

Imperial Brands

Imperial Brands has delivered a strategy which addresses water use across sites in its direct operations. EOS continues to engage with the company on developing a robust water stewardship approach across its supply chain.

Background

Imperial Brands is a multinational tobacco and tobacco alternatives company, with cigarette brands including Davidoff, West, JPS, Parker & Simpson and Gauloises. Tobacco production is a highly water intensive process, using an estimated 22 billion tonnes of water per year or 1.4 million litres per individual life-long smoker.¹

Water is used in the company's direct operations and throughout its supply chain, in manufacturing and tobacco farming. Farmers able to access a sufficient, sustainable water supply are able to grow high-yield, high-quality crops with reduced labour demands. Farms, factories and surrounding communities may be impacted by water scarcity and seasonal shortages. As such, in addition to managing its significant environmental impact, there are operational benefits to the company minimising water use. There are also reputational and social considerations – where communities lack access to clean water and sanitation, irresponsible water consumption poses an additional challenge to Imperial Brand's social license to operate, in addition to that posed by the health impacts of tobacco.

We encouraged the company to implement water management systems and targets at its sites.

Sustainable Development Goals



Engagement objective:
Environment

The company implements water management systems and targets to manage water use across its direct operations.



Our engagement

EOS at Federated Hermes began engaging with the company on its water use in 2012, in a discussion with the corporate responsibility manager on how the company was integrating sustainability into its business strategy. It had already identified water scarcity as a risk to its business and given the materiality of this, we encouraged the company to implement water management systems and targets at its sites, including those located on water-stressed areas.

In a follow up meeting in 2015, we heard that the company considered water use and the associated risks at sites within its direct operations to be well-managed, but it acknowledged that water use in its supply chain was more of a concern and constituted the majority of its water footprint. Our engagement established that, although the company had conducted analysis of supply chain water risks, it had not yet set targets for water management beyond its own operations.

¹ Based on 2014 data. Individual water use based on smoking 20 cigarette a day for 50 years. <https://www.imperial.ac.uk/news/188406/cigarettes-have-significant-impact-environment-just/>



We sought regular updates from the head of sustainability on how the company was monitoring water use and progress against site-specific reduction targets.

Over subsequent years, we sought regular updates from the heads of sustainability on how the company was monitoring water use and progress against site-specific reduction targets, which were achieved in 2018, ahead of the 2020 target year. Although our initial engagement focussed on water use in its direct operations, we have also challenged how the company can go beyond this to focus on its supply chain and welcomed news in 2019 that it intends to do so, with explicit reduction targets in its post-2020 strategy.

 **Changes at the company**

We followed up with the new head of sustainability on the company's progress against its water management targets in 2016 and 2018, when we confirmed that it had met these ahead of schedule. Given the early completion, we pressed on whether the 2020 targets had been sufficiently stretching. The company confirmed there were opportunities to set more stretching targets in certain areas of the business, and this would be reflected in the post-2020 targets that were in development.

Although further incremental improvements can be made in its direct operations in the future, we were pleased to hear that the company, supported by the board, is now committed to taking more explicit responsibility for water in its supply chain, which it has calculated represents 99% of its footprint.

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In a follow up meeting with the head of sustainability in 2019, we heard that the company intends to develop context-based water targets for water-stressed sites in its supply chain. The methodology for these targets goes beyond identifying water-stressed sites based on geography, to factor in consumption levels from organisations in the areas and/or the impact of replenishment efforts. Setting meaningful targets relies on robust local data and knowledge for each water-stressed site, so the company will be using the methodology to guide processes and data collection at these sites, with the aim of setting context-based targets in next few years. It will be advancing this work through the Sustainable Tobacco Programme – an industry-wide mechanism through which the large tobacco companies collaborate on supply chain management – bringing consistency to the management of water-stressed sites across the industry.

We welcome the company's move to take greater responsibility for its supply chain, which is also reflected in its approach to carbon, where it has extended its science-based carbon reduction targets to its scope 1, 2 and 3 emissions.

Next steps

The company has set and delivered an initial water management strategy that addresses water use across sites in its direct operations, meeting its 2020 targets ahead of schedule. While we welcome this initial achievement, we will continue our engagement on how the company adopts a robust approach to water stewardship across its supply chain, where the large majority of its impact lies.



Amy Wilson
Engagement
EOS

Federated Hermes

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