs and remaining relevant underpin consumer loyalty to brands.

How we monitor the effectiveness of our engagement

- We hold regular consumer focus groups to assess the impact of our brand refreshes and marketing campaigns on consumers.
- We believe market share changes across products, channels and geographies reflect the effectiveness of our engagement with consumers.
- Regular data-led updates from the Global Consumer Office provide the Board with evidence and an opportunity to challenge assumptions when making decisions related to our product portfolio.

COLLEAGUES

Our colleagues are Imperial's most important asset and are critical to the success of the business. It is essential we create a supportive, safe and rewarding work environment to enable them to deliver our goals and develop their careers. We believe that a diverse and engaged workforce is imperative for business success.

How the Board considers this stakeholder

- Collective responsibility for workforce engagement has been embedded into the Board's governance framework in the remit of the redefined People and Governance Committee.
- The Board held four Meet the Board events with groups of colleagues during the year. These events gave the Board the opportunity to hear colleagues' perspectives as part of our overall engagement strategy. This engagement allows the Board to incorporate colleagues' views into its decision making.
- The Board also engages with a broad cross-section of employees by way of dinners with teams, informal drinks and site visits.
- The Board receives regular feedback from our employees through updates at the People and Governance Committee. These include the results of our pulse surveys which gather the views of colleagues on particular topics, for example the progress of our "Connections" workshops and the work of our Employee Resource Groups (ERGs).
- The Board met to consider the implications of the Russian invasion of Ukraine. Its prompt action allowed the Company to safeguard the interests of our Russian colleagues by transfering the business as a going concern. The long-term interests of our colleagues in Ukraine were a key factor in this decision.

How we engage with this stakeholder

- During the year, following extensive consultation we launched "Connections", our new purpose, vision and behaviours through our global all-staff conference. All colleagues have experienced training to enhance their understanding of these behaviours, and what they mean for them in their role.
- We continued to hold CEO and leadership town hall meetings, in person and virtually, providing opportunities for colleagues to give feedback directly to the ELT.
- Feedback from our four ERGs, focusing on gender, ethnicity, LGBTQ+ and disability, has helped us to understand how better to co-create strategies and policies for including underrepresented groups.
- We use various channels including our intranet and IB News to ensure regular internal communication with colleagues.

What matters to this stakeholder

- Our colleagues want to see continued progress on equality and diversity and to feel included. They want to see that issues of authenticity and inclusion around gender, ethnicity, LGBTQ+ and disability are taken seriously throughout the Company.
- They want to see that responsibility and accountability are underpinned by a fair assessment of contribution.
- Colleagues want to see senior management lead the new behaviours by example to create an environment where innovative approaches are encouraged and we learn from our failures.
- Health, safety and wellbeing continue to be a priority in the workplace.

How we monitor the effectiveness of our engagement

- We review the results of our annual workforce engagement "Have Your Say" survey.
- We review the results of our interim pulse surveys.
- The ESG Committee, chaired by the CEO, receives feedback from the ERGs. In addition, as each ERG is sponsored by a member of the ELT and co-chaired by members of senior management, feedback from colleagues on how the Company is progressing in relation to inclusivity concerns is given to the ELT via these sponsors.
- Feedback is obtained during the Board listening sessions.
- We collate feedback from exit interviews to find out why employees choose to leave us.

CUSTOMERS

Where it is difficult to engage directly with consumers, engaging with retailers provides useful insights into our consumers' behaviour and preferences. This helps us grow our business, even where there are regulatory headwinds, and identify opportunities to be a successful challenger. We work closely with distributors, wholesalers and retailers to ensure our products are available to adult consumers in a diverse range of outlets. These stakeholders play a crucial role in our business model.

How the Board considers this stakeholder

- The Board has participated in store visits in the UK, Spain and the US over the last year. These visits provide the opportunity to talk directly to retailers.
- Our CEO meets with customers regularly throughout the year.

How we engage with this stakeholder

- Our market cluster leadership teams engage with our customers to understand how to improve the effectiveness of their sales forces.
- We work closely with our distributors to understand how we can best manage our relationships, and have a dedicated team to support distributor sales and build best practice in distributor management across the Company.
- We use key account management practices to engage with our largest customers to better understand their needs and to create strong commercial partnerships to help our businesses create value together.

What matters to this stakeholder

- A diverse portfolio of quality products that appeal to consumers.
- Consistent communication on the launch pipeline and investment behind relevant brands in their region.
- Ease of ordering and a strong supply chain to maintain high levels of on-shelf availability.
- Support to protect against illicit trade and underage sales.
- Support and guidance through industry changes, e.g. initiatives to help customers manage their business through regulatory change such as display bans or plain packaging.
- Trade programmes that reward customer business growth.

How we monitor the effectiveness of our engagement

- We monitor our performance relative to other FMCG companies through the Advantage Survey and other benchmarking surveys. Feedback from these surveys is reviewed and taken into account in our engagement plans and in setting priorities.
- We hold management roundtable events with regional customers to hear first-hand how Imperial is performing relative to peers.
- A quarterly pulse report provides performance feedback which is used to highlight areas for improvement.
- We have KPIs to monitor progress against operational initiatives.

GOVERNMENTS AND REGULATORS

Approaches to legislation vary significantly across geographies. We support reasonable regulation of tobacco and nicotine products and look to have constructive engagement with policy makers and regulators.

How the Board considers this stakeholder

- Our corporate strategy includes a commitment to building an NGP portfolio of potentially reduced harm products.
- The Board approves our Modern Slavery Statement annually.
- Regular updates on regulatory matters are provided to the Board.
- Following his appointment, our Chief Legal & Corporate Affairs Officer has presented to the Board both on the US regulatory environment, during the Board's visit to our US business, and on the Group's key regulatory risks and our corporate affairs strategy to manage these risks.

How we engage with this stakeholder

- Whilst management is primarily responsible for understanding and ensuring compliance with applicable laws and regulations, the Board also looks to encourage direct constructive engagement.
- We monitor changing regulations in our markets and assess the impact on our existing portfolio and innovations.
- We assess regulatory impact on pack design and marketing support around brand launches.
- This monitoring allows the Board to take relevant legislation and regulation into account when making its decisions.

What matters to this stakeholder

- Tobacco excise revenues and public health spending on smoking-related health issues.
- Assessment of reduced harm from NGP.
- Compliance with local laws and regulations.
- Confidence that our business is operating legally and responsibly in each government or regulator's region.
- Collaboration with law enforcement agencies countering illicit trade and preventing youth access to tobacco and nicotine products.

How we monitor the effectiveness of our engagement

- We monitor the approval of the listing of our products in various markets.
- We review proposed new regulation and the Company's ability to be involved in the development of reasonable and rational regulation.
- We monitor feedback and complaints from regulators.

INVESTORS

Our investors provide capital to the business and monitor management's allocation of that capital within the business.

How the Board considers this stakeholder

- Our CEO, CFO and Chair have regular meetings with our major investors to update them on our performance, hear their views directly and consult with them.
- The Board receives a report at every meeting on investor engagement, as well as a feedback report following all investor events.
- During the year, the Board commissioned an investor perception study to gather feedback on our strategy, performance and communications.
- Our AGM provides an opportunity for the Board to meet with investors.
- Sue Clark, Chair of our Remuneration Committee, wrote to investors in July 2022 about ESG metrics and, together with the Global Reward Director, hosted follow-on investor calls where requested. Further details of the ESG metrics can be found in the Directors' Remuneration Report on page 132.

How we engage with this stakeholder

- Our Annual and Interim results presentations inform investors how the business is performing.
- We maintain a programme of active dialogue with our key financial stakeholders, including institutional shareholders, potential investors, holders of our bonds and sell-side research analysts.
- Our CEO hosted two webinars during the year for investors and analysts. In March, the US management team presented on how Imperial Brands' consumer-centric strategy is gaining traction in the US market. In September, the Global ESG Director together with senior management outlined how we have refreshed our approach to our ESG agenda to further support our strategy.
- Senior management supported a new bond issue in July 2022, including an investor roadshow to market the bond.
- Senior management present at various industry conferences.

What matters to this stakeholder

- Confidence in the Board that it has appropriate oversight of the management team.
- Trust in the management team to have a strategy and operational plan to optimise value creation and ensure the long-term sustainability of returns.
- The setting of realistic expectations combined with transparent reporting of performance against KPIs, both financial and non-financial, including ESG metrics.
- Disciplined capital allocation.

How we monitor the effectiveness of our engagement

- Our CEO, CFO and Chair engage with investors to gather feedback on how we are performing against our strategy.
- Topics discussed during the year included the actions taken to improve performance, progress with executive and non-executive recruitment, capital allocation considerations and ESG.
- The Board receives an investor relations update at every Board meeting, which sets out the latest investor views, share register movements and recent market developments.
- Detailed feedback from investors is collected after each investor event and roadshow, which is shared with and discussed by the Board so it has a good understanding of investor views.
- Key findings from the investor perception study included widespread support for Imperial's strategy, capital allocation policy, management team and operational progress to date. Shareholders would like to see progress in NGP and signs of the overall financial performance of the Group improving into the next three-year phase of the plan.

SUPPLIERS

We maintain strong relationships with our tobacco, non-tobacco materials (NTM) and NGP suppliers to help ensure sustainable supply and business continuity, ensuring fair contract and payment terms. We are conscious of the key dependencies in our supplier relationships, especially those partners we are relying on to support delivery against our strategic objectives. We are working to increase the resilience of these relationships, including by building out our business continuity capability at Group level, and deepening our understanding of critical dependencies.

Working in partnership with our suppliers ensures we have the right resources in place to respond with agility to global challenges, and supports our growth.

How the Board considers this stakeholder

- The Board approves our Modern Slavery Statement annually.
- Suppliers within our supply chain are included as part of the Board's ESG considerations.
- During the year we reviewed the risk posed to suppliers, including in respect of logistics arising from COVID-19, as well as other economic and geopolitical influences.
- Factory and site visits help the Board understand the complexities of our global supply chain.
- Our Chair and CEO visited Africa during the year, where they met with the CEOs of our two largest tobacco leaf suppliers.
- Supplier considerations were intrinsic to our response to the Ukraine crisis, in particular the Board decision to exit Russia.

How we engage with this stakeholder

- Our Supplier Qualification Programme is a screening process for all new NTM and NGP suppliers, requiring completion of a self-assessment on business conduct, environmental management, and labour practices such as discrimination, child and forced labour, freedom of association, remuneration, working hours, and health and safety.
- All our leaf suppliers are expected to participate in the Sustainable Tobacco Programme (STP).
- Through our leaf partnership projects we support communities in tobacco-growing countries identified as having the most need.
- Our Supplier Code of Conduct helps ensure we engage suppliers that offer resilience in our supply chain and security in our technology platforms.

What matters to this stakeholder

- Our support with Leaf Partnership projects focusing on having an impact on important issues in the countries from which we source our tobacco, including Malawi, Mozambique, Indonesia, India, the Philippines, Dominican Republic, Honduras and Turkey.
- We set and abide by fair contract and payment terms.

How we monitor the effectiveness of our engagement

- We operate a vendor rating system for our key NTM suppliers, and carry out annual business reviews.
- The STP supports the sustainable supply of quality tobacco leaf. It is a framework to improve labour standards, raise standards of living and address environmental challenges by sharing good agricultural practices.
- The annual STP assessment is part of our formal supplier relationship management. It forms part of the suppliers' ratings that we determine along with quality, cost and value.
- We carry out online engagement and performance reviews.

NON-FINANCIAL INFORMATION STATEMENT

The following table constitutes our Non-Financial Information Statement in compliance with Sections 414CA and 414CB of the Companies Act 2006. The information listed is incorporated by cross-reference. Additional Non-Financial Information is also available on our website.

Reporting requirement	Policies and standards which govern our approach[1]	Information necessary to understand our business and its impact, policy due diligence and outcomes	
Environmental matters	• Occupational health, safety and environmental policy and framework • Sustainable Tobacco Programme	Environmental targets	**29, 41, 44, 62, 64**
		International management systems	**42, 59 to 65**
		Climate and energy	**29, 41 to 43, 59 to 65**
		Reducing waste	**29, 44, 45**
		Sustainable tobacco supply	**37, 46 to 49**
Employees	• Code of Conduct • Group-wide employment policy • Fairness at work policy • Occupational health, safety and environmental policy and framework	Diverse and engaged workforce	**55 to 57**
		Workplace health and safety	**29, 52 to 54**
		International management systems	**54**
		Lost time accident (LTA) rate	**29**
Respect for human rights	• Human rights policy • Code of Conduct • Supplier Code • Supplier qualification programme • Modern slavery statement • Speaking Up policy	Diverse and engaged workforce	**55 to 57**
		Workplace health and safety	**29. 52 to 54**
		Human rights	**50, 51**
		International management systems	**54**
Social matters	• International marketing standards • Fontem marketing standards • Policy on taxation • Community contributions and volunteering policy • Information security policy	Human rights	**50 and 51**
		Youth access prevention	**39**
		Farmer livelihoods and welfare	**46, 47**
		Charitable and political donations	**149**
Anti-corruption and anti-bribery	• Code of Conduct • Fraud risk management policy • Speaking Up policy • Finance manual • Group control matrix • Supplier Code of Conduct	How we manage risk	**82**
		Governance, risk management and internal control	**82 to 93**
Description of principal risks and impact of business activity	• Principal risks and uncertainties • Governance, risk management and internal control		**82 to 93 128, 129**
Description of the business model	• Our business model		**10 and 11**
Non-financial key performance indicators	• Key performance indicators • Sustainability performance indicators		**29 42, 45, 48, 54, 55**

1. Not all of our Group policies and standards are publicly available.

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.

OUR PEOPLE AND PLANET AGENDA

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)

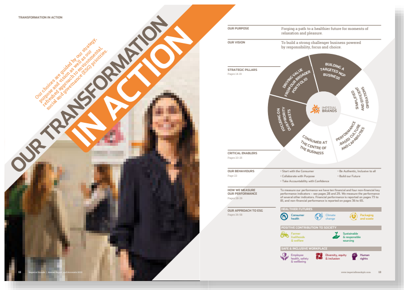
We refer to ESG internally as our "People and Planet" agenda and our new approach was introduced to our top 500 senior leadership population in July 2022, through a series of webinars. This was followed by a roll out to all colleagues using digital and face-to-face channels.

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

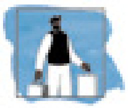
We start with our consumers, focusing on consumer insight and research to ensure we build a portfolio that suits them. The only way we can make a material contribution to harm reduction is by getting ever closer to our consumers, understanding their needs and behaviours, and then innovating at pace and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

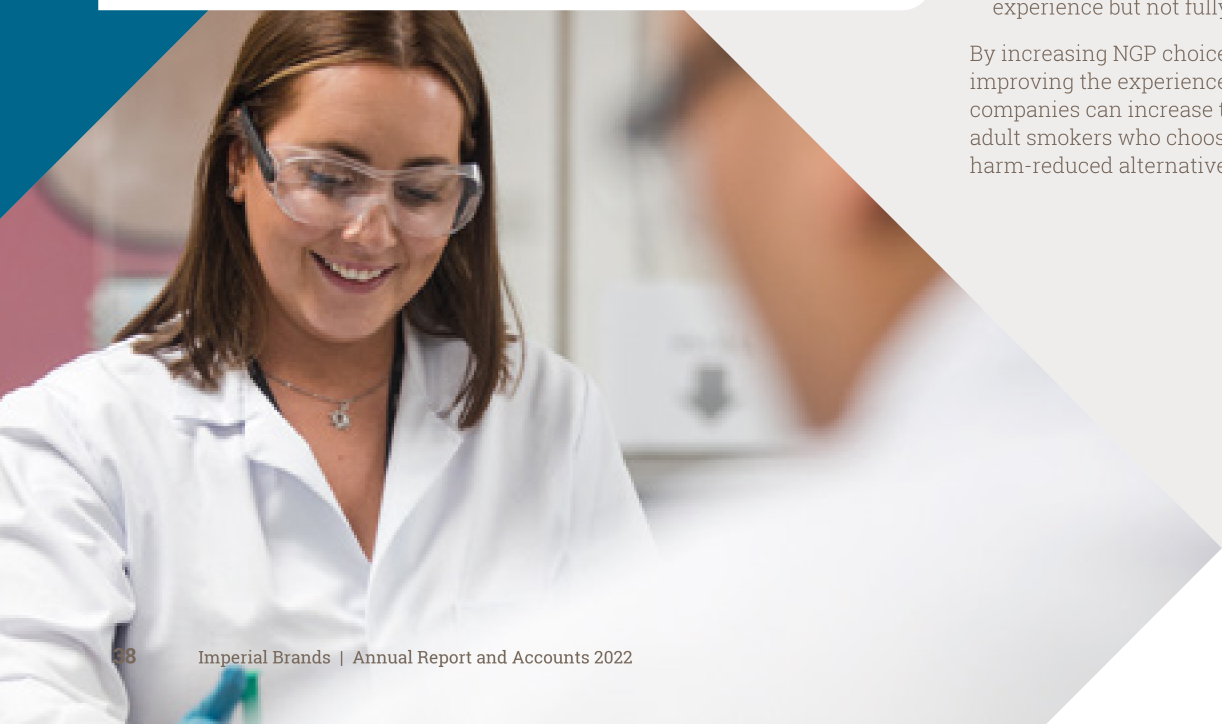
This is why we believe harm reduction starts with the consumer.

Behaviours



Link to SDGs

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.

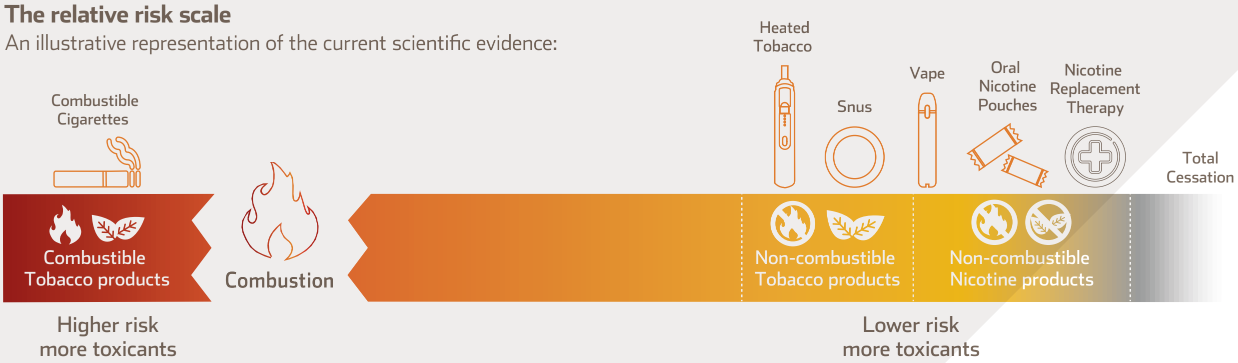
Clearly, the best health-related outcome is for adult smokers to stop smoking. However, the next best option is to offer potentially harm reduced alternative products to those consumers who are uninterested or unwilling to stop smoking. We have found these consumers fall into two distinct categories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

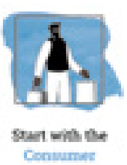
2025

- 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

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

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

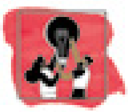
2023

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

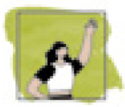
2024

- 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.

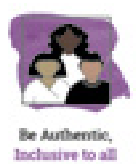
2025

- 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.

SAFE & INCLUSIVE WORKPLACE

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.

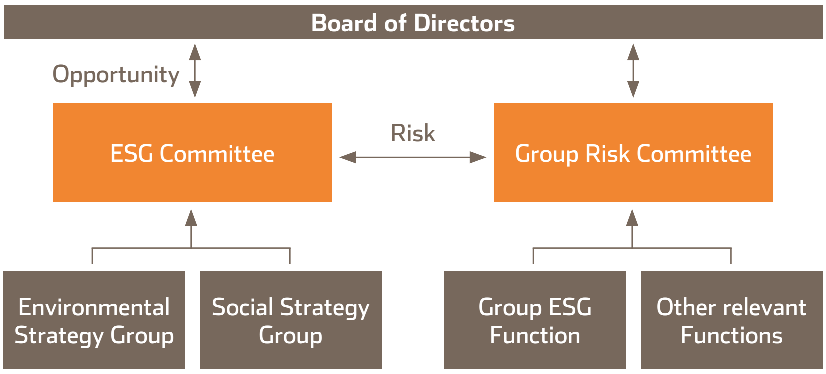
A. Select 2022 data has been independently assured by Ernst & Young LLP (EY) under the limited assurance requirements of the ISAE 3000 standard. EY Assurance Opinion is available on our website.
Our reporting scope and definitions are detailed in the Reporting Criteria document published on our website.

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			■	Mild	Mild	Mild	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			■	Mild	Moderate	Mild	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		■	■	Mild	Moderate	Mild	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			■	Mild	Mild	Mild	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		■	■	Mild	Moderate	Mild	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		■	■	Significant	Mild	Moderate	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	■	■	■	Significant	Mild	Moderate	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	■	■	■	Significant	Moderate	Moderate	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

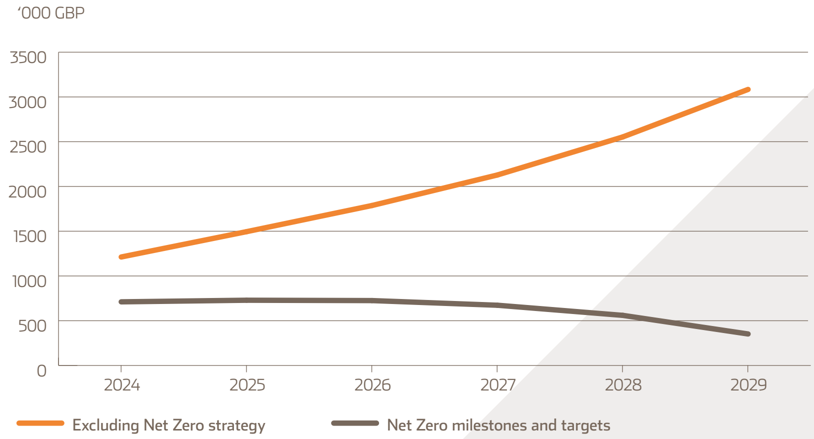


Figure: Potential Carbon Cost of Scope 1 for 1.5°C Scenario to gain a more detailed longer term understanding of the financial materiality of the climate risks and opportunities identified.

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.

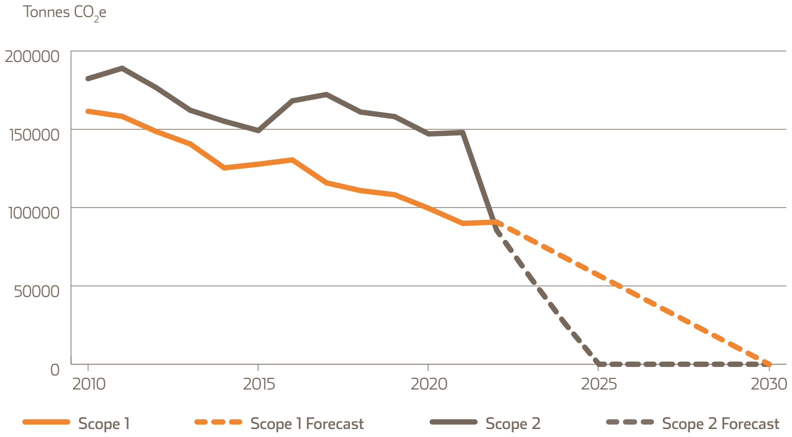
Further, in order to support our Net Zero strategy, we also aim to explore an internal carbon pricing mechanism. For more on our FY22 performance and future plans to decarbonise our operations, please see page 41.

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.

EUROPE REGION

Aleš Struminský
President, Europe Region

AT A GLANCE

Tobacco volume
-4.1%

Tobacco & NGP net revenue*
+0.2%

Tobacco net revenue*
-1.0%

NGP net revenue*
+34.2%

Tobacco & NGP adjusted operating profit*
-5.2%

* Change at constant currency.

HEADLINES

- Market share growth in UK and Spain driven by local jewel brands strategy; share declines in Germany
- Industry volumes affected by increased travel, with consumer buying patterns reverting to historical channels and markets
- Price mix improved in the second half, driven by price phasing
- Strong NGP performance with growth across heated tobacco, vapour and modern oral
- Successful Pulze and iD trials in heated tobacco supported further launches in Italy, Portugal and Hungary
- Successful trial of all-new vapour device blu 2.0 in France validates roll-out into UK
- Adjusted operating profit decline also reflects increased investment behind strategic initiatives

Our results in Europe should be viewed against a strong comparator year, which benefited from COVID-related travel restrictions and changes in consumer buying patterns. The lifting of restrictions and increased travel have led to volumes reverting to pre-COVID channels and markets.

Strong market share growth in the UK was driven by investment behind our strategic initiatives, with local jewel brand, Embassy, making gains in under-penetrated regions of the country, and share gains in fine cut. As expected, our initiatives to rejuvenate our brands in Germany are taking time, with activations on our largest brand JPS, focused on appealing to a wider demographic of adult smokers. Our initiatives with Gauloises, West and Davidoff have begun to gain some traction in Germany. In Spain, we grew market share driven by our brand portfolio approach, offering consumers choice across the price ladder and leveraging local heritage brands.

		Full year result		Change	
		2022	2021	Actual	Constant currency
Tobacco volume	bn SE	**121.5**	126.7	-4.1%	
Total net revenue	£m	**3,472**	3,551	-2.2%	+0.2%
Tobacco net revenue	£m	**3,306**	3,425	-3.5%	-1.0%
NGP net revenue	£m	**166**	126	+31.4%	+34.2%
Adjusted operating profit	£m	**1,562**	1,670	-6.5%	-5.2%

Volumes for the region declined 4.1%, as expected, with sales increasingly reverting to pre-COVID channels and markets during the year. This has resulted in increased volume declines in higher margin northern European markets such as UK, Germany and Scandinavia, partially offset by increased volumes in lower margin southern European holiday destinations such as Spain and strong growth in the duty free channel.

Tobacco net revenue was down 1.0% at constant currency, reflecting the volume declines and price mix of 3.1%. Price mix was effected by the timing of price increases and the adverse geographic mix effects as COVID-19 restrictions were lifted. Price increases taken in Germany and the UK in the latter part of the first half of the year led to improved tobacco price mix in the second half of 6.0%, compared to price mix of -0.2% in the first half of the year.

Our priority in Ukraine remains the safety and wellbeing of our 600 Ukrainian colleagues and families. In the second half we were able to restart production at our factory in Kyiv, including some contract manufacturing. This remains a fast-moving situation, which we continue to monitor closely.

Our NGP portfolio has performed well with net revenue up 34.2% at constant currency, and with growth across all three categories. A positive response from both consumers and the trade to our launches of Pulze and iD in the Czech Republic and Greece has supported further share gains during the second half. These market learnings have reinforced our confidence in the recent launches of Pulze and iD in Portugal and Hungary as well as in Italy, Europe's largest heated tobacco market. In vapour, the successful trial of a new pod-based vapour proposition, blu 2.0, in four selected cities in France has led us to roll out the product to the UK market in November 2022. This is the first product to be delivered from our refocused innovation pipeline. This consumer-led and partnership-based approach to innovation has also supported the launch in the UK of blu bar, a new disposable vapour device, to meet the rapidly growing demand in this category. In modern oral nicotine, we are continuing to evolve our offerings to meet consumer preferences and have achieved strong growth in Sweden, Norway and Austria.

Adjusted operating profit for the year declined 5.2% at constant currency against a strong comparator year, which benefited from consumers buying in higher margin northern European domestic markets. The profit performance also reflects increased investment behind our strategic initiatives in both the combustible and NGP opportunities in Europe.

PRIORITY MARKET	PERFORMANCE
Tobacco share	
Germany • 19.0% (-85 bps) • 12% of Group net revenue	Market size declined 4.1% in the year against a strong prior-year comparator, which benefited from COVID-19 travel restrictions. Our market share declined despite increased investment behind our strategy, though we have started to see stabilisation in Gauloises and West following brand equity investment. Our brand portfolio is well positioned across price segments, after we took action to tier Gauloises variants within premium and repositioned portfolio heritage brands within the lower-tier value segment to offer consumers choice in both cigarettes and fine cut tobacco. We continue to invest behind JPS to rejuvenate brand equity, with a pack redesign and targeted point-of-sale marketing campaigns coupled with retailer advocacy programmes driving increased consumer awareness.
UK • 41.6% (+85 bps) • 7% of Group net revenue	Market size declined 11% in the year as COVID-19-related travel restrictions unwound in the second half of the year and there was growth in illicit trade as borders reopened. Our strong market share gains reflected investment in our portfolio, particularly behind the local jewel brand, Embassy, and in fine cut tobacco with our Players Easy Rolling and Riverstone brands. We also invested in new sales effectiveness initiatives to enhance on-shelf availability with retailers. Price increases taken towards the end of the first half, the first increases in two years, led to improved price mix in the second half.
Spain • 28.3% (+5 bps) • 4% of Group net revenue	Tobacco market volumes grew 4.8% following two years of decline due to COVID-19-related restrictions. In the first half of the year, we achieved price increases across key product lines for the first time in five years. This led to temporary share declines in the first half, which we have been able to recover in the second half. We continued to invest behind our local jewel brands and captured downtrading through a super-king variant of our West brand. Our increased focus and investment in these brands has helped us to record three consecutive years of share gains.

AMERICAS REGION

Kim Reed
President and CEO, Americas Region

AT A GLANCE

Tobacco volume
+2.0%

Tobacco & NGP net revenue*
+4.4%

Tobacco net revenue*
+5.2%

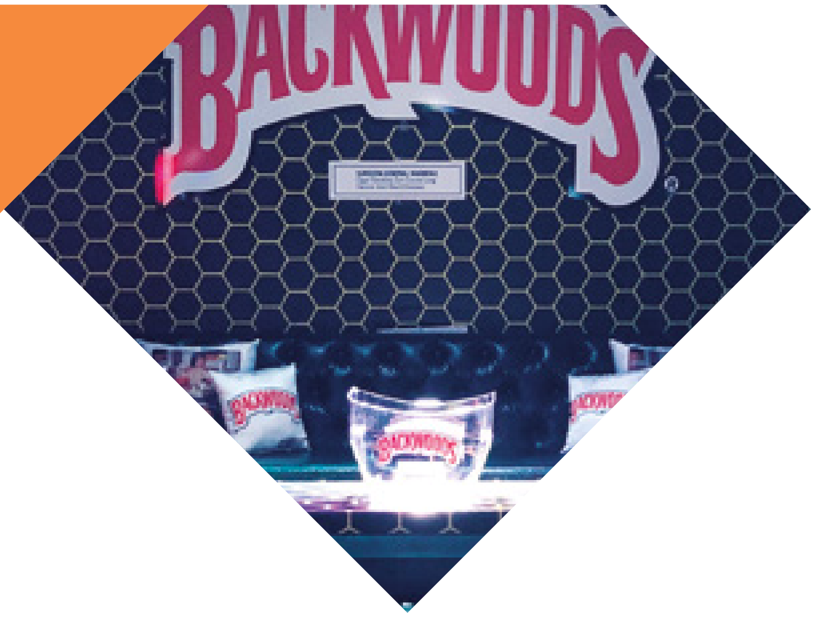
NGP net revenue*
-29.7%

Tobacco & NGP adjusted operating profit*
+5.8%

* Change at constant currency.

HEADLINES

- Cigarette share growth up 90 basis points to 10.1% with gains across all three of our focus price segments
- Investment in strategic initiatives continue to drive operational improvements
- Revenue growth reflects strong cigarette pricing offset by adverse product mix
- NGP net revenue declined as we did not participate in the category price discounting and some uncertainty linked to the FDA's Marketing Denial Orders for some of our myblu products
- Adjusted operating profit growth reflects lower litigation costs and higher investment



We delivered a strong combustible tobacco performance in the US, which is our largest single market, contributing around 36% of Group net revenue.

Tobacco volumes have grown by 2.0% against an industry volume decline of 7.9%. This out-performance reflects the improvement in our US cigarette market share of 90 basis points to 10.1%, the fourth consecutive year of market share growth. Our volumes also reflect an increase in customer inventories of around 180 million sticks at the period end as orders were pulled forward ahead of the expected landfall of Hurricane Ian and anticipated price increases. Excluding this inventory movement, our volumes were up around 1.0% year on year.

Our share growth benefited from our increased investment in sales execution and our brands, leading to share gains in three of the four price segments in which we operate. Additionally, we retained the share captured in the deep discount segment by our Sonoma and Crowns brands as a result of our agile response to KT&G's

		Full year result		Change	
		2022	2021	Actual	Constant currency
Tobacco volume	bn SE	**21.9**	21.5	+2.0%	
Total net revenue	£m	**2,826**	2,534	+11.5%	+4.4%
Tobacco net revenue	£m	**2,784**	2,478	+12.3%	+5.2%
NGP net revenue	£m	**42**	56	-25.1%	-29.7%
Adjusted operating profit	£m	**1,179**	1,037	+13.8%	+5.8%

exit from the US market in the first half of the financial year. We estimate our underlying share growth, excluding the KT&G-related share gains, was over 65 basis points.

Industry volume declines of 7.9% are against a strong comparator year that benefited from COVID-19-related changes to consumer buying patterns as a result of lockdowns and fiscal stimulus payments. Volumes also reflect some increased pressure on consumer spending leading to downtrading, although our brand portfolio is well-placed across key price segments.

On a constant currency basis, tobacco net revenue increased by 4.4%, benefiting from four price increases in the premium and traditional discount segments in the year. Two price increases were taken in the deep discount cigarette segment. However, over the period, this strong cigarette pricing was offset by adverse product mix with robust growth in the deep discount cigarette segment, resulting in +3.2% price mix for the year.

We continue to invest in our strategic priorities to build brand equity and strengthen sales force execution across our portfolio. For example, in the premium segment our Winston pack redesign launched in March has been rolled out nationally and has been supported by a new reward programme to drive participation together with multi-pack offers. With an increased sales force, we continue to invest to improve our sales execution through training and by adopting best practices such as route optimisation and better information systems. We are also achieving improved traction following the expansion of our key account team.

Our mass market cigar portfolio grew market share, driven by strong performances by Backwoods and Dutch Leaf, and we retain our position as the second largest manufacturer in the US. Our share gains partially offset the overall market decline in mass market cigars as we cycled against an exceptionally strong comparator period. As consumers return to work, they found fewer opportunities to enjoy mass market cigars and buying patterns are returning to pre-COVID levels. However, we remain well positioned to capture consumer demand in this category with our portfolio of iconic heritage brands.

Our NGP revenues were down 29.7% on a constant currency basis, reflecting the continued competitive environment with greater discounting in the category and some uncertainty linked to the FDA's Marketing Denial Orders (MDOs) for some of our myblu products issued in early April. We were disappointed with the FDA's decision to issue the MDOs and are seeking to overturn the decision through the administrative appeals process. Our products remain in the market during the appeals process. Following validation of our refreshed consumer marketing proposition for blu in trials in Charlotte, North Carolina, we have begun a roll-out into new territories.

Adjusted operating profit was 5.8% higher at constant currency driven by a stronger tobacco performance and lower NGP losses. Increased investment in strategic priorities and higher Master Settlement Agreement inflation-indexed costs were offset by the non-repeat of the litigation settlement cost in Minnesota and Texas in the prior period.

AFRICA, ASIA AND AUSTRALASIA REGION

Paola Pocci
President, Africa, Asia and Australasia Region

AT A GLANCE

Tobacco volume
-7.5%

Tobacco & NGP net revenue*
-0.5%

Tobacco net revenue*
-0.1%

NGP net revenue*
Exit

Tobacco & NGP adjusted operating profit*
+15.6%

* Change at constant currency.

HEADLINES

- Performance affected by the decision to exit Russia; successful transfer of business as going concern
- Excluding Russia: volumes +3.2%; tobacco net revenue +3.9%
- Strong regional financial delivery driven by Australia, Africa and Middle East
- Australia market share gains supported by launch of Lambert & Butler and better key account execution
- Market share and financial performance gains in Africa driven by clear portfolio focus
- NGP net revenue decline reflects market exits from Russia and Japan
- Operating profit delivery supported by more focused approach to investment

Pack image is internal only.

Our volume and tobacco revenue performance in the Africa, Asia and Australasia region was affected by our decision to initially suspend operations in Russia and then subsequently exit the market. We were able to successfully transfer the business as a going concern to local investors in Russia in April. Excluding the impact of Russia, regional volumes were up 3.2% and net revenue increased 3.9% at constant currency. There was an immaterial impact on profit.

Our Africa, Asia and Australasia regional performance benefited from a more focused approach under the new regional structure and leadership team. The strong financial performance, excluding the impact of the Russian market exit, was driven by focused investment behind sales execution and marketing in line with our strategy to drive value from our broader market portfolio.

		Full year result		Change	
		2022	*2021	Actual	Constant currency
Tobacco volume	bn SE	**77.5**	83.7	-7.5%	
Total net revenue	£m	**1,495**	1,504	-0.6%	-0.5%
Tobacco net revenue	£m	**1,495**	1,498	-0.2%	-0.1%
NGP net revenue	£m	**0**	6	-100.0%	-100.0%
Adjusted operating profit	£m	**700**	598	+17.1%	+15.6%

* The 2021 net revenue and adjusted operating profit metrics exclude the contribution of the Premium Cigar Division from that financial reporting period following its divestment in October 2020. The Premium Cigar Division contributed £21 million to net revenue and £3 million to adjusted operating profit in 2021.

Excluding Russia, regional volumes had a strong recovery in the Middle East following prior year COVID-related disruptions and market-share-related volume gains in the Ivory Coast, Morocco and Taiwan.

Our Australia market share and financial performance benefited from the move to establish a clear brand offering at each of the key price points. This led to the launch of Lambert & Butler in the fifth price tier, which delivered incremental share gains. Our performance also benefited from improved supply chain delivery and investment in key account sales execution.

Our African markets continue to perform strongly, driven by our targeted brand approach. By taking selective local jewel and key international brands we have focused brand portfolios for each country to meet the differing adult consumer demands. In the Ivory Coast, positive share performance benefited from consumer activation and increased distribution of Fine. Trade promotions and activation activities behind Gauloises resulted in market share growth in Morocco.

Tobacco net revenue was down 0.1% at constant currency, reflecting the decision to exit Russia. Volume declines of 7.5% were offset by price mix of 7.4%. This price mix benefited from the exit from Russia, which has high volumes and low pricing. Excluding this, price mix was up 0.7% due to the growth in lower margin volume in the Middle East, as sales patterns returned to pre-COVID levels, and positive net pricing in our African portfolio.

NGP net revenue performance declined to zero, reflecting our decision to withdraw our NGP offerings from Russia and Japan in the prior financial year.

Adjusted operating profit was up 15.6% at constant currency, driven by strong performance in Australia, Africa and the Middle East and lower NGP investment compared to last year, following our decision to exit Japan and Russia.

PRIORITY MARKET	PERFORMANCE
Tobacco share	
Australia • 31.8% (+20 bps) • 4% of Group net revenue	Investment in our total brand portfolio strategy and establishing a clear offering at each of the key price points helped us grow market share. The launch of Lambert & Butler in the fifth price tier enabled a clear differentiation between Parker & Simpson and JPS in the higher price tier. The performance of JPS roll your own was supported by our launch of new pack size variants. Market dynamics have stabilised following changes to the excise regime, although the market remains highly competitive, with illicit trade also at historically high levels.

DISTRIBUTION

AT A GLANCE

Net revenue*

+0.8%

Adjusted operating profit excluding eliminations*

+1.8%

Adjusted operating profit margin*

+26 bps

Adjusting operating profit including eliminations*

-1.2%

* Change at constant currency.

Our Distribution is made up of our 50.01% stake in Logista. Volumes reflected the lifting of COVID-19-related travel restrictions. While inflation has been exacerbated by the Russian invasion of Ukraine and transport union strikes have impacted economic growth in Spain, the business has been able to mitigate these pressures.

Net revenues at £1,046 million were 0.8% higher on a constant currency basis as good performance in Iberia and Italy offset the continued weak performance in France.

In Iberia net revenue growth was driven by:

- tobacco and related products which benefited from an increase in tobacco volumes and growth in convenience products
- transport services with strong demand for Logista Freight (long-distance), increased B2B activity at parcel delivery business (Nacex) and Logista Parcel
- pharmaceutical distribution expansion of customer base and product offering

In Italy, net revenues were supported by good tobacco and NGP volumes together with growth in convenience products.

In France, the removal of COVID-related travel restrictions led to weak tobacco volumes somewhat offset by the positive performance in convenience product distribution.

The adjusted operating profit margin increased by 26bps at constant currency as the focus on cost control, and contracts that allow cost changes to be passed through, mitigated inflationary pressures. After eliminations, the adjusted operating profit contribution to the Group reduced 1.2% on a constant currency basis, as the costs of restructuring at Logista were expensed in adjusted operating profit. This is in line with the reporting policy set out in our FY21 Results which outlined that no further restructuring costs outside of the 2021 Strategic Review Programme would be recognised in 2022.

In line with Logista's strategy to accelerate growth in European non-tobacco, the company announced a number of acquisitions during the period. Together these acquisitions total €175 million, and, with the exception of Speedlink, which completed in FY22, are expected to complete in FY23. The acquisition of 60% of Transportes El Mosca, a Spanish international transportation company, announced in June, will place Logista as the second largest temperature controlled transportation company in Spain once fully consolidated, and brings both maritime and road transportation assets to the Group. Earlier in the year, Logista announced the acquisition of 70% of Speedlink Worldwide Express B.V, a Dutch express courier company and in September it announced the acquisition of 100% of Carbó Collbatallé, a Spanish company specialising in cold transportation in the food sector. In February 2022, Logista disposed of Supergroup S.A.S., a subsidiary in France, that had already been classified as held for sale at the end of the prior financial year.

In line with other Imperial-owned entities, we continue to benefit from an inter-company cash pooling arrangement with Logista, which further enhances the Group's liquidity. On a 12-month basis, the daily average cash balance loaned to the Group by Logista was £1.9 billion, with movements in the cash position during the 12-month period varying from a high of £2.2 billion to a low of £1.3 billion, primarily due to the timing of excise duty payments. At 30 September 2022, the loan position was £2.1 billion compared to £1.8 billion at 30 September 2021.

		Full year result		Change	
		2022	2021	Actual	Constant currency
Net revenue	£m	**1,046**	1,069	-2.1%	+0.8%
Adjusted operating profit	£m	**254**	258	-1.7%	+1.8%
Adjusted operating profit margin	%	**24.3**	24.1	+14bps	+26bps
Eliminations	£m	**(1)**	7	-118.7%	-119.2%
Adjusted operating profit (inc. eliminations)	£m	**253**	265	-4.5%	-1.2%

STRENGTHENING OUR PERFORMANCE

SUMMARY FINANCIAL INFORMATION

Volumes

-4.7%

led by declines in market size and exit from Russia, offset by market share gains

Net revenue

+1.5 %

driven by robust price mix

Reported operating profit

-14.7%

driven by exit from Russia and non-repeat of gains on disposal

Adjusted operating profit

+1.8%

driven by reduced NGP losses

Reported basic EPS

165.9p

a decrease of 44.7%

Adjusted EPS

265.2p

an increase of 4.9% on a constant currency basis

Adjusted operating cash conversion

102%

2021: 83%

Adjusted net debt/EBITDA

2.0x

2021: 2.2x

Lukas Paravicini
Chief Financial Officer

> "Our strong cash performance has enabled us to strengthen our balance sheet and accelerate shareholder returns. We remain focused on transforming the business."

This year's financial results reflect our continued progress against our five-year strategy. In the period, Group net revenues grew 1.5% and Group adjusted operating profit rose 1.8%, both on a constant currency basis.

Reported revenue declined 0.7% driven by adverse translation FX. Reported operating profit reduced 14.7%, mainly due to exit charges related to the Russian asset disposal (£399 million) and the non-recurrence of gains on disposal of the Premium Cigar Division (£281 million) in the comparator period.

Cash generation remains a key focus and has supported the delivery of £2.6 billion of free cash flow, with 102% adjusted operating cash conversion. The strong cash generation enabled us to reduce reported net debt by £0.9 billion to £8.5 billion and delivered adjusted net debt/EBITDA in line with expectations, reducing by 0.2x to 2.0x in FY22.

As recently announced, the strengthened balance sheet and achievement of our leverage target has enabled us to begin an ongoing, multi-year share buyback programme, where we will initially repurchase up to £1.0 billion of shares during FY23.

This year represented the final year of the strengthening phase of our five year plan as previously announced. Next year leads us into our growth phase, positioning the business to capitalise on the gains and investments made over the last two years.

SUMMARY INCOME STATEMENT

£ million (unless otherwise indicated)	Reported 2022	Reported 2021	Adjusted 2022	Adjusted **2021
Revenue/net revenue*				
Tobacco & NGP revenue/net revenue	**22,795**	23,202	**7,793**	7,589
Distribution revenue/net revenue	**9,756**	9,589	**1,046**	1,069
Operating profit				
Total Tobacco & NGP	**2,472**	2,991	**3,441**	3,305
Distribution	**212**	148	**254**	258
Eliminations	**(1)**	7	**(1)**	7
Group operating profit	**2,683**	3,146	**3,694**	3,570
Net finance costs	**(117)**	81	**(326)**	(417)
Share of profit/(losses) of investments accounted for using the equity method	**(15)**	11	**9**	7
Profit before tax	**2,551**	3,238	**3,377**	3,160
Tax	**(886)**	(331)	**(755)**	(714)
Profit for the year	**1,665**	2,907	**2,622**	2,446
Earnings per ordinary share (pence)	**165.9**	299.9	**265.2**	246.5
Dividend per share (pence)	**141.17**	139.08	**141.17**	139.08

* Reported revenue includes duty, similar items, distribution and sale of peripheral products, which are excluded from net revenue; net revenue compromises reported revenue less duty and similar items, excluding sale of peripheral products and distribution revenue.

** The 2021 net revenue and adjusted operating profit metrics exclude the contribution of the Premium Cigar Division from that financial reporting period following its divestment in October 2020. The Premium Cigar Division contributed £21 million to net revenue, £3 million to adjusted operating profit, £4 million to adjusted share of (loss)/profit accounted for using the equity method and £(2) million to adjusted tax in 2021.

SUMMARY CASH FLOW STATEMENT

£ million (unless otherwise indicated)	Reported 2022	Reported 2021	Adjusted 2022	Adjusted 2021
Group operating profit	**2,683**	3,146	**3,694**	3,573
Depreciation, amortisation and impairments	**660**	815	**244**	269
EBITDA	**3,343**	3,961	**3,938**	3,842
Loss/(profit) on disposal of subsidiary	**428**	(281)	**–**	–
Other non-cash movements	**56**	(29)	**(20)**	(79)
Operating cash flows before movement in working capital	**3,827**	3,651	**3,918**	3,763
Working capital	**40**	(664)	**40**	(664)
Tax cash flow	**(681)**	(820)	**(681)**	(820)
Cash flows from operating activities	**3,186**	2,167	**3,277**	2,279
Net capex	**(177)**	(150)	**(177)**	(150)
Restructuring	**–**	–	**(91)**	(112)
Cash interest	**(358)**	(400)	**(358)**	(400)
Minority interest dividends	**(89)**	(93)	**(89)**	(93)
Free cash flow	**2,562**	1,524	**2,562**	1,524
Acquisitions/disposals	**14**	845	**14**	845
Shareholder dividends	**(1,320)**	(1,305)	**(1,320)**	(1,305)
Purchase of ESOT shares	**(1)**	–	**(1)**	–
Net cash flow	**1,255**	1,064	**1,255**	1,064

Adjusted performance measures

When managing the performance of our business we focus on non-GAAP measures, which we refer to as adjusted measures. We believe they provide a useful comparison of underlying performance from one period to the next, as GAAP measures can include one-off, non-recurring items and recurring items that relate to earlier acquisitions. These adjusted measures are supplementary to, and should not be regarded as a substitute for, GAAP measures, which we refer to as reported measures. The basis of our adjusted measures is explained in the accounting policies accompanying our financial statements and the APM section within the supplementary information.

Reconciliations between reported and adjusted measures are included in the appropriate notes to our financial statements. Percentage growth figures for adjusted results are given on a constant currency basis, where the effects of exchange rate movements on the translation of the results of our overseas operations are removed.

While we believe that adjusted performance measures can provide helpful information which supplements reported measures, we are also aware of the need to ensure that an appropriate balance is maintained between the two sets of reporting metrics, with adjusted disclosures not being given greater prominence than GAAP measures. In line with this, we have reduced the number of adjusted performance measures used this year.

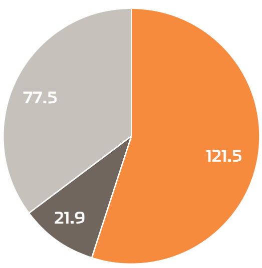
GROUP RESULTS – ADJUSTED CONSTANT CURRENCY ANALYSIS

£ million (unless otherwise indicated)	Full year ended 30 September 2021*	Foreign exchange	Constant currency movement	Full year ended 30 September 2022	Change	Constant currency change
Tobacco & NGP net revenue						
Europe	3,551	(88)	9	3,472	-2.2%	0.2%
Americas	2,534	181	111	2,826	11.5%	4.4%
Africa, Asia and Australasia	1,504	(2)	(7)	1,495	-0.6%	**-0.5%
Total Group	7,589	91	113	7,793	2.7%	1.5%
Tobacco & NGP adjusted operating profit						
Europe	1,670	(22)	(86)	1,562	-6.5%	-5.2%
Americas	1,037	83	59	1,179	13.8%	5.8%
Africa, Asia and Australasia	598	9	93	700	17.1%	15.6%
Total Group	3,305	70	66	3,441	4.1%	2.0%
Distribution						
Net revenue	1,069	(32)	9	1,046	-2.1%	0.8%
Adjusted operating profit including eliminations	265	(8)	(4)	253	-4.5%	-1.2%
Group adjusted results						
Adjusted operating profit	3,570	62	62	3,694	3.5%	1.8%
Adjusted net finance costs	(417)	10	81	(326)	-21.9%	-19.6%
Adjusted eps (pence)	246.5	6.5	12.2	265.2	7.6%	4.9%

* The 2021 net revenue and adjusted operating profit metrics exclude the contribution of the Premium Cigar Division from that financial reporting period following its divestment in October 2020. The Premium Cigar Division contributed £21 million to net revenue and £3 million to adjusted operating profit in 2021.

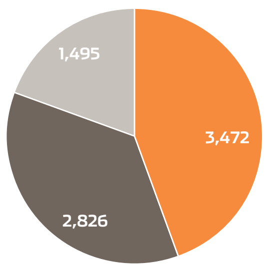
** Africa, Asia and Australasia performance has been impacted by our exit from Russia; excluding Russia tobacco & NGP net revenue grew 3.9% at constant currency.

Volumes, bn SE



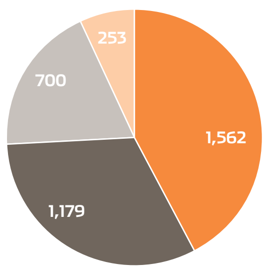
Europe	121.5
Americas	21.9
Africa, Asia and Australasia	77.5

Net revenue (actual FX rate), £m



Europe	3,472
Americas	2,826
Africa, Asia and Australasia	1,495

Adjusted operating profit (actual FX rate), £m



Europe	1,562
Americas	1,179
Africa, Asia and Australasia	700
Distribution	253

SALES PERFORMANCE (£M)

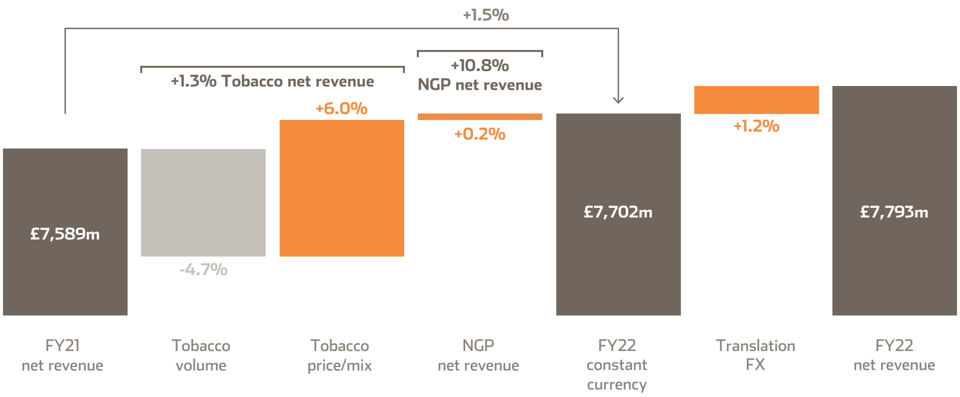
Reported revenue

-0.7%

Net revenue

+1.5%

- Reported revenue declined -0.7% driven by adverse translation FX from a weaker euro and higher euro exposure than net revenue due to excise duty and Logista.
- Net revenue grew 1.5% at constant currency comprising +1.3% from tobacco and +0.2% from NGP.
- Tobacco volume was down -4.7%, reflecting the exit from Russia and volume declines in Europe as COVID-19 restrictions unwind, partly offset by a strong volume performance in the Americas and the Africa, Asia and Australasia regions.
- Strong aggregate market share growth in our top-five priority markets of +35bps (FY21: -2bps).
- Tobacco price mix rose by 6.0% due to positive pricing and market mix from the Russian market exit. Excluding Russia, price mix was 3.4%, showing a recovery back to historic levels in the second half of the year (5.7%).
- NGP net revenue increased +10.8% at constant currency, led by growth in Europe more than offsetting declines in the USA.
- Translation FX was favourable due to sterling weakening against the dollar but partially offset by strengthening against the euro.



The net revenue of £7,589m for 2021 excludes a £21m contribution from the Premium Cigar Division following its divestment in September 2020.

OPERATING PROFIT (£M)

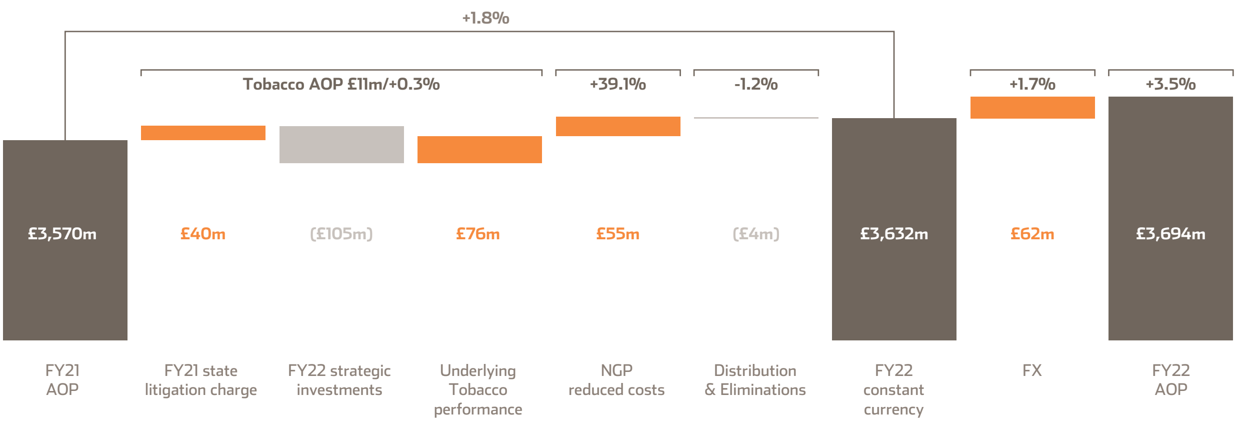
Reported operating profit

-14.7%

Adjusted operating profit

+1.8%

- Reported Group operating profit of £2,683m declined 14.7%, primarily driven by exit charges related to the Russian asset disposal (£399m) and the non-recurrence of gains on disposal of the Premium Cigar Division (£281m).
- Adjusted Group operating profit increased 1.8% at constant currency driven by tobacco & NGP growth.
- Tobacco adjusted operating profit increased marginally (+0.3%) reflecting increased investment in our strategy and the non-recurrence of US state litigation costs in FY21.
- NGP losses reduced as we re-prioritised investment and exited loss making markets.
- Translation FX reflects sterling weakening against the dollar, partially offset by strengthening against the euro.



The adjusted operating profit figure of £3,570m for 2021 excludes a £3m contribution for the Premium Cigar Division following its divestment in September 2020.

EARNINGS PER SHARE (PENCE)

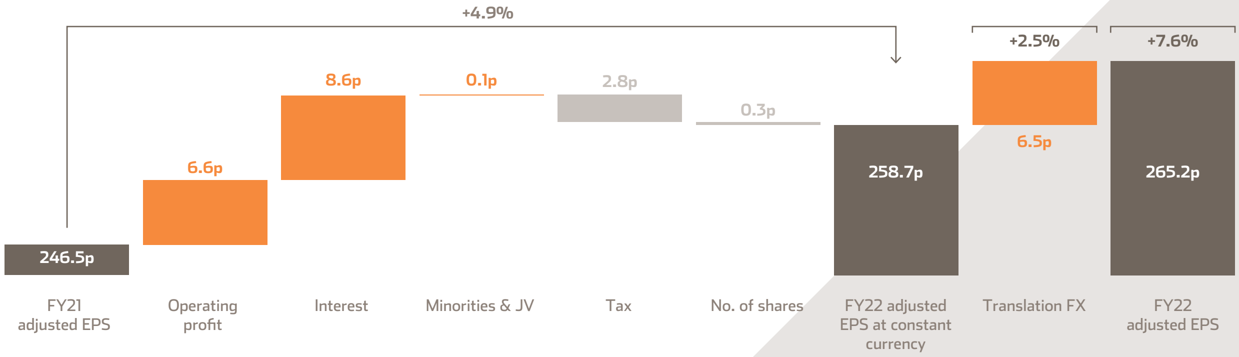
Reported EPS

-44.7%

Adjusted EPS

+4.9%

- Reported EPS declined 44.7% to 165.9 pence driven by the lower reported operating profit, an increase in tax charge and lower net finance income as we reduced our exposure to the marked to market foreign exchange accounting gains on unhedged financial instruments.
- Adjusted EPS was 265.2 pence, up 4.9% at constant currency due to increased adjusted operating profit, supported by lower adjusted interest costs due to a reduction in net debt as high coupon bonds matured or were repaid early in FY21.



The adjusted earnings per share figure of 246.5p for 2021 excludes a 0.6p contribution from the Premium Cigar Division following its divestment in September 2020.

CASH FLOW

Cash flows from operating activities were £3,186 million (2021: £2,167 million).

The year-on-year improvement in free cash flow to £2,562 million (2021: £1,524 million) was driven by a lower working capital outflow, as duty payment dates at Logista return to normal following changes to duty payment dates in preceding years, and a lower cash tax payment after a one-off payment in 2021 of £101m for Controlled Foreign Company (CFC) state aid in the UK.

While the net cash inflow of £1,255 million (2021: £1,064 million) improved year-on-year, the improvement was impacted by lower disposal proceeds compared to the prior year which benefited from the sale of the Premium Cigar Division. Disposal proceeds in 2022 were related to the La Romana factory sale, which was finalised in the second half of 2022. Shareholder dividend payments of £1,320 million are marginally higher than last year (2021: £1,305 million) driven by our progressive dividend policy.

Capital expenditure of £177 million was higher than the prior year (2021: £150 million) and is anticipated to increase in 2023 to within an expected range of £300 million to £350 million.

The increased capital expenditure will support projects to drive simplified and efficient operations in line with our strategic plan.

Adjusted operating cash conversion was 102% (2021: 83%) driven by neutral working capital in the year and temporary sales phasing in Logista driving a higher duty payable. Adjusted operating cash conversion in the prior year was impacted by increased duty payments in Logista which were deferred from 2020, leading to a significant working capital outflow.

£ million (unless otherwise indicated)	2022	2021
Cash flow from operating activities	**3,186**	2,167
Free cash flow	**2,562**	1,524
Net cash flow	**1,255**	1,064
Adjusted operating profit	**3,694**	3,573
Cash flow post capital expenditure pre interest and tax	**3,781**	2,949
Adjusted operating cash conversion	**102%**	83%

RETURN ON INVESTED CAPITAL

Return on invested capital (ROIC) increased by 120 basis points, driven by an increase in net adjusted operating profit and a reduction in annual average capital. Average annual ROIC was 17.7% (2021: 16.5%).

Average annual capital reduced by £0.5 billion, driving an improvement in returns, with the benefit of increased adjusted operating profit.

Our FY22 invested capital has increased compared to the prior year due to beneficial foreign exchange movements in intangible assets.

Despite this increase the average annual invested capital remains lower than 2021, benefiting from the disposal of assets held for sale from the Premium Cigar Division and a reduction in intangible assets in 2021.

£ million	2022	2021*
Reported operating profit	**2,683**	3,146
Adjusting items (APM section within supplementary information)	**1,011**	427
Adjusted operating profit	**3,694**	3,573
Implied tax (at adjusted effective tax rate)	**(827)**	(807)
Net adjusted operating profit after tax	**2,867**	2,766
Working capital	**(2,823)**	(2,523)
Intangible assets	**17,777**	16,674
Property, plant & equipment	**1,659**	1,715
Assets/(liabilities) held for disposal	**–**	–
Invested capital	**16,613**	15,866
Average annual invested capital	**16,240**	16,741
Average annual ROIC	**17.7%**	16.5%

* 2021 figures calculated on the same basis as 2022.

ADJUSTED NET DEBT/EBITDA

Adjusted net debt reduced by £0.6 billion (2021: £1.2 billion) in the year, driven by continued strong cash generation. Adjusted net debt/EBITDA reduced to 2.0x from 2.2x, in line with previous guidance.

Reported net debt reduced by £881 million to £8,492 million (2021: £9,373 million). Excluding accrued interest, lease liabilities and the fair value of derivative financial instruments providing commercial hedges of interest risk, Group adjusted net debt was £8,054 million (2021: £8,615 million).

£ million	2022	2021
Reported net debt	**(8,492)**	(9,373)
Accrued interest	**105**	140
Lease liabilities	**248**	251
Fair value of interest rate derivatives	**85**	367
Adjusted net debt	**(8,054)**	(8,615)

RECONCILIATION BETWEEN REPORTED AND ADJUSTED PERFORMANCE MEASURES

	Operating profit		Net finance (costs)/income		Earnings per share (pence)	
£ million unless otherwise indicated	2022	2021	2022	2021	2022	2021
Reported	**2,683**	3,146	**(117)**	81	**165.9**	299.9
Russian and associated markets exit	**399**	–	**–**	–	**42.2**	–
Acquisition and disposal costs	**5**	17	**–**	–	**0.5**	1.8
Amortisation & impairment of acquired intangibles	**349**	450	**–**	–	**35.4**	44.3
Excise tax provision	**(9)**	(1)	**–**	–	**(1.0)**	(0.1)
Fair value adjustment of loan receivable	**37**	(15)	**–**	–	**3.9**	(1.6)
Loss/(profit) on disposal of subsidiaries	**29**	(281)	**–**	–	**2.2**	(29.7)
Restructuring costs	**197**	257	**–**	–	**15.6**	19.6
Fair value and exchange movements on derivative financial instruments	**–**	–	**(201)**	(496)	**(1.9)**	(60.7)
Post-employment benefits net financing costs	**–**	–	**(8)**	(2)	**(0.8)**	(0.3)
Buy out liabilities on Irish Pension Scheme	**4**	–	**–**	–	**0.4**	–
Tax on disposal of premium cigar division	**–**	–	**–**	–	**–**	(1.2)
Previously unrecognised tax credits	**–**	–	**–**	–	**–**	(25.3)
Brand impairment in equity accounted joint venture	**–**	–	**–**	–	**2.5**	–
Provision for state aid recoverable	**–**	–	**–**	–	**10.7**	–
Uncertain tax positions	**–**	–	**–**	–	**(6.7)**	–
Deferred tax on unremitted earnings	**–**	–	**–**	–	**(2.7)**	–
Tax on unrecognised losses	**–**	–	**–**	–	**0.8**	5.0
Adjustments above attributable to non-controlling interests	**–**	–	**–**	–	**(1.8)**	(4.6)
Adjusted	**3,694**	3,573	**(326)**	(417)	**265.2**	247.1

ADJUSTING ITEMS

A reconciliation of the Group's adjusted to reported operating profit is shown above.

The Group announced in April it had completed its exit and sale of its Russian business and associated markets with net charges totalling £399 million. These are outlined below:

- An impairment charge against the Russian assets of £166 million was recognised as at 31 March 2022 when the assets were classified as an asset held for sale.
- A further net loss of £198 million arose on completion including recycled foreign exchange losses of £190 million.
- The planned exit from a limited number of associated markets has resulted in the recognition of asset impairment provisions and exit costs currently estimated at £35 million.

In addition, the sale of the Russian business has triggered an impairment to the intangible asset for the Jadé brand which is sold in Russia through the venture between Global Horizons and China Tobacco. This has led to a charge to the Group of £23.5 million and impacts adjusted EPS by 2.5 pence.

The financial asset investments (Auxly and Oxford Cannabinoid Technologies) were revalued as at 30 September 2022, with a £37 million loss recorded due to credit risk provision adjustments and marking the value of equity investments to market prices.

The loss on disposal of subsidiaries totalled £29 million and comprised:

- The sale of the La Romana factory in the Dominican Republic which completed in August 2022. We received a sales consideration of £46 million and recognised a loss of £13 million on completion.
- The Group's subsidiary Logista sold its interest in Supergroup S.A.S for a consideration of £nil and recognised a loss on disposal of £16 million.

Restructuring costs of £197 million relating to the 2021 Strategic Review Programme were recognised in the year as shown in the table overleaf. Further details on our restructuring programmes are given in the restructuring section below.

The 2022 charges in relation to restructuring programmes are shown below.

£m	2022 Income Statement	2022 Cash
Cost Optimisation Programme I	–	11
Cost Optimisation Programme II	–	19
2021 Strategic Review Programme	**197**	56
Other	–	5
Total	**197**	91

An overview of the restructuring programmes' cumulative charges, cash spend and annualised savings is shown below.

RESTRUCTURING CHARGE & CASH SPEND

	Income Statement Charges		Cash Costs		Savings
£m	Cumulative to date	Anticipated Total	Cumulative to date	Anticipated Total	Annualised Savings
Cost Optimisation Programme I (2013)	945	945	582	634	305
Cost Optimisation Programme II (2018)	848	848	562	650	320
2021 Strategic Review Programme	423	423	104	274	150

RESTRUCTURING

As previously confirmed and approved by the Audit Committee, only costs related to the operating model changes required as part of the strategic review announced in January 2021, together with its implementation costs and associated non-cash charges, are eligible for classification as adjusted costs in the income statement in FY22.

Therefore, there have been no further restructuring charges made during the period in respect of any other previously approved restructuring programmes (COP I, COP II). Any further charges in respect of any restructuring programmes will not be adjusted.

The programme announced during the course of 2021, which was an output from the strategic review, was a restructuring programme aiming to reorganise and simplify the business, unlocking efficiency savings and enabling increased investment in our core capabilities such as sales and marketing to support the five-year strategic plan. At that time, total restructuring costs in respect of the programme were anticipated to be in the range of £375 million to £425 million.

Since the strategy announcement, we developed detailed plans across a number of different initiatives and are now deploying a new operating model that will support the strategic delivery. Following our detailed work:

- we expect cash costs to be £274 million, that will extend into 2023 and beyond, and the associated restructuring charges have been fully provided for across both FY21 (£153 million) and FY22 (£121 million).
- associated non-cash restructuring charges incurred in FY22 totalled £76 million, bringing the total non-cash charges to £149 million.

Hence the overall restructuring charge across both FY21 and FY22 periods, in respect of both cash and non-cash items is £423 million, which is at the higher end of our initial guidance of £375 million to £425 million. We are currently forecasting that the programme will deliver annualised savings at the higher end of the range of our initial guidance of £100 million to £150 million.

Cash spend for all three restructuring programmes is expected to continue into FY23 and beyond.

Finance costs

Adjusted net finance costs were lower at £326 million (2021: £417 million), reflecting lower adjusted net debt balances during the year. Reported net finance cost was £117 million (2021: income of £81 million), incorporating the impact of net fair value and foreign exchange gains on financial instruments of £201 million (2021: gains of £496 million) and post-employment benefits net financing income of £8 million (2021: income of £2 million). The gains on financial instruments are primarily due to fair value gains of £270 million resulting from positive valuation movements of the Group's interest rate derivatives reflecting increasing market interest rate expectations in the year.

Our all-in cost of debt decreased to 3.5% (2021: 4.0%) due to the early repayment of a bond in FY21 and associated charges taken in that year combined with the natural maturity of higher cost debt during 2022, partially offset by rising interest rates.

Our interest cover increased to 12.1x (2021: 9.2x) reflecting the lower adjusted finance costs.

Given the rising interest environment, we expect upward pressure on finance cost going forward although we have hedging in place for 85% of our expected debt in FY23.

Taxation

Our adjusted effective tax rate is 22.4% (2021: 22.6%) and the reported effective tax rate is 34.7% (2021: 10.2%). The slight reduction in the adjusted effective tax rate reflects both a significantly lower year-on-year provision build for uncertain tax positions arising from the settlement of several tax audits, largely offset by a greater proportion of the Group's profits being earned in jurisdictions with higher tax rates. The adjusted tax rate is lower than the reported rate due to no tax relief arising on the Russian market exit costs and limited tax relief arising on foreign exchange losses that arise on consolidation, and the recognition of a full provision against the previously recognised receivable for state aid tax.

We expect our adjusted effective tax rate for the year ended 30 September 2023 to be around 22%.

The effective tax rate is sensitive to the geographic mix of profits, reflecting a combination of higher rates in certain markets such as the USA and lower rates in other markets such as the UK.

The rate is also sensitive to future legislative changes affecting international businesses such as changes arising from the OECD's (Organisation for Economic Co-operation and Development) Base Erosion and Profits Shifting (BEPS) work. Whilst we seek to mitigate the impact of these changes, we anticipate there will be further upward pressure on the adjusted and reported tax rate in the medium term.

Our Group tax strategy is publicly available and can be found in the Governance section of our corporate website.

Exchange rates

Foreign exchange had a positive impact on Group adjusted operating profit and earnings per share at average exchange rates (1.7% and 2.4%, respectively). Sterling weakened against the US dollar (6.4%) and strengthened against the euro (3.1%). Other major currencies remained broadly flat compared to the prior year.

Dividend payments

The Group paid two interim dividends of 21.27 pence per share in June and September 2022.

The Board has approved a further interim dividend of 49.31 pence per share and will propose a final dividend of 49.32 pence per share bringing the total dividend for the year to 141.17 pence. This represents a 1.5% increase to the amount of 139.08 pence per share paid in the prior year and is in line with the Group's progressive dividend policy.

The annual dividend represents a payout ratio of 53.2% with respect to basic earnings per share.

The third interim dividend will be paid on 30 December 2022 to shareholders registered on 25 November 2022. Subject to AGM approval, the proposed final dividend will be paid on 31 March 2023 to shareholders registered on 17 February 2023.

Funding/Liquidity

During the year we repaid one bond of £1 billion and made a partial repayment of US$ 646 million from our February 2023 US$ 1 billion bond. We issued a $1 billion bond in the year with a coupon of 6.125%, maturing in July 2027. The denomination of our closing adjusted net debt was split approximately 80% euro and 20% US dollar. As at 30 September 2022, the Group had committed financing in place of around £13.0 billion, which comprised 24% bank facilities and 76% raised from capital markets. During the year the maturity date of €3,316 million of the Group's existing syndicated multicurrency facility was extended to 30 September 2025, with the exception of one tranche of €184 million, which remains at the 31 March 2025 maturity date.

The Group remains fully compliant with all our banking covenants and remains committed to retaining our investment grade ratings.

Lukas Paravicini
Chief Financial Officer

MANAGING RISK

The principal risks faced by the Group and Imperial's risk management approach are described in the following pages.

Risks represent the various potential outcomes that are managed whilst implementing the Group's strategy. Imperial defines a risk as anything that could disrupt the achievement of the Group's strategy and objectives.

In developing the Group's strategy, the Board and management reviewed the risk landscape (current and emerging) and related profiling, with risk mitigations and impacts assessed.

RISK ASSESSMENT PRINCIPLES

- Risk assessments are aligned with the business planning cycle and strategic objectives, focusing not only on the identification and assessment of risks, but most importantly on the effectiveness of the mitigations in place
- Imperial adopts a dynamic approach which facilitates and collates views from functional risk owners and a broad spectrum of other relevant stakeholders, providing end-to-end insights from a wide collection of second line experts – enabling a richer, more balanced perspective on current and emerging risks
- Current and emerging risks are considered on an ongoing basis across the business, with a general three-year horizon (though longer where applicable, e.g. climate risk). This horizon ensures appropriate focus and includes consideration of changes in the causes of existing risks (e.g. specific proposed regulatory change) ensuring timely evaluation of the effectiveness of current and future mitigations
- Specific risk topics are presented to the Board, Audit Committee, and ELT during the year. These discussions provide further detail from first and second line management on their risk management responsibilities

Many of these risks are external and cannot be fully mitigated, and whilst the Group continues to monitor its risk landscape there can be no guarantee that additional risks will not arise, or that other known risks not mentioned increase in materiality.

RISK APPETITE

The Board is responsible for setting the Group's risk appetite and has completed its annual exercise to ensure this is aligned to, and supports, the new Group strategy. The resultant risk management approach supports the achievement of objectives and the Board's wider responsibility for risk management through clear communication of the expected outcomes of key controls and related monitoring.

RISK LANDSCAPE

The Group operates in highly competitive multinational markets and faces general commercial risks associated with a large FMCG business.

Imperial constantly assesses and evaluates the risks posed by the changing environments in which the Group operates, whether geopolitical, socioeconomic or technological. The consideration of potential impacts and most likely causes ensures a timely, measured and appropriate response.

The Group, along with all other businesses, has continued to be impacted by the pressures which COVID-19 has placed on global supply chains. Further to this the Russian invasion of Ukraine required the Group to act to prioritise the safety of its people, and to manage the impacts on the business. The Group is impacted by the resultant increase in commodity and energy prices, notably within its European manufacturing sites.

RISK MANAGEMENT FRAMEWORK

The framework is designed to ensure accountability for the identification, assessment and mitigation of risks throughout the business, supported by appropriate capabilities.

The success of the risk management approach relies upon the effectiveness of the control frameworks in place to manage risks and seize opportunities that arise. Imperial's approach to governance, risk management and internal control follows the "three lines model", which enables the business to achieve its strategic objectives whilst remaining aligned to the Board's risk appetite.

As a Group we face a number of current and emerging issues which we treat as causes of current risks rather than evaluating them as risks in themselves. By adopting this approach we ensure consideration of impacts and required mitigations across the business, and increase the effectiveness and accountability for assessments on a "bottom-up" basis, enabling local and Group initiatives to be developed to optimise our responses.

Climate risk

The impacts of climate risk on the business have been evaluated as part of both Group and local (functional) risk assessments.

Key impacts exist within our manufacturing footprint and wider supply chain, with short- and long-term consideration of possible vulnerabilities and required mitigations to ensure resilience.

Inflation

The impact of inflationary pressures on both the business and consumers has been assessed as part of risk assessments.

This creates a more dynamic feedback between "bottom-up", "top-down" and cross-functional perspectives, ensuring the broadest consideration of impacts and mitigations.

Geopolitical risk

The identification and effective mitigation of geopolitical risks has become an increasingly important factor within the Group's operational continuity planning for our internal resilience and the resilience of our wider supply chain, key customers, and service providers.

This consistent and complete assessment better informs Group actions.

	WHO is involved?	**WHAT** activities are completed? Assessment and evaluation of risks	**WHEN** are they completed?	**HOW** do we confirm risks are managed?
"Bottom-up"	**First Line**	• Local ownership and accountability for completion and continued update of risk register • Local Leadership Team input to review and formally agree risk assessment outcomes • Approach includes requirement to assess effectiveness of related risk mitigations on an ongoing basis • Completion of key control compliance self-assessment across the business – Group Controls Matrix (GCM) communicates key requirements and required testing	Ongoing throughout year but with minimum six-monthly formal update Monthly GCM compliance self assessment completion	• Leadership accountability for risk assessment and mitigation effectiveness • Regional leadership team oversight and input • Dedicated operational control positions responsible for facilitating operational risk and compliance activities • Management certification of compliance with Group policies and Code of Conduct on six-monthly basis • Internal Audit and other independent assurance reviews performed across the business
	Second Line	• Functional risk registers evaluate both the risks subject matter experts are employed to manage, and the risks to achieving objectives in line with Board risk appetite • Reviewed and agreed by functional leadership teams • Formal completion of legal and regulatory certifications (e.g. ESG-related, TCFD, Human Rights, Group Science regulatory certifications)	Ongoing throughout year but with minimum six-monthly formal update	• Define and implement policy and risk management activities aligned to risk appetite • Provide support to business in design and implementation of local mitigations • Monitor effectiveness of mitigations through KRIs/KPIs and assurance activities • Review results of GCM self-assessment and identify common themes • Review results of assurance activities to ensure effective closure of observations raised
"Top-down"	**Risk Committee**	• Provides "top-down" insights to risk assessment process • Considers emerging risks and themes identified in risk assessment process • Reviews results of GCM internal control self-assessments • Provides input into development of risk management activities	Minimum three times per year	• Oversee risk management approach and reporting • Review results of assurance activities to ensure effective closure of any observations raised
	ELT	• High-impact risks identified in "bottom-up" assessments are consolidated for review by ELT • Considers emerging risks and themes identified in risk assessment process	Quarterly update	• Oversee risk management approach and reporting • Review results of assurance activities to ensure effective closure of any observations raised
	Audit Committee	• Oversight of the Group's internal control systems, risk management process and framework • Obtain and review scope, quality and results of assurance provided by internal and external audit	Update at each AC meeting, including risk deep dives with first- and second-line risk owners	• Oversee risk management approach and reporting • Review results of assurance activities
	Board	• Provides operational and strategic risk perspectives, ensuring these are considered in Group strategy • Sets the Group's risk appetite • Considers emerging risks and themes identified in risk assessment process	Twice per year: formal risk assessment review	• Oversee risk management approach and reporting • Review results of risk assessment

The mitigation and management of identified risks is vital to the success of the Group. The Group's risk management and internal control framework and related reporting are further discussed in the Audit Committee report on page 119.

The following section highlights the principal risks the Group faces and identifies the mitigations that are in place to manage them, with all risks reported on a mitigated basis.

Not all of these principal risks are within Imperial's direct control, and the list cannot be considered to be exhaustive, as other risks and uncertainties may emerge in a changing business environment.

An illustration of the primary impact each risk might have on relevant strategy elements and the change in profile of the risk compared to the previous year is included.

Changes have been made in the presentation of the principal risks. The risks reported are those currently considered by the Board to have the most likely impact on achievement of the Group's objectives, with the exception of the People risk, which is included to reflect the importance of our people in delivery of the Group's strategy.

Principal risk	Change in year
PRICING, EXCISE OR OTHER PRODUCT TAX OUTCOMES NOT IN LINE WITH BUSINESS PLAN ASSUMPTIONS OR EXPECTATIONS Risk profile: ↑ Strategic impact: Driving value from our broader portfolio Failure to achieve planned pricing strategy could impact achievement of objectives and targets. Failure to identify or manage increases, or proposed increases, in excise or other product-related taxes, or changes in tax structures, could impact achievement of objectives	• Pricing pressures resulting from inflationary impact on consumer spend, triggered by unprecedented increases in prices for fuel, food and other commodities • Additional expertise employed within the Revenue Growth Management function, and additional tools developed to better model and predict impacts of excise, inflation, and other consumer pressures • Continued development of EU Excise Directive
FAILURE TO MANAGE THE IMPACTS OF PRODUCT REGULATORY CHANGE Risk profile: → Strategic impact: Driving value from our broader portfolio Regulatory change aimed at further de-normalising the consumption of tobacco and nicotine products adversely impacts the Group's products, markets, manufacturing processes, customers, and/or consumers	• FDA formally proposed regulatory change in the US, impacting the use of menthol and other characterising flavours. This US Federal ban is most likely to take longer than the Group's three-year risk horizon to come into effect, however, legislation at state or county level could be implemented in advance of this • Regulatory change in New Zealand creates an environment which eventually bans the sale of tobacco through increasing the age at which tobacco can be purchased year on year, over a 50-year period • Roll-out of Track-and-Trace requirements in product supply chain continues across Africa • Increasing maturity and complexity within NGP categories as regulation develops with market growth, including proposals for changes in ability to sell flavoured product. • Wider alignment between Tobacco and NGP categories could arise under EUTPD3 and, in general, the developing EU regulatory landscape

In the year the previously reported Organisational change, and Availability of liquidity risks have reduced relative to our wider risk landscape. These have been replaced in the following section by Failure to identify or respond to changes in consumer behaviour and/or market environment and Failure to manage direct/indirect tax positions/reporting.

Impact	Mitigation	Opportunity
• In markets where consumers are increasingly price-conscious the ability to achieve planned price increases may be impacted, resulting in reduced profitability as the Group protects market share • Pricing pressures may result from significant pressures on consumer disposable income. Fuel, food and commodity prices have increased at significant rates in priority markets, reducing consumer purchasing power. Additionally, increases in taxation further increase product price potentially impacting affordability. This could result in down-trading to lower price products/categories, reduced consumption, cessation of smoking, or an increase in the attractiveness of illicit product, impacting sales volumes, revenues, profitability and market size • Counterfeit and illicit trade thrive in high-excise environments, reducing the size of the legitimate tobacco market, increasing risks to consumers from non-compliant product, and financing organised crime • Inferior, unregulated counterfeit product could result in damage to brands	• Subject matter experts assess global excise risks, and model price elasticity to ensure the business plan and strategy are developed and aligned to consumer insights • The Group's Revenue Growth Management function is responsible for the identification and management of strategic commercial opportunities arising from excise change • Engagement with authorities providing informed input and evidence about the unintended consequences of disproportionate changes in product taxation, supported by the Group's Regulatory and Anti-Illicit Trade teams • Robust internal policy and procedures ensure compliance within the supply chain, maintaining strong standards and controls for the business and first-line customers to prevent diversion of products • Working alongside and partnering with governments and law enforcement agencies around the world to prevent the illicit supply of tobacco products	• The development of the Group strategy includes analysis of planned and potential changes in product taxation to identify and ensure investment opportunities across our range of products • The Group product portfolio is resilient to potential impacts from changes in consumer behaviour, with products at various price points • Tailored product portfolio offerings at a local level, within and across categories, allow for any relative commercial advantage from excise mechanisms to be realised
• Product regulatory change can restrict product specification (e.g., menthol or similar flavour ban), consumer interaction, and product supply, and place restrictions on consumers' ability to enjoy the product, potentially impacting sales volumes and market size • Compliance with increasingly complex regulatory requirements increases the risk of both additional cost to the Group and inadvertent non-compliance, which could result in investigation, regulatory censure, financial penalty and reputational damage • Where interpretation of regulation is required, judgements made can lead to dispute or investigation by regulators and result in possible related financial costs or reputational damage even where no fault is proven	• Engagement with authorities to provide informed input and evidence of the unintended consequences of disproportionate changes in product regulation, supported by the Group's Regulatory and Scientific Affairs teams • Subject matter experts employed to assess the impacts of proposed regulatory change and Group-wide impacts • Project teams in place to manage the impacts of regulatory change, ensuring required compliance is achieved and strategic opportunities identified • Group policies, guidance and processes aligned to changes in legislation and requirements • Legal action can be taken to defend against or prevent regulatory change where this impacts the Group's brands or local legal freedoms	• While stringent regulation proves a burden on all firms, the burden is less on businesses that operate from an existing high baseline of compliance and responsibility • Regulation can be of benefit to consumers and to responsible market players through preventing less responsible companies from operating freely within the marketplace • Global regulators are increasingly moving towards a policy of tobacco harm reduction. Such policies accept the reduced risk that non-combustible nicotine products offer adult smokers in comparison to cigarettes and other traditional, combustible products

Principal risk	Change in year
PRODUCT SUPPLY FAILS TO MEET MARKET DEMANDS (STOCK ISSUES IN MARKET) Risk profile: Strategic impact: Simplified and efficient operations Failure to ensure timely supply of products demanded by markets which meet quality, regulatory and cost requirements. Availability issues could result in loss of sales and could be caused by production, planning or logistical issues, or failure to be able to produce/develop formats aligned to consumer needs	• The Russian invasion of Ukraine impacted the Group's supply chain strategy. Loss of the Kyiv manufacturing site for a prolonged period in the year resulted in the need to switch that production capacity to alternative sites • Significant global cost inflation, notably in non-tobacco materials and energy, has impacted, and will continue to impact, the cost of goods sold • The potential for energy scarcity across Europe resulting from disruption to, or availability of, gas supplies could impact EU manufacturers • Significant pressures on the Group's logistics supply chain have continued as a result of the impact of COVID-19 on shipping, along with continued disruption from regional lockdowns in China • Continuing frequency of adverse weather globally due to climate change potentially impacting supply chains, notably cigar operations in our Caribbean factories and Philippines • Track-and-Trace regulation continues to roll out across markets, increasing compliance requirements
MAJOR INCIDENT RESULTING FROM CYBER OR SIMILAR TECHNOLOGY RISK Risk profile: Strategic impact: Simplified and efficient operations Cyber-attack or other technology incident results in a major system outage or denial of service. The criticality of Group systems, notably those which are Track-and-Trace related, has significantly increased, with key reliance on system availability both internally and through the supply chain	• External environment highlights increasing risk of corporate cyber-attacks including use of "insider" resource to carry them out, notably ransomware • Increasing risk to all businesses of attack through extended supply chain where one company is breached and others to which it has connections are then also impacted.
FAILURE TO IDENTIFY OR RESPOND TO CHANGES IN CONSUMER BEHAVIOUR AND/OR MARKET ENVIRONMENT Risk profile: Strategic impact: Focusing on our priority markets Failure to obtain or effectively respond to commercial insights and learnings, resulting in loss of market share or inability to capitalise on commercial opportunities	• Increased economic pressure on consumers due to inflationary pressures and economic uncertainty across our market footprint • Growth in illicit trade due to widening gap between duty-paid and non-duty-paid prices as a result of excise impacts, notably in Europe and Australia where excise levels are very high • Further development of consumer insights strategy, including investment in capabilities and tools

Impact	Mitigation	Opportunity
• Loss of key manufacturing site or capacity could impact the Group's ability to meet short-term production demands • Failure to supply markets could result in loss of short-term sales volume, with potential loss of consumer loyalty possibly impacting longer-term volumes • Failure to manage cost inflation could result in reduced margin and profitability • Severe weather episodes could impact raw material supply, manufacturing sites and warehousing, potentially affecting or increasing the cost of short-term supply to markets • A lack of availability of raw materials could impact short-term supply to markets • Product quality issues could impact customer satisfaction, potentially damaging brand equity and future sales • Key ESG-related risks exist in raw material and component supply chains. Failure to manage these risks appropriately could bring litigation with financial and reputational damage to the Group	• Robust demand planning process and supply chain management aligned to changing market environment • Material stocks (leaf and non-tobacco) maintained in line with assessed supply continuity risks, and aligned to sales forecast requirements • Production capacity planning includes agreed continuity measures in the event of machine failure or site issue • Supplier agreements, standards, and practices include requirement to comply with Group policies and Code of Conduct • Ongoing supplier reviews include quality, ESG, and continuity-related scope • Learnings from Ukraine and COVID-19 experience to date incorporated into strategic and operational processes and plans • Group has a firm commitment to act in accordance with legal requirements and the principles of being a responsible manufacturer	• Operations continue to supply quality, compliant products whilst improving agility and scalability, catering for demand shifts and opportunities to contain underlying costs whilst maintaining standards and actions of a responsible manufacturer
• Loss of critical systems could impact product supply to markets or retailers • Failure to protect personal data could result in regulatory breach and related censure, financial penalty and reputational damage • Cyber breach could result in loss of sensitive corporate data, impacting achievement of strategy, reputational damage, significant cost to the Group or lost competitive advantage	• Cyber risk assessment completed and actions implemented to further protect business • Vulnerability scanning in place to ensure ongoing threat protection • External penetration testing completed on an ongoing basis • Workstation security and cloud services implemented • Crisis management scenario planning and response activities in place and tested • Additional specialist capabilities recruited internally to continually improve approach	
• Failure to respond to changes in consumer trends could result in the Group's portfolio not being aligned to consumer needs or demands. This could make the Group's products less attractive to consumers, resulting in reduced sales • Failure to identify changes in consumer trends could result in lost opportunities, notably in our NGP categories where innovations are more prevalent • Economic pressure on consumers could result in reduced spend on tobacco products and alternatives, reducing market size • Increases in illicit trade impact the size of the legitimate market, impacting sales volumes	• Development and formalisation of insights approach, driving greater consistency • Increasing capabilities and implementation of systems and tools • Consumer Insights for all categories report to central team – reducing disparity in approach and outcomes • Data sources controlled to ensure consistency and robustness of information and insights • Market impacts analysed as part of market size calculations • Pack collection reporting completed to provide trend analysis of illicit impacts • Excise and price monitoring provides insights into possible changes in illicit impacts through widening disparity between the price of legitimate and illicit product • Industry trade groups and joint operations with enforcement agencies	• Provides opportunity to align Group portfolio and product developments, to consumer trends and changing market environments • Robust data analysis increases confidence in achievability of expected outcomes and optimisation of investment choices • Monitoring of illicit impacts, and product flows provides opportunity for engagement with, and support to, regulators to reduce the illegal trade in tobacco products

Principal risk	Change in year
INABILITY TO DEVELOP, EXECUTE AND COMMUNICATE AN EFFECTIVE ESG STRATEGY IN LINE WITH EXPECTATIONS OF RELEVANT STAKEHOLDERS Risk profile: Strategic impact: Performance-based culture and capabilities Failure to align the development, execution and communication of the Group's ESG strategy to external expectations. The pace of change in external requirements and expectations remains significant, with greater focus on integrity and assurance of reporting, and comparison cross-industry and between sector peers	• Continued focus on ESG-related matters from investors and external stakeholders • Increasing reporting requirements exist, notably for climate and environmental-related risks, with the Group committed to actions to reduce its impact on the environment (e.g. TCFD reporting) • Recruitment of specialist human rights capabilities to further improve the Group's approach, and ensure proactive readiness for changes in regulatory requirements • As with all multinationals, the Group faces increasing climatic impacts across its global footprint • Investments in the NGP business to offer adult smokers potentially reduced harm products continue and have been communicated and included within the Group's ESG agenda
FAILURE TO DEVELOP COMMERCIALLY SUSTAINABLE NGP CATEGORIES Risk profile: Strategic impact: Building a targeted NGP business Failure to develop a portfolio of commercially sustainable, science-based, reduced harm products, that meet consumer needs, could impact the Group's ability to seize market opportunities and deliver its ESG agenda.	• Successful completion of Pulze heated tobacco pilot launches and development of accelerated launch strategy • Continued focus on development of the heated tobacco portfolio and product offering • Successful launch of updated vape product in pilot market • Continued competitor activity in the NGP market with growth in category size through product development and marketing initiatives • Failure to achieve PMTA approval in US impacted sale of myblu product; this is currently being appealed
PRODUCT PORTFOLIO AND/OR CONSUMER INTERACTION APPROACH NOT ALIGNED TO CONSUMER PREFERENCES Risk profile: Strategic impact: Consumer at the centre of the business Product portfolio not aligned to consumer needs or demands, and/or product development not sufficiently agile to respond to changes in preferences or market structure and competitor offerings. Brand strength is not sufficient to attract or retain customers.	• Continued emergence and growth of new low-price tiers across many markets • Continuation of down-trading trend in which consumers become increasingly value-driven due to inflationary pressures on disposable income

Impact	Mitigation	Opportunity
• Failure to meet expectations, or to ensure at least parity with industry peers, may impact the Group's reputation as a sustainable business and adversely affect stakeholder sentiment • Failure to comply with key ESG-related regulation, including environmental and human rights legislation, would result in a material impact to the Group, including, but not limited to, financial penalties • Reputational damage may result from allegations, even where no wrongdoing has occurred • Employee engagement or attractiveness of the Group as an employer may be adversely affected as a result of any perception that the Group is acting in an inappropriate manner	• ESG strategy, agenda and communications, including ongoing development and materiality assessment, aligned to strategic goals and targets • ESG Committee with executive representation in place to provide oversight • Investor and stakeholder presentations ensure alignment with expectations and transparency on progress of Group actions • TCFD disclosures and related actions facilitate robust reporting and control frameworks • Responsibility and accountability for identification and mitigation of ESG-related risks understood and continues to be embedded across the business • Policy, training, guidance and effective governance provided by both internal and external subject matter experts	• Positive ESG strategies and communications can increase the attractiveness of the organisation to new joiners, and increase the engagement of existing employees • Sustainability is a growing factor in customer and consumer choices across FMCG sectors • Sustainability initiatives can reduce long-term financial costs through greater efficiency and reduced waste • Investor and wider stakeholder sentiment is more positive toward companies with successful and proven ESG strategies and initiatives
• Failure to accurately predict or identify current and emerging consumer trends could result in lost opportunities, and lower volumes should products have reduced relevance to consumers • Failure to align NGP portfolio to consumer needs and expectations could result in failure to achieve NGP ambition • Failure to develop NGP categories could impact achievement of key ESG priorities	• Pilot market approach implemented to ensure feedback and learnings captured and responded to in development and execution of heated tobacco strategy • Dynamic consumer and market analysis integral to product development and go-to-market model • Development of consumer centric products bringing alive the Group's agile "fast-follower" strategy • Consolidated NGP category management approach enabling holistic view of opportunities and informed investment strategy	• Improved ability to meet consumer needs and robust consumer validation are key drivers of commercial success • The Group's experience in combustibles and NGP provides it with a strong base to meet the needs of the wider changing nicotine market dynamic
• If the Group's product portfolio fails to meet consumer preferences, then reduced demand will result in lower sales volumes and reduced brand equity • Failure to ensure effective implementation of market or retail initiatives could result in lost opportunities, wasted investments, and potential loss of share • Failure to act upon consumer insights could prevent opportunities from being seized and impact growth • Failure to identify intellectual property (IP) constraints in the innovation of new products could impact development and/or launch, limiting the ability to respond to competitor offerings	• Global Consumer Office in place with accountability for product/brand strategy and initiatives • Brand initiatives and opportunities continually assessed, and developments completed • Consumer panel approach in place to provide robust and independent feedback processes • Brand monitoring, including equity tracking • Innovation processes designed to develop consumer products based upon robust analysis, testing and scientific support, with cross-functional expertise utilised in approach • IP risks managed by subject matter experts within the Group and external legal support	• Facilitates the development of products and/or relevant route to market and pricing strategies that meet and drive consumer demand • Speed and quality of innovation enables the drumbeat of consumer activation that ensures both brand relevance and continued brand loyalty • Management of "local hero" brands in markets offers ability to realise local opportunities and strengthen consumer loyalties

Principal risk	Change in year
FAILURE TO APPROPRIATELY MANAGE LITIGATION AND INVESTIGATIONS RESULTS IN ADVERSE JUDGEMENTS AND/OR RELATED COSTS Risk profile: → Strategic impact: Simplified and efficient operations As with other corporates, litigation and other claims are pending against the Group. The interpretation of the law and the related judgements made in relation to these laws can lead to dispute or investigation and possible financial costs or reputational damage	• Consolidation of Legal, Corporate Affairs, and Governance and Security functions facilitates consistent approach across key engagement activities • Recruitment of a new Chief Legal and Corporate Affairs Officer as well as a dedicated Human Rights Manager
FAILURE TO MANAGE DIRECT/INDIRECT TAX POSITIONS/REPORTING Risk profile: → Strategic impact: Focusing on our priority markets Risk of changing tax legislation, or interpretation thereof, resulting in higher effective tax rate, tax disputes and related financial loss	• G7 proposal to enforce minimum levels of tax payable in the country in which profits are generated. This is intended to protect developing nations and potentially reduces effectiveness of current tax planning strategies • Increased regulatory enforcement across major markets • Uncertain Tax Positions (UTP's) have decreased as we have concluded a number of tax audits
PEOPLE AND ORGANISATION Risk profile: → Strategic impact: Performance-based culture and capabilities Inability to attract, retain and develop required capabilities to achieve strategic objectives and/or provide a safe, healthy working environment	• The Russian invasion of Ukraine has and continues to have an impact on the welfare of our Ukraine based employees and their families, with both Group and employee-led initiatives having been delivered • We have been able to continue to attract skilled and experienced candidates into senior and key roles in an increasingly supply-constrained job market

Impact	Mitigation	Opportunity
• Failure to comply with regulations could result in investigation and the enforcement of financial penalties or regulatory censure • Investigation or allegations of wrongdoing can result in significant management time being required, potentially reducing focus on other operational matters • If any claim against the Group was to be successful, it might result in a significant liability for damages and could lead to further claims • Regardless of the outcome, the costs of defending such claims can be substantial and may not be fully recoverable • A successful claim against a competitor could result in an increased likelihood of similar claims against the Group • The reputational damage arising from investigations or allegations of non-compliance could have a greater impact with external stakeholders than the penalties or actions related to the matter itself	• Internal and external lawyers employed, specialising in the defence of product liability claims and other litigation. To date, no tobacco litigation claim brought against the Group has been successful and/or resulted in the recovery of damages or settlement monies • Advice is provided to mitigate the causes of litigation, along with guidance on defence strategies to direct and manage litigation risk and monitor potential claims around the Group • The Group's Code of Conduct and core behaviours articulate the way employees are expected to act, with compliance certified by management across the business • The Group's policies and standards mandate that employees must comply with legislation relevant to both a UK listed company and local law • In the event of an investigation (which may or may not result in actions), the Group co-operates fully with the relevant authority and will continue to do so	
• Failure to comply with regulations could result in investigation and the enforcement of financial penalties or regulatory censure • Investigation or allegations of wrongdoing can result in significant management time being required, potentially reducing focus on other operational matters • The reputational damage arising from investigations or allegations of non-compliance could have a greater impact with external stakeholders than the penalties or actions related to the matter itself	• Tax control framework in place and subject to update and development • Subject matter experts employed to develop processes and manage issues arising • Local tax managers in position in key markets • Clear communication of delegated authorities for tax planning purposes • Key risk areas identified including transfer pricing • Matters-to-be-Reported framework in place to best ensure appropriate oversight of issues arising	• Optimisation of Group tax liabilities in line with Group risk appetite, supporting compliance with local regulations
• Organisational culture and mindset fail to facilitate consumer focus and the requirements of a business operating in new and fast-changing categories • Failure to achieve operational or strategic objectives because of a misalignment of skills and capabilities • Failure to ensure safe working practices, appropriate environment and culture, and the required personal support to ensure the safety and well-being of employees and others working with the Group • Loss of life or serious injury/illness to employees or other individuals working with/for Imperial Brands • Financial penalty, censure or prosecution for breach of regulations • Interruption of Group operations (notably manufacturing) resulting from significant incident, failure to comply with regulations, or failure to manage employee relations	• Group "Connections" programme rolled out across our global footprint • Group-wide diversity, and inclusion focus including survey and resultant action plans • Diversity, Equity and Inclusion working groups in place to facilitate cultural and corporate change • Capability requirements evaluated on an ongoing basis, with required actions developed and actioned locally and at Group level to address short- and medium-term requirements • Health and safety policies, procedures, training and monitoring in place • Employee wellbeing support mechanisms in place	• Increased attractiveness of Imperial as an employer for both current and potential employees through the promotion of a diverse and inclusive culture, opportunities for personal development, and support for individual and team well-being • People and skills are a key facilitator of strategy delivery, with success enhanced by the attraction and retention of requisite capabilities and mindset • Continued promotion of safety culture facilitating reduced lost working time and operational effectiveness confirming Imperial as an employer of choice

LIQUIDITY AND GOING CONCERN STATEMENT

The Group's policy is to ensure that we always have sufficient capital markets funding and committed bank facilities in place to meet foreseeable peak borrowing requirements.

The Group recognises uncertainty of the external environment. Given the current macroeconomic situation, our plans include higher than historical inflation impact to cost of sales driven by commodity price increases, energy and logistic costs, as well as higher people costs.

During the period of the COVID-19 pandemic, as well as during the ongoing period of political uncertainty with regard to Ukraine and Russia, the Group effectively managed operations across the world, and has proved it has an established mechanism to operate efficiently despite uncertainty. The Directors consider that a one-off discrete event with immediate cash outflow would pose the greatest potential challenge to short term liquidity of the Group.

The Directors have assessed the principal risks of the business, including stress testing a range of different scenarios that may affect the business. These included scenarios which examined the implications of:

- A one-off discrete event resulting in immediate cash outflow, such as unexpected duty or tax payments of c. £1 billion.
- A rapid and lasting deterioration in the Group's profitability due to markets becoming closed to tobacco products or sustained failures in our tobacco manufacturing and supply chains. These assumed a permanent reduction in profitability of 15% from 1 October 2022.
- Additional impact of potential bad debt risks arising from a recession, of c. £220 million.
- Withdrawal of facilities that provide receivables factoring of c. £560 million.

The scenario planning also considered mitigation actions including reductions to capital expenditure and dividend payments and share buyback programme.

There are additional actions that were not modelled but could be taken, including other cost mitigations such as staff redundancies, retrenchment of leases, and discussions with lenders about capital structure.

Under the worst-case scenario, where the largest envisaged downside scenarios all take place at the same time, the Group would have sufficient headroom until December 2023. The Group believes this worst-case scenario to be highly unlikely given the relatively small impact on our trading performance and bad debt levels during the COVID-19 pandemic. In addition, the Group has a number of mitigating actions available that could be implemented should such a scenario arise.

Based on its review of future cash flows covering the period through to March 2024, and having assessed the principal risks facing the Group, the Board is of the opinion that the Group as a whole, and Imperial Brands PLC specifically, have adequate resources to meet their operational needs from the date of this Report through to 31 March 2024, and concludes that it is appropriate to prepare the financial statements on a going concern basis.

VIABILITY STATEMENT

The Board has reviewed the long-term prospects of the Group in order to assess its viability. This review, which is based on the business plan which was completed in July 2022, incorporated the activities and key risks of the Group together with the factors likely to affect the Group's future development, performance, financial position, cash flows, liquidity position and borrowing facilities as described in the 'Managing risk' section of this report on pages 82 to 83.

In addition, we describe in notes 20 to 21 the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to market, credit and liquidity risk.

Assessment

In order to report on the long-term viability of the Group, the Board reviewed the overall funding capacity and headroom available to withstand severe events and carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The assessment assumes that any bank debt maturing in the next three years can be re-financed at commercially acceptable terms or via our current standby facility.

The Board believes that three years is an appropriate time horizon given the current business portfolio and limited visibility beyond three years. This assessment also included reviewing and understanding both the impact and the mitigation factors in respect of each of those risks. The viability assessment has two parts:

- First, the Board considered the period over which it has a reasonable expectation that the Group will continue to operate and meet its liabilities, taking into account current debt facilities and debt headroom; and
- Second, it considered the potential impact of severe but plausible scenarios over this period, including:
  - assessing scenarios for each individual principal risk, for example commercial issues and the impact of regulatory challenges; and
  - assessing scenarios that involve more than one principal risk, including multi-risk scenarios.

Findings

Viability review period

Whilst the Board has no reason to believe the Group will not be viable over a longer period, the period over which the Board considers it possible to form a reasonable expectation as to the Group's longer-term viability, based on the risk and sensitivity analysis undertaken, is the three-year period to September 2025.

This reflects the period used for the Group's business plans and has been selected because, together with the planning process set out above, it gives management and the Board sufficient, realistic visibility on the future in the context of the industry environment.

The Group's annual corporate planning processes include completion of a strategic review, preparation of a three-year business plan and a periodic re-forecast of current year business performance and prospects. The plans and projections prepared as part of these corporate planning processes consider the Group's cash flows, committed funding, forecast future funding requirements, banking covenants, and other key financial ratios, including those relevant to maintaining our investment grade ratings. These projections represent the Directors' best estimate of the expected future financial prospects of the business, based on all currently available information.

The use of the strategic plan enables a high level of confidence in assessing viability, even in extreme adverse events, due to a number of mitigating factors such as:

- The Group has mature business relationships and operates globally within well established markets
- The Group's operations are highly cash-generative and the Group has access to the external debt markets to raise further funding
- Flexibility of cash outflow with respect to the ability to manage dividend returns to investors, capital expenditure projects planned to take place within the three-year horizon, and promotional marketing programmes.

Risk impact review

For each of our principal risks, plausible risk impact scenarios have been assessed together with a multiple risk scenario. The following table summarises the key scenarios that were considered, both individually and in aggregate:

Risk scenarios modelled	Level of severity reviewed	Link to principal risk
The consequences of adverse operating and commercial pressures, involving volume reduction and/or falls in margin, driven by unforeseen reductions in the size of the legitimate tobacco market or other changes in the level of consumer demand for our products.	The maximum quantifiable impact of all envisaged business risks, including the impact of a loss of market size and share and lack of pricing. The value of these combined risks total £1.4 billion over the three-year period under review. A further worst-case scenario has also been considered, modelling a 15% reduction on remaining EBITDA after consideration of the isolated business risks. The value of this EBITDA modelled totals £1.8 billion over the three-year period under review.	• Pricing, excise or other product tax outcomes not in line with planning assumptions • Failure to manage the impacts of regulatory change. • Product supply fails to meet market demands • Major incident resulting from cyber or similar technology risk • Change in consumer behaviour • Inability to develop, execute and communicate an effective ESG strategy in line with expectations of relevant stakeholders • Failure to develop a commercially sustainable harm reduction category • Product portfolio and/or interaction approach not aligned to consumer preferences
The possible costs associated with legal and other regulatory challenges, including competition inquiries and tax audits.	Failure to successfully defend existing and reasonably foreseeable future legal and regulatory challenges, at the expected financial exposure. The value of these combined risks is c.£100m.	• Failure to appropriately manage litigation results in adverse judgements and/or related costs • Failure to manage direct and indirect tax positions and reporting • Failure to attract or retain required capabilities and talent • Inability to develop, execute, and communicate an effective ESG strategy in line with expectations of relevant stakeholders

None of the scenarios reviewed, either individually or in aggregate, would cause Imperial Brands to cease to be viable.

Climate-related risks have been assessed as causes of a number of the underlying risks which are included within the scenario modelling, including, but not limited to, the failure to supply product due to weather-related impacts on individual factories, the cost of complying with environmental legislation, and the impact that climate change has upon the supply of raw materials (notably leaf). Any incremental cost would have an EBITDA impact lower than that modelled as part of the scenario testing. In 2022 climate-related risks have been assessed as part of the quantified climate scenario analysis, concluding that during FY23-FY25 business will be relatively unaffected by either physical or transition risks and therefore these do not represent a material risk from a viability perspective.

CONCLUSION

On the basis of this robust assessment of the principal risks facing the Group, the assumption that they are managed or mitigated in the ways disclosed, the Board's review of the business plan and other matters considered and reviewed during the year, and the results of the sensitivity analysis undertaken and described above, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to September 2025.