



IMPERIAL
BRANDS

DRIVEN BY A CHALLENGER MINDSET

ANNUAL REPORT
AND ACCOUNTS 2023



WE ARE TRANSFORMING INTO A CONSUMER-LED CHALLENGER BUSINESS

New capabilities, a performance culture and more effective ways of working are enabling Imperial to deliver a stronger operational performance and enhanced financial returns.

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For more information see www.imperialbrandsplc.com

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Performance measures used throughout the report

Reported (GAAP)

Complies with UK-adopted International Accounting 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 94 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.

IMPERIAL BRANDS AT A GLANCE

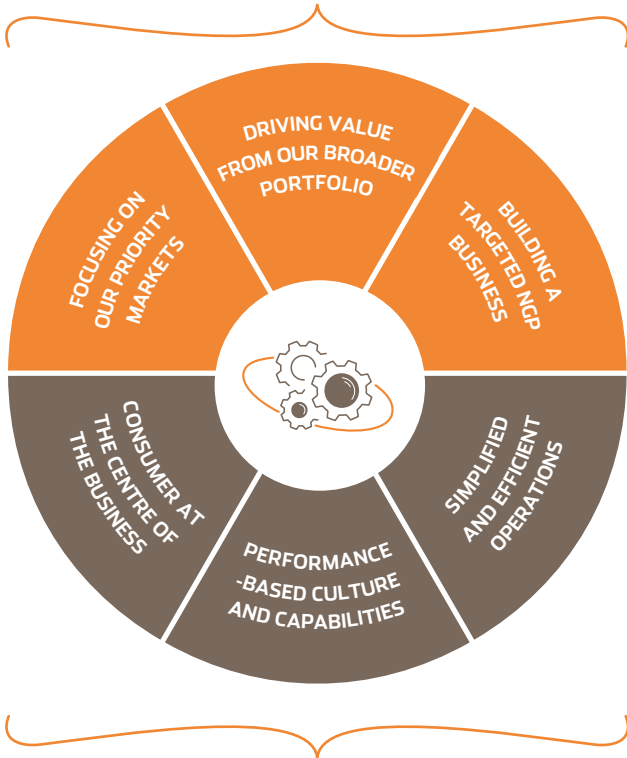
Three years into our strategy, we have built a consistent track record of delivery against our key objectives. At the same time we are making progress on bringing to life our purpose: forging a path to a healthier future for moments of relaxation and pleasure.

**DELIVERING ON
OUR STRATEGY**

OUR FOCUSED STRATEGY

STRATEGIC PILLARS

Pages 18-23



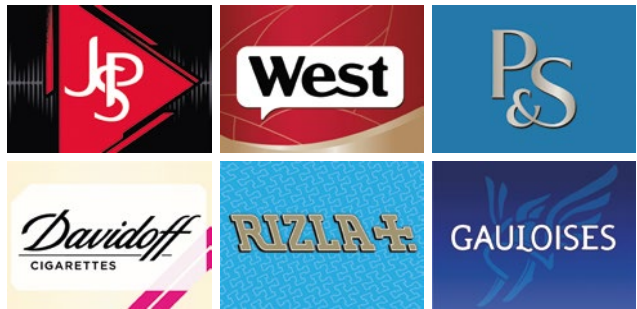
CRITICAL ENABLERS

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OUR PASSION FOR BRANDS

International brands



Local jewels



Next generation products (NGP)



Vapour

Heated tobacco

Modern oral



ACCELERATING DELIVERY ON OUR STRATEGIC PRIORITIES

Operational improvements, enhanced capital returns to shareholders and progress on environmental, social and governance priorities

Aggregate market share of our five priority combustible markets

+10bps

(2022: +35bps)

Tobacco & NGP net revenue (£ billion)

£8.0bn

2022: £7.7bn*



2023 Tobacco & NGP net revenue growth at constant currency +1.4%

* Excluding Russia

NGP net revenue growth at constant currency

+26.4%

(2022: +10.8%)

Dividend per share (pence)

146.82p

2022: 141.17p



2023 DPS growth +4.0%

FY24 share repurchase announced

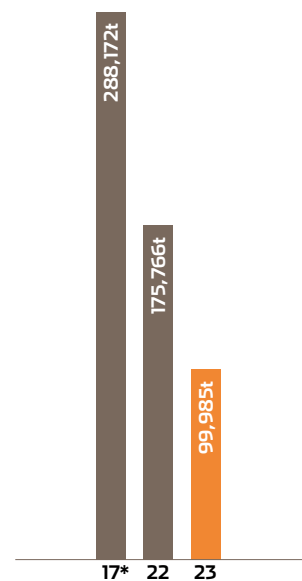
£1.1bn

(2023: £1.0bn)

Absolute CO₂ equivalent emissions Scope 1 and Scope 2 market-based (tonnes)

99,985t

2022: 175,766t



Our target is to be Net Zero in our direct operations by 2030

* 2017 is the baseline year

OUR CONSUMER FOCUS

Our portfolio of brands and products is designed to meet the diverse and evolving expectations of adult consumers in markets worldwide. We responsibly serve those who choose to smoke and, at the same time, we continue to develop potentially less harmful products which also satisfy consumer needs.

**WE START WITH
THE CONSUMER**



"I use Pulze and iD heat sticks every day, and on different occasions, like when I am waiting for the bus, having a beer, or during a break from work. Sometimes I vape too, for the flavours. I used to smoke regular cigarettes, but I haven't for more than five years now."

Karolina,
Czech Republic



"I started vaping to stop smoking, as I was worried about the effect on my health and the odours. I love the wide variety of flavours that are available with blu 2.0, the ease of use, its affordability, and the battery life. For me, these are all advantages."

Salvador,
Spain





"I switched to Davidoff about 10 years ago. It's a longer cigarette and I like its quality and taste and the less lingering smells that other brands have. As an engineer, I know that machines built in Germany are renowned for their craftsmanship and I think this is true for Davidoff too."

Chien-Hung,
Taiwan



"A Backwoods with my crew is always in the mix. A Backwoods moment is when you are with friends, and when you need to unwind. The ritual is familiar and like nothing else. If Backwoods can continue to deliver on high quality and freshness, I will always be a consumer."

Mark,
USA



"I smoke Golden Virginia as it's tastier than other tobacco I've used, and easier to roll. I've tried other brands but always come back to this one. Golden Virginia is part of my daily routine now. I've tried vaping but I don't think I would change anytime soon."

Mark,
UK



"Winston has always been my go-to brand; I enjoy the taste. Smoking is part of my daily routine – in the morning with my coffee, after a meal. There is nothing like sitting on the porch after a long day at work and taking a moment to wind down and relax with Winston."

Amy,
USA



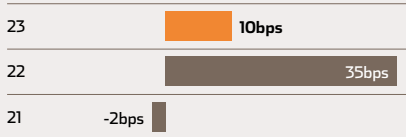
WHY INVEST IN IMPERIAL?

By building a more consumer-focused challenger business and following a disciplined capital allocation framework we are continuing to invest behind our strategy, while maintaining a strong, efficient balance sheet and delivering enhanced shareholder returns.

REVITALISED TOBACCO BUSINESS

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, and through selective investment in brand equity and our sales force, we have stabilised market share, after years of sharp declines. This, combined with a more disciplined focus on our broader market portfolio, is driving improved combustible returns.

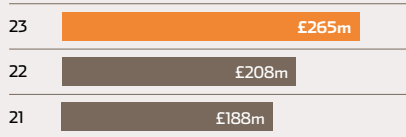
Aggregate priority market share vs prior year (%)



BUILDING A SUSTAINABLE NEXT GENERATION PRODUCT BUSINESS

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 consumer focus, a partnership approach to innovation and disciplined execution. As a challenger, our role is to offer consumers a choice where they have already expressed an NGP preference and where we can leverage our existing customer relationships.

NGP net revenue (£ million)



SELF-HELP INITIATIVES DELIVERING OPERATIONAL IMPROVEMENT

We have identified multiple initiatives to deliver operational improvements that will enhance our decision-making and drive efficiencies. For example, we are adopting new ways of working with our enabling functions using a global business service model and implementing a new ERP system to replace our 60 legacy systems.

Annual cost savings from restructuring programme

£150m

COMBINED, THESE ARE GENERATING A STRONG FINANCIAL OUTLOOK

Improving tobacco and NGP net revenue trajectory, with a compound annual growth rate of 1% to 2%.

Improving profitability through operational leverage, better geographic mix from continued stabilisation of priority market shares, reduced losses from our investment in NGP and restructuring cost savings driving a mid-single-digit compound annual growth rate for Group adjusted operating profit.

The business is 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%.

Free cash flow generated in FY23

£2.4bn



ENHANCING OUR CAPITAL RETURNS

We have a clear capital allocation framework alongside our strategy:

1. INVEST IN STRATEGY

Since our strategy is largely organic and we work with innovation partners, our capital expenditure needs are relatively light. Any M&A is likely to be small.

2. MAINTAIN LEVERAGE

We are committed to an investment grade credit rating and will maintain our leverage at the lower end of the range 2.0-2.5 times adjusted net debt/ EBITDA range.

3. PROGRESSIVE DIVIDEND GROWTH

We have committed to grow our dividend every year, taking into account the underlying business performance.

4. RETURN SURPLUS CAPITAL TO SHAREHOLDERS

Having reached our leverage target, we have committed to an ongoing share buyback programme, with £1.1 billion committed in FY24.

Capital returned to shareholders in FY23

£2.3bn



Further information on our strategy can be found on pages 16 to 29.



TRANSFORMING FOR SUCCESS

Dear Shareholders

The transformation of Imperial into a consumer-focused challenger business is now translating into a stronger and more consistent operational performance and enhanced shareholder returns. Despite a difficult macroeconomic and geopolitical environment, with inflationary headwinds, shifting consumer preferences and regulatory challenges, we continue to methodically deliver on our external commitments.

One of my highlights of the past year was attending our capital markets event in New York in June, where management showcased our new consumer capabilities in insights, innovation and marketing. What impressed me was both the best-in-class quality of the work by our new global centres of expertise and the deep collaboration with local markets. We are making progress in other transformation priorities:

improvements in data, simplification of processes, and the development of a performance-based culture.

All of this enabled the business to deliver an improved performance in both combustible and next generation products (NGP) during the 2023 fiscal year. Furthermore, we are providing shareholders with consistent, growing returns through a progressive dividend policy and an ongoing share buyback programme.

I would like to thank the 25,000 people who work at Imperial, as well as our many valued business partners, for their individual contributions to our growing collective success.

CONSUMER INSIGHTS ARE DRIVING OUR TRANSFORMATION

Everything we do starts with consumers – and their diverse voices can be heard on pages 4-5 and

throughout this report. Consumers tell us they value local brands with strong heritage and global brands with distinctive personalities – traditional areas of strength for Imperial, which we are now further developing. Many consumers also tell us they have yet to find a perfect potentially reduced-harm replacement for cigarettes. This means we are seeing a growing diversity of behaviour with consumers using different products for different moments in their day.

Therefore, we see a future for this industry where multiple nicotine categories and a diverse ecosystem of businesses will coexist and evolve. Innovation, and responsible competition and regulation, will be the motors which drive us to a healthier future. Thanks to our focused investments in transformation, Imperial is now well placed to make a positive contribution to this wider industry transition.

ADVOCATING FOR HARM REDUCTION

Public health bodies agree it is the smoke created by the burning of tobacco leaf which contains most of the harmful chemicals responsible for smoking-related disease. Yet, many consumers, policymakers and medical professionals continue to believe that nicotine is the principal cause of ill-health. We will continue to campaign to build a greater understanding of the positive role that potentially less harmful products can play in helping adult smokers.

All of Imperial's products are designed for and marketed to adult smokers and existing nicotine consumers. We are actively engaging to support the development of stronger, more enforceable regulation which balances the need to make an attractive range of NGP available to adult smokers while driving out irresponsible products and preventing youth access.

However, we are concerned with new policy proposals in some markets, which see prohibition as the solution. Outlawing legal products can inevitably lead to unintended consequences, in particular, the proliferation of illicit trade and the growth of black-market products outside the regulated framework.

While engaging to create regulatory environments that enable successful tobacco harm reduction, we will also support the freedoms of our legal adult consumers who choose to continue to smoke.

DELIVERING ON OUR PRIORITIES FOR PEOPLE AND PLANET

Alongside our progress on harm reduction, we are delivering on our other key environmental, social and governance priorities (ESG). In 2022 we refreshed our approach to ESG, which internally we call "People and Planet", and over the past year we have continued to enhance our governance and disclosures, and work towards our key commitments. Among these is our goal to be a fully Net Zero company by 2040, and since our baseline year of 2017 we have reduced carbon emissions by 65% within the business. In November 2022, the Board approved a new diversity, equity and inclusion strategy, which defines our processes, practices and long-term measures for success. In particular, we now have a clear goal to increase the proportion of women in senior management to 35% by 2027.



For more on People and Planet see pages 38-69.

ENHANCING BOARD CAPABILITIES

In March, we welcomed Andrew Gilchrist as a Non-Executive Director and as a member of the Audit and People and Governance Committees. Andrew, who was Chief Financial Officer of Reynolds American Inc, brings to our Board two decades of operational and financial experience in the tobacco sector. At February's Annual General Meeting (AGM), we said farewell to Simon Langelier, who after serving nearly six years on the Board had decided to step down. I would like to thank Simon again for his significant contribution to the Board and we wish him well in his future endeavours.

We continue to hold valuable educational sessions to ensure that Board members are well able to provide appropriate challenge and support for management. Topics covered over the past year have included tax and excise, patents and intellectual property, and regulatory policy.



See the Governance section, starting on page 112, for more information.

BROADENING STAKEHOLDER ENGAGEMENT

Building on the programmes of previous years, the Board held meetings in Germany and Morocco, during which we had the opportunity to meet with employees and consumers. I continue to have regular interactions with our largest investors, and over the past year we consulted with them on our refreshed Remuneration Policy, which will be brought to the 2024 AGM for approval. Having carefully considered the existing approach and alternative remuneration structures, the Board concluded that the current structure, with a small number of refinements, remains appropriate for the Company at this time.

EFFECTIVELY ALLOCATING CAPITAL

The combination of our strong cash flows and relatively low capital intensity means we generate surplus capital. The Board believes the disciplined allocation of capital is a key value lever alongside the delivery of the Group's strategy. We have clearly defined our capital allocation priorities, which start with investment to support our strategic delivery. While the investment needs of the business are relatively modest, we approved a small acquisition to facilitate our launch of modern oral in the United States. We have also strengthened our balance sheet to reach our target leverage and underpin our commitment to investment grade status.

Our objective is to support the long-term sustainable cash flows of the business to enable us to maintain our progressive dividend policy and ongoing share buyback. The Board is recommending an annual dividend increase of 4.0%, to 146.82 pence per share. We have also committed to a £1.1 billion share buyback to be completed in FY24, an increase of 10% on FY23.

MOVING CLOSER TO A HEALTHIER FUTURE

Looking ahead, we expect the continuing benefits of our transformation to enable a further acceleration of our financial performance during the final two years of our five-year strategy. We look forward to building on our growing operational track record to deliver sustainable shareholder returns and play a positive, distinctive role in this industry's transition to a healthier future.

Thérèse Esperdy
Chair

"The transformation of Imperial into a consumer-focused challenger business is now translating into enhanced shareholder returns."



PERFORMING WITH PURPOSE

Three years into our strategy, I am pleased with the consistent track record we are building and excited by the growing opportunities ahead. Our focus has been to develop Imperial into a strong, consumer-centric challenger business, capable of growth, year in and year out. Since the launch of our strategy in early 2021, we have been creating the team and the capabilities to enable the revival of our combustible business and the successful reboot of our next generation products (NGP).

This approach is leading to clear operational progress, despite a challenging macro-economic environment. In our five priority combustible markets, which account for around 70% of our operating profit, we have stabilised the share declines and exceeded our expectations with a 43 basis point growth in aggregate share since September 2020. Over the same period, NGP net revenue has grown by 41% at actual exchange rates, underpinned by market launches and new products in all three categories.

We have also delivered a material step-up in shareholder returns.

During FY23 and FY24, through a combination of dividends and our ongoing share buyback programme, we expect to make cumulative capital returns of £4.7 billion. This is the equivalent of c.30% of Imperial's market value as at 30 September 2023.


Meanwhile, we are continuing to make focused investments in consumer capabilities, data, processes and systems, and our culture to ensure we can grasp future opportunities across all segments. While I am pleased with our progress so far, I believe that the full benefits of Imperial's transformation will continue to emerge in the next few years and beyond.

BUILDING OUR CHALLENGER CAPABILITIES

Imperial is the fourth largest – and smallest – of the global businesses in our sector. To outperform consistently, we need to do things differently to our larger rivals – to act as the industry's challenger. Being a challenger is about being close to the consumer, having robust data and processes to enable fast, well-informed decisions, and


developing a performance-based culture. Taken together, these are the critical enablers for strategic success and the focus for our investments over the past three years.

In a sector where consumer behaviour is becoming increasingly diverse, strong insights, innovation capabilities and brand building are more and more crucial. In June, I joined our consumer team at a capital markets event in New York City. Their presentations included our new research in consumer demand spaces, our emerging partnership approach to innovation, and our activity to refresh both our international and local brands. Since then, we have continued to improve our ways of working to ensure that our centres of expertise work as effectively as possible with our teams in the markets.

 For more on our investments in our consumer capabilities see pages 24-25.

Today's Imperial was assembled through a series of global acquisitions during the past quarter century. A clear demonstration of our transformation journey is how we are replacing more

than 60 legacy systems with a single, unified platform. In parallel, we are also creating an end-to-end supply chain system – from leaf to store. These investments will make a significant contribution to future operational improvements, by giving our people more robust, actionable data, and automating low-value processes, freeing up time to focus on meeting consumer needs. While these programmes will each take several years to complete, pilot markets and factories are currently adopting the new systems and ways of working.

 See pages 28-29 for more information.

We continue to build a distinctive, performance-based challenger culture, which internally we call "Connections". Having introduced our new behaviours in 2021, during 2022 all colleagues went through training to help them better understand how to deploy these behaviours in their everyday working lives. Over the past year, we moved to the next phase of this culture change journey by inviting 300 of our senior leaders to spend seven working days on a coaching programme to help them nurture high-performing teams (see pages 26-27). We also launched a new long-term diversity, equity and inclusion strategy designed to ensure that everyone in Imperial can feel that they belong (see pages 67-69).

Another important focus this year has been to support our colleagues in markets dealing with exceptional challenges. These include Laos and Morocco, which have been affected by natural disasters and, of course, in Ukraine.

Our 2023 employee experience survey was completed by 91% of eligible colleagues around the world, and we maintained our above-benchmark engagement score of 74%.

IMPROVED, MORE CONSISTENT PERFORMANCE

Our focused investments in the critical enablers of our strategy are driving improved business performance. In the period, excluding Russia we delivered growth in tobacco and NGP net revenue of 1.4% and in Group adjusted operating profit of 3.9%, at constant currency. Reported revenue was down 0.2% due to lower excise partially offset by higher Logista revenues. Operating profit grew 26.8% as charges relating to our exit from Russia were not repeated.

Once again, these achievements have been delivered against an inflationary backdrop which has squeezed


consumer purchasing power. As anticipated, we delivered strong tobacco price mix for the year at 10.4% which more than offset volume declines.

During 2023, market share in our five priority markets increased by 10 basis points.


In our largest market, the United States, our challenger approach supported a share increase of 65 basis points for the year. Our flagship cigarette brands Winston and Kool were stable in their segments thanks to distinctive brand positioning and focused sales execution, and we continued to increase share in the deep discount segment. In mass market cigars we faced a decline in net revenue against a strong comparator period. As expected, this headwind, which we reported at the half year, has eased during the second half.

We continue to refine our approach in Germany with investment in building brand equity and in our sales force effectiveness.

In the UK and Spain our strategy has been focused on investment in local jewel brands, while in Australia our approach to revenue growth management underpinned our clear brand offerings at each of the key price points.


 See pages 18-19 for more on our priority markets.

To improve focus on our medium-sized and smaller markets, we have created the new AAACE region which includes Africa, Asia, Australasia and Central & Eastern Europe. Strong tobacco pricing across the region offset volume declines, while Central & Eastern Europe benefited from NGP growth.

 See pages 20-21 for more information.

In NGP, we now have credible consumer propositions across all categories – vape, heated tobacco and modern oral. During 2023 we accelerated the roll-out of new products in Europe, with the pod-based vape blu 2.0 now available in nine markets, the blu bar disposable in 11 markets, and Pulze 2.0, our heated tobacco device, in seven markets. We have also expanded the flavour range of Zone X pouches in Europe. In the Europe region, NGP net revenue grew by 40% year on year on a constant currency basis. We are pleased with the progress and feel that we now have a full product platform for the NGP category. We will continue to be disciplined and will now aim to

consolidate momentum in our current markets. This means investing only in markets where NGP categories account for a material proportion of the overall nicotine market and where we have a strong route to market. In the US, we welcomed the unanimous federal court decision in August to vacate an earlier Marketing Denial Order issued by the Food and Drug Administration against our myblu pod-based vapour portfolio. In 2024, we will launch our new modern oral range under the brand "Zone". This follows the acquisition of a range of US pouches from TJP Labs in June.

 For more on our approach to investment in next generation products, see pages 22-23.

PURPOSE, PEOPLE AND PLANET

A consumer-centric, challenger approach to NGP is how we will contribute to the broader industry-wide commitment to reduce harm. As the smallest of the international businesses, we know we cannot deliver a healthier future on our own. But, by getting close to our consumers, innovating fast and working with partners, we can drive responsible competition and help accelerate the transition to potentially reduced-harm products. This distinctive way of working is most clearly seen in our new Sense Hubs in Liverpool and Hamburg, which bring together consumers, our

OUR BEHAVIOURS



Start with the Consumer



Collaborate with Purpose




Take Accountability with Confidence



Be Authentic, Inclusive to all



Build our Future

 For more information, see pages 26-27.

own product developers and third-party partners in a single collaborative space.

Consumer health is a key element of our broader environmental, social and governance (ESG) framework, which internally we refer to as our People and Planet agenda. We are making material progress in our other priority areas. We are committed to becoming a fully Net Zero carbon emission company by 2040 and, driven by an overall reduction in energy consumption, we have reduced our Scope 1 and Scope 2 market-based carbon emissions by 65% since our baseline year 2017. We are also on course to meet our commitment to eliminate landfill waste in our operations by 2025. For more information on People and Planet see pages 38-69.

ALLOCATING CAPITAL WITH DISCIPLINE

Capital allocation is a key value lever for the business. Focus and discipline are the key principles behind our four capital allocation priorities:

- Invest behind the 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 adjusted net debt to EBITDA range of 2-2.5 times.
- A progressive dividend policy with dividend growing annually, taking into account underlying business performance.
- Return surplus capital to shareholders while maintaining our target leverage.

Having reached our target leverage, in October 2022 we began returning surplus capital to shareholders via a share buyback. We completed an initial buyback of £1 billion during FY23, and we have announced the next £1.1 billion tranche for FY24. As a result, we expect in total our returns to shareholders will exceed £2.4 billion in the coming fiscal year.

Given the highly cash generative nature of the business and our current valuation, we remain committed to a progressive dividend policy and an ongoing buyback programme, which will meaningfully reduce the capital base and generate significant shareholder returns.



For our investment case, see pages 6-7.

EMBRACING CHANGE

Since joining Imperial in June 2020, I have visited a total of 35 markets and nine factories and had conversations both face to face and virtually with many hundreds of colleagues. During this past three years, I have seen how our people have embraced change, balancing the need for near-term delivery with supporting our long-term transformation. I have seen too a growing spirit of collaboration, accountability and inclusivity, as we integrate new hires with strong global consumer experience and our colleagues with deep local and sector expertise. Above all else it is the power of our people which gives me confidence in our ability to continue to deliver over our five-year strategy period and beyond.

OUTLOOK

Our five-year strategy is continuing to drive the operational and cultural changes which, despite challenging macro-economic headwinds, are strengthening our financial delivery. This underpins our confidence in delivering against the final two years of our plan with a further improvement in adjusted operating profit growth to support a mid-single-digit constant currency compound annual growth rate over FY23-FY25, in line with our medium-term guidance.

In the coming year, we expect to deliver low single-digit constant currency tobacco and NGP net revenue growth and to grow our constant currency adjusted operating profit close to the middle of our mid-single-digit range.

Performance will be weighted to the second half of the year driven by the phasing of investments in NGP and the phasing of our pricing in FY23. As a result, first half operating profit is expected to grow at low single digits, at constant currency.

Our earnings per share growth will benefit additionally from the continued reduction in the number of shares as a result of our ongoing share buyback programme, although this will be offset slightly by increased adjusted finance and tax costs.

At current rates, foreign exchange translation is expected to be a 0-1% headwind to net revenue, adjusted operating profit and earnings per share.

We look forward to building on our growing operational track record to deliver shareholder returns through an ongoing buyback and progressive dividend, and to play a positive, distinctive role in this industry's transition to a healthier future.

A handwritten signature in black ink, appearing to read 'Stefan Bomhard'.

Stefan Bomhard
Chief Executive Officer

A CONSUMER-FOCUSED TEAM



- 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, Australasia and Central & Eastern Europe Region
- 8. Kim Reed**
President and CEO, Americas Region
- 9. Sean Roberts**
Chief Legal and Corporate Affairs Officer
- 10. Aleš Struminský**
President, Europe Region

UNRIVALLED FMCG EXPERIENCE

Our Executive Leadership Team has a strong blend of experience from across leading global consumer companies and deep tobacco and local market knowledge.



For more information see www.imperialbrandspc.com



BUSINESS MODEL

OUR CHALLENGER APPROACH

We take a different, challenger approach to running our business, differentiating ourselves from our global peers

CONSUMER CENTRICITY

We put the consumer at the centre of our business with strong consumer insight guiding all our decision-making (see pages 24-25).



OUR ASSETS

OUR COLLEAGUES

Our colleagues are our most important asset. We have 25,000 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.

WHAT WE DO

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 insights research is led by our Global Consumer Office and we unlock value by ensuring we offer our consumers the right product choices to meet their needs. These insights provide competitive advantage, and inform our product offerings in both combustible tobacco and NGP and underpin 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 products to engage and excite adult consumers. We use sales and marketing communications and innovation to differentiate our brands and meet evolving consumer needs, while at the same time ensuring our products do not appeal to youth.

LOCAL AND INTERNATIONAL BRANDS

Our differentiated brand portfolio means we offer consumers heritage brands with local provenance and international brands that resonate with distinct global tribes.

FOCUS

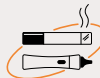
We focus our investment on clear performance drivers in our five priority combustible markets and drive value from our broader market portfolio

We are building our NGP business in markets where consumers have already expressed their preferences and where we already have established distribution.

PARTNERSHIPS

Our partnership approach to innovation enables us to compete in multiple NGP categories with an agile response to changing market dynamics and fast product development.

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 policymakers 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.

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.

OUR STRATEGY IN ACTION

The choices we make are guided by our strategy, purpose and vision as well as our approach to managing our environmental, social and governance (ESG) priorities.

OUR STRATEGY IN ACTION



OUR PURPOSE



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

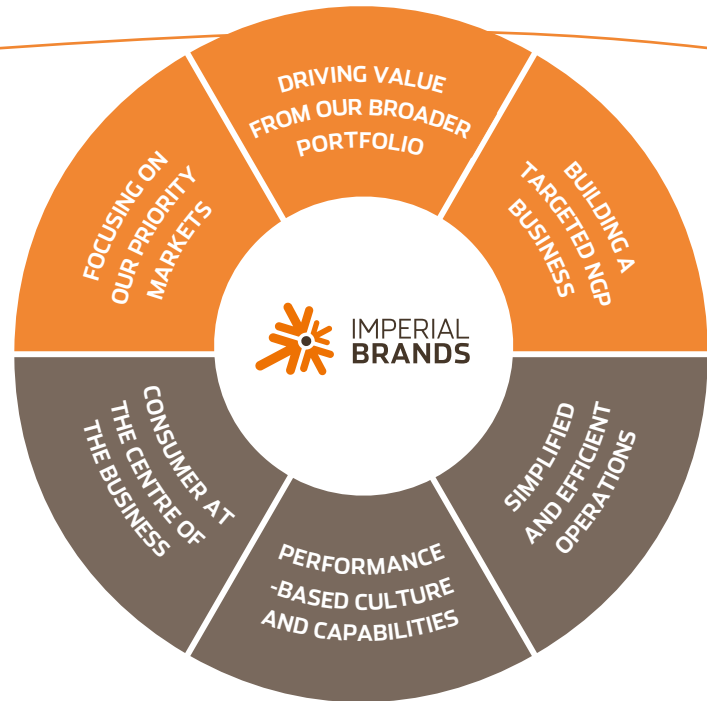
OUR VISION



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

STRATEGIC PILLARS

Pages 18-23



CRITICAL ENABLERS

Pages 24-29

OUR BEHAVIOURS

Pages 26-27



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 30-31

To measure our performance we have 10 financial and four non-financial key performance indicators. We also measure the performance of several other indicators. Financial performance is reported on pages 92 to 99, and non-financial performance is reported on pages 38 to 81.

OUR APPROACH TO ESG

Pages 38-69



Consumer health



Climate change



Packaging and waste



Farmer livelihoods & welfare

POSITIVE CONTRIBUTION TO SOCIETY



Sustainable & responsible sourcing

SAFE & INCLUSIVE WORKPLACE



Employee health, safety & wellbeing



Diversity, equity & inclusion



Human rights

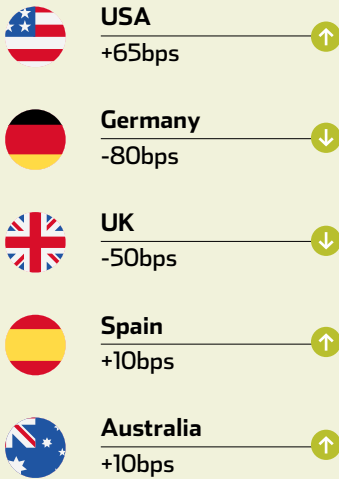


FOCUS ON OUR PRIORITY MARKETS

Focused investment in our most material combustible opportunities has driven stabilisation of our aggregate market share.

PRIORITY MARKET SHARES

12-month share



In each of these markets Imperial enjoys a top-three market position, with established brands and strong customer relationships. Growth in aggregate market share +10bps

As a challenger business, we need to channel our investment and energies towards the most material opportunities. This means a consistent laser-focus on our five largest combustible markets, which make up around 70% of our operating profits. These are the United States, Germany, the United Kingdom, Spain and Australia. Each market has attractive features. The US and Germany are both markets where cigarettes continue to be relatively affordable, creating opportunity for long-term growth.

Together these two markets account for around 50% of our operating profit. In the UK and Spain, we enjoy strong market positions supported by iconic local jewel brands, which are proving increasingly popular with consumers seeking distinctive propositions with strong heritage. In Australia, a market heavily restricted by regulation, we have opportunities to capitalise on our status as the second largest player and optimise value creation.

Each market has tightly defined priorities in marketing, distribution and portfolio management, which are subject to monthly reviews. Our strategy, launched in early 2021, defined six operational levers to improve combustible performance across the five markets, and three years on we continue to make progress on each.

1. Increase participation in premium segments: In the US, focused investment in our flagship brands Winston and Kool has led to stabilisation of our share of the premium segment after years of decline.
2. Rejuvenate local jewels: In Spain, our refresh of Nobel in 2022, including new packaging and line extensions, supported the brand gaining 30bps in FY23. In the UK, the rejuvenation of local brands Embassy and Regal led to share growth of these brands.
3. Optimise the value segment: It is important that we are able to offer consumers high-quality choices – whatever their price points. Across our markets, we have been investing in more rigorous approaches to portfolio management. In Australia, the introduction of Lambert & Butler in the fifth price tier underpinned a refresh of our pricing strategy across our brand portfolio enabling share and value growth in FY23.
4. Maximise the potential of fine cut tobacco: In Germany, where high inflation is driving downtrading, the launch of our Paramount brand grew our share of the sub-value fine cut segment.



Priority markets
account for
c.70%
of operating profit

- 5. Drive performance in under-penetrated channels: In the US our larger sales force has enabled us to increase coverage of smaller convenience stores and gas stations.
- 6. Maximise value creation through key accounts: In the US a focus on joint business plans with our key accounts underpinned out-performance of our cigarette portfolio.

Consistent progress across these six areas of focus means that, after years of sharp declines in market share, we have now reported three years of stable-to-growing aggregate market share for our priority markets. At Group level, we manage these five markets as a portfolio and therefore in any reporting period we would not expect all five to increase share. What matters is maintaining stable or growing share in aggregate over the long term.



DRIVING VALUE FROM OUR BROADER MARKET PORTFOLIO

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

In a similar way to how we have focused our investment in our five priority markets, we have brought an equally rigorous approach to creating value and identifying future growth opportunities across our broader portfolio. We have created new structures and processes designed to help the teams in all our markets maximise their contribution to the success of the Group.

In particular, over the past year we have created a new regional structure with the formation of the AAACE region, covering Africa, Asia, Australasia and Central & Eastern Europe. Led by Paola Pocci this unit is being developed as a centre of expertise for our medium-sized and smaller markets, many of which have attractive margins and the potential to become platforms for future growth in combustible tobacco and next generation products.





In aggregate, some of these market clusters, such as Africa which accounts for about 10% of Group tobacco profit, have the potential to make a significant contribution to overall Group success. Within each portfolio, every market is assigned a specific role and a distinct set of priorities.

Under the new regional structure, groups of markets are now being run more effectively as portfolios with insights, expertise and services being pooled.

Greater consumer engagement in each market has guided our investment in wider consumer choice. Brand innovations have supported brand equity building and underpin sustainable price increases.

We have also shared best practice across our wider markets. Disciplined go-to-market strategies used to good effect elsewhere in the Group have been repeated across our wider markets, where appropriate. In our African markets strong price increases were combined with revenue growth management measures and tools developed together with our Global Consumer Office team.

We use our unique portfolio of local jewel and international brands to meet local consumer preferences. For instance, in the Middle East international brand Davidoff resonates well with consumers, particularly in

Kuwait. Here the country benefited from reopened borders and we exercised strong pricing discipline and a more focused go-to-market approach to drive revenue growth there.

Our global duty free business performed well during the year as travel plans returned to pre-pandemic levels in most locations, apart from Asia where travelling is expected to recover to pre-pandemic levels over time. Our performance was enhanced as we increased our share of market in major airports, mainly in Europe and the Middle East.

In line with our approach as a focused challenger, we have been ready to exit markets where we believe we lack the right to win. In 2022 we exited Japan, a large market for tobacco but one where after a decade of investment, the business remained small and unprofitable. Also in 2022, following the invasion of Ukraine we decided to exit Russia and subsequently, we have closed our operations in several central Asian markets, which had previously been reliant on our Russian supply chain.

Focus, discipline and our new consumer approach and revenue growth management frameworks are enabling us to continue to drive value from our broader market portfolio.



STRATEGIC PILLARS

BUILDING SCALE IN NGP



NGP as percentage of Imperial's overall net revenue in European markets

Italy	38%
Greece	34%
Austria	26%
Portugal	24%
Norway	23%
Sweden	21%
France	9%
Spain	7%
UK	6%
Czech Republic	6%
Finland	6%
Canaries	5%
Hungary	4%
Poland	3%
Germany	2%
Europe	7%

FY23 saw a step-up in our next generation product operations.

For our potentially reduced-harm business this has been an important year, with product innovation and targeted market launches translating into accelerated revenue growth.

Following the introduction of new propositions in vape, heated tobacco and oral nicotine, we now have credible offerings in all three major categories.

And consumers can now buy our NGP in more than 20 European markets, as well as the United States.

This operational acceleration has translated into revenue growth of 26.4% globally, and 40.4% in Europe where we have been focusing our investment.

Next generation products (NGP)



Vapour

Heated tobacco

Modern oral

NGP net revenue growth at constant currency

TRANSFORMATION IN ACTION

2020

NGP reboot: disciplined market exits and under-performing investments cut

-27%

2021

Investment aligned behind new strategy; Pulze 1.1 trials begin in Greece and Czech Republic

-4%

The step-up during FY23 follows a comprehensive reboot of our approach to NGP in line with the strategy we launched in January 2021.

We operate as a challenger both in our choice of markets and in the way we innovate.

This means we focus only on markets where an NGP category has already become a material proportion of overall nicotine consumption, and where we have strong existing routes to market.

In innovation, reflecting our agility and our smaller size compared to other global players, we have developed a partnership approach.

This is exemplified by our three new innovation centres. Our Sense Hubs in Liverpool and Hamburg bring together our own development teams with third-party partners and our consumers. Our Shenzhen site enables us to get closer to our supply chain partners.

Our new way of working has halved the time from initial concept to market launch and increased our capacity to work simultaneously on multiple projects.

This is particularly important because of the need for us to take a multi-category approach, reflecting the way different markets are evolving different NGP preferences because of local culture and regulatory environments.

During FY21 and FY22, we first refocused the business, by withdrawing from several markets, such as heated tobacco in Japan, which did not fit our challenger criteria.

Then we began a test-and-learn process introducing new products in pilot markets, closely studying reaction from consumers and customers, before scaling up.

For example, in heated tobacco, we introduced the Pulze and iD proposition to Greece and the Czech Republic, while blu 2.0, our latest pod-based vape, was

tried in selected French cities. This helped to validate our propositions with consumers.

Then over the past year, having studied consumer feedback and made alterations to devices, flavours and brand propositions, we began to scale up. Our blu 2.0 device is now available in nine markets and our disposable blu bar is available in 11 markets, while our heated tobacco offerings, which include an upgraded Pulze 2.0 device, are up and running in seven markets.

In oral nicotine, with our Zone X and Skruf brands, we have focused on selected markets, mainly in the Nordic region, where this category is preferred by consumers. Here we have been innovating with a range of new flavours and brand propositions. During 2024 we will launch a range of oral nicotine pouches in the US.

Already, in some European markets where our combustible presence had historically been smaller, NGP has grown to become a significant proportion of overall net revenue (see chart on opposite page).

Our challenge next is to build a larger NGP presence in our major European markets, where we can leverage the strength of our sales forces and broader business infrastructure.

FY24 will be a year of consolidation as we continue to innovate, build brand equity and develop the markets we have already entered.

The strength of our competitors and the accelerating pace of regulatory change mean that we cannot expect to make progress in all markets in all years.

However, as more consumers make potentially healthier choices, we see a future where NGP becomes a larger proportion of nicotine consumption over time and where Imperial secures its fair share of this growing market.

MAIN NGP MARKETS

Vapour

France 	UK 	Spain 
Canaries 	Germany 	Greece 
Italy 	Portugal 	Czech Rep 
USA 	Belgium 	Ireland 

Heated tobacco

Czech 	Italy 	Greece 
Hungary 	Portugal 	Bulgaria 
Poland 		

Modern oral

Sweden 	Estonia 	Norway 
Denmark 	Austria 	Iceland 

2022

blu 2.0 trialed in four French cities and roll-out of new Zone X flavours

+11%

2023

Pulze 2.0, blu 2.0 and blu bar launched in multiple markets

+26%



For more information on consumer health see pages 44-47.



CRITICAL ENABLERS



PUTTING THE CONSUMER AT THE CENTRE OF THE BUSINESS



We're investing to support a more rigorous approach to consumer insight, innovation and marketing.

A critical enabler for our strategy is to place the consumer at the centre of the business. Our refreshed focus on starting with the consumer is a key element of our challenger mindset. The tobacco and nicotine environment has undergone transformative change recently. Consumer tastes are becoming more eclectic – choice matters more. The pace of innovation is accelerating and there is now a broad NGP ecosystem where partnering is important to success.

8,600
consumer
interviews

We're building a holistic approach to understanding our consumers by developing a multi-disciplinary community to design and develop products. This means investing in capabilities, data and insights to ensure that the voice of the consumer shapes and influences our decision-making and becomes part of the fabric of our culture.

Since the creation in 2021 of our Global Consumer Office (GCO) we have successfully attracted talent from a range of blue-chip consumer goods firms who are bringing best practice to the team and combining it with our



existing deep knowledge in tobacco and local markets. The GCO team, collaborating closely with the wider business, is supporting our vision by listening carefully to smokers and next generation product users, and we are challenging on behalf of these consumers to provide them with more choice.

In June 2023, we hosted our “Start with the Consumer” capital markets day in New York to demonstrate our progress on consumer centricity. The event provided insight into how we are putting the consumer at the centre of the business with presentations on insights, marketing, innovation and NGP. The full slides and transcript are available on our website, www.imperialbrandsplc.com

ENHANCING OUR CONSUMER INSIGHTS

We have refreshed our consumer insights and how we analyse new opportunities now follows a consistent global approach applied across markets and categories. At the centre of this new approach is our investment in one of Imperial’s largest ever pieces of consumer research.

We used an approach called demand spaces, a type of analysis which is well established in other consumer sectors but is still quite new in tobacco and nicotine. This method, which internally we call “Dimensions”, breaks down the lives of our consumers into individual moments when they enjoy our products, for example, morning or evening, in the home or out and about, alone or with friends. We interviewed 8,600 consumers across eight countries, collecting in-depth information on 15,800 different consumption occasions. By analysing these different moments of consumption we are better able to differentiate our offerings to the same consumer.

In addition, we have created new data and analytics tools and made these available across the organisation. This is a clear example of how we are

putting technology to work in the consumer space. Having piloted the tracker in 2022, we launched the revamped dashboard this year to strengthen our ability to compare brand funnels and understand switching and other brand dynamics.

UNLOCKING OUR PORTFOLIO

We are embracing our role as a challenger, by taking control of our portfolio. Imperial is transitioning from a business which only prioritised global brands to one that also embraces its portfolio of local jewels, widening consumers’ choice with brands reflecting their national identity or their global tribe. We are a business with a clear portfolio strategy where each brand has a clear role and targets a specific consumer and price, tying into the new Dimensions framework developed by the insights team.

We have reinvested in our brands, increasing investment in marketing as an overall percentage of net revenue. This is delivering results, as demonstrated by the success of brands such as Nobel in Spain, together with Winston and Kool in the US.

A NEW APPROACH TO INNOVATION

Our innovation capabilities have been reoriented to provide consistent and coherent consumer experiences across combustibles and NGP. A new and differentiated approach to innovation has been developed. It is one that is consumer led and involves close collaboration across functions. We are now delivering NGP in a more sustainable way, and at pace. In improving our agility, we can respond to the needs of consumers more quickly.

We have created and embraced a partner ecosystem, and these partners are working with us on our innovation agenda across flavour, device, digital, sensory and packaging. We are building deep partnerships that allow us to be unencumbered by ownership of an entire value chain in a sector where technologies and products are evolving quickly. We are operating innovation

centres in Liverpool, Hamburg and Shenzhen, which will accelerate the feedback loop by giving us the ability to test and learn from consumers as we innovate.

A CHALLENGER APPROACH TO NGP

Collaboration between the NGP team and our insights, innovation and marketing teams has enabled us to leverage consumer insights from combustibles, and develop a holistic view of consumer behaviour and preferences. This financial year has been a breakout year for NGP launches: we have successfully rolled out our blu 2.0, blu bar and Pulze 2.0 devices. There has been a noticeable increase in the pace of innovation.

Our market roll-out strategy is clearly defined. We will only enter markets where the category has already been created and we have an existing route to market. Product development in vapour and heated tobacco has been complemented by new flavour roll-outs in our oral nicotine products in Europe. In June 2023, we completed the acquisition of a US oral nicotine product range from TJP Labs, and we are excited about launching our new brand, Zone, in 2024.

Looking ahead, we will optimise the organisational design to make sure the consumer centre of excellence is working in tandem with the markets to continue to deliver maximum benefit for the business and our consumers.

“The Global Consumer Office is supporting our vision by listening carefully to smokers and next generation product users.”

TRANSFORMATION IN ACTION

October 2022

Launch of Nobel Super Slims in Spain

First half of 2023

First launches of blu 2.0, blu bar and Pulze 2.0

Throughout 2023

Increased flavour roll-out across the OND portfolio

February 2023

New JPS campaign launched in Germany

March 2023

Davidoff Double Crushball launched in the Middle East

Q4 2023

Premium non-menthol variant of Kool launched in the US



CRITICAL ENABLERS



TRANSFORMING OUR CULTURE

Over the past three years, as part of Imperial's transformation into a strong challenger business, we have been developing a performance culture which is more collaborative, accountable and inclusive.

This has been a highly structured, multi-year programme and, while we know there is considerable work still to do, we are pleased with our progress so far.

The process of cultural change began in 2021 when, in support of our newly launched strategy, we unveiled a new purpose, vision and five behaviours.

These behaviours, which have been the foundation of all subsequent activity, are: Start with the Consumer; Collaborate with Purpose; Take Accountability with Confidence; Be Authentic and Inclusive to all; and Build our Future.

During 2022, our focus was on supporting colleagues to become familiar with these behaviours. Every employee received training in understanding how best to live our behaviours in their working lives, with leaders going through an immersive five-day programme, which we called Connections.

We also rebranded our global office and factory estate, and stepped up our internal communications with new global, regional and functional events enabling broad-ranging dialogues and the sharing of best practice.

Over the past year, we have continued to develop this new culture. Our behaviours are now embedded in the way we manage performance, with leaders paid bonuses based not just on what they achieve but also how they deliver those achievements.

Also during 2023, we have made a significant investment in the coaching and development skills of our senior managers. Three hundred leaders, including the full Executive Leadership Team, have completed a bespoke course, called Connected Leadership,

designed to help each of them become better coaches and unlock the full potential of their teams. Examples of our people's response to the programme are on the opposite page.

As part of our broader culture change agenda, during 2021 and 2022, we built the foundations of a new, more rigorous approach to diversity, equity and inclusion (DEI). This included the establishment of Employee Resource Groups covering gender, ethnicity, disability and LGBTQ+, and the recruitment of a new central team. During 2023, we agreed a set of long-term DEI ambitions. These are covered in more detail on pages 67-69.

The positive impact of these activities is evidenced in our most recent global employee experience survey, where we saw a 91% response rate and maintained our above-benchmark engagement score of 74%. Among our Global Business Leaders – roughly our top 500 people – we saw engagement improve by 10 percentage points to 84%.

We will continue to embed our new culture through rigorous performance management and further coaching to support our leaders.

TRANSFORMATION IN ACTION

Jan 2021

Strategy launch: Culture is identified as a key enabler for improved performance

Oct 2021

New purpose, vision & behaviours unveiled at first-ever all-colleague conference

Nov 2021

Immersive Connections sessions start. All colleagues receive training in how to bring to life our behaviours in their daily working lives

Feb 2022

Launch of Connected Performance. New performance management process embeds behaviours into objective setting and bonuses



2023 employee
engagement
74%

**WHAT LEADERS ARE SAYING
ABOUT OUR CONNECTED
LEADERSHIP PROGRAMME...**

"In 15 years here, this is the first time ever I have seen such investment from the leadership in us."

"This is the only time learning had made me a better leader on a day-to-day basis."

"I've had more difficult conversations now re people's performance than ever before – caring and challenging."

**AND WHAT TEAMS ARE SAYING
ABOUT THEIR LEADERS...**

"My leader is making me think differently, when I make a commitment, it feels more personal."

"I can see a positive 360 change in leading – asking more questions, making us think more, solve our own problems and not tell us."

"My leader is pausing and listening more – I noticed it."

Nov 2022

Long-term diversity, equity and inclusion ambitions approved by the Board. This is followed by the launch of the "I Belong" campaign to build awareness and buy-in for self-declaration data gathering (see pages 67-69 for more details)

Dec 2022

Second all-employee conference highlights how colleagues have adopted new behaviours. Contributions from markets across all regions show how culture change is translating into operational progress

Jan 2023

Connected Leadership coaching courses begin. During 2023, 300 leaders devoted seven working days to building skills in developing and supporting their teams to improve performance and unlock potential

Oct 2023

Record 91% response rate for global employee experience survey. We maintain benchmark-beating 74% engagement score

CRITICAL ENABLERS



SIMPLIFIED AND EFFICIENT OPERATIONS

We are improving our global processes and digital strategies.


Imperial emerged as the world's fourth largest 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 strong stable of local and international brands.

Our strategy, launched in 2021, identified a need to better integrate this portfolio of businesses to create simpler, more efficient operations, enabling us to better capture future opportunities. Three years on, our transformation is well underway with

significant structural changes, the introduction of new capabilities, and investment in our digital backbone.

In addition to restructuring our regions in FY21 to allow a greater focus on our largest market, the United States, this year we created a new region to include Africa, Asia, Australasia and Central & Eastern Europe (AAACE).

This change reflects our more rigorous approach to how we manage our broader portfolio of small and medium-sized markets, some of which have the potential to become engines of future growth for the Group. We have also rationalised the number of clusters and defined clearer operating models for our large, medium-sized and smaller markets. These changes are supported by a rigorous monthly performance review process.

 Our drive to create value from our broader markets is covered in more detail on pages 20-21.

TRANSFORMATION IN ACTION

2021

New performance management approach introduced

Market clusters reduced from 13 to 10



In our two largest markets, the United States and Germany, we have invested in our sales teams, and, where applicable, have supported them with training and new sales technology to support faster decision-making. In order to derisk our investments, we are deliberately using technologies which have already been proven by our peers in the consumer goods sector.

i Our focus on our top five priority markets is covered in more detail on pages 18-19.

We have been introducing new ways of working to ensure strong collaboration between our central functions and market teams, and to develop high-quality business partnering. A major focus this year has been embedding our new Global Consumer Office to work closely with our regions, supporting consumer insight, revenue growth management, and brand and portfolio management. An example of how we have achieved this is the creation of our central business intelligence function focusing on market and business performance. The architecture of this function was co-created by both central and market teams in a collaborative process with the resulting new insights centre of expertise enabling local execution with central support.

i Our drive towards greater consumer centricity is covered in more detail on pages 24-25.

In our business partnering functions – including Finance, Procurement, IT and People & Culture – we created Global Business Services (GBS) to deliver more strategic support to our sales, marketing and manufacturing teams, and to provide the flexibility to adapt and respond to changes in the market.

In creating GBS, we streamlined our global processes 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.

Across this year, we have seen over 300 roles move to the GBS, with the opening of a new office in Krakow, Poland, for specialists in areas including Finance, IT, Data and Procurement.

Our Global Supply Chain has also been transforming. Here, the focus has been on building a fully integrated supply chain with centralised planning, resourcing and demand forecasting capabilities based in our Warsaw hub. This team, collaborating closely with our factories and people in the markets, offers a range of skill sets, experiences and backgrounds – from packaging solutions to end-to-end planning. The new hub is designed as a space for more agile decision-making and professional excellence.

These changes are all being supported by significant digital improvements. Our investment in an all-new Enterprise Resource Planning (ERP) system will

make us a more connected organisation by replacing local legacy systems and provide a new technology backbone. This is a once-in-a-generation opportunity to enhance the speed, integrity and availability of business information, improving our decision making and agility. Alongside this, the programme will simplify and standardise core processes across our finance, supply chain and commercial operations.

A strong programme team has been mobilised, combining external expertise in similar transformations and experience from within Imperial, together with best-in-class delivery partners and specialists that can help us accelerate the delivery. During this financial year we have made significant progress, having completed the global design phase, and we are now implementing the model in the first market and factory, which are set to go live in the second half of the next financial year.

The initial change programme, outlined in our 2021 strategy, is now complete. However, the work to develop a simpler and more efficient organisation continues, as we seek to create a working environment where our people can be more fulfilled and effective, enabling improved operational and financial outcomes.

2022

Changes to business support functions
Investment in new ERP system announced

2023

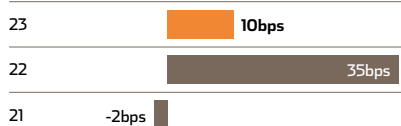
Embedding consumer capabilities
300 roles moved to new Global Business Services unit

HOW WE ARE PERFORMING

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

FINANCIAL KPIs¹

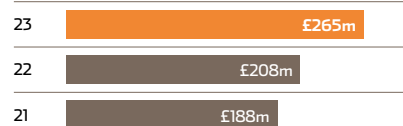
Aggregate priority market share vs prior year (%) R



Performance

Our "focus on our priority markets" has enabled us to stabilise the market share loss we experienced for a number of years and led to the second year of an increase in aggregate priority market share vs prior year. Gains in the US, Spain and Australia offset declines in the UK and Germany.

NGP net revenue (£m) R



Performance

NGP revenue grew by 26.4% on a constant currency basis in the year. This growth in our NGP revenue reflects our strategic priority to "build a targeted NGP business" and the step up in investment during the period. This metric is used as a bonus performance criterion for Executive Directors.

Tobacco & NGP net revenue (£bn)



Performance

Tobacco & NGP net revenue grew by 3.6% at actual exchange rates and increased by 1.4% on a constant currency basis excluding Russia from the prior year. Including Russia, tobacco & NGP net revenue grew by 0.7% at constant currency. Tobacco net revenue was up 0.7% at constant currency excluding Russia, reflecting progress made in the two combustible strategic priorities of: "focus on our priority markets" and "driving value from our broader portfolio".

* Excluding Russia.

Tobacco & NGP adjusted operating margin (%)



Performance

Margins improved 30 basis points at actual rates and 70 basis points at constant currency excluding Russia from the prior year. Including Russia, margins grew 90 basis points at constant currency. The improvement is a result of the operational gearing impact of higher sales on lower volumes and the benefit of cost savings from our 2021 strategic restructuring programme.

* Excluding Russia.

Adjusted earnings per share (pence) R



Performance

Adjusted earnings per share increased 5.3% at actual exchange rates and increased 4.3% on a constant currency basis excluding Russia in the prior year. Including Russia, adjusted earnings per share grew 4.2% on a constant currency basis. Reported earnings per share grew 52.1%. This movement is explained in the Group Financial Review.

* Excluding Russia.

Dividend per share (pence)



Performance

The dividend grew 4.0% reflecting our progressive dividend policy and in line with our capital allocation policy.

Adjusted operating cash conversion rate (%) R



Performance

2023 adjusting cash conversion of 92% was lower than the prior year due to working capital outflow.

Adjusted net debt to EBITDA (multiple) R



Performance

Adjusted net debt to EBITDA reduced 0.1x to 1.9x in FY23, close to our capital allocation target of 2.0x to 2.5x. Adjusted net debt reduced by £0.1 billion, after £2.3 billion of returns to shareholders via dividend and share buyback. EBITDA increased year-on-year, reflecting the growth in adjusted operating profit during the financial year.

1. Definitions for financial KPIs can be found in Supplementary Information.

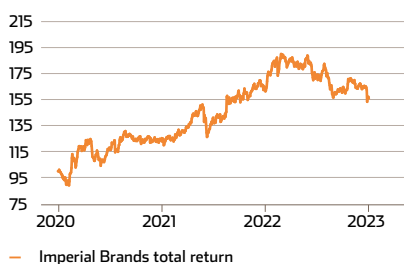
Return on invested capital (%) R



Performance

Return on invested capital improved in the year by 80bps to 18.5% driven by an increase in adjusted operating profit that more than offset the increase in average annual capital.

Total shareholder return R



Performance

We have delivered total shareholder returns of 56% over the prior three-year period. Delivery in line with our guidance supports growing investor confidence in our management team's ability to implement our strategy.



R KPIs used as bonus and LTIP performance criteria for Executive Directors. See Remuneration Report on pages 142 to 163 for more information

NON-FINANCIAL KPIs¹

More non-financial performance indicators can be found in the ESG Review on pages 38, 48, 52 and 64 and in our Reporting Criteria document available on our [website](#).

Energy consumption (GWh) R

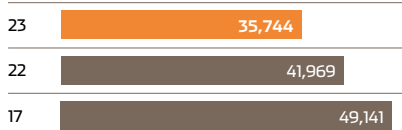


Performance

We set a target to reduce our absolute energy consumption by 25% by 2030 versus a 2017 baseline. We are pleased to report that in FY23 we exceeded this target with a 27% reduction compared to the baseline. We will now set a new target for energy reduction moving forward.

Our 2023 relative energy consumption is 81,128 KWh/£m net revenue.

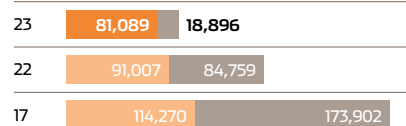
Waste (tonnes)



Performance

Our target is to reduce waste by 20% by 2030. We have exceeded this target with a 27% reduction in waste compared to the 2017 baseline year. We will set a new target for waste reduction moving forward.

Absolute Scope 1 and 2 market-based CO₂e equivalent emissions (tonnes) R



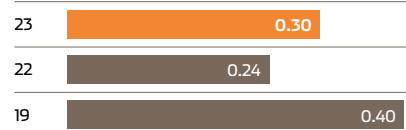
■ Scope 1 ■ Scope 2 market-based

Total value is total Scope 1 and Scope 2 market-based absolute CO₂e emissions

Performance

We have seen a 65% decrease in our total Scope 1 and Scope 2 market-based emissions from our 2017 baseline year. This has been driven by our increased use of electricity purchased from traceable renewable sources. 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.

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



Performance

We have seen a 25% increase in our lost time accident rate compared to last year. The number of LTAs stayed the same as last year while the number of hours worked has reduced, leading to the 25% increase in LTA rate.

During FY23 we continued to increase the use of leading indicators to better manage risk throughout our operations.

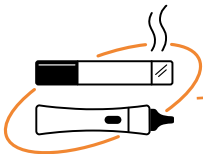
To monitor the progress of our cultural change programme, we conduct an annual employee experience survey. In FY23, our employee engagement score was 74%, the same level as the prior year and above the global benchmark. Participation in the survey was 91%. Additionally, we have developed an internal bespoke index with which to monitor the outcome of our leadership talent development programmes.

1. Definitions for non-financial KPIs can be found in the ESG Review on pages 38 to 69 and in the Reporting Criteria document available on our <https://www.imperialbrandspc.com/healthier-futures/our-performance>.
2. 2023 non-financial data has been independently assured by Ernst & Young LLP (EY) under the limited assurance requirements of the ISAE 3000 standard. EY's Assurance Opinion is available on our [website](#). Our reporting scope and definitions are detailed in the Reporting Criteria document published on our [website](#). See <https://www.imperialbrandspc.com/healthier-futures/our-performance> for more information.
3. Our 2023 environmental data follows the reporting period Q4 financial year 2022 to Q3 financial year 2023. This is to allow for data collection, validation and external assurance. Our reporting scope and definitions are detailed in the Reporting Criteria document published on our [website](#).
4. Our health and safety data is for the full 2023 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.

i Further information on how the Board has considered stakeholders when making key decisions is given on the following pages and also in the Governance Report on pages 126 to 128.



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 Germany and Morocco. These afforded Board members the opportunity to get closer to the consumer by hearing directly from them about their behaviours, 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 also heard about the different buying habits of consumers and the impact of the rising cost of living.

- Our CEO and CFO also met separately with consumers during the year.
- A tour of our Langenhagen factory during the Board visit to Germany provided Board members with further insight and understanding of the full life-cycle of the products our consumers enjoy.

How we engage with this stakeholder

- Consumer roundtables and focus groups are held to understand consumers' specific requirements and 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 responding to them allows us to remain relevant and underpins consumer loyalty to brands.

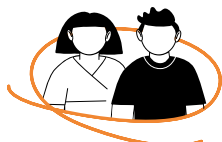
How we monitor the effectiveness of our engagement

- 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 Executive with evidence and an opportunity to challenge assumptions when making decisions related to our product portfolio.

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(1) statement on pages 126 to 128 which is incorporated into this Strategic Report by reference and references specific recent examples.



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 People and Governance Committee.
- The Board held three "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, including a tour of our Langenhagen factory during the Board visit to Germany.

- The Board receives regular feedback from our employees through updates at the People and Governance Committee. These include the results of our employee experience ("Have Your Say") surveys, which prove invaluable in helping to understand what works well and what we may need to change, as well as 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).

How we engage with this stakeholder

- "Connections", our purpose, vision and behaviours programme, continued, ensuring all new and existing colleagues experience 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 under-represented 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 (see pages 64 to 66).

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 Germany and Morocco over the course of the 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 the regulation of tobacco and nicotine 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.
- Our Chief Legal & Corporate Affairs Officer presents to the Board regularly on the Group's key

regulatory risks and our corporate affairs strategy to manage these risks.

- Management provides updates to the Board as part of the regional business reviews, including, where relevant, any updates on the regulatory landscape.

How we engage with this stakeholder

- While the Board welcomes constructive engagement with regulators, management is primarily responsible for understanding and ensuring compliance with applicable laws and regulations.
- We monitor changing regulations in our markets and assess the impact on our existing portfolio and innovations.
- We assess regulatory impact on product 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 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.
- Investor perception is assessed on an ongoing basis through feedback on meetings, events and conference presentations.
- Our AGM provides an opportunity for the Board to meet with investors.
- Sue Clark, Chair of our Remuneration Committee, engaged with investors in July 2023 and subsequently about our new Remuneration Policy, which is to be approved at our forthcoming AGM. Further details of the Policy can be found in the Directors' Remuneration Report on pages 142 to 163.

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, CFO and senior management present at various conferences throughout the year, including the Consumer Analyst Group of New York (CAGNY) Conference in February 2023.
- Our CEO led our "Start with the Consumer" capital markets event in New York in June 2023, showcasing how we have built our consumer-facing capabilities and how they are supporting our operational and strategic delivery.

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, and to deliver on that strategy.
- 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 development of our NGP business, sustainability of the tobacco value model, 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.
- Investor perception is assessed on an ongoing basis through feedback on meetings, our events and our conference presentations. When appropriate, this feedback is shared with the Board in the IR Board Report.





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.
- Factory and site visits help the Board understand the complexities of our global supply chain.

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 AND SUSTAINABILITY INFORMATION STATEMENT

The following table constitutes our Non-Financial and Sustainability 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	Further information	Page
Environmental matters*	<ul style="list-style-type: none"> Environmental Policy Filter Policy Sustainable Tobacco Programme Biodiversity Statement 	Environmental targets	31, 48, 52, 61, 75, 78, 80
		International management systems	49, 70 to 81
		Climate and energy	31, 48 to 51, 70 to 81
		Reducing waste	52 to 54
		Sustainable tobacco supply	55 to 61
Employees*	<ul style="list-style-type: none"> Code of Conduct Group-wide Employment Policy Fairness at Work Policy Speaking Up Policy Occupational Health, Safety and Environmental Policy and framework 	Diverse and engaged workforce	67 to 69
		Workplace health and safety	31, 64 to 66
		International management systems	54, 68
		Lost time accident (LTA) rate	31
Respect for human rights*	<ul style="list-style-type: none"> Human Rights Policy Code of Conduct Supplier Code of Conduct Health Protection and Wellbeing Policy Fairness at Work Policy Speaking Up policy 	Diverse and engaged workforce	67 to 69
		Workplace health and safety	31, 64 to 66
		Human rights	62 to 63
		International management systems	63
Social matters*	<ul style="list-style-type: none"> International Marketing Standards Policy on taxation Community Contributions and Volunteering Policy Information Security Policy 	Human rights	62 to 63
		Youth access prevention	47
		Farmer livelihoods and welfare	55 to 58
		Charitable and political donations	164
Anti-corruption and anti-bribery*	<ul style="list-style-type: none"> Code of Conduct Fraud Risk Management Policy Speaking Up Policy Supplier Code of Conduct 	How we manage risk	100
		Governance, risk management and internal control	100 to 111, 140
Description of principal risks and impact of business activity		Principal risks and uncertainties	102 to 109
		Governance, risk management and internal control	100 to 111, 140
Description of the business model		Business model - Our Distinct Approach	14 to 15
Non-financial key performance indicators		Key performance indicators	30 to 31
		Sustainability performance indicators	40, 50, 51, 54
Climate-related Financial Disclosures		TCFD Report	70

* Further information on our policies, due diligence and outcomes in these areas is contained throughout the Strategic Report.

SOLID PROGRESS



Tony Dunnage
Global ESG Director

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.

OUR ESG HIGHLIGHTS

Reduced our Scope 1 and Scope 2 market-based emissions by

65%
since 2017

Reduced absolute waste across our operations by

27%
since 2017

Scored

92%
on 2022 ShareAction Workforce Disclosure Initiative

We are now into the third year of our five-year strategy to transform Imperial into a business better able to deliver sustainable growth year in, year out.

Our commitment to environmental, social and governance (ESG) issues is integral to our business strategy and underpins our purpose and vision. Our purpose expresses our ambition to build a “healthier future”, and this applies not only to our consumers but also to our communities and planet. Our vision states that our pursuit of commercial success will be “powered by responsibility”.

Double materiality assessment

In 2023 we continued to build on the strong foundations of our ESG strategy established in 2022. Following on from the materiality assessment we conducted in 2021 where we considered the views of consumers, customers, employees, investors and shareholders to establish our priority ESG issues, in 2023 we conducted our first double materiality assessment.

Double materiality identifies both how a company’s operations impact people and the environment and how sustainability matters impact the company itself. We used an Artificial Intelligence tool through an external provider, Datamaran, to process thousands of data points from corporate reports, mandatory and voluntary regulations, and online news.

This allowed us to define which issues were most material to our business. In addition to desk research and interviews, using an objective and consistent methodology on large amounts of information makes the data-driven insights fully traceable and better suited for auditing purposes, including reasonable assurance.

Results from the double materiality assessment show that consumer health remains as our top priority as we continue to strengthen 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. The assessment confirmed our eight focus areas, as detailed on page 40, remain priorities. We will check the validity of our material ESG priorities on an annual basis.

ESG REPORTING FRAMEWORK

Our [Reporting Criteria document](#) provides further information on 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 [2023 GRI and SASB Index](#).

To note: Logista remains out of scope for all Imperial ESG-related KPIs.

i However, the steps Logista is taking to address climate change impacts on its business are detailed in our TCFD disclosures on page 70.

We have grouped our most material ESG issues 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) and more detail is provided under each ESG issue.

Governance continues to be a key focus and in FY23 we have built upon the ESG Governance framework introduced in FY22. More detail is provided on page 41. Executive Leadership Team (ELT) sponsors have been appointed for each of our eight ESG priorities, to be accountable for performance, challenge strategy development, and drive integration and visibility from the top down.

Internally, we refer to ESG as our "People and Planet" agenda. To further embed our ESG strategy across the business and to inspire employee engagement we developed our Triple Zero campaign. Triple Zero refers to our aspirations and targets for zero injury, zero carbon and zero waste. Through this ambitious message, we aim to harness employee engagement and deepen their understanding of the required collective effort to achieve these ambitions.

In FY23 we held Triple Zero events in the US and Turkey, bringing together factory managers, regional directors and subject matter experts from across our operations to ensure we adopt a consistent approach across the business to meet our targets, as well as develop plans in support of our aspirations. The progress in both employee understanding and likely actions will be measured through our annual employee experience survey.

ESG: People and Planet Performance Summary 2023

i Further information on our People and Planet agenda is available on our website in our [2023 ESG: People and Planet Performance Summary](#).

As part of our approach to continually improve our ESG performance we take a data-led approach. Sources include our online non-financial reporting system, which compiles monthly information on energy consumption, water usage, as well as safety data. This is to drive more robust performance and transparency in our ESG reporting.

i In 2023 we have integrated ESG metrics for consumer health and climate into our FY23 executive remuneration. In FY24 ESG metrics will continue to be part of executive remuneration. See pages 142-163 for more information.

We keep abreast of developing and new ESG-related regulations. The Corporate Sustainability Reporting Directive (CSRD) was formally adopted by the EU in November 2022. To meet the requirements of the CSRD, the European Financial Reporting Advisory Group (EFRAG) has developed the European Sustainability Reporting Standards (ESRS). Earlier this year we asked a third party to conduct a gap analysis of our current ESG reporting against the requirements of the CSRD. The aim was to identify the areas we need to focus on to ensure we comply with the reporting requirements which will come into force in 2025 for companies and entities in scope. The CSRD drives in-scope companies to bring non-financial reporting on par with financial reporting, with assurance of non-financial data becoming mandatory.

In FY24 we will establish a CSRD working group to ensure we remain on track to disclose in line with the requirements.

"As we enter the third year of our ESG ambition, we remain very encouraged by the progress made to date and we are determined to maintain this level of performance. We believe the governance structure we have put in place, coupled with our employee engagement efforts, positions us in good stead to continue to remain on track to deliver against our ambitions."

Tony Dunnage

NET ZERO SYMPOSIUM

Lukas Paravicini, Chief Financial Officer, is the ELT sponsor of the climate change pillar of our ESG strategy.

On 22 March 2023 we held a Net Zero Symposium in our London hub. The event, opened by Lucas discussed how collective responsibility, partnerships and action will lead to the impact necessary to keep us on track to deliver our Net Zero ambition. We brought together topic experts and practitioners from across our Global Supply Chain, Procurement, Finance, Corporate and Legal Affairs as well as valued partners from insurers, advisers, and leaf suppliers to review the progress and to debate how we could go further, faster, building upon the positive progress we have made to date.

OUR JOURNEY TO DATE

2021

- New business 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

2022

Internal "People and Planet" agenda launched

Sept 2023

ESG priorities integrated into executive remuneration metrics (introduced for FY23)

Looking forward into FY24

- Continuous monitoring by the working groups and ESG Committee
- Continuous sponsorship and engagement across the organisation

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.

NGP net revenue has increased by

41%

between FY21 and FY23



Climate change

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

Reduced our Scope 1 and Scope 2 market-based emissions by

65%

since 2017



Packaging and waste

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

Reduced absolute waste across our operations by

27%

since 2017

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.

155,000

people in our leaf supply chain benefiting from our Leaf Partnership Projects aimed at improving access to clean water



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.

We have been recognised by CDP as

a supplier engagement leader

for a 4th consecutive year

SAFE & INCLUSIVE WORKPLACE



Employee health, safety & wellbeing

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

Reduced lost time accidents by

44%

since 2019

(absolute numbers)



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.

Scored

92%

on 2022 ShareAction Workforce Disclosure Initiative



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.

All factories report against

21

modern slavery leading indicators monthly



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

POWERED BY RESPONSIBILITY



“Imperial’s ESG strategy is underpinned by strong corporate and regulatory governance”.

Emily Carey,
Company Secretary

Andrew Gilchrist
at the Board
immersion session.

We are committed to conducting our operations responsibly and respecting our people, our communities and our planet.

Our ESG responsibilities are fulfilled through a robust governance framework, upholding high standards of corporate governance, transparency and ethics. We continuously review and improve our risk management processes and disclosure practices to ensure we meet evolving standards and practices.

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 the Executive Leadership Team (ELT), making it an executive committee. The purpose of the ESG Committee is to provide oversight, advice and direction on the implementation of our People and Planet agenda and the Company’s progress on its ESG commitments and objectives, as well as ensuring adequate resources to deliver these. Senior managers representing functions including Investor Relations, Group

Legal, Governance, Corporate Affairs, Supply Chain and Procurement, Communications, Group Science and ESG attend meetings as required.

Our comprehensive governance structure enables appropriate levels of focus, cross-collaboration, risk management and escalation pathways covering every ESG area of focus.

The Board will review our ESG performance on a quarterly basis. The ESG Committee reports to the Board for ESG-related opportunities, and potential material ESG-related risks are reported to the Group Risk Committee.

ESG Governance structure




The Board of Directors was updated on ESG-related matters throughout the year.



Our CEO, Stefan and independent Board Director, Diane during a store visit in Germany.

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 operational working groups which are noted in each of the ESG focus areas. This activity is facilitated by the ESG team. This strengthened governance approach enables cross-functional collaboration and avoids duplication of efforts.

Achieving our ESG targets requires a strong commitment from the top of our organisation. ELT sponsors have been appointed for each of our eight ESG priorities, to be accountable for performance, challenge strategy development, and drive integration and visibility from the top down. 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. Our executive sponsors will work with management teams to integrate our ESG targets into our business strategy, monitor progress regularly, report transparently, and lead by example. Their commitment and role-modelling will foster a culture of responsibility throughout the organisation.

 Further information on our approach to risk and opportunity management is available on pages 100-111.

We have a broad range of policies to support our approach to risk management and good governance. Our key policies relating to each of our eight ESG focus areas are listed under the ESG topic area. Our Code of Conduct, translated into 27 languages, is embedded throughout Imperial Brands and enables 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, refreshed in 2023, 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 refreshed Supplier Code of Conduct will be made available in a wide variety of languages.



For further information on our policies, visit www.imperialbrandspc.com/healthier-futures/governance/policies

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 markets to provide accessible local-language versions of courses for 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 and claims relating to pay and employment conditions. Where grievances were determined to have merit (in part or whole), appropriate corrective actions were implemented. None of these claims were determined to be systemic.

Allegations were also received of misuse and/or theft of Company property. These claims were not material in value and were determined to be unfounded.

Reports made through our Speaking Up platform were determined to be without merit. A number of alleged frauds were also investigated through the Group's fraud reporting process. Some of these allegations were found to be valid in whole or part. None were of material value.

All reports made to our Speaking Up platform were investigated by appropriate senior management, including from our People and Culture teams, Group Finance, Group Security, and Group Legal. At all times, protection of the individual making the report was a key consideration.

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 2023. 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.

INVESTOR BENCHMARKS

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

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.



We are pleased to note that MSCI has upgraded our rating from an 'A' to an 'AA'. Its latest report dated August 2023 states: "Imperial Brands continues to lead global peers on corporate governance practices. The company has responsible marketing policies and enforcement mechanisms such as regular audits and employee training. However, like industry peers, the company continues to face scrutiny over its supply chain labour practices."



In 2022, CDP awarded us an A rating for our Climate Change submission for a fourth consecutive year. We await the results of our 2023 submissions to CDP for Climate, Water and Forests. 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 2022 for a fourth consecutive year.



In its August 2023 updated report, Sustainalytics states that: Imperial is at high risk of experiencing material financial impacts from ESG factors, has 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. Imperial's overall ESG Risk exposure is medium and is moderately above subindustry average.



Moody's Analytics gave us an overall ESG score of 42/100 and a Company Reporting Rate of 82% in their last update in October 2021.



We are proud to have been recognised for a third consecutive year as a Climate Leader by the Financial Times in its ranking of actions taken by European businesses.



We have also participated in the investor-backed Workforce Disclosure Initiative (WDI) since 2019. This benchmark is currently based on a disclosure score, and performance scores have not been allocated. We received a 92% disclosure score for our 2022 submission and have submitted our 2023 disclosures to the WDI.

HEALTHIER FUTURES



CONSUMER HEALTH

NGP net revenue has increased by **41%** between FY21 and FY23



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.

Behaviours



Start with the Consumer

Link to SDGs



SDG 3: We are committed to tobacco harm reduction

Governance

- Consumer Health Working Group
- Product Stewardship and Health Group (PSHG)

Key Policies

- International Marketing Standards
- NGP Policy Positions

ELT sponsor

- Andy Dasgupta, Chief Consumer Officer
- Sean Roberts, Chief Legal and Corporate Affairs Officer

OUR PLAN

2023

- Consumer Health Working Group created.
- Three innovation hubs in Liverpool, Hamburg and Shenzhen.
- Acquisition of range of US oral nicotine pouches from TJP Labs.
- Launch of blu bar, our disposable vape.

2024

- New NGP innovations planned across multiple markets.

THE RELATIVE RISK SCALE

An illustrative representation of the current scientific evidence:



As a responsible manufacturer, we understand and maintain a detailed knowledge of our products and monitor the relevant scientific developments and literature relating to our products and respond accordingly. The Product Stewardship and Health Group (the PSHG) is responsible for formally advising the Board, via the Chief Executive, on all consumer safeguarding issues.

To oversee a more holistic approach to consumer health, in FY23 we set up the Consumer Health Working Group which brings together internal stakeholders from across the business including the ESG team, Group Science & Regulatory Affairs, Investor Relations, Group Communications, Corporate and Legal Affairs, Product Innovation and the Global Consumer Office. This group is responsible for overseeing the actions taken and the progress made related to consumer health.

Making a positive impact on consumer health through our NGP continues to be a priority.

Globally, more than a billion adults still smoke. Along with others in our industry, we acknowledge society's concerns about the health risks of smoking, and we have a duty to help to potentially improve public health by reducing smoking-related harm. This ambition aligns with SDG 3.4 which aims to: "reduce mortality from non-communicable diseases and promote mental health".

A consumer-centric, challenger approach to next generation products (NGP) supports Imperial's specific contribution to this broader industry-wide commitment to reduce potential harms. As the smallest of the international businesses, we are humble about what we can achieve on our own. But, by engaging with our consumers, innovating fast and working with business partners, we believe we can drive responsible competition and help accelerate the transition to potentially reduced-harm products.

NGP have the potential to make a significant contribution to harm reduction.

Both our own – and independent – scientific evidence suggests all nicotine products which do not involve the burning of tobacco are potentially less harmful to consumers, compared to continuing to smoke cigarettes.

While public health bodies have concluded that nicotine is addictive, they also agree that it is the smoke created by the burning of tobacco leaf that contains most, and in the highest levels, of the 100-plus harmful chemicals responsible for smoking-related disease. Advances in science and technology enable our NGP to deliver nicotine to consumers without the need to burn tobacco.

To aid understanding of the harm reduction potential of each NGP relative to cigarettes, we have developed an illustrative representation of the current scientific evidence – the relative risk scale illustrated above.

Imperial has accelerated innovation in potentially harm-reduced products.

Since the launch of our current Group strategy in January 2021, we have been investing in consumer insights, innovation capabilities and third-party partnerships to accelerate our NGP operations. This way of working is most clearly seen in our new innovation centres. Our Sense Hubs in Liverpool and Hamburg, opened in 2023, bring together consumers, our own product developers and third-party partners in a single collaborative space. Our Shenzhen site enables us to get closer to our supply chain partners.

These focused investments have led to a step change in the pace of development of new products across multiple categories – all designed to appeal to existing adult smoker and nicotine consumers.

- Pulze 2.0, our latest heated tobacco innovation, is now available in seven markets.
- blu 2.0, the evolution of our myblu pod-based vape, is available in nine markets.
- blu bar, our new disposable vape, is already established in 11 markets.
- Three new variants of Zone X, our tobacco-free oral nicotine pouches, in select established European markets.

In the US we are poised to launch a new range of oral nicotine products following the acquisition of TJP Labs' range of US nicotine pouches in June 2023.

Our NGP net revenue has increased by 41% between FY21 and FY23*

* FY23 NGP net revenue was £265 million and has been independently assured by Ernst & Young LLP (EY) under the limited assurance requirements of the ISAE 3000 standard. EY's Assurance Opinion is available on our [website](#).

Supporting consumer choice – consumer behaviour is becoming more diverse.

The tobacco industry has made significant progress in tobacco harm reduction. However, even in Europe, the region where NGP has made most progress, cigarettes still represent 91% of the total market.

Analysing the global and regional figures, we are seeing growing diversity in consumer behaviour market by market. For instance, in three examples of neighbouring countries in Europe: France is a significant vaping market, while Italy is the largest heated tobacco market in Europe and in Austria oral nicotine is the dominant NGP category.

Furthermore, we are seeing similar diversity of consumer behaviour when we analyse nicotine use by individual occasions – or “moments.” Over the past two years, Imperial has conducted a major piece of consumer research, using an approach called “demand spaces”. This method breaks down the lives of our consumers into individual moments when they enjoy our products: for instance, in the morning or evening; in the home or out and about; and alone or with friends.

We interviewed c.8,600 consumers across eight countries, collecting in-depth information on c.15,800 different consumption occasions. Our research highlighted how, moment by moment, there are wide variations in how consumers behave.

We learned that, in some markets, NGP are already the dominant category for certain moments or occasions – the moments, for example, when people meet with friends outside the home. Equally, however, we learned that there are certain moments – which account for a high proportion of nicotine consumption – where NGP have made few inroads. These are typically moments when people are on their own at home, for example taking a break between tasks.

These trends suggest that there will be no one-size-fits-all solution in tobacco harm reduction – and there is room for a wide range of businesses, including Imperial, to carve out distinctive roles catering for specific consumer needs.

Substantiation of reduced risk - our innovation is underpinned by a rigorous scientific framework.

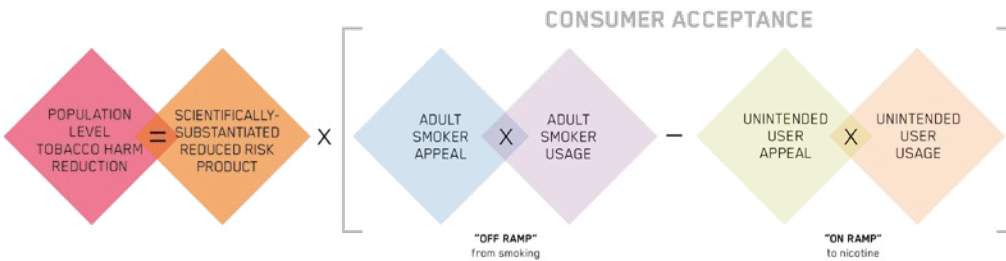
Our Group Science function, partnering closely with our consumer teams, ensures each of our NGP is substantiated against our Scientific Assessment Framework. This is designed to:

1. Reassure our consumers by ensuring all our products are manufactured to a high and consistent standard.
2. Evidence that our NGP are potentially reduced-risk compared to continuing to smoke, and that they are compelling to try and satisfying when used by adult smokers and existing NGP users (the “off-ramp” on the graphic below).
3. Support the conclusion through a wide range of measures that our NGP are unattractive to unintended populations, including never-smokers and the under-age. Furthermore, current internal research indicates that alternative nicotine products may be competing with combustible cigarettes rather than promoting smoking thereby potentially preventing “on-ramp” to potential cigarette smoking.



For further information please visit Imperial Brands Science website: www.imperialbrandsscience.com

THE HARM REDUCTION EQUATION



SCIENTIFIC ASSESSMENT OF NGP

One example of our structured approach to scientifically assessing our NGP through our Scientific Assessment Framework is the research we have conducted into our heated tobacco system, Pulze and iD.

After proving that Pulze does indeed heat, and not burn, tobacco, we analysed its aerosol and demonstrated significant reductions in the harmful and potentially harmful constituents compared to cigarette smoke. We then confirmed these findings translated to reduced cell toxicity across a series of laboratory tests, with reductions of between 90-98% compared to cigarette smoke.

Clinical trials have also been conducted to confirm Pulze and iD delivered nicotine effectively to adult smokers, while also reducing their desire to smoke. Simultaneously, we published behavioural research to show Pulze appealed to its intended audience – adult smokers – but was not attractive to never-smokers, including young adults.

This activity also supports our dialogues with regulators and policy makers as we seek approval for new NGP products and secure support for the broader principles of tobacco harm reduction.

To confirm the tobacco harm reduction potential of our heated tobacco products in market, we have recently conducted a behavioural study on Pulze 2.0 in the Czech Republic, where we tracked adult smoking participants to understand how they use our products over time to potentially help cut down – or perhaps even entirely replace – cigarette smoking. Initial findings from the draft report are positive, suggesting the system's potential to help adult smokers either stop smoking or substantially reduce their cigarette consumption.

While we seek to provide strong, responsible competition in the NGP segment, we also recognise we are part of an industry-wide transformation. Therefore, we are committed to playing our part in furthering the broader scientific debate on tobacco harm reduction. We have published 30 peer-reviewed Imperial-authored papers and presented 29 scientific research posters at conferences over the last five years.

Unintended use of NGP - we are committed to discouraging unintended use.

Imperial is proud of its long track record in minimising consumption of its products by unintended users, including young people.

Our blu vape brand was launched in 2009 and acquired by Imperial in 2015, and the average age of blu consumers in the UK – the brand's largest market – is closely aligned to the average age of cigarette smokers.

Across all markets, blu's marketing proposition targets mature consumers making a broader lifestyle shift.

Similarly, the Pulze heated tobacco proposition, with its long battery life, is specifically designed to encourage smokers to stay within the heated tobacco category.

We are committed to marketing and advertising our products responsibly within the laws, codes of practice and voluntary agreements of those countries where we operate. Our commitment to responsible marketing and sale of our NGP and combustible tobacco products is summarised by our Marketing Principles and underpinned by a strict Group-wide International Marketing Standard for Next Generation Products.

In some markets, irresponsible product design, marketing and sales, combined with inadequate and inconsistently enforced regulation, have created growing public unease about youth access to nicotine products. We share these concerns. That is why we are engaging with policymakers to develop regulatory frameworks which better balance adult smokers' needs for an attractive range of potentially harm-reduced alternatives with the

imperative that children should not have access to nicotine products.

Europe has been the key area of focus for Imperial in NGP over the past two years – and in this region we are campaigning for:

1. Regulatory codes for NGP naming, packaging and marketing.
2. Retailer licensing regimes which provide stronger deterrents against under-age sales.
3. The extension of the excise system to the vape category to provide additional enforcement tools against rogue manufacturers and retailers.

The implementation of measures like these will, we believe, help to prevent youth access, and enable responsible NGP manufacturers to continue advancing tobacco harm reduction by offering adult smokers increasingly attractive, potentially less harmful alternatives to cigarettes.

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 do not 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.

HEALTHIER FUTURES



Reduced our Scope 1 and Scope 2 market-based emissions by
65%
since 2017

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

Behaviours



Build our Future

Link to SDGs



- SDG 13: Take urgent action to combat climate change and its impacts
- SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all

Governance

- Environmental Compliance Working Group
- Climate Change Engineering Forum

Key policies

- Environmental Policy
- Biodiversity Statement

ELT sponsor

- Lukas Paravicini, Chief Financial Officer

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 50%.
- Reduce absolute Scope 3 emissions by 50%.
- 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).

STRONG TRACK RECORD OF PERFORMANCE

From our 2017 baseline year we have:

Reduced our absolute Scope 1 and Scope 2 market-based carbon emissions (CO₂e tonnes) by

65%

Reduced our absolute energy consumption (GWh) by

26%

Reduced absolute water consumption in our operations (m³) by


32%

The specific SDG 13 and 7 targets we are supporting:

SDG 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

In support of this target, 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.

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 in terms of both risk and opportunities. This includes the steps Logista is taking as well.

 Please see page 70 for details.

SDG 13.3: Improve education, awareness raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

In support of this target, we want our global workforce to have a common understanding of the topic of climate change. In FY23 we published a training on climate change for our employees. The training focuses on the general topic of climate change as well as Imperial Brands' specific measures and targets that mitigate the risks of climate change, enhance opportunities and create responsible business behaviours.

SDG 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.

In support of this target, we aim to have 100% of our purchased grid electricity from traceable renewable sources by 2025 and we aim to source 100% of all our energy from renewable sources by 2030.

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. We recognise the importance of disclosing how we are managing climate-related risks and opportunities and we have reported on our approach for several years now, both within our TCFD section on pages 70-81 and through our CDP disclosures which are available on the [CDP website](#).

In FY23 we reviewed the membership of our Environmental Compliance Working Group and the Climate Change Engineering Forum to ensure these groups bring together subject matter experts and engineers from across our operations to discuss initiatives and approve projects to achieve our Net Zero ambition. These groups also provide a platform to exchange knowledge and best practice to help drive consistent performance across our operations.

Further details on our carbon transition plan can be found in our 2023 ESG Performance Summary and in our TCFD section on page 70. Our Net Zero commitment is part of our Triple Zero campaign and all our operations continue to develop local carbon transition plans to ensure they are taking the correct steps and actions to contribute to this Net Zero commitment.

We also established an internal carbon pricing mechanism to account for the cost of greenhouse gas emissions resulting from our operations. The price will be reviewed annually and adjusted



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 fourth consecutive year. Our 2022 CDP scorecard is available on our [website](#).


as necessary to reflect changes in the cost of emissions.

Nearly 90% of our carbon footprint is in our value chain, accounted for in our Scope 3 emissions. We are working with our suppliers and other partners to better understand our Scope 3 emissions. We do this largely through the internationally recognised CDP Supply Chain Programme, and further integration with our sustainable sourcing pillar. In the past year we have re-baselined our entire Scope 3 inventory and recalculated all 15 Scope 3 categories for 2022. For further details see the Sustainable and Responsible Sourcing section on page 60.


WE HAVE MAPPED A FIVE-STEP APPROACH TOWARDS NET ZERO:


1  **Undertake energy-efficiency initiatives**

2  **Switch to 100% renewable grid electricity**

3  **Transition all other energy types to renewable sources**

4  **Achieve Net Zero in our operations**

5  **Become climate positive, which means saving more greenhouse gas emissions than we are generating**

 More detailed information is provided in our 2023 ESG Performance Summary.

CLIMATE CHANGE PERFORMANCE

Performance indicator	Unit	2017 (base year)	2021	2022	2023	Commentary
Operations with ISO 14001 certification	%	92	78	83	82	We have updated the scope of this indicator to ensure we are addressing largest manufacturing sites. For further details see our 2023 Reporting Criteria document.
Absolute energy consumption¹	GWh	875	729	712	650^A	We set a target to reduce our absolute energy consumption by 25% by 2030 versus a 2017 baseline. We are pleased to report that in FY23 we exceeded this target with a 26% reduction compared to the baseline. We will now set a new target for energy reduction moving forward.
Relative energy consumption¹	KWh/£m net revenue	112,801	95,740	91,364	81,128^A	
Electricity from purchased renewable sources¹	%	8	6	52	96^A	We aim to purchase Renewable Energy Certificates (RECs) from within the same market boundary as electricity is being consumed. In markets where RECs are not available within the same market boundary, we purchase from a nearby geographical location. We are regularly reviewing this with the intention to purchase from within the same market boundary once a source becomes available.
Energy from renewable sources	%	5	4	23	41^A	The proportion of energy from renewable sources has increased by 36% since our 2017 baseline year. This is mainly driven by the use of renewable electricity with our RECs scheme. We have set a target to use 100% renewable energy by 2030.
Absolute Scope 1 CO₂e emissions¹	Tonnes	114,270	92,900	91,007	81,089^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 an 11% decrease in Scope 1 emissions since last year and a 29% reduction from our 2017 baseline year.
Absolute Scope 2 CO₂e location-based emissions¹	Tonnes	161,360	133,292	131,236	114,059^A	Our Scope 2 location-based emissions comprise the indirect emissions resulting from the use of purchased electricity, heat and steam at our sites. We have seen a 13% decrease in Scope 2 location-based emissions since last year and a 29% reduction from our 2017 baseline year.
Absolute Scope 2 CO₂e market-based emissions¹	Tonnes	173,902	-	84,759	18,896^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 78% reduction in Scope 2 market-based emissions compared to last year and an 89% decrease compared to the 2017 baseline year. This significant reduction in Scope 2 market-based emissions reflects the increase in our use of electricity purchased from traceable renewable sources.
Total absolute Scope 1 and 2 location-based CO₂e emissions¹	Tonnes	275,630	226,192	222,243	195,148^A	We have seen a 29% decrease in our total Scope 1 and 2 location-based 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.
Relative Scope 1 and 2 location-based CO₂e emissions¹	Tonnes/£m net revenue	35.5	29.7	28.5	24.4^A	
Total absolute Scope 1 and 2 market-based CO₂e emissions	Tonnes	288,172	-	175,766	99,985^A	We have seen a 65% decrease in our total Scope 1 and Scope 2 market-based emissions from our 2017 baseline year. This has been driven by our increased use of electricity purchased from traceable renewable sources.
Relative Scope 1 and 2 market-based CO₂e emissions¹	Tonnes/£m net revenue	37.15	-	22.55	12.48^A	

A. Select 2023 data has been independently assured by Ernst & Young LLP (EY) under the limited assurance requirements of the ISAE 3000 standard. EY's 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 2023 environmental data covers the reporting period Q4 2022 to Q3 2023. This is to allow for data collection, validation and external assurance. We use the industry leading Greenhouse Gases (GHG) Protocol standard to inform our reporting of Scope 1 and 2 emissions.

Performance indicator	Unit	2017 (base year)	2021	2022	2023	Commentary
Total Scope 3 CO₂e emissions	Tonnes	981,638	-	-	822,880	In FY23 we recalculated our Scope 3 baseline of 2017 and calculated our 2022 Scope 3 emissions across all categories. This recalculation follows the latest methodology outlined in our Reporting Criteria document , and in accordance with the Global Greenhouse Gas Protocol. The resulting data shows a 16% decrease in our total Scope 3 emissions compared to the baseline year. We have a clear methodology for further improving our data capture for Scope 3, by transitioning to a more market-based approach with our partner suppliers and updating using the most recent emissions factors. Based on our recalculation, we have set a more ambitious target to reduce our Scope 3 emissions by 50% by 2030.
Scope 3 CO₂e emissions: Business travel¹	Tonnes	16,003	1,837	5,901	18,879^A	Business travel is travel undertaken for work or business purposes. The main driver for the increase in emissions in FY23 is business travel mileage which increased by approximately 100% compared to the previous year.
Key suppliers by spend with science-based targets	%	-	20	25	33	We aim for 50% of our suppliers by spend within the Purchased Goods and Services category to have science-based targets by 2024. Of the suppliers in scope, 33% had science-based targets at the end of FY23. We are engaging with our key suppliers directly and via the CDP Supply Chain Programme to achieve this target.
Logista absolute Scope 1 and 2 CO₂e emissions	Tonnes	38,554	45,557	47,099		Logista is managed remotely due to commercial sensitivities and is responsible for its own data. Logista has provided independently assured data from 2022 for absolute Scope 1, 2 and 3 emissions. Data for 2023 is still undergoing independent assurance.
Logista absolute Scope 3 CO₂e emissions	Tonnes	193,611	194,634	189,709		The increase in Scope 1 and 2 emissions seen in 2022 is due to an increase in transport activity under operational control. The decrease in Scope 3 emissions is attributed to some divestment activity and some emissions reduction initiatives implemented by Logista. Logista's 2022 relative Scope 1 and 2 emissions comprise 23 tonnes (2021: 22 tonnes) of CO ₂ e per £million of 2022 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 .
Absolute water consumption¹	m ³	1,468,626	1,109,178	1,056,982	999,214^A	We set a target to reduce our absolute water consumption by 30% by 2030 versus a 2017 baseline. We are pleased to report that in FY23 we exceeded this target with a 32% reduction compared to the baseline. We will now set a new target for water consumption moving forward.
Relative water consumption	m ³ /£m net revenue	189	146	136	125^A	

SCOPE 1 AND 2 EMISSIONS – UK AND GLOBAL^{1,2,3}

Performance indicator	Units	2023		2022	
		UK and offshore area	Global (Excluding UK and offshore area)	UK and offshore area	Global (Excluding UK and offshore area)
Scope 1 emissions	tCO ₂ e	1,841	79,248	1,751	87,500
Relative Scope 1 emissions	tCO ₂ e / £m net revenue	0.2	9.9	0.2	11.2
Scope 2 location-based emissions	tCO ₂ e	872	113,187	903	130,298
Relative Scope 2 location-based emissions	tCO ₂ e / £m net revenue	0.1	14.1	0.1	16.7
Scope 2 market-based emissions	tCO ₂ e	0	18,896	310	84,209
Relative Scope 2 market-based emissions	tCO ₂ e / £m net revenue	0	2.4	0.04	10.8
Total Gross Scope 1 and Scope 2 location-based emissions	tCO ₂ e	2,713	192,436	2,654	217,798
Relative Scope 1 and Scope 2 location-based	tCO ₂ e / £m net revenue	0.3	24.0	0.3	27.9
Total Gross Scope 1 and Scope 2 market-based emissions	tCO ₂ e	1,841	98,145	2,061	171,710
Relative Scope 1 and Scope 2 market-based	tCO ₂ e / £m net revenue	0.2	12.3	0.3	22.0
Energy consumption	kWh	13,233,516	637,059,838	12,421,624	691,831,110

1. We have provided reporting in compliance with UK Streamlined Energy and Carbon Reporting (SECR) regulations (being the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the SECR under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018).
2. For details on the methodology used for SECR calculations, please see our Reporting Criteria document available on our website.
3. Energy efficiency measures taken in FY23 are reported in our 2023 CDP Climate Change disclosures available on the [CDP website](#).

HEALTHIER FUTURES



PACKAGING AND WASTE

Reduced absolute waste by
27%
since 2017



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

Behaviours



Start with the Consumer

Link to SDGs



SDG 12: Ensure sustainable consumption and production patterns

Governance

- Combustible Product Strategy Group
- Product Sustainability Forum

Key policies

- Environmental Policy
- Filter Policy
- NGP Policies

ELT sponsors

- Javier Huerta, Chief Supply Chain Officer
- Aleš Struminský, President, Europe Region

OUR PLAN

(from a 2017 baseline 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.
- 100% of all wood fibre in our packaging will be sustainably sourced.

2030

- We aim to reduce waste generated within our operations by 20%.
- We aim to have a greater than 80% average packaging recycling recovery score in the EU and UK.

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

The specific SDG 12 targets we are supporting:

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

In support of this target, we aim to have 100% of all wood fibre in our packaging from recycled materials or responsibly managed forests by 2025.

SDG 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

In support of this target, we aim to ensure that all our operations will send zero waste to landfill by 2025. We also aim to have 100% of our packaging in the EU and UK to be reusable, recyclable or compostable by 2025.

SDG 12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

In support of this target, we are committed to providing detailed ESG disclosures within our Annual Report and Accounts and on our corporate website. We are committed to partnering with our suppliers directly and through the CDP Supply Chain Programme to collaborate with them to reduce our environmental impact across the whole of our value chain.

Our operations


We are committed to compliance with all relevant environmental legislation applicable to our operations. Reducing our environmental impact 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 FY23 we continued to use the Combustible Product Strategy Group and the Product Sustainability Forum to discuss existing and upcoming environmental legislation and policies and the potential impact they will have on the business, new product-related sustainability innovations and performance against our ESG targets and goals. These working groups include representatives from Corporate and Legal Affairs, ESG, Product Realisation, Global Supply Chain and local market representatives to ensure we have cross-collaboration and involve the correct subject matter experts in our decision-making process.

We continue to prepare for upcoming regulation such as the EU Packaging and Packaging Waste Directive. These efforts include re-engineering our packaging for recyclability and removing what is not needed. We aim to use resources efficiently, source them from sustainably managed sources and to introduce recycled materials where possible.

To gain further insights, we have conducted recycling assessments on our packaging for products sold in the EU and UK. These assessments have been conducted by an external institute and have allowed us to identify non-recyclable packaging on which to focus our improvement efforts. To date, 96% of our packaging formats assessed are now considered recyclable.

In FY24 we will focus on reducing further unnecessary packaging and to make more of our packaging recyclable. The next step of our zero waste to landfill programme will be to concentrate on waste reduction at source, and to further improve our internal recycling.

 **We have made further disclosures on our efforts to address plastic waste in our 2023 CDP Water Security submission which is available on the CDP website.**

For further information on our policies visit www.imperialbrandspc.com/healthier-futures/governance/policies



ACKNOWLEDGING THE CHALLENGE

Consumer and product waste

We take our responsibilities in product development and environmental impact seriously. With the NGP business growing, we are faced with additional waste and recyclability challenges. We continue to improve the sustainability and recyclability of NGP materials and packaging. We are keen to understand consumer behaviour and needs related to product waste.

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. See pages 62-63 for our approach to human rights.

In FY24, we will continue to implement a consumer-led, regulatory compliant packaging strategy, and report on our progress.

Cigarette butts

Consumer acceptance and emissions regulation have meant that we are yet to find an adequate alternative substitute for the traditional cigarette filter. We do not make any product or marketing claims on biodegradability and/or compostability of filters. We believe that the most effective approach to combating littering and ecotoxicity resulting from the littering of used filters (cigarette butts) is through partnership of key stakeholders, such as tobacco companies, government, environmental bodies, businesses and local communities, educating consumers on the importance of the proper disposal of used filters. We recognise the importance of this issue and continue to search for alternative materials for filters which contain single-use plastics. We participate in different Extended Producer Responsibility (EPR) schemes in a number of locations, both on a voluntary basis and to fulfil regulatory requirements.

NGP waste

Vaping products: To support our consumers with the responsible disposal of our blu products, several markets have introduced “take-back” schemes for vaping devices and pods. In those markets, we have provided incentives to consumers to return their empty pods, which enhances the commercial offering of blu in addition to achieving our environmental objectives.

Heated tobacco products: For our Pulze 2.0 product packaging we have achieved a 92% reduction in use of plastic compared to the packaging for Pulze 1.1.

We continue to focus on packaging improvements with further solutions under development.

Oral nicotine delivery: The sustainability aims are focused on recyclability improvements, exploring more sustainable materials for cans/refilling options and potential returns schemes are being investigated across our footprint.

PACKAGING AND WASTE PERFORMANCE

Performance indicator	Unit	2017 (base year)	2021	2022	2023	Commentary
Absolute waste¹	Tonnes	49,141	41,714	41,969	35,744^A	Our target is to reduce waste by 20% by 2030. We have exceeded this target with a 27% reduction in waste compared to the 2017 baseline year. We will set a new target for waste reduction moving forward.
Relative waste¹	Tonnes/£m net revenue	6.34	5.48	5.39	4.47^A	
All waste sent to landfill¹	Tonnes	7,200	10,619	8,544	4,442^A	Our target is to achieve zero non-hazardous waste sent to landfill by 2025. We have seen a 38% decrease in waste sent to landfill since the 2017 baseline year. This decrease has been driven by our zero waste to landfill initiatives across our operations.
Relative waste to landfill¹	Tonnes/£m net revenue	0.93	1.40	1.10	0.56^A	
Landfill avoidance rate¹	%	88	83	85	91^A	A key element of our environmental approach is to minimise the waste sent to landfill by reusing waste, recycling, composting and incineration (with energy recovery).
Recyclability score	%	-	-	95	96	We aim to have 100% of our packaging material in the EU and the UK to be reusable, recyclable or compostable by 2025. A third party assesses the materials for us and we are on track to achieve this target.
Sustainable sourcing	%	-	-	-	97	We aim to have 100% of all wood fibre in our packaging ² from sustainable sources by 2025. We are on track to achieve this target.

A. Select 2023 data has been independently assured by Ernst & Young LLP (EY) under the limited assurance requirements of the ISAE 3000 standard. EY's 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 2023 environmental data covers the reporting period Q4 2022 to Q3 2023. This is to allow for data collection, validation and external assurance.

To note: Absolute waste does not include reused waste.

2. This excludes products from ITG Brands.

POSITIVE CONTRIBUTION TO SOCIETY



FARMER LIVELIHOODS AND WELFARE

155,000

people in our leaf supply chain benefiting from Leaf Partnership Projects aimed at improving access to clean water



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

Behaviours



Collaborate with Purpose

Link to SDGs



Governance

- Leaf Compliance Working Group (LCWG)
- Sustainable Tobacco Programme (STP) Guidance

Key policies

- Human Rights Policy
- Child Labour Policy
- Biodiversity Statement

ELT sponsors

- Javier Huerta, Chief Supply Chain Officer
- Kim Reed, President and CEO, Americas Region

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.

SUSTAINABLE AGRICULTURE

Sustainable agriculture impacts our people and our planet, providing food security, establishing livelihoods and supporting environmental stewardship. Imperial works hard to support leaf suppliers' farmers and their families. This includes improving farmer access to basic needs, a decent standard of living and income diversification, enabling them to continue to grow tobacco sustainably.

We purchase approximately 97% of our tobacco through both global and niche suppliers from more than 30 countries worldwide, and only 3% from our own directly contracted farms. Therefore, we work collaboratively with our partners 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).

We have a strong governance structure in place for our tobacco leaf supply chain. This is overseen by our Leaf Compliance Working Group (LCWG) and part of their responsibility is to maintain effective governance and response to ESG risks within the tobacco leaf supply chain. Our Leaf Compliance and Response (CARE) Programme includes our Leaf CARE tool which is an in-house IT platform to record potential ESG-related issues arising in the supply chain and to track the associated due diligence processes suppliers have established to respond to these potential reported issues. The majority of the data in the Leaf CARE tool is sourced from the STP. A third party reviews and substantiates that information in the STP, before it is uploaded to our Leaf CARE tool.

The STP is an industry-wide initiative aimed at enhancing agricultural supply chain due diligence and accelerating the positive social and environmental impact in tobacco-growing communities. The STP is independently managed and provides us with visibility over our leaf 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 validating these actions both remotely and in the field. This informs our strategy to support our suppliers in taking effective action. All our tobacco leaf suppliers are expected to participate in the STP. In 2023 (based on the 2022 tobacco leaf crop year), 93% of our suppliers reported on their due diligence.

During the past year we participated in six independent Supply Chain Impact Assessments (SCIA) conducted in the field. The objective of these assessments was to identify risks within the leaf supply chain and help focus suppliers to develop prioritised action plans. Where appropriate, we jointly commissioned these assessments with key stakeholders.

We commissioned our own similar Human Rights Impact Assessment (HRIA) within our direct supply chain in Madagascar. Based on rights holder interviews and community engagement, prioritised risks were identified including fair treatment, working hours and children working on family farms. These risks were investigated to further our understanding of root causes and effective solutions. As well as implementing corrective action plans, a thorough preventative action plan was also developed to address all findings regardless of priority level. We have worked intensively on the preventative action plan, which included improving management and monitoring systems, the launch of an operational grievance mechanism, and pilot projects to improve attendance at schools within the community. We are also in the process of supporting the development of workers' committees.

In our direct operations in Madagascar, we have launched interventions targeted at improving awareness amongst rights holders. In our experience, the biggest influencers in preventing child labour are mothers and the children themselves – so we have rolled out posters in schools and community sessions with groups of parents. Through these interventions we have reached 22 schools and just under 1,000 participants in awareness-raising sessions in the last year. In our operations in Laos, several projects are being trialled, including summer sports, film, and arts clubs. We are collecting feedback from the communities on these interventions to ensure they remain targeted and effective. This participatory approach allows us to spot potential improvements and support our long-term aim of addressing the risk of child labour.

Our Leaf Partnership Programme complements the work our leaf suppliers are already doing, amplifying their impact in tobacco-growing communities, by directly funding specific projects. These projects range from enhancing farmers' businesses to supporting communities increase access to basic needs, such as childcare, education, clean drinking water, sanitation and hygiene.

In FY23, Imperial provided financial support for projects in 11 countries, with more than 100,000 beneficiaries.

SUPPLY CHAIN IMPACT ASSESSMENT IN INDONESIA

A supply chain impact assessment was conducted in Indonesia in partnership with other tobacco manufacturers and included 14 tobacco merchants in total. A total of 231 rights holders were engaged with from tobacco-growing communities to help identify salient risks. These included the risk of unsafe use of pesticides and inconsistent personal protective equipment (PPE) standards, poor waste collection and the potential of children working on family farms. Therefore, in addition to leaf suppliers developing individual action plans, local tobacco companies joined together to form an industry forum to work collectively on some of these non-competitive issues. We have closely followed the development of these action plans and forums over the last year and will continue to stay informed through dialogue with our suppliers on their progress.

ENGAGING SUPPLIERS

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

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

Forestry

Many of our suppliers' contracted farmers use wood in tobacco production, either as a fuel in the curing of tobacco or for constructing barns required for the curing of tobacco.

Imperial has committed to supporting suppliers and their farmers access sustainable wood by 2025. The ambition is for 100% of the wood harvested to be matched by managed planting.

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

Through the tobacco leaf we purchase, Imperial also financially supports national forestry programmes, such as the Tobacco Afforestation Programme in Tanzania. Planting trees sustainably that farmers can access 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.

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 the 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-fauna. We also support and engage with suppliers in the planting of indigenous trees to encourage and grow local biodiversity by supporting insect and bird life.

In FY23 we published our Biodiversity Statement.

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).

155,000 people in our leaf supply chain benefiting from our Leaf Partnership Projects aimed at improving access to clean water

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 2023 our investment in water, sanitation and hygiene projects in countries of most need, including Mozambique, India, the Dominican Republic, Guatemala, Brazil and Honduras, equates to around US\$ 2.78 million.



ACKNOWLEDGING THE CHALLENGE

Child labour

Like other industries which rely on agricultural products, the risk of child labour is highest in the cultivation part of our supply chain. Addressing issues such as child labour requires a multi-stakeholder response; no single entity can address issues in isolation. In collaboration with key stakeholders including the industry, suppliers and NGOs operating in these communities, we seek to address child labour through three main avenues:

1. The Sustainable Tobacco Programme (STP)
2. Our Leaf Partnership Projects
3. The Eliminating Child Labour in Tobacco Growing Foundation (ECLT)

The Sustainable Tobacco Programme (STP)

The Human and Labour Rights section of the STP is a critical element for the respect of human rights and is aligned with the relevant ILO core conventions and the principles and guidance contained within other external frameworks such as the UN Guiding Principles on Business and Human Rights.



Our Leaf Partnership Projects

We work directly with our leaf suppliers to fund projects in tobacco-growing communities to help tackle some of the root causes of child labour.



Eliminating Child Labour in Tobacco Growing Foundation (ECLT)

We actively support the ECLT and its aims to tackle the root causes of child labour by improving access to education and providing alternatives to childhood working. It also has an advocacy role, raising awareness with governments and communities to galvanise positive action.



See [ECLT website](#) for more information.

Performance indicator	2021	2022	2023	Commentary
Percentage of suppliers' directly contracted farmers growing complementary crops¹	88	94	89	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. Due to the ever-changing nature of our suppliers' farmer base, those that grow complementary crops change. In the next year, we aim to restructure this KPI to have an even more meaningful impact in our leaf supply chain.
Percentage of suppliers' directly contracted farmers with access to initiatives to improve agricultural productivity¹	97	98	99	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. In the next year, we aim to restructure this KPI to have an even more meaningful impact in our leaf supply chain.
Suppliers participating in the STP		96	93	With a change in our leaf supplier base, the total suppliers participating in the STP reduced. We have already initiated discussions with suppliers who do not yet respond to the STP to encourage their participation in the next cycle.
Tobacco farming community members benefiting from new Imperial Leaf Partnership Projects	130,000	84,000	101,410	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 2023 projects.
Purchase from leaf suppliers who are committed to support their farmers access a decent standard of living by 2040	-	-	80%	As part of our ESG journey and restructuring over FY22, this is a new KPI. We require our leaf suppliers to be committed to supporting their farmers access a decent standard of living by having clear written commitments and/or policies in place to support the commitment.
Percentage of sustainable wood used as curing fuel	-	-	96%^A	Imperial has committed to supporting suppliers and their farmers access sustainable wood for use as tobacco curing fuel by 2025. The ambition is for 100% of the wood harvested to be matched by managed planting.

Improve access to basic needs for 180,000 farmers and their families by 2030

Childcare and education project beneficiaries	-	-	36,000	Imperial continues to fund projects aimed at addressing key livelihood and welfare issues in tobacco communities. This number represents the total number of cumulative active beneficiaries as of the end of FY23.
Clean water project beneficiaries	-	-	155,000	Imperial continues to fund projects aimed at addressing key livelihood and welfare issues in tobacco communities. This number represents the total number of cumulative active beneficiaries as of the end of FY23.
Sanitation and hygiene project beneficiaries	-	-	33,000	Imperial continues to fund projects aimed at addressing key livelihood and welfare issues in tobacco communities. This number represents the total number of cumulative active beneficiaries as of the end of FY23. Sanitation and hygiene projects, which mainly focus on infrastructure improvement and development, were impacted by cyclone Freddy in a number of African countries.

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.

A. Data has been independently assured by Ernst & Young LLP (EY) under the limited assurance requirements of the ISAE 3000 standard. EY's Assurance Opinion is available on our [website](#).

POSITIVE CONTRIBUTION TO SOCIETY



SUSTAINABLE AND RESPONSIBLE SOURCING

Javier Huerta, Chief Supply Chain Officer, and Vinay Advani, Head of Leaf Procurement & Sustainability, during a visit to a tobacco farm



We have been recognised by CDP as a supplier engagement leader for a fourth consecutive year

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.

Behaviours

Collaborate with Purpose **Take Accountability with Confidence**

Link to SDGs

SDG 12: We aim to ensure sustainable consumption and production patterns

Governance

- Sustainable and Responsible Sourcing Working Group

Key policies

- Supplier Code of Conduct
- Code of Conduct
- Global Procurement Policy
- Human Rights Policy

ELT sponsor

- Javier Huerta, Chief Supply Chain Officer

OUR PLAN

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

Delivered in 2023

- Launched refreshed Supplier Code of Conduct which has an increased focus on business integrity, human rights, diversity, equity and inclusion and the environment.

- Using Sedex as the third-party provider to undertake ethical trading assessment of our partner suppliers. This will give us further visibility of our supply chain and enable us to better manage ESG risks.
- Building capability. We appointed a new Head of Procurement Capability and ESG Lead for Procurement.

- 2024**
- 50% of our suppliers by spend within the Purchased Goods and Services category will have science-based targets by 2024.
 - Roll out ethical trading risk assessment to key strategic suppliers.
- 2025**
- Confirm longer-term ESG metrics for our value chain.

2023 performance highlights

In 2023

33%

of our suppliers by spend within Purchased Goods and Services had set science-based targets.

We are engaging with our key suppliers directly and via the CDP Supply Chain Programme to achieve this target.

We have refreshed our

Supplier Code of Conduct,

dividing topics into the following sections for clarity: Business Integrity, Human Rights, Diversity, Equity and Inclusion, and the Environment.

This is published on our corporate website.

Using Sedex to obtain ethical trading risk assessment of our partner suppliers.

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

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

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.

Our Supplier Code of Conduct, aligned to our Code of Conduct, sets out the behaviours we expect our suppliers to demonstrate. We launched our refreshed Supplier Code of Conduct in September 2023.

We have thousands of suppliers who connect with every part of our business – from leaf to consumer. They work alongside and within our business and are fundamental to our success. Our new Code sets out our expectations for our suppliers and reflects our commitment to be a socially responsible, compliant and sustainable business. It also provides the minimum standards of behaviour we expect from our partners, in the following areas:

- **Business Integrity:** Our suppliers are expected to conduct their business in an ethical and responsible manner and comply with all applicable laws and regulations.
- **Human Rights & Diversity, Equity and Inclusion:** Our suppliers are expected to provide a fair and safe workplace, and demonstrate respect for human rights, diversity, equity and inclusion.
- **Environmental Sustainability:** Our suppliers are expected to adopt policies and practices that protect the planet and reduce negative impacts on the environment.

We expect all our suppliers – new and existing – to adhere to our updated version of the Code. But where possible we want suppliers to go beyond the expectations outlined in this Code. Together we must make a positive social and environmental impact.

The new Code can be found on our website and a link is included in our purchase order T&Cs, contracts and tendering documents. The existing Code will be “phased out” as the new Code is communicated to new suppliers and existing suppliers as and when Procurement teams engage with them, prioritising our key partners.

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.

Supply chain due diligence

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

We are using Sedex to encourage our partner suppliers to undertake an ethical trading self-assessment. This not only allows us to identify risks within our supply chain, but also target areas of focus to improve on with our partners.



Tobacco leaf supply due diligence is covered in the Farmer Livelihoods and Welfare section on pages 55-58.

Sedex Member

Using Sedex for suppliers' ethical trading risk assessments

We have chosen to use Sedex to gain supply chain visibility, assess supply chain risks and support legislation compliance. We expect our partner suppliers to be registered with Sedex (or equivalent) and have in the first instance completed a self-assessment questionnaire across the following categories: Labour, Health & Safety, Environment, and Business Ethics. Thanks to the insights provided through the Sedex platform and the completion of further in-depth targeted SMETA audits (Sedex Members Ethical Trade Audits) where appropriate, we intend to work with our partner suppliers to drive improvements and mitigate risks through our supply chain.

Our Supplier Qualification Programme is the first screening process for all new non-tobacco material (NTM) and NGP suppliers. This involves suppliers completing a self-assessment which includes questions on business conduct, environmental management and labour practices including discrimination, child and forced labour, freedom of association, remuneration, working hours and health and safety. Once on board, our Global Quality team perform their own reviews which may include the supplier being asked to provide evidence for their management of ESG issues, including how the supplier communicates their own Code of Conduct and grievance policies across their operations, and how they conduct audits and act on findings.

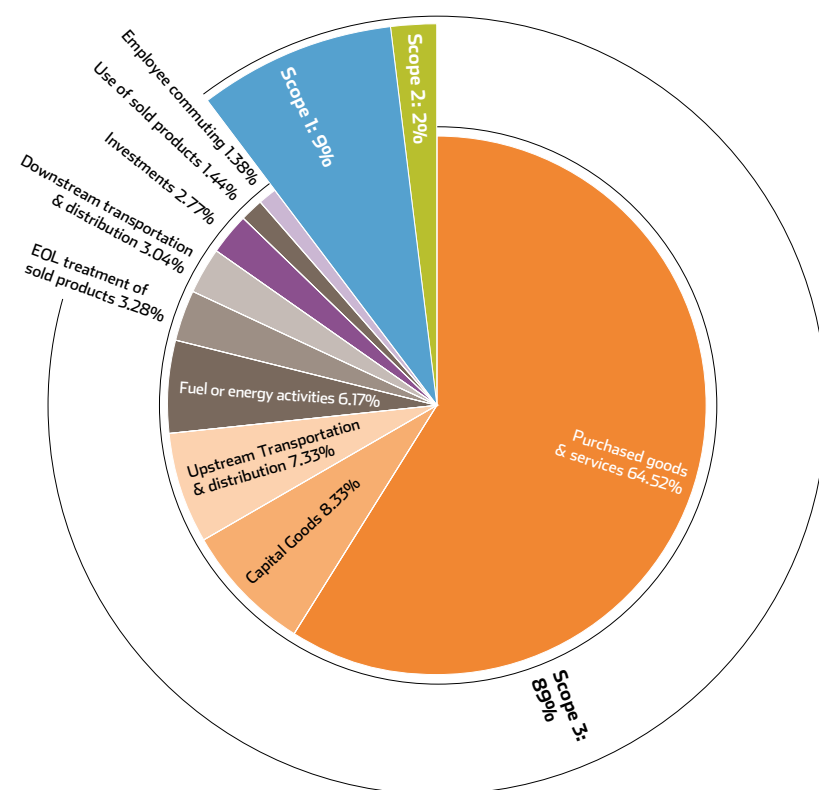
Our logistics and indirect suppliers of goods and services, including facilities management, do not undergo the Supplier Qualification Programme. Where we have run a tender process, we request the supplier provides copies of policies relevant to the services that they supply, which may include those addressing the labour practices, forced labour and child labour (in the case of service outsourcing or goods manufacture). We review the policies as part of the selection process.

In FY23, we continued our membership of the CDP Supply Chain Programme and invited suppliers to complete the questionnaires for CDP Climate, Water Security and Forests as applicable.

We have been recognised as a Supplier Engagement Leader by CDP for a fourth 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.




Scope 3 Greenhouse Gases (GHG) emissions 822,880 tCO₂e calculated for 2023



Scope 3 GHG emissions

In FY23 we recalculated our Scope 3 baseline of 2017 and calculated our 2022 Scope 3 emissions across all categories. This recalculation follows the latest methodology outlined in our Reporting Criteria document, and in accordance with the global Greenhouse Gas (GHG) Protocol.

 See our Reporting Criteria document available on our website for details.

We have a clear methodology for further improving our data capture for Scope 3, by transitioning to a more market-based approach with our partner suppliers and updating using the most recent emissions factors.

During the recalculation we re-assessed the Scope 3 categories relevant to us and have determined that our most material category is Purchased Goods

and Services (PG&S) which makes up 65% of our total Scope 3 emissions.

We will continue to focus our efforts on the PG&S category and have set the following target: We aim for 50% of our suppliers by spend within the Purchased Goods and Services category to have science-based targets by 2024.

Based on our recalculation, we have now set a more ambitious target to reduce our Scope 3 emissions by 50% by 2030.



SAFE & INCLUSIVE WORKPLACE



HUMAN RIGHTS

All factories report against **21** modern slavery leading indicators



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.

Governance

- Human Rights Compliance Working Group
- Leaf Compliance Working Group

Key policies

- Health, Safety and Wellbeing Policy
- Code of Conduct
- Supplier Code of Conduct
- Human Rights Policy
- Speaking Up Policy
- Fairness at Work Policy

ELT sponsors

- Javier Huerta, Chief Supply Chain Officer
- Paola Pocci, President, Africa, Asia, Australasia and Central & Eastern Europe Region

Behaviours



Take Accountability with Confidence

Link to SDGs



SDG 8: We are committed to decent work for all and to sustainable economic growth.

OUR PLAN

Continue to 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 legal duties to protect and support our employees.

2023

- Three international modern slavery audits conducted by ESG team, following a risk-based approach while maintaining a geographical balance.
- Created a Modern Slavery Toolkit and an escalation process to ensure all employees equipped with necessary knowledge.

- Launched new digital human rights learning programme for employees globally.

2024

- Continue to strengthen employee access to Speak Up channels.
- Ongoing due diligence engagement via our Human Rights Compliance Working Group.
- Continue to monitor human rights leading indicators in our operations and report on number of audits completed.
- Align our internal due diligence process to the European Corporate Sustainability Due Diligence Directive and other relevant European and national laws.

2025

- Consistently maintain compliance with our 21 modern slavery leading indicators across all manufacturing sites.
- We aim for all relevant employees to understand and access independent Speak Up channels and remediation processes.
- Continuous monitoring of all our priority locations against increasing due diligence requirements.

Our human rights ambitions

- Continue to strengthen our due diligence processes in line with international frameworks and legislation.
- Provide further access to our independent Speaking Up service.
- Assessing salient human rights issues in our priority locations.
- Training and communications initiatives to increase awareness of human rights.

The key human rights issues that are particularly relevant to our direct operations

- The potential for modern slavery – which includes forced labour, domestic 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.

Alongside prioritising employee health, safety and wellbeing, as well as diversity, equity and inclusion, we believe that respecting and promoting human rights is essential to creating a safe and inclusive workplace.



Human rights topics within our value chain are covered in the **Farmer Livelihoods & Welfare and Sustainable & Responsible Sourcing** sections, pages 55-61.

In compliance with the UK Modern Slavery Act, every year since 2016, Imperial Brands has submitted its Modern Slavery Statement, where we outline our commitments for the upcoming year. You can read our 2022 Modern Slavery Statement on our website. As part of these commitments, together with Slave-Free Alliance, of which Imperial Brands is a founding member, we developed a modern slavery toolkit to help our colleagues to enhance their knowledge about modern slavery, identify its key indicators and characteristics, respond appropriately to potential victims, and to escalate and report any concerns.

Strengthening our due diligence processes

As in previous years, in 2023, Group Internal Audit assessed modern slavery controls and processes as part of our wider internal factory audits in six cases: Tarnowo Factory, Radom Factory, Wilrijk Factory, Congo Factory, Madagascar Factory and Skopje Factory.

The ESG team also conducted three international modern slavery audits, which followed a risk-based approach

in the Dominican Republic, Spain and Madagascar. These audits enabled us to identify and act on potentially weaker areas of our due diligence activity and share best practices with other factories facing similar challenges. Over the last two years, we have audited six of our top eight priority locations.

All our factories report their compliance against our 21 modern slavery indicators on a monthly basis. This ensures that our sites are both managing the risk of modern slavery and continually improving transparency through reporting. At Group level, we monitor compliance of each site against our leading indicators and facilitate the transfer of best practice.

Similarly, as part of our due diligence, we closely monitored the latest developments regarding upcoming legislation, such as the European directives covering corporate sustainability reporting and corporate sustainability due diligence. Our aim is to be fully prepared for when these regulations come into effect to avoid any potential disruptions in our value chain.

Through collaboration with supply chain experts, we have improved our remediation approach. This included improving how to identify which human rights issues would require escalation and to whom, collecting evidence, and evaluating the success of our actions.

In FY23, we re-assessed our salient issues, confirming that we are focusing on the correct areas, which are: child labour, modern slavery, occupational health, safety and wellbeing; fair wages and decent work; non-discrimination and harassment and gender equity; and freedom of association and collective bargaining. To develop their content, we collaborated with internal subject matter experts and aligned our efforts with the most relevant frameworks and international standards, like the United Nations (UN) Guiding Principles on Business and Human Rights, and the UN Sustainable Development Goals.

In early 2023, we launched a new digital learning programme on human rights for our employees worldwide. We believe that improving broader employee understanding of human rights will further improve our ability to identify potential abuses we may be

exposed to in our operations. This digital training focuses on explaining what human rights are, our commitment and role in respecting and promoting human rights, how to recognise the main signs of modern slavery and, finally, how to report potential instances of human rights violations, both internally and externally.

During September, we partnered with Hope for Justice to host a series of informative sessions aimed at raising awareness about modern slavery. These sessions were conducted in English, French and Spanish and covered four continents.

In 2024, we will reinforce our efforts to reduce the risk of modern slavery and labour exploitation in our operations.

To achieve this goal, we will closely monitor the performance of our 21 modern slavery leading indicators and provide support for the implementation of action plans in manufacturing sites that are not yet fully compliant. We will also introduce these indicators to a selection of markets and clusters to expand the scope of our due diligence efforts. Additionally, we will conduct three modern slavery audits based on our risk assessment approach and continue to provide human rights-related training and raise awareness through regular communication activities.

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.

SAFE & INCLUSIVE WORKPLACE



EMPLOYEE HEALTH, SAFETY & WELLBEING

Reduced lost time accidents by
44%
 since 2019
 (absolute numbers)



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

Behaviours

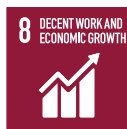


Take Accountability with Confidence



Be Authentic, Inclusive to all

Link to SDGs



- SDG 3: Good health and wellbeing.
- SDG 8: Decent work and economic growth.

Governance

- Health and Safety Compliance Working Group
- Wellbeing Working Group

Key policies

- Health, Safety and Wellbeing Policy
- Health and Safety Framework
- Human Rights Policy

ELT sponsors

- Javier Huerta, Chief Supply Chain Officer
- Aleš Struminský, President, Europe Region
- Paola Pocci, President, Africa, Asia, Australasia and Central & Eastern Europe Region
- Kim Reed, President and CEO, Americas Region

OUR PLAN

(From a 2019 base year)

2024

- Further roll out of behavioural science in safety leadership training.
- Design Behavioural Based Safety Programme Foundations.
- Launch Group standards for safety leadership routines.
- Zero Injury Aspiration campaign focus on awareness and education.
- Implementation of Wellbeing Framework and Guidance.

2025

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

2030

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

Commitment

The health, safety and 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, creating a culture of care.

This includes setting granular long-term targets alongside a broader Zero Injury aspiration which is part of our internal Triple Zero campaign. These objectives can be achieved when all colleagues take personal responsibility. We want to develop a Safety Culture of Care and in FY23 we reviewed and updated our Health, Safety and Wellbeing Policy to ensure safety responsibilities were clear across all levels of the business, to link our Zero Injury aspiration to this policy and to include wellbeing responsibilities and guidance for all employees.

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 safely, to measure compliance against our Health and Safety framework which is based on a Plan Do Check Act (PDCA) model. This approach ensures we focus resources in the priority areas and can effectively manage risk across all areas of the business.

In April 2023, we marked the World Day for Safety and Health at Work by publishing our new Health, Safety and Wellbeing Policy. Through the active participation of senior leadership and the ELT sponsors for the Health, Safety and Wellbeing pillar, we communicated the Policy and plans across the business through various channels and toolkits.

We also reviewed and updated our Health & Safety Framework which is based on the PDCA model to provide more focused guidance to our employees to ensure consistency in approach and good governance across the business, translated into a variety of local languages.

To build foundations for a Group-wide behavioural safety programme, which we plan to pilot in FY24.

In FY23, 45 leaders in our Global Supply Chain function were trained on a Behavioural Science Course for Leadership in Safety, accredited by the Institution of Occupational Safety and Health (IOSH). Additionally, 239 leaders in Europe took part in training on impactful safety conversations. We want to prevent accidents occurring and therefore we need to be able to better spot and assess risk.

We trained 3,086 employees from our European manufacturing operations on dynamic risk assessment, and we are going to roll out the training for remaining regions in FY24.

We initiated our Zero Injury Aspiration campaign to educate employees on various health and safety risks and preventative measures. The campaign includes regular safety One Minute Lessons, Health & Safety Newsletters and a Safety Spotlight initiative, to promote safety and best practices for a consistent safety culture.

We are improving our processes for determining the root causes of incidents, to aid in a more targeted approach in addressing and educating our people. In FY24 we will launch updated Incident Reporting and Investigation Standards, alongside an app, for our people to report incidents which will be linked to a dashboard for better monitoring.

In FY23, our vehicle collision rate reduced by 21% through increased leadership engagement and local educational campaigns, which promoted safe driving practices.

Eight of our sites achieved higher levels of compliance with the Drive Safe leading indicators, reaching a global compliance score of 92%. These indicators set clear expectations and encourage continuous improvement in road and driver safety.

Implementing in-vehicle monitoring systems (IVMS) in five additional markets proved effective. Notably, Italy and Taiwan saw a 62% and 51% reduction in collision rates, respectively, thanks to the captured data pinpointing risk-increasing behaviours and enabling targeted training.

Our commitment remains steadfast as we strive to achieve our FY25 target of a 60% reduction in the vehicle collision rate. We will continue enhancing our vehicle safety initiatives to maintain momentum and ensure the wellbeing of our drivers and communities.

Wellbeing

The wellbeing of our employees is of paramount importance. This was confirmed as an ESG priority in 2022, following the refresh of our ESG strategy and the outcome of a materiality assessment.

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.

While larger sites have in-house occupational health professionals, others rely on third-party healthcare service providers. Our goal is for a consistent wellbeing approach across the organisation, reflecting our commitment to mental health and wellbeing, as outlined in our new Wellbeing Strategy detailed below.

Our Group-wide Wellbeing Strategy development

We have set an ambition to provide appropriate and prompt support to our employees, ensuring their wellbeing at work and reducing the likelihood of psychological harm due to workplace factors.

In FY23 we developed a wellbeing framework to achieve this, co-created through an inclusive approach considering the needs of our people from responses to key questions in our employee experience survey and via employee wellbeing focus groups.

This framework provides a clear structure and guiding principles for all wellbeing initiatives across the organisation. It also allows for flexibility, enabling individual regions and functions to adapt practices to suit their specific needs and cultural differences.

We also benchmarked activities in wellbeing. By staying informed about industry trends and best practices, we were able to learn from successful initiatives implemented elsewhere and apply relevant strategies to our own organisation.

We internally benchmarked 50 Imperial locations, finding areas for improvement and wellbeing enhancement.

To capture diverse perspectives, we established a Wellbeing Working Group, which included representatives from different functions and regions. This approach ensured that all areas of the business were involved during the wellbeing strategy development and that the final plan resonated with various stakeholders.

Looking ahead, we plan to establish clear metrics and leading indicators for measuring performance in wellbeing. By tracking the impact of our initiatives, we will be able to assess their effectiveness and identify areas for improvement. This data-driven approach ensures that our Wellbeing strategy remains relevant, impactful and continually evolving to meet the needs of our people.

In May 2023, together with our Disability Employee Resource Group (ERG), we held two events focused on the importance of our wellbeing, specifically targeting anxiety and fear. An external anxiety specialist delivered the session and our people were encouraged to share their experiences with anxiety in and outside the workplace, promoting openness and reducing mental health stigma.

In FY23, 47 employees from nine factories received mental health training. As Wellbeing Champions, they can now better identify the signs of stress, anxiety and depression in themselves and others, how to practise active listening, and to offer support through local networks.

We will continue to develop our approach and strategy for wellbeing in FY24.

Our Wellbeing Plan:

- Develop KPIs to measure our performance.
- 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.
- Enable local sites to design and implement initiatives addressing local wellbeing needs.

HEALTH AND SAFETY PERFORMANCE

Performance indicator	Unit	2019 (base year)	2021	2022	2023	Commentary
Employee fatalities¹	Number	2	1	0	0	Health and safety remain a priority for all our employees.
Contractor fatalities¹	Number	0	0	0	1	Regretfully, a contractor fatality occurred in April 2023, at the external premises of the Skopje Factory, North Macedonia. The impacted person was an employee of the Government-owned contractor who was performing a routine waste collection activity.
Members of the public fatalities involving Imperial Brands vehicles¹	Number	1	0	0	0	Road safety remains a priority across all our operations.
Lost time accidents (LTAs)^{1,2}	Number	101	65	57	57	There has been no change in the number of lost time accidents compared to last year. However there has been a 44% decrease in lost time accidents since the 2019 base year.
LTA rate^{1,2}	LTAs per 200,000 hours worked	0.40	0.27	0.24	0.30^A	We have seen an 25% increase in our lost time accident rate compared to last year. The number of LTAs stayed the same as last year whilst the number of hours worked has reduced, leading to the 25% increase in LTA rate. During FY23 we continued to increase the use of leading indicators to better manage risk throughout our operations.
Total number of accidents^{1,2}	Number	850	573	522	420	We have seen a 20% decrease in total accidents compared to last year.
Accident rate^{1,2}	Total accidents per 200,000 hours worked	3.39	2.36	2.24	2.24	The total number of accidents compared to last year decreased, however the number of hours worked has also decreased which has resulted in the accident rate remaining the same as last year.
Fleet collision rate	Accidents per million kilometres	5.03	3.95	2.8	2.29^A	There has been a 18% 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 in-vehicle monitoring system (IVMS)	%	-	-	57.3	46.9	Evidence shows that in-vehicle monitoring systems typically lead to fuel reduction and improved safety performance and we will continue to test and extend coverage. The reduction in percentage is due to an increase in fleet size in markets without IVMS, and the closure of a market that had fleet vehicles with IVMS installed.
Compliance with the Health and Safety Framework (Manufacturing)	%	-	-	87	93	We aim to be at 100% compliance with our framework standards by 2025.
Compliance with the Health and Safety Framework (Sales)	%	-	-	93	94	We aim to be at 100% compliance with our framework standards by 2025.
ISO 45001 certification	%	79	74	71	72	Of the factories in scope, 72% have certification for the international standard for health and safety at work.

A. Select 2023 data has been independently assured by Ernst & Young LLP (EY) under the limited assurance requirements of the ISAE 3000 standard. EY's 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 2023 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

Scored
92%
on 2022 ShareAction
Workforce
Disclosure
Initiative



We are committed to creating a diverse and inclusive organisation renowned for celebrating difference, enabling our people to feel 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.

Behaviours



Be Authentic,
Inclusive to all

Link to SDGs



SDG 5: We aim to achieve gender equality and a more inclusive organisation.

Governance

- People and Culture Leadership Team
- Employee Resource Groups (ERGs)

Key policies

- Code of Conduct
- Fairness at Work Policy
- Human Rights Policy
- Supplier Code of Conduct

ELT sponsors

- Murray McGowan, Chief Strategy and Development Officer
- Alison Clarke, Chief People and Culture Officer

OUR PLAN

2021

- Employee Resource Groups (ERGs) set up.

Nov 2022

- Board approved a five-year ambition for DEI.

2023

- Workplace and Workforce pillars have been the focus.
- Goals set with each Executive Leadership Team member, measuring progress on a quarterly basis.
- Launched a self-declaration campaign called "I Belong".

2027

- Target set to increase representation of women in senior management from 28.2% in 2022 to 35% by 2027.

“We are committed to creating a truly diverse and inclusive organisation renowned for celebrating difference, enabling our people to feel that they belong and can be their authentic selves, best enabling the performance of every colleague – benefiting our consumers, our business and our people”.

Alison Clarke,
Chief People and Culture Officer

Creating a more diverse and inclusive organisation is an integral element of our cultural transformation.

We define diversity as everything that makes us unique; inclusion as every individual feeling they belong; and equity as giving fair treatment and opportunity to all.

At the centre of our efforts have been our global Employee Resource Groups (ERGs) which were set up in 2021. Our ERGs continue to grow their membership, inform our DEI priorities, and raise awareness across the organisation on key diversity topics.

In November 2022, the Board approved a five-year DEI Ambition and Strategy.

We have defined three strategic pillars, each with clear KPIs.

-Our Workplace focuses on our environment, policies, practices and behaviours.

-Our Workforce focuses on representation – the makeup of our people.

-Our Marketplace focuses on how we operate with consumers and ensuring products and services are sourced from a diverse supplier base.

Our Workplace and Workforce pillars have been our focus during 2023. Our approach has been to set both global and local goals, mindful of local legislation and culture.

One priority goal for our Workplace pillar is to improve the inclusivity of our processes, policies and practices. We use assessments validated by independent expert organisations including the Business Disability Forum, Stonewall and the Centre for Global Inclusion. We have assessed ourselves against criteria set out by these organisations and have a clear view of our baseline against benchmarks on which to improve.

In addition, we measure employee inclusion through four DEI-related questions in our annual global employee experience survey. Our commitment is to move towards high-performing benchmarks, externally validated by our employee experience provider.

In support of developing an inclusive culture, we are creating further interactive training programmes for all employees, to continue to raise awareness and understanding of DEI and create strong allyship. An ally is someone who is proactive in supporting the inclusion and causes of an under-represented group whilst not being a member of that demographic. This programme will provide awareness and understanding of allyship and the skills and actions required to be an effective ally. The training programmes will be implemented in the next financial year.

Our goals for our workforce have initially focused on gender since this is where we have robust data. We have set a global goal to increase representation of women in senior management from 28.2% in 2022 to 35% by end of 2027.

We have implemented targeted candidate attraction campaigns and, in FY24, will introduce digital tools to support the removal of gender-specific language from our recruitment processes and provide inclusive recruitment training for hiring managers.

We have broadened the scope of our annual Global Talent Review to increase visibility of talent deeper into the organisation, identifying diverse individuals we can support and develop to realise their full career potential.

We launched a self-declaration campaign called “I Belong” in July 2023, to access employee data for areas such as ethnicity, disability and LGBTQ+ . Robust data in these areas will inform future goals and actions.

For the Marketplace pillar we are assessing our status and the systems needed to measure diversity of suppliers as part of our supplier management system. We will accelerate work in this area during the next two fiscal years.

While the full achievement of our DEI Ambition will take time, we now have the right plans in place to accelerate our progress.

Global Employee Resource Groups

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

DIVERSITY, EQUITY AND INCLUSION PERFORMANCE¹

Performance indicator	Unit	2021	2022	2023	Commentary
Female employees in the workforce²	%	40	40	39^A	Female representation has remained broadly consistent across the last three years. FY23: 6,672 women, 10,412 men, 66 not declared.
Female senior management³	%	-	29	31^A	We are committed to increasing representation of women in senior management (Global Grades 3, 4, 5) and have set a goal of reaching 35% women at this level by the end of FY27. FY23: 186 women, 420 men, 2 not declared.
Female Executive Leadership Team (ELT) members	%	33	30	30^A	Female representation on the ELT as at 30 September 2023 (end of FY23) was 30%. There has been no change in the composition of the ELT in FY23. FY23: 3 women, 7 men.
Female PLC Board members	%	22	40	40^A	Female representation on the Board has remained at 40%. We are proud to have met the 40% target set by the FTSE Women Leaders Review three years ahead of schedule. FY23: 4 women, 6 men.
Ethnic minority background on our Board	%	10	20	20^A	On 30 September 2023 (end of FY23), 20% of the Board members identified as being from an ethnic minority background.
FTSE Women Leaders Review Combined Executive Leadership Team & Direct Reports	%	21.4	24.3	26.7^A	The FTSE Women Leaders Review is the successor to the Hampton-Alexander Review. It is the UK's independent, voluntary initiative aimed at increasing the representation of women on FTSE 350 boards and leadership teams. The reporting date is 30 October 2023.
Employee turnover rate⁴	%	10	30	16	Following a spike in FY22 due to divestiture and business transformation, turnover reduced significantly in FY23.

A. Select 2023 data has been independently assured by Ernst & Young LLP (EY) under the limited assurance requirements of the ISAE 3000 standard. EY's 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. Based on employees recorded in Imperial Brands Group Human Resources Information Systems, excluding Logista, contractors and casual labour.

3. The proportion of senior management employees (Global Grades 3, 4, 5) recorded as female across Imperial Brands Group, excluding Logista.

4. This reflects all employees excluding those employed by ITG Brands and Logista.



96%
electricity from
purchased
renewable sources



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

We are now in the second year of mandatory reporting against the TCFD recommendations. In 2021 we made our first voluntary disclosure in line with the recommendations, and in 2022 we published our first detailed disclosures. In 2023, we have continued to improve our climate-related disclosures, recognising the benefits of this for both our stakeholders and our business.

i For more information on our climate change strategy, please see page 48.

We recognise the importance of disclosing climate-related risks and opportunities. We have reported on our approach to managing and mitigating climate-related risks for several years, within both our sustainability reporting and CDP disclosures. We consider climate-related risks and opportunities in our business strategy and financial planning, considering exposure to these risks can occur over a range of time horizons depending on the type of risk.

In the short term, some of our locations and some of the areas from where we source our tobacco leaf are at higher

physical risk due to the increased frequency and intensity of storms, floods and droughts.

In 2022 we conducted the first phase of a quantified climate scenario analysis with 4°C and 1.5°C pathways (RCP 8.5 and RCP 2.6), aligned with the recommendations of TCFD. This work was conducted in collaboration with a third-party supplier and a cross functional group of subject matter experts from our ESG, Risk, Finance and Governance teams.

The scenario analysis takes into consideration climate-related physical and transition risks as well as opportunities for the period until 2050. Overall, 44 operational sites and nine leaf sourcing regions, covering 31 countries, were identified for a “deep dive” risk and opportunity assessment. Key sites and sourcing regions were chosen due to their strategic and financial importance to Imperial Brands and we used the third-party Climate IQ tool for our analysis. This tool combines climate science, macro-economic and financial information.

In 2023, we began the second phase of the scenario analyses by taking a thorough analysis into the local sites identified as potentially at risk in Phase 1, by reviewing their mitigation plans, future plans, and helping them identify local level opportunities. We have also used this opportunity to provide further information on how our Spanish subsidiary, Logista, is governing,

tracking and incorporating the management of the effects of climate change into its strategies. Imperial Brands’ scenario analysis was conducted with a different methodology to Logista’s as we separate our business to maintain commercial sensitivity. With the support of Logista management, we have reviewed Logista’s disclosures and incorporated them into our report.

We have provided updated climate-related disclosures in the report below in accordance with the TCFD framework’s four primary components: governance, strategy, risk management, and metrics and targets.

Lukas Paravicini,
Chief Financial Officer

COMPLIANCE STATEMENT

In accordance with the LSE Listing Rule 9.8.6(8)R, the index below sets out whether Imperial has made disclosures fully or partially consistent with the TCFD recommendations and recommended disclosures, and summarises where the relevant disclosures are made.

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 some of the TCFD recommended disclosures. We will continue to expand on the partially compliant disclosures in FY24.

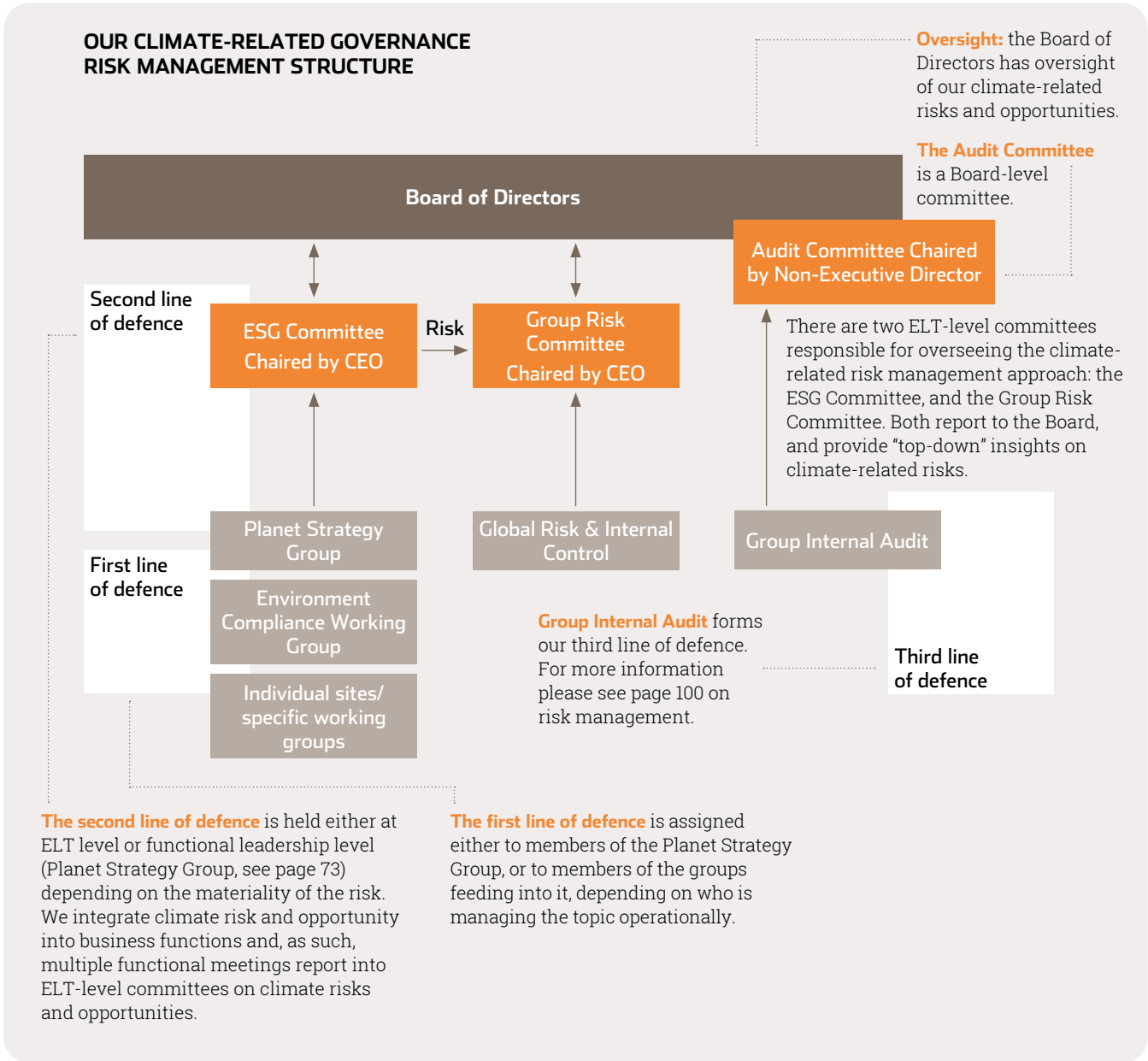
In assessing compliance with LSE Listing Rule 9.8.6(8) R, we took into consideration the documents referred to in the guidance notes to the Listing Rules including the TCFD technical

supplement on the use of scenario analysis, TCFD Guidance on Metrics, Targets, and Transition Plans, and the TCFD Guidance for All Sectors, as well as considering the updated guidance on Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures published in October 2021.

TCFD Pillar	TCFD recommended disclosures	Cross-reference	Compliance statement	Next steps, other comments or explanation of partial compliance
Governance	a. Board oversight	Page 72	Compliant	We will continue to evolve our governance of Climate Change, and reflect it in these disclosures.
	b. Management's role	Page 73	Compliant	We will continue to evolve our governance of Climate Change, and reflect it in these disclosures.
Strategy	a. Climate-related risks and opportunities	Page 75	Compliant	We will continue to evolve by including comments on specific risk areas, particularly in regard to mitigations in place.
	b. Impact on the organisation's strategy	Page 74	Compliant	We will continue to evolve in line with our strategy, including mitigation and transition plans.
	c. Resilience of the organisation's strategy	Page 76	Compliant	Based on the 2022 scenario analysis we completed an internal analysis of our owned operational sites located in higher physical risk areas as well as an analysis of our leaf sourcing regions. We have detailed local action plans as well as business continuity plans (BCPs) in place to mitigate the risk for each location. We have also incorporated Logista in our disclosures.
Risk management	a. Risk identification and assessment process	Page 77	Compliant	We have put in place local action plans for sites and leaf sourcing regions identified with a higher physical risk. We will continue to monitor these regions and evolve our BCPs as the need arises.
	b. Risk management process	Page 78	Compliant	Climate risk management is integrated into our Group Risk Management framework and we will continue to monitor this risk and evolve our processes accordingly.
	c. Integration into overall risk management	Page 78	Compliant	We will continue to evolve in line with our Group risk management evolution.
Metrics and targets	a. Climate-related metrics in line with strategy and risk management process	Page 80	Partially compliant	We are developing our understanding of how to link our analysis to specific actions within our strategy. With the updated analysis, we have gained greater understanding of how we can utilise our climate change strategy in order to manage risks and realise opportunities, particularly those related to cost avoidance. In the future, we aim to include metrics on climate-related opportunities.
	b. Scope 1, 2 (and 3) GHG metrics and the related risk	Page 80	Partially compliant	We report our Scope 1, 2 and 3 emissions in accordance with the GHG protocol, and its related risks. We will continue to explore industry-specific ratios to achieve full compliance.
	c. Climate-related targets and performance against targets	Page 80	Partially compliant	We are developing our understanding of how to link our analysis to specific actions within our strategy. With the updated analysis, we have gained greater understanding of how we can utilise our climate change strategy in order to manage risks and realise opportunities, particularly those related to cost avoidance. We aim to incorporate anticipated regulatory requirements in the future.

GOVERNANCE

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



BOARD OVERSIGHT

The Board of Directors' main duty is to safeguard our Company's long-term prosperity. The Board considers climate-related matters through our ESG strategy and performance, which includes management of climate risk and opportunity. It has endorsed all climate-related targets including the investments needed to implement programmes to reduce carbon emissions and meet our climate action goals.

To ensure the Board has appropriate oversight of climate-related risks and opportunities, it endorsed the formation of a cross-functional ESG Committee which is chaired by the CEO and reports to the Board. In FY23 the Board was

updated on climate-related risks and opportunities three times, following the ESG Committee meetings in March 2023, June 2023 and September 2023. The Board has been updated on performance against our climate-related targets as well as our climate transition plan which includes financial risk and opportunity, in order to oversee and monitor progress. In addition, it is kept up to date on climate-related risks, opportunities and performance via the monthly CEO report, and informed of significant climate-related risks and opportunities, as required.

The Board considers business plans, including expenditure on climate-related matters, such as climate-related capital

expenditure, through reporting from the ESG Committee, as well as Board-level consideration and oversight of (i) enterprise risk appetite, assessment and management; (ii) longer-term strategy; and (iii) the annual budget plan.

We 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, served from January 2021 to November 2022 as the president and chair of the Board at the International Federation of Accountants (IFAC). This organisation campaigned successfully to establish the International Sustainability Standards Board (ISSB), which was established at COP26 in November 2021. IFAC is now supporting the new ISSB and working with regulators across the world on the assurance of climate-related disclosures.

MANAGEMENT'S ROLE

In 2023 we have further 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 Committee consists of all members of the ELT as well as additional senior management from across the business.

The Chief Financial Officer (CFO) is the executive level sponsor of the climate change priority in our ESG Strategy. 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 Corporate FP&A Manager reports into the Director of Corporate Financial Planning & Analysis and is responsible for the long-term financial planning and alignment of climate-related risks and opportunities.

In March 2023 we held a Net Zero Symposium in our London office which was opened by the CFO and hosted by our Global ESG Director. As well as the formal presentations, the event brought together topic experts and practitioners from across our Global Supply Chain, Procurement, Finance, Corporate and Legal Affairs as well as valued partners from insurers, advisers, and leaf suppliers to review progress and to debate how we could go further, faster, to decarbonise, building upon the positive progress we have made to date.

The Group Risk Committee oversees the risk management approach and reporting. It provides reporting to the ELT and the Board regarding its assessment of risks to the Group and the effectiveness of the risk management activities to mitigate those risks. The Group Risk Committee provides "top-down" insights to the risk assessment process as well as considering emerging risks and themes identified in the risk assessment process. The Risk Committee meets at

least three times a year and reviews the output of the "bottom-up" risk assessment process twice a year, which includes climate-related risks. The Group Risk Committee is an executive-level committee chaired by the CEO, as is the ESG Committee.



Please see page 100 for the governance structure.

The ESG Committee and Group Risk Committee are informed by a matrix of supporting functions and working groups. The Planet Strategy Group consists of leaders from across the business, providing coverage of our eight material ESG topics including climate change. The Planet Strategy Group meets on a regular basis and directly influences the Company's detailed ESG strategy. Climate-related issues in the business are assessed and managed through the Planet Strategy Group. The group is chaired by the Global ESG Director and provides oversight of ESG risks and opportunities across the business.

THE BOARD & MANAGEMENT'S ROLE AT LOGISTA

The Sustainability Policy 4/2023 outlines the responsibilities within Logista for the management of sustainability, including climate-related risks and opportunities. This structure can also be used to explain the relationship between Imperial Brands and Logista as regards ESG, including climate-related matters:

The Board of Directors approved the sustainability policy. This body is ultimately responsible for supervising the observance of the Policy, through the Audit, Control and Sustainability Committee. The Board of Directors takes into consideration sustainability issues with regard to the determination of the risk control and management policy, and the supervision of the internal information and control systems.

Five employees of Imperial Brands sit on the Logista Board, the Chief Strategy and Development Officer, the Corporate Development Director, the Group Finance Director, the Director of Strategy for Global Supply Chain and the Senior Investor Relations Manager, all of whom have regard to Imperials' climate change strategy. The Director of Strategy for Global Supply Chain is also a topic owner for Climate Change for Imperial. Any climate related risks raised to the board of Logista are reported to the overarching Imperial Board through these representatives, following the structure set out above.

The Imperial Brands Global ESG team, responsible for managing climate risk and opportunity and the Group-level TCFD report, have prepared this disclosure with the teams responsible for the management of climate risk within Logista.

There also close links between the investor relations team at Logista and those at Imperial Brands.

STRATEGY

Following an updated materiality assessment in April 2023, climate change remains one of our most important ESG focus areas both from an internal business perspective and

from an external stakeholder perspective. Our ESG strategy, which includes climate change as a priority topic area, is integral to the delivery of our business strategy and to the sustainability of our business as well as our approach to this TCFD report.

OUR APPROACH

2022

PHASE 1 SCENARIO ANALYSIS

Our process of the assessment of climate-related risks and opportunities can be described in two phases. Phase 1 is based on the initial scenario analysis conducted in collaboration with a third-party supplier in 2022. In this first phase, we conducted a quantified climate scenario analysis with 4°C and 1.5°C pathways (RCP 8.5 and RCP 2.6), aligned with the recommendations of TCFD and the Paris Agreement, utilising a third-party modelling tool.

Key outputs

The scenario analysis took into consideration climate-related physical and transition risks as well as opportunities in the short, medium and long term for the period 2022-2050. In line with requirements all analyses have been considered at least until 2050, with certain risk types estimated beyond to reflect the increasing likelihood of climate issues arising over a longer term.

Imperial Brands' risk time horizon for climate-related risks covers 10 years, as recommended by CDP¹, and is presented in the table on page 75. In order to more closely align to this time horizon, we conducted a more in-depth analysis covering the next 10 years, split into short (1-3), medium (3-5) and long (5-10) risk horizons. Imperial Brands' financial planning period covers three years and is therefore included in the short-term period.

2023

PHASE 2 SCENARIO ANALYSIS

In the second phase of the scenario analysis, conducted in 2023, we took a deeper dive into the local sites identified as potentially at risk in Phase 1, including leaf sourcing regions. We reviewed their existing mitigation and their mitigation and adaptation plans and helped them identify local-level opportunities for continuous improvement in climate-related risk management. This enabled us to update the scenario analysis by taking into consideration existing and planned local risk mitigation and adaptation strategies.

Key outputs

The insights gained from this activity have been used to enhance the 2022 disclosures. As an example, as a result of local knowledge and risk mitigation already actioned, the financial risk associated with climate impacts identified in Phase 1 at our site in Spain has been neutralised in our 2023 analysis.

The Phase 2 analysis also includes an additional physical risk assessment for our factory "La Romana" in the Dominican Republic. La Romana is one of our key strategic sites but was not included in Phase 1 of the analysis due to the sale of our Premium Cigar business, and the change in ownership in 2022.

Maximum financial impact

The table on page 75 sets out the different types of risks and opportunities aligned to Imperial Brands' risk framework, and the associated maximum financial impact (MFI). MFI is defined as the accumulated maximum impact quantum over 10 years between the 1.5°C and 4°C scenarios. The MFI 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 compared to the total of the Company asset base. These scenarios are integrated into our financial models for goodwill, and going concern, more details on this can be found in page 200 (Note 11).

In 2023, we undertook an in-depth look at the highest MFIs, and worked collaboratively with sites to consider the local mitigations already in place. In addition, these sites, selected on a

risk-basis, have produced action plans to address the risks.

The MFI calculation does not include inflation, nor does it take into account the impacts of future government policies. Risks and opportunities have been prioritised based on the findings of the scenario analyses.

Our approach

In 2023, we integrated Logista further into our disclosures. Imperial Brands' scenario analysis covers both physical and transition risk for Imperial Brands PLC. In 2023, we reviewed Logista's approach, undertaken separately with different methodology, and with the support of Logista management, have incorporated their findings into this report.

Logista quantified the scenario analysis with 2°C, and 4°C pathways (RCP 4.5 and

RCP 8.5) aligned with the recommendations of the TCFD and recommended disclosures. The scenario analysis takes into consideration climate-related physical and transitional risks, as well as opportunities in the short (0-3 years), medium (3-5 years) and long term (more than 5 years). The Logista analysis assumes IPCC and IEA WEO STEPS² scenarios, which are taken into account for the risk and opportunity analysis.

The separate methodology used means that the numbers cannot be integrated wholly into Imperial Brands' analyses, which are summarised on the next page, but are reflected in the text.

1. A not-for-profit charity previously known as the Carbon Disclosure Project <https://www.cdp.net/en>
2. International Panel on Climate Change, and International Energy Agency World Energy Outlook

CLIMATE-RELATED RISKS AND OPPORTUNITIES

	Type of risk ⁴	Maximum financial impact (MFI) calculated over timeframe (£m)	Timeframe			Scenario materiality			Mitigation through strategy
			Short (0-2y)	Medium (3-5y)	Long (6-10y)	1.5°C	4°C	Net Zero by 2040	
Physical risks associated with climate change									
Chronic	Impact of physical hazards (e.g. riverine flooding) on key assets could lead to a decrease in asset value.	Product supply	15					The Group takes out insurance for the coverage of this risk within direct operations, and maintains business contingency plans.	
	Chronic drought risk ² could lead to a decrease in revenues due to supply chain disruption and its effects on production capacity.	Product supply	nq*					The Group takes out insurance for the coverage of this risk within direct operations, and maintains business contingency plans.	
	Changes in tobacco crop yield ² resulting from climate change could lead to a decrease in revenues due to agricultural supply chain disruption and its effects on production capacity.	Product supply	34					Expected to be partially offset by an increase in potential yield for the growing of tobacco due to changes in temperatures, 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	54					The Group maintains supply chain contingency plans and insurance cover for the coverage of this risk within the supply chain. The number has been updated to include La Romana assessment which represents the majority of this specific MFI.	
	More severe hurricane risk ² could lead to a decrease in revenues due to supply chain disruption and its effects on production capacity.	Product supply	nq*					The Group maintains supply chain contingency plans and insurance cover for the coverage of this risk within the supply chain.	
Transition risks associated with transitioning to a low-carbon economy									
Policy & legal	Increased costs could result from emerging regulations such as carbon taxation ¹ and the carbon pricing mechanism, predicted to begin in 2024.	Delivery of ESG strategy	9					It is expected that we will mitigate this through our Net Zero strategy, aiming to be Net Zero in our direct operations by 2030. In FY23 the impact of carbon pricing has been reassessed to incorporate the improved ability of the global economy to adapt to transition, e.g. through a higher share of renewable energy.	
Market	Materials costs in NTM and tobacco leaf could increase due to increases in the operating costs of suppliers and raw materials. This could reduce access to capital. A key impact is expected to be from the introduction of carbon taxation through our supply chain, predicted to begin in 2024.	Product Supply	268					It is expected that mitigation will be possible through partnership with key suppliers to drive change in the supply chain before a 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.	Delivery of ESG strategy	36					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.	

- Assuming no decarbonisation measures are taken by Imperial Brands
- Impact has been quantified non-financially
- Cost avoidance from energy transition
- In accordance with Imperial Brands' risk assessment
- % of asset value

- Mild change⁵ <0.2%
- Moderate change⁵ 0.2%-1%
- Significant change⁵ >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.

We ensured the range of potential hazards, from physical impact to changes in local or global policy within transition, were covered while defining the assessment's scope. Following these analyses, we believe we are now able to consider the range of different possible options in our operational planning.

For those identified as most likely, or most material, we are addressing the risks directly with action plans to minimise future risk. We believe our regular reviews and updates of these analyses to reflect evolving maturities will help us assess all the possible risks for impact, to ensure we are able to perform and maintain operations.

Physical risk

The 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. The analysis predicts that storms are likely to increase in severity at a rate of 5% but despite this it is not likely to result in a significant financial impact at Group level over the next decade. As shown in the table on page 75, 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 1.5°C scenario, but financial impact can still be considered insignificant overall. In our updated analyses, when viewed by location in the third-party model, our leased factory in the Dominican Republic is affected most by physical risks. The physical risks identified are mainly as a result of surface water flooding. Imperial Brands will conduct further on-site analysis to confirm the presence and severity of the surface water risk and to identify potential mitigation. Physical risks in other locations were considered immaterial. In total, we assessed our sites for nine physical risk types, including soil movement, coastal inundation and drought. We are not vertically integrated, so our tobacco supply chain remains flexible. While our procurement function includes support for farmers from the

impacts of climate change, we do not consider this an asset or supply risk for most leaf sourcing locations.

In 2022, we reported that the most material physical risks were associated with a risk of flooding to our site in Spain. Based on local assessment of this site in 2023 we were able to fully mitigate the risk of flooding at site-level. This is mainly driven by local governmental action as well as by an assessment by our global insurers, FM Global, who undertook an in-depth analysis of the local flood risk to confirm our findings. FM Global is the Group's property damage and business interruption insurer, providing insurance to more than 1,000 Imperial Brands sites around the world. They are a location-specific insurer which means they assess the risk presented at each site and assign a premium rate per site.

Other physical climate risks, though not considered material at Group level, are being monitored locally as part of Business Continuity Plans (BCPs). This confirms that our current approach, where climate risks are integrated into local business plans, and do not form a separate material risk at Group level, will continue to be most appropriate.

Transition risk

As indicated in the table, increased 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 2% of our NTM and tobacco leaf spend if no further mitigating action is 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 is mostly represented by NTM and tobacco leaf. Our updated scenario analysis considers an overall reduced global carbon pricing compared to the 2022 scenario analysis. This is due to the improved ability of the global economy to adapt to transition leading to a smaller degree of sacrifice needed to decarbonise. This results in a reduced estimated impact on the costs of materials due to lower carbon pricing impacts on production.

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 80. We anticipate that material costs can be significantly reduced by meeting our long-term ESG strategy, particularly as we begin to



LA ROMANA - CASE STUDY

Our La Romana factory in the Dominican Republic manufactures machine-made cigars. It was identified in Phase 2 of our climate scenario analysis as the site most exposed to physical climate risk. This is primarily driven by the risk of surface water flooding. To mitigate the risk and prevent local damage the site has put local action plans in place.

The action plans address business interruptions such as local grid power and water supply interruptions as well as fires, and include the following:

- Emergency generators to provide power at all buildings.
- Osmosis filtered water storage tanks at all facilities supporting two large 10,000 and 15,000 gallon potable water tanks.
- A large 130,000 gallon tank dedicated for firewater with independent water pump. It supplies firewater to hoses inside each building via a dedicated supply line.

Additionally, La Romana has built on its business continuity plan, which incorporates the following topics:

- Reliance on a 12-week stock of finished goods at our warehouse outside the Dominican Republic.
- Short-term relocation of production capacity to equivalent manufacturing facilities across Imperial Brands.
- New production machinery allowing rapid production normalisation in case of an emergency event.

collaborate with partners on Scope 3 emissions. As disclosed to CDP in 2022 and 2023, we are beginning to develop a decarbonisation transition plan, detailed in the ESG performance summary on our website, which will be expanded to include policy, energy, technology and other routes to consider as part of our Net Zero strategy.

Distribution business risks

The inherent physical risk identified with the highest potential impact for Logista is “heavy precipitation (rain, hail, snow or ice)” due to its strategic and financial impact affecting key businesses. The value of this risk following implementation of the mitigation actions is insignificant at both Logista and Imperial Brands level¹. Emerging regulation and technology were highlighted as the most impactful transition risks, however, these are not determined to have a material financial impact or impact on the business, strategy or financial planning.

Impact of risks in financial reporting

Imperial Brands’ long-term financial planning covers a three year period. Based on the outcomes of this report, increased physical risks and transition risks associated with climate change are not significant¹ over this time period. We do not expect the risk associated with climate change to be material to the Group, with the largest risk expected to not exceed £10 million for 2024 (and £43 million over the three-year period). This is related to increased operating costs of NTM and tobacco leaf, with the

calculation based on the MFI resulting from the 1.5°C scenario. Additionally, we intend to allocate capital spend for use in decarbonisation projects based on a carbon pricing mechanism in FY24.

Currently, given the risks identified relate to future operational costs we have no committed liabilities with third parties associated with climate impact which need to be accounted for.

For other financial statement areas that cover a period beyond the financial planning of three years and beyond Imperial Brands’ climate-related risk time horizon of 10 years, we have considered the MFI 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 included the Directors’ assessment of climate change impact in the going concern (page 111) and viability and associated disclosures.

Climate-related opportunities

By successfully implementing our 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 decarbonisation glidepath and transition plan mapping our emissions to achieve Net Zero which we expand on in Metrics and Targets on page 80, in our ESG Review from page 38, and in our ESG performance summary on our website.

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’s ability to manage or pass through some or all the costs. If new climate-related risks and opportunities are identified, we are committed to aligning our strategy accordingly and integrating the respective costs into our profit and loss.

Following our updated analyses, we currently have confidence that our climate change strategy is effectively managing our climate-related risks and opportunities, demonstrated by the progress in both physical and transition risks. We will continue to develop our carbon transition plan, bringing more clarity to the details underpinning our Net Zero Strategy.

Assumptions

These physical and transition analyses assume 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 future government policies or subsidies, or currently existing mitigation. Material costs include the costs of physical risk materialising in the supply chain.

RISK MANAGEMENT

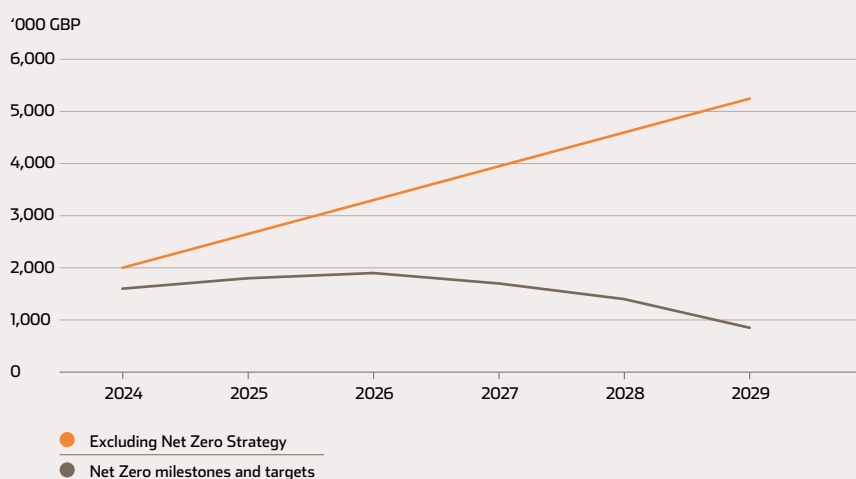
We integrate climate-related risks and opportunities in our business strategy and financial planning. We have assessed both the physical (climatic) and transitional (technological) risks

Carbon cost is anticipated to increase from 2024 across our global operations, primarily as a result of regulation. Especially when viewed in the 1.5°C scenario, the total cost estimated for Scope 1 emissions between 2024-2029 for our operations without mitigation through our Net Zero Strategy is £21 million.

We are able to turn this into an opportunity by realising our Net Zero strategy, which should result in considerable future cost avoidance: implementation of our Net Zero Strategy could limit cost increases to £9 million.


The potential cumulative benefit, excluding cost of investment, to realise our Net Zero Strategy is up to £190 million by 2050.

Potential carbon cost of Scope 1 emissions in the 1.5°C scenario



1. Significance is determined as greater than 1% of net revenue.

that may impact our business, and have integrated them into our risk framework. In assigning significance of climate-related risks, we refer to the MFI stated on page 75. Having considered the analyses we find greater value in ensuring that climate-related risks and opportunities are included within our principal risks, rather than focusing on climate change as a principal risk in itself. This assessment by each risk owner ensures that we appropriately determine true materiality, and integrate ownership of the associated climate-related risks into the wider business. 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 100.

The Group's formal approach to risk management includes an update to the Board on a twice-yearly basis on the results of the Group risk assessment, including the Group's principal risks. The Group risk management framework specifies accountability for the identification, assessment and mitigation of risks throughout the business and is based on the "three lines of defence" model. The first line of defence is our people in operational roles, who identify potential risks and opportunities at an operational level.

The ESG team, led by the Global ESG Director, are subject matter experts and are part of the second line of defence. They develop appropriate policy, process and control structures and analyse the impacts of the risks upon the business in line with the Board's risk appetite. The second line of defence provides support to the first line of defence in the design and implementation of local mitigations.

The ESG team is key in assessing climate-related risks and opportunities that occur at a local and global level related to the achievement of our climate targets.

Our third line of defence consists of Group Internal Audit who provide independent assurance over the effectiveness of the design and operation of the risk management framework. On an intermittent basis, we also commission a third party to perform its own analyses to validate risks identified by the business.

For this TCFD report we also add a fourth line of defence, by seeking assurance against the listing rule by a third party.

Due to the long-term nature of climate-related risks, and in order to formulate this TCFD report, a cross functional project team considered actions relating to these analyses covering and beyond the standard risk timeframe we typically consider for risk and financial planning. In accordance with the Listing Rules, we have taken into account the period 2022-2050. This allows us to build on the risks and materiality developed in the third-party analyses, and integrate them into our wider Group risk management framework.

CASE STUDY:

Our Manisa factory, the Philippine Bobbin Corporation (PBC) and FM Global identified an elevated risk of riverine flooding. FM's assessment identified that the flood exposure at this location is the highest 100-year (high frequency) flood exposure across Imperial's locations globally. They estimated that in a flood event waters could rise one metre, resulting in damage to about 30% of the site and up to six months' interruption to business. The most recent loss expectancy estimate was US\$ 24.1 million for the 100-year flood event.

This finding supported PBC's intention to investigate the installation of a flood wall which FM have confirmed would all but eliminate this exposure. Completion of this additional protective measure would also be key to achieving FM's highest risk category, a Highly Protected Risk.

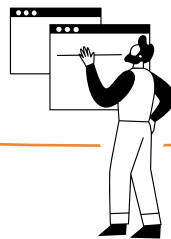


OUR PLAN

(from a 2017 baseline year)

As explained in the climate change section, page 48, we are currently on track vs Our Plan. We continue to develop our Scope 3 tracking and reporting.

- 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.



2023

Recalculation of Scope 3¹ calculations and applied for approval by the SBTi for our new targets in line with the 1.5°C Paris Agreement

Scope 1 & 2 emissions reduction of 65%

included climate metrics in executive remuneration for the first time

Achieved a reduction in energy consumption of 26%



2024

Intend to fully assure our Scope 3¹ emissions for category 1 Purchased Goods and Services in 2024

50% of our suppliers by spend will set science-based targets within our Purchased Goods and Services category

Continue to develop our decarbonisation plans for sites

Physical risk management

Our insurer, FM Global, conducts an annual programme of 50 to 60 site visits concentrating on assessing the perils insured by FM Global but particularly fire and natural catastrophe risks. Where gaps are identified, FM Global provide recommendations prioritised according to loss expectancy.

Local flood maps are consulted where possible in addition to FM Global's own global flood mapping to determine possible flood levels. These levels are then compared with the elevations on site and possible loss scenarios are developed for both 100-year and 500-year return events. Similarly, with wind exposures, sites in known high wind zones receive a more thorough wind evaluation looking at the resilience of the building envelope in terms of uplift pressures on roof systems, debris impact to building walls and impact of high winds on other items such as dock doors. FM Global offers practical recommendations to improve resilience both through physical improvements and human element procedures such as emergency response planning.

As examples of the work done to date, in the last five years Imperial has completed over 30 FM Global natural hazard recommendations. Completed recommendations include improving emergency response plans for flood and wind events at various sites, securing roof mounted equipment at the Tampa FL warehouse, and improving roof flashing and roof coverings at the Cayey factory.

For all of our sites we also mitigate the risk of disruption to supply of product by having local BCPs in place which includes a list of other Imperial sites which can take over the manufacture of product from the high-risk site if required. The cost implications of this are factored into the BCP. Actions to manage risks are prioritised based on the calculated MFI and the ease/cost of the risk mitigation strategy.

Transition risk management

The transition risks identified in our climate scenario analysis are embedded in the risk framework and are communicated with the affected sites and functions; action plans are being implemented accordingly, particularly for the primary risks: carbon taxation for our operations, and material costs associated with our products and packaging, identified on page 75.

Our non-vertically integrated leaf supply chain as well as holding c.12 months of leaf stock supports us in mitigating climate-related supply chain interruption and risk of shortages.

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

Please also see our 2023 risk matrix on page 102 where we demonstrate climate-related and regulatory risk to be of high importance to the Group. 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.

Distribution business risk management

Our global insurance provider, FM Global, also acts for Logista, operating in the same way as disclosed in the section above. Additionally, Logista states its methods for managing climate-related risk with its sustainability policy. These include the Sustainability Committee which is responsible for the preparation and co-ordination of the sustainability strategy plans in co-ordination with Logista's Business and Corporate Directorates.

The progress of implementation and the achievement of the climate-related objectives set and the associated climate KPIs are reported at least twice a year to the Sustainability Committee.

The Corporate Finance Directorate is responsible for implementing mechanisms to ensure the integrity of the financial and non-financial information of the Company and its subsidiaries, as well as control of the risk associated with the financial and non-financial risks.



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, transitioning away from non-renewable sources completely

Be Net Zero

In our direct operations (Scope 1 and 2 GHG emissions)

Reduce

- Our absolute Scope 3 GHG emissions by 50%
- Energy consumption by 25%



2040

Our value chain will be

Net Zero emissions

(absolute Scope 1, 2 and 3 GHG emissions)



For more information on all our ESG targets, including waste, please refer to page 38 or our ESG Performance Summary on our [website](#).

METRICS AND TARGETS

Climate change is our second most material ESG topic, after consumer health. As such, we have long monitored the risks identified for climate change and put in place intervention or mitigation measures where necessary. Our targets on climate change represent multiple business opportunities: there are cost and environmental benefits to energy savings, and to efficiency programmes, today and in the future.

We are focused on alignment to the UN’s Sustainable Development Goals, and in particular support the goals outlined in goal 7.2, improve energy composition, and 7.3, reduce energy consumption. As such, we have had Scope 1, 2 and 3 targets in place since 2019, consistent

with reductions required to limit climate warming to 2°C, approved by the Science Based Targets initiative (SBTi). 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. In FY23, we applied for approval by the SBTi for our new targets in line with the 1.5°C Paris Agreement. In FY23, we can report a reduction in energy consumption of 26%, achieving our 2030 energy consumption reduction target.



For more details on how this commitment impacts our Climate Change pillar, please see ‘Our plan’ as well as our previous year’s performance on page 48.



For more information on all our ESG targets, including waste and water, please see page 38.

In FY23, we have focused on driving site-level risk and opportunity planning on a risk-based approach. These views have been used to enhance our disclosures, and form the basis of our continued strategy development. Sites have been asked to develop local action and decarbonisation plans, to manage risk and realise opportunity more comprehensively. We also understand that our decarbonisation targets rely on cultural changes within the business, for example in evaluating energy sourcing options, or when looking to drive change within our value chain.

The analyses indicate that our most material risks are within transition, specifically carbon pricing internally, and carbon pricing externally, realised in our rising material costs.

Description	Target	Opportunity
<p>Carbon pricing</p> <p>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 have reset our science-based targets for carbon, increasing our ambition in line with 1.5°C global warming limits and currently wait for approval by the SBTi.</p>	<p>In line with our 2025 goal: to source 100% of our purchased grid electricity from traceable renewable sources, we have continued to prioritise decarbonising our electric supply, reaching 96% renewable grid electricity in 2023. Reflection of this performance in our updated analyses indicated an increased opportunity for cost avoidance of £190 million by 2050, assuming we meet our 2030 decarbonisation targets.</p> <p>We are on track to decarbonise our direct operations by 2030. In FY23 we can report an emissions reduction of 65% vs our 2017 baseline. We continue to develop goals for the different areas of our Scope 1 and Scope 2 emissions. Our development of local decarbonisation plans for key sites and sales fleets continues to drive tangible action and progress against this goal.</p>	<p>In order to further support our Net Zero strategy, we have developed an internal carbon budget to incentivise low-carbon transition projects to improve energy efficiency and renewable energy transition. The internal carbon budget is based on our internal carbon pricing, which we intend to launch in FY24. This initiative pilots an approach to more closely link funding with decarbonisation solutions, and includes an assessment of climate opportunities.</p> <p>The updated analysis completed within FY23 demonstrated the extent to which our decarbonisation strategy protects against future costs. The potential cumulative risk mitigation, excluding any cost of investment, is up to £450 million to 2050 when compared with taking no decarbonisation measures in a 1.5°C scenario.</p>
<p>Materials costs</p> <p>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 within Purchased Goods and Services (PGS) 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 33% of suppliers by spend have achieved this target. In pursuit of this target, we have identified our partner suppliers contributing 50% by spend of our Scope 3 category: Purchased Goods and Services, and will engage with them in 2024.</p>	<p>In 2023 we have recalculated our Scope 3 calculations and we intend to fully assure our Purchased Goods and Services Scope 3 emissions in 2024.</p> <p>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 50% by 2030. We have strengthened our climate dialogue with suppliers within all procurement areas and are aiming to continue to do so. This approach benefits us in various ways such as risk management, reduction of Scope 3 emissions as well as creating opportunities such as of cost avoidance (page 77). The re-calculation of our Scope 3 baseline and our Scope 3 emissions for 2023 provided greater clarity of data to drive decisions going forwards.</p>	<p>There is an opportunity to further assess the resilience of our supply chain to help bring focus to the business to achieve our Net Zero target. Achievement of the Scope 3 decarbonisation target will be important to limit exposure to rising material costs, which are strongly linked to carbon pricing within the supply chain. Our first step towards this has been the enhancement of the environment-related section in our Supplier Code of Conduct, which sets out the minimum requirements of doing business with us and our request to have suppliers join us to decarbonise.</p>

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. Further details around our methodology can be found in our Reporting Criteria document. The scope of targets set includes companies, entities or groups over which we have operational control.

In the 1.5°C scenario it is likely carbon taxes will rise for those using energy sourced non-renewably. As such, the energy transition represents an opportunity for cost avoidance for those who have already transitioned to renewable energy. In the analysis, which assumes Imperial Brands achieves its Net Zero targets, this is assessed as £21 million (£11 million) by 2030 in the 1.5°C scenario and within the range £80 million to £260 million (£20 million to £55 million) across the period to 2050 in both climate scenarios. The analysis doesn't include costs to achieve our Net Zero targets, such as capex.

In 2023, we also included climate metrics in executive remuneration for the first time. Five percent of the bonus opportunity is split equally between performance on energy consumption and emissions reduction. Both of these are set to be in line with our decarbonisation plan.

In 2024, we will continue to develop our decarbonisation plans for sites, building out initiatives to support each site-specific decarbonisation. In a risk-based approach, we will also include management of physical climate risks in this, ensuring that our sites most at risk of the physical effects of climate change include mitigation activities in their decarbonisation plan.

i For metrics relating to our ESG strategy, including waste and water, please see our ESG section, pages 38-69.

There are three recommended disclosures in the Metrics and Targets section that we consider ourselves partially compliant with: (a) including climate-related opportunity metrics; (b) as regards industry-specific GHG ratios; and (c) accounting for avoided GHG emissions on the entire product lifecycle.

Our reasons for this are because there are transitional challenges in obtaining the relevant data and there is no generally accepted industry-specific data, though we continue to monitor developments in this area.

We aim to expand our disclosures by including climate-related opportunity metrics in 2024, and providing accepted industry-specific GHG efficiency ratios, once applicable practices are available.

Logista

Logista is included in Imperial Brands' Net Zero Target, as it is included within two categories of our Scope 3: investments and downstream transportation.

Logista has set an annual emissions reduction target of 2.1%. Over 95% of Logista's Scope 1, 2 and 3 are included in this target.

To reinforce this, Logista has implemented remuneration relating to performance against its climate change goals. For example: maintaining its CDP performance and increasing the distance travelled by low emissions vehicles by 15%.

Logista is performing an ongoing project to design an ESG strategic plan, including climate-related risks and opportunities. As a result of this project, new targets and metrics are expected.

i For more information on our 2023 performance, and further information on our current ambitions related to climate and ESG, please refer to pages 48-51, for the Scope 3 accounting, our [Company website](#) and our [ESG: People and Performance Summary 2023](#).

This section contains climate-related metrics and targets that reflect our current expectations, assumptions and best estimates available at the relevant time.

The data underlying these and market practice in relation to such disclosures are likely to evolve over time, owing to several factors including, but not limited to, the:

- evolving nature and impact of climate change and related policies, regulations, standards, classification frameworks and market developments;
- accuracy and completeness of the data, methodologies and assumptions underlying our metrics and targets, which may vary depending on the scope, boundary, definition and measurement of the relevant indicators and activities, as well as the availability and quality of external sources and benchmarks;

- feasibility and effectiveness of our strategies, plans and actions to achieve our metrics and targets, which may depend on various internal and external factors, such as our operational performance, financial resources, innovation capabilities, organisational culture, governance and stakeholder engagement, as well as the co-operation and alignment of our partners, suppliers, customers, regulators and peers; and
- potential changes in our business environment, operations, portfolio and priorities, which may result from factors such as market conditions, regulatory requirements, competitive pressures, technological developments, customer needs, strategic opportunities, and/or unforeseen events, and which may require us to adjust, revise or update our metrics and targets accordingly.

Accordingly, undue reliance should not be placed on these statements, or this Annual Report more broadly.

5%

of our executive bonus is awarded for climate performance



RESPONDING TO A CHANGING MARKET

As the highly regulated global market for tobacco transforms into a more sophisticated and complex market for nicotine across multiple categories, Imperial is leveraging its challenger mindset to deliver for consumer needs and consumer health.

OUR MARKET

The combustible tobacco market still represents US\$ 880 billion, and cigarettes are the largest category, with more than 5,200 billion consumed each year. However, the development and consumer adoption of next generation products (NGP) over the past decade has added complexity, and strong regional nuance to the overall nicotine market and its regulation.

We are a consumer-focused business. Despite the well-known health risks of smoking, more than 19% of the world's adult population still choose to smoke. Our consumers tell us they value our products for the moments of relaxation and pleasure they provide. Many of these consumers now also tell us that they are looking for potentially less harmful alternatives to traditional combustible products. Our strategy is to understand the needs of these adult consumers, and both to invest in priority combustible markets, while also building a targeted NGP business.

These market developments are not without their challenges. The greater number of nicotine product categories introduces supply chain complexity – which Imperial mitigates using a strong supplier partnership model. It also introduces regulatory complexity, which can be harder to mitigate. However, where regulators allow, the advent of next generation nicotine products also provides much greater consumer choice. With that greater consumer choice, opportunities are unlocked for a challenger business with a strong understanding of consumer needs.

For example, many consumers also tell us they have yet to find a perfect potentially reduced-harm replacement for cigarettes. This means we are seeing a growing diversity of behaviour with consumers using different products for different moments in their day. Our strategy prepares us for a market where multiple nicotine categories coexist. Thanks to our focused investments in transformation, Imperial is now well placed to make a positive contribution to this wider market transition.

Differing regional and market approaches to harm reduction

Regional and market regulators have diverse policies towards tobacco harm reduction. Public health bodies agree it is the smoke created by the burning of tobacco leaf that contains most of the harmful chemicals responsible for smoking-related disease. This is not always reflected in policy. Some governments, such as the UK, New Zealand, and Canada, 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 such products do not attract users who would not otherwise have chosen to consume nicotine. Other governments do not recognise the benefits of NGP. This is often due to focusing only on concern about a youth access "on-ramp" which is important but which should not detract from the much larger – and scientifically substantiated – value of the "off-ramp" that NGP can provide to many millions of existing smokers.

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, and is not embraced by the WHO. This is unfortunate. Where policies have been adopted to limit the development of the nicotine market to potentially less harmful alternatives, such as aggressive excise duty or complete bans, we have seen negative consequences for both population-level public health, and the growth of an illicit trade in NGP. At the extreme end is the difference between New Zealand, where the legalisation of vape coincided with a steep fall in youth smoking rates, and Australia, where there has never been a legal domestic market for NGP, yet a black market thrives.

The traditional cigarette market has always had national and regional variation in consumer preferences on dimensions such as product strength, product dimensions, flavourings and blend. Some of these differences have been deeply embedded in culture, from the Indonesia kretek to the mid-century French Gauloises Brunes. Yet the regional differences in NGP consumption are more significant, as they span product category types and are driven not only by consumer preferences, but also by regulation, public health messaging and excise.

Regulation and excise

The traditional tobacco market remains heavily regulated. Such 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. Nationally, countries such as New Zealand and Australia have unveiled comprehensive programmes of new regulation, while other countries such as the US and Greece have further developed product-by-product approval pathways for the marketing of tobacco and nicotine products. At a regional level, the EU is re-examining its Tobacco Products Directive, its Tobacco Advertising Directive and its Tobacco Excise Directive. Globally, the 10th Conference of Parties (COP10) to the Framework Convention on Tobacco Control (FCTC) is to meet in Panama in

November to share ideas for accelerating the spread of some of the most extreme regulatory proposals for tobacco: such as Canada's health warnings printed on individual sticks, or New Zealand's generational tobacco ban, a proposal that has also been put forward in the UK. A plan to prohibit all but "very low nicotine" cigarettes, proposed but not yet implemented in New Zealand and in the US (where it is less likely in the short to medium term), will also capture the attention of global public health departments.

Of course, combustible tobacco is also heavily taxed, contributing globally more than US\$ 200 billion to governments each year, and often seen as a non-controversial source of urgent additional government funding. Given the current economic climate, we anticipate inflationary pressures are likely to affect the purchasing power of some consumers. This may mean that drastic excise rises in the next year give a higher than usual boost to the illicit trade – to the extent to which overall revenues could decline when rates are increased (the effect of passing the peak of the Laffer curve).

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 page 47.

While we are supportive of reasonable excise rates on all products, we believe NGP which offer potential harm reduction should be subject to excise rates at significantly lower levels to combustible products. We believe increased affordability will help encourage smoker transition.

Illicit trade

The prevalence of the illicit trade in tobacco products means that we face competition from a 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 products requires a co-ordinated approach from government and industry. Imperial continues to work with enforcement agencies to reduce this scourge, and to encourage a rational regulatory framework for potentially reduced-harm products that will prevent other categories of nicotine products being targeted by criminal organisations.



EUROPE REGION



Aleš Struminský
President, Europe Region

OPERATING REVIEW

To provide a greater focus on “driving value from our broader market portfolio”, which is one of our strategic pillars, we have transferred the management of our Central and Eastern Europe cluster from our Europe region to the Africa, Asia and Australasia (AAA) region. Under the leadership of Paola Pocci, we have been enhancing our capabilities and expertise in managing our smaller markets, many of which have attractive margins and the potential to become platforms for future growth in combustible tobacco and NGP. The AAA region will now be known as AAACE. The affected markets are Poland, Czech Republic, Ukraine, Slovakia, Hungary, Azerbaijan, Armenia, Georgia, Moldova, Croatia and Slovenia. The Americas region is unaffected by this change.

AT A GLANCE

Tobacco volume

↓ -8.2%

Tobacco & NGP net revenue*

↑ +4.8%

Tobacco net revenue*

↑ +2.8%

NGP net revenue*

↑ +40.4%

Adjusted operating profit*

↑ +2.0%

* Change at constant currency.

HEADLINES

- Strong financial performance driven by strong pricing action early in the year which offset volume declines
- Leveraging our local jewel brand strategy to drive operational and financial performance
- Positive NGP net revenue performance with growth across all categories driven by product innovation and new market launches
- Successful launch and roll-out of all-new vapour device blu 2.0 and disposable blu bar
- New and improved Pulze 2.0 offering consumer choice across four markets
- Adjusted operating profit growth reflects strong combustible performance and increased investments behind NGP

Our results in Europe are driven by strong combustible pricing, which helped mitigate inflationary headwinds and support increased investment in NGP launches. Tobacco volumes were impacted by macro conditions and continued pressure on consumer spending. As expected, the volume trajectory improved in the second half of the year. Net revenue benefited from an acceleration in NGP revenue growth (year on year up 45.1% in the second half of the year at constant currency) as our innovation pipeline supported new product and market launches alongside growth in existing markets.

		Full year result		Change	
		2023	*2022	Actual	Constant currency
Tobacco volume	bn SE	89.9	97.9	-8.2%	-
Tobacco & NGP net revenue	£m	3,240	3,039	+6.6%	+4.8%
Tobacco net revenue	£m	3,020	2,883	+4.8%	+2.8%
NGP net revenue	£m	220	156	+41.0%	+40.4%
Adjusted operating profit	£m	1,482	1,447	+2.4%	+2.0%

* 2022 figures restated for the transfer of the Central & Eastern Europe cluster from Europe to AAACE.

Strategic initiatives in our priority markets supported our combustible tobacco performance. In the UK, after two years of market share growth, we raised prices early in the period, causing our market share to decline as we balanced market share with value creation. As anticipated, we experienced some market share recovery during the second half of the year. We remain confident that our strategic initiatives in the UK, such as our local jewel brands, Richmond Embassy and Regal Signature, have continued to gain traction. Our work to arrest the long-term share declines in Germany continues with a refinement in our investment in brand equity building initiatives. In Spain, we achieved strong price increases while also gaining market share as our local

jewel brand, Nobel, benefited from new format launches and we refined our focus on the key sales channels, for example vending machines.

Tobacco volumes declined 8.2% with consumer buying patterns impacted by cost-of-living pressures. The elevated excise regimes in markets such as the UK and France have contributed to continuing pressure on volumes. However, volume declines moderated in the second half of the year in the UK. Tobacco net revenue was up 2.8% at constant currency, reflecting strong price mix of 11.0%, which more than offset the volume declines.

Our NGP portfolio has delivered strong net revenue growth, which was up 40.4% at constant currency with growth across all three categories.

We delivered a step-up in new product and flavour launches following our "test and learn" validation with consumers and market pilots in FY22. Our new consumer-led partnership model on NGP product innovation delivered a range of new products in all three categories: Pulze 2.0 in heated tobacco (four markets); blu 2.0 (10 markets) and blu bar (nine markets) in vapour; and ZoneX (three markets) and Skruf Modern (Norway) in modern oral nicotine.

Tobacco and NGP adjusted operating profit for the year increased 2.0% at constant currency, mainly reflecting the strong tobacco performance together with increased investment in our NGP product and market launches.

Priority market	Performance
Tobacco share	
Germany	
<ul style="list-style-type: none"> • 18.2% (-80bps) • 13% of Group net revenue 	Tobacco market size declined 1.9% in the year with some downtrading, together with a category shift from cigarettes to fine cut tobacco. Our market share declined although we continue to refine our investment initiatives with the aim of stabilising our share over time. As anticipated, it is taking time to address our share performance after more than a decade of underinvestment and share losses. We remain confident the investment behind these strategic initiatives will enhance our brand equity and improve our sales force effectiveness. Our brand portfolio remains well positioned across the key price segments to appeal to a range of consumer needs, which includes the launch of Paramount to meet consumer needs in the value segment. We expanded our vapour offer with the launch of blu 2.0 and blu bar during the year.
UK	
<ul style="list-style-type: none"> • 41.1% (-50 bps) • 8% of Group net revenue 	Tobacco market size declined 16.9%, driven by the COVID-19 unwind, inflationary excise increases and manufacturer price increases in the period. We increased prices in November and again in March to pass on the excise increases. As anticipated, and after two years of share gains, these price increases caused us to lose share. However, we recovered some of the market share lost in H1 as we sought to optimise the balance between managing share and value creation. Our strategic investments continue to gain traction with our local jewel brand variants of Richmond, Embassy and Regal Signature performing well – and as we focused on supporting our key account customers. We grew our NGP contribution in vaping, launching both blu 2.0 and blu bar in the period, supported by innovation of our flavours in both platforms.
Spain	
<ul style="list-style-type: none"> • 28.4% (+10 bps) • 5% of Group net revenue 	Tobacco market size declined 2.6% year on year. We were able to increase prices for the second year in a row, following several years of stable pricing, while also continuing to deliver share gains. Our market share increase was driven by investments in innovation and brand extensions, such as limited-edition packs and big pack launches for West. We continued to focus on our portfolio of local jewel brands with the launch of new, high-quality packs for brands such as Nobel. We also benefited from refocusing our sales force on channels, where we have been under-represented historically. The launches of blu 2.0 and blu bar have been well received by consumers and the trade and the blu brand is the joint market-leading brand by retail sales value as at August 2023.

AMERICAS REGION



Kim Reed
President and CEO,
Americas Region

AT A GLANCE

Tobacco volume

↓ -5.5%

Tobacco & NGP net revenue*

↓ -4.7%

Tobacco net revenue*

↓ -4.5%

NGP net revenue*

↓ -21.4%

Adjusted operating profit*

↑ +1.9%

* Change at constant currency.

HEADLINES

- Cigarette share growth up 65 basis points to 10.7% with gains across all three of our focus price segments
- Investment in strategic initiatives continues to drive operational improvements
- Net revenue decline reflects adverse product mix in mass market cigars partially offset by strong cigarette pricing
- Mass market cigar performance temporarily affected by wholesaler inventory movements and market share pressure
- NGP net revenue declined as we prioritised investment in Europe pending resolution of the FDA's Marketing Denial Orders for myblu, which was vacated in August 2023
- Adjusted operating profit growth reflects strong cigarette pricing and cost initiatives to mitigate the reduction in volumes

We delivered a strong combustible market share performance in the US while achieving strong pricing across our cigarette portfolio. This was offset by a decline in our mass market cigar volumes due to a temporary wholesaler destock after they increased inventories ahead of Hurricane Ian in September 2022. This contributed to adverse product mix which has weighed on our net revenue performance.

Tobacco volumes declined against an industry volume decline of 8.4% in cigarettes and a 5.4% fall in industry mass market cigar volumes. Market volumes continue to be impacted by macro-economic pressure on consumer disposable income. Our cigarette outperformance reflects the improvement in our cigarette market share of 65 basis points to 10.7% – our fifth consecutive year of market share growth. Our cigarette volumes also

		Full year result		Change	
		2023	2022	Actual	Constant currency
Tobacco volume	bn SE	20.7	21.9	-5.5%	-
Tobacco & NGP net revenue	£m	2,812	2,826	-0.5%	-4.7%
Tobacco net revenue	£m	2,778	2,784	-0.2%	-4.5%
NGP net revenue	£m	34	42	-19.0%	-21.4%
Adjusted operating profit	£m	1,257	1,179	+6.6%	+1.9%

reflect a slight increase in wholesaler inventories in the period, which increased our shipment volumes by c. 0.2%.

Our market share performance was driven by three factors: first, the continued benefit from our investment in sales execution and brand building; second, the way we have positioned our brand portfolio to meet the needs of consumers, particularly as they continue to trade down; and third, to a much smaller extent, the annualisation of the benefit from our agile response to capture share arising from KT&G's exit in December 2021. We gained or held share in the three price segments, where we are focused.

On a constant currency basis, tobacco net revenue declined by 4.5%, as strong pricing of around +10% was more than offset by volumes down -5.5% and adverse mix of around -9%. The adverse mix was driven by the performance of mass market cigars, which accounted for around -5% of decline. This reflects the relatively high value, low volume nature of the category – the revenue per stick for cigars is around 2.5 times that for cigarettes. Adverse cigarette mix accounted for the remaining around -4% adverse mix driven by our market share performance in the deep discount segment and the successful capture of the KT&G share following their exit from the market in December 2021.

Our cigarette share performance partly reflects our progress in building brand equity and strengthening our sales force capabilities. For example, our

brand investment behind KOOL continues to support share growth in the premium value segment. We continue to improve our sales execution with our increased sales force, setting our "perfect store" concept as the standard to achieve across all stores and working with our key account customers on joint business planning.

As anticipated our mass market cigar portfolio improved into the second half of the year, driven by product innovation. Over the year, however, volumes came under pressure driven by a temporary wholesaler destock, market share losses and overall market size declines. The destock followed a wholesaler inventory build last September ahead of Hurricane Ian, which affected Southwest Florida where our Tampa cigar warehouse is located. Wholesaler inventories have now normalised. The overall category decreased as consumer buying patterns changed post COVID. Pressure on consumer spending drove some downtrading, leading to market share losses in our premium Backwoods offering. We believe the outlook for this category remains positive and we continue to have a strong brand presence with Backwoods, a premium quality iconic heritage brand.

Our NGP net revenue declines improved into the second half of the year on a constant currency basis, declining 21.4% over the full year. The uncertainty caused by the FDA's Marketing Denial Orders (MDOs) issued in April 2022 for our myblu products eased into the period end as we welcomed the unanimous decision on

29 August 2023 by United States Court of Appeals for the District of Columbia Circuit to vacate the FDA's Marketing Denial Order for our myblu pod-based vapour portfolio. Our products have remained in the market throughout the appeals process. We also completed the acquisition of a range of nicotine pouches to facilitate our entry into the US modern oral market. We plan to launch this range of 14 product variants under a new brand, which will leverage the Company's existing US sales force.

Adjusted operating profit grew 1.9% at constant currency, reflecting the strong cigarette pricing and cost initiatives to mitigate the reduction in volumes, as well as a year-on-year benefit (c. £30 million) from ongoing non-participating manufacturers' settlements relating to prior year disputes under the Master Settlement Agreement. Although we expect further settlements over time, we do not anticipate this level of benefit to be repeated in the coming financial year.



AFRICA, ASIA AUSTRALASIA AND CENTRAL & EASTERN EUROPE



Paola Pocci
President, Africa, Asia,
Australasia and Central &
Eastern Europe

AT A GLANCE

Tobacco volume**

↓ -6.3%

Tobacco & NGP net revenue*,**

↑ +5.3%

Tobacco net revenue*,**

↑ +5.3%

NGP net revenue*

↑ +10.0%

Adjusted operating profit*,**

↑ +6.2%

* Change at constant currency.
** Excluding Russia in prior year.

HEADLINES

- Strong financial delivery with pricing discipline and strategic initiatives offsetting exit from Russia in 2022
- Region now includes our Central & Eastern Europe cluster; comparator figures have been restated
- Positive contribution across all market clusters with improved consumer insight driving local initiatives
- Strong tobacco price mix across region offset inflationary input pressures
- Market share growth in Australia driven by active brand portfolio management
- NGP net revenue growth with launch of Pulze 2.0 in Czech Republic, Poland and Hungary
- Adjusted operating profit delivery driven by strong tobacco performance offset by increased NGP investment

The region delivered a strong operational and financial performance which offset the impact of our decision to exit the Russian market in April 2022. The contribution from Russia in the prior period is outlined in the table on the opposite page.

Our results benefited from a strong focus on pricing discipline across the region, which offset inflationary pressures on input costs, our improved consumer insight and revenue growth management tools provided by our Global Consumer Office. Additionally, we maintained a disciplined and targeted approach to our investment in sales execution and marketing in line with our strategy to revitalise our priority markets and to drive value from our broader market portfolio.

The region includes one priority market, Australia, where we continued to innovate our product offer enabling us to deliver an improvement in market

		Full year result		Change		Change
		2023	2022	Actual	Constant currency	Excluding Russia at cc
Tobacco volume	bn SE	87.4	101.1	-13.6%	–	-6.3%
Tobacco & NGP net revenue	£m	1,960	1,928	+1.7%	+2.3%	+5.3%
Tobacco net revenue	£m	1,949	1,918	+1.6%	+2.2%	+5.3%
NGP net revenue	£m	11	10	+10.0%	+10.0%	+10.0%
Adjusted operating profit	£m	844	815	+3.6%	+5.5%	+6.2%

* 2022 figures restated for the transfer of the Central & Eastern Europe cluster from Europe to AAA (now known as AAACE). The change excluding Russia removes the FY22 contribution from Russia of 7.8 bn SE volumes, £56 million of net revenue and £5 million of adjusted operating profit. There was £0 million of NGP net revenue in Russia.

share against a highly competitive market backdrop with record levels of illicit trade. We refined our approach to revenue growth management to optimise value creation across our portfolio with a clear brand offering at each of the key price points. This has supported our decisions on pricing and product innovation, for example line extensions of our Lambert & Butler brand in the lowest pricing segment enabled us to adopt a clearer pricing strategy for Parker & Simpson in the value segment. We also reshaped how we support our customers to drive improved availability while enhancing our financial performance.

As we look to drive value from our wider market portfolio, we transferred the management of our Central & Eastern European markets from Europe to this region. Given their similar characteristics, these markets now benefit from being under this regional leadership team which has enhanced capabilities and expertise to manage our portfolio of smaller markets to unlock value and become platforms for future growth.

In our African markets, pricing gains more than offset weaker volumes as

consumer spending was affected by the rising cost of living and there was an increase in illicit trade in some countries. Our renewed consumer focus underpins the management of our local jewel brands, such as Fine in Ivory Coast and Hamilton in Burkina Faso, and our international brands, such as News in Madagascar. With a wide variety of consumer preferences across these markets, this insight enables us to prioritise how we utilise the diverse brand portfolios for each country to meet the differing adult consumer demands.

In the Middle East, markets such as Kuwait benefited from borders reopening and we exercised strong pricing discipline combined with a more rigorous go-to-market approach. Our global brand Davidoff resonates with local consumers and performed well in Kuwait. Davidoff also has strong brand loyalty in Taiwan, though volumes here were impacted by lengthy local COVID-related travel restrictions and the competitive dynamic which made pricing gains tougher.

Pricing was stronger across the majority of our Central & Eastern

European markets, which more than offset volume declines to support financial delivery.

Tobacco volumes declined 13.6% primarily driven by our exit from Russia. Excluding Russia, volumes declined 6.3%. However, strong price mix (+11.7% ex Russia) more than offset volume declines to grow tobacco net revenue by 5.3% ex Russia on a constant currency basis.

NGP net revenue grew 10.0% in the period reflecting product and market launches during the year. Following our successful trial of our upgraded Pulze 2.0 device, which validated our consumer proposition, we launched our new heated tobacco device in Czech Republic and two additional markets of Hungary and Poland. This was supported by an expansion in our iD stick offering with new flavour and limited edition crushball launches.

Adjusted operating profit grew 5.5% at constant currency driven by a strong tobacco performance in Australia, Africa and the Middle East. These more than offset increased NGP investment to fund new product and market launches. Excluding Russia, adjusted operating profit grew 6.2% at constant currency.

Priority market	Performance
Tobacco share	
Australia	
<ul style="list-style-type: none"> • 32.1% (+10 bps) • 4% of Group net revenue 	<p>Market size declined 15.6% with the pressure on consumer affordability as well as record levels of illicit trade. However, we grew share, revenue and profit in Australia as we continue to actively manage our portfolio of brands, applying revenue growth management techniques to optimise the value creation while managing our overall market share delivery. Our performance benefited from innovation with line extensions in Lambert & Butler in the fifth price segment, which created a clearer price segment architecture for our portfolio. This enabled us to deliver strong pricing with Parker & Simpson. We also launched JPS Evolve for both cigarettes and fine cut.</p>

DISTRIBUTION



AT A GLANCE

Gross profit*

↑ +36.4%

Adjusted operating profit excluding eliminations*,**

↑ +17.3%

Adjusted operating margin excluding eliminations*,**

↓ -339bps

Adjusting operating profit including eliminations*,**

↑ +17.0%

* Change at constant currency.

** Eliminations relate to sales of tobacco and NGP product to Logista that are still held in their inventory.

HEADLINES

- Gross profit includes contributions from recent acquisitions
- Acquisitions support strategy to accelerate growth in European non-tobacco-related businesses
- Better than expected adjusted operating profit includes strong contribution from profit on inventory vs prior year

Distribution consists of our 50.01% stake in Logista. Logista is a Spanish-listed distributor of tobacco and other convenience products as well as providing services such as freight, parcel and pharmaceutical logistics. It operates an end-to-end distribution model that covers the full value chain from collection to point of sale, and covers over 200,000 points of sale across Southern Europe.

The results include the incremental financial contribution from the acquisitions of Herinvemol S.L., trading as 'Transportes El Mosca', (73.3%) and Carbó Collbatallé S.L. (100%), which were not in the prior year period, and Speedlink Worldwide Express B.V. (70%), which was included from

February 2022. The acquisitions are in line with Logista's strategy to accelerate growth in European non-tobacco-related businesses, which now comprise over 50% of economic sales. Following the 60% acquisition of Transportes El Mosca (a Spanish-based international transportation company) in October 2022, Logista increased its stake in the business to 73.3% in August 2023. This is in accordance with the original deal which enabled Logista to increase the stake in Transportes El Mosca to 100% over the three years from the date of the original deal. Logista is now the second largest temperature-controlled transportation company in Spain, with both maritime and road transportation assets. Carbó Collbatallé, acquired in October 2022, brings specialisation in frozen and refrigerated transportation in the food sector in Spain and Speedlink, acquired in February 2022, a Dutch express, courier company, expands the B2B parcel business.

Gross profit – Gross profit at £1,466 million was 36.4% higher on a constant currency basis with strong underlying performance across the

		Full year result		Change	
		2023	2022	Actual	Constant currency
Distribution gross profit*	£m	1,466	1,046	+40.2%	+36.4%
Adjusted operating profit	£m	306	254	+20.5%	+17.3%
Adjusted operating profit margin	%	20.9	24.3	-341bps	-339bps
Eliminations	£m	(2)	(1)	-100.0%	-100.0%
Adjusted operating profit (inc. eliminations)	£m	304	253	+20.2%	+17.0%

* Distribution gross profit is Distribution revenue less the cost of distributing products. This was previously referred to as Distribution net revenue.

three key regions (Iberia, France and Italy), further enhanced by the contribution from acquisitions.

In Iberia, growth in gross profit was driven in part by tobacco and related products, with the former benefiting from manufacturer price increases in Spain which also led to a higher profit on inventory than in the prior year. The transport services recorded a strong growth year on year, partly as a result of the integration of the new acquisitions. In the long-distance segment, Logista Freight recorded single digit growth including the integration of Transportes El Mosca (100% consolidated with 73.3% stake). In the industrial parcel segment, Logista Parcel continued to benefit from improving demand for its services and has started to integrate with the Carbó Collbatallé network. Growth in the parcel delivery business benefited from the acquisition of Speedlink (70%) and from single digit growth in Nacex business. Pharmaceutical distribution continues to expand both its customer base and product offering.

In Italy, gross profit was supported by good performance in tobacco and NGP volumes together with strong growth in convenience products, driven by disposable vaping products. In July 2023, Logista announced the acquisition of Gramma Farmaceutici, a pharmaceutical distribution company in Italy, representing the first stage of our expansion into the pharma segment in Italy.

In France, gross profit was impacted by tobacco volume declines, following the excise tax increase mid-year with subsequent price increases by the tobacco manufacturers, which led to a profit on inventory much higher than in

the prior year. This was offset by the positive performance in convenience product distribution, driven by the growth in disposable vaping products.

Operating profit – Adjusted operating profit margin reduced by 339 basis points at constant currency as the acquired businesses diluted Logista's strong pre-acquisition margins. After eliminations, the adjusted operating profit contribution to the Group increased 17.0% on a constant currency basis, driven by the acquired businesses and a strong contribution from profit on inventory in Spain and France following manufacturers' price increases in the period. Restructuring charges of €14 million were included in adjusted operating profit. This is in line with our policy on adjusting items where restructuring charges are now not recognised as an adjusting item after FY22.

Cash – In line with the rest of Imperial Brands, 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 c.£1.8 billion, with movements in the cash position during the 12-month period varying from a high of c.£2.3 billion to a low of c.£0.9 billion, primarily due to the timing of excise duty payments. At 30 September 2023, the loan position was c.£2.0 billion compared to c.£2.1 billion at 30 September 2022.



ACCELERATING RETURNS



Lukas Paravicini
Chief Financial Officer

SUMMARY FINANCIAL INFORMATION

Volumes*

↓ **-7.1%**

led by declines in market size, offset by market share gains

Reported operating profit

↑ **+26.8%**

reflecting impact of exit from Russia in prior year

Reported basic EPS

↑ **252.4p**

an increase of 52.1%

Adjusted operating cash conversion

↓ **92%**

2022: 102%

Tobacco & NGP net revenue*

↑ **+1.4%**

at constant currency, driven by robust tobacco price mix and NGP growth

Adjusted operating profit*

↑ **+3.9%**

at constant currency, driven by tobacco pricing and Logista, offset by increased NGP losses

Adjusted EPS*

↑ **278.8p**

an increase of 4.3% on a constant currency basis

Adjusted net debt/EBITDA

↓ **1.9x**

2022: 2.0x

This year's financial results reflect the improving returns from our first year of the growth phase of our five-year strategy.

On a constant currency basis, tobacco & NGP net revenue grew 1.4% excluding Russia, reflecting strong tobacco price mix and NGP growth. Group adjusted operating profit rose 3.9%, on a constant currency basis. Including Russia, tobacco and NGP net revenue grew 0.7% and Group adjusted operating profit rose 3.8% on a constant currency basis.

Reported revenue declined -0.2% reflecting lower excise partially offset by higher Logista revenues. Reported operating profit increased 26.8% primarily driven by non-recurrence of exit charges related to the Russian asset disposal (£399 million) in the comparator period.

Cash generation remains a key focus and has supported the delivery of £2.4 billion of free cash flow, with 92% adjusted operating cash conversion. The strong cash generation has enabled us to invest behind our strategy, return £2.3 billion to shareholders via dividend and share buyback and to reduce reported net debt by £0.1 billion to £8.4 billion with adjusted net debt/EBITDA in line with expectations, reducing by 0.1x to 1.9x in FY23.

* Excluding Russia.

On a reported basis, cash flow reduced year on year due to the £1.0 billion share repurchase.

The strong free cash flow generation enables us to invest behind the strategy, a strengthened balance sheet and return capital to shareholders.

We have announced a further share buyback of up to £1.1 billion of shares during FY24. This is a 10% increase on last year's £1.0 billion buyback, where we repurchased 52,107,043 shares, or 5.5% of our share capital in FY23. In support of our progressive dividend policy,

we are also increasing our dividend per share of 4.0% for FY23.

We anticipate our growth phase will continue for the remainder of our five-year strategy as the business capitalises on the gains and investments we have previously made.

SUMMARY INCOME STATEMENT

£ million (unless otherwise indicated)	Reported		Adjusted	
	2023	2022	2023	2022
Revenue/net revenue/gross profit*				
Tobacco & NGP revenue/net revenue	21,656	22,795	8,012	7,793
Distribution revenue/gross profit	10,819	9,756	1,466	1,046
Operating profit				
Tobacco & NGP	3,106	2,472	3,583	3,441
Distribution	298	212	306	254
Eliminations	(2)	(1)	(2)	(1)
Group operating profit	3,402	2,683	3,887	3,694
Net finance costs	(298)	(117)	(410)	(326)
Share of profit/(losses) of investments accounted for using the equity method	7	(15)	7	9
Profit before tax	3,111	2,551	3,484	3,377
Tax	(655)	(886)	(781)	(755)
Profit for the year	2,456	1,665	2,703	2,622
Earnings per ordinary share (pence)	252.4	165.9	278.8	265.2
Dividend per share (pence)	146.82	141.17	146.82	141.17

* Reported revenue includes duty, similar items, distribution and sale of peripheral products, which are excluded from net revenue; net revenue comprises reported revenue less duty and similar items, excluding sale of peripheral products and distribution revenue. Distribution gross profit is Distribution revenue less the cost of distributing products. This was previously referred to as Distribution net revenue.

Impact of Russia exit

On 20 April 2022, we announced the transfer of our Russian business to local investors. This has affected the year-on-year performance comparison in these results. We provide below the contribution from our Russian business in FY22 for key metrics in order to facilitate comparison between the two periods; we have also provided year-on-year comparisons including and excluding Russia.

FY22 Russia contribution		Russia
Tobacco volume	bn SE	7.8
Tobacco & NGP net revenue	£m	56
Tobacco net revenue	£m	56
NGP net revenue	£m	-
Adjusted operating profit	£m	5

Alternative performance measures (APM)

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 Supplementary Information. 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.

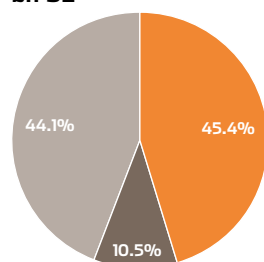
While we believe that adjusted performance measures can provide helpful information which supplements reported measures, we are also aware of the need to ensure that an appropriate balance is maintained between the two sets of reporting metrics, with adjusted disclosures not being given greater prominence than GAAP measures. This year, we have included adjusted performance measures to exclude our exit from Russia in April 2022.

GROUP RESULTS – ADJUSTED CONSTANT CURRENCY ANALYSIS

£ million (unless otherwise indicated)	Full year ended 30 September 2022	Foreign exchange	Constant currency movement	Full year ended 30 September 2023	Change	Constant currency change	cc change excluding Russia*
Tobacco & NGP net revenue							
● Europe	3,039	56	145	3,240	6.6%	4.8%	4.8%
● Americas	2,826	120	(134)	2,812	(0.5)%	(4.7)%	(4.7)%
● Africa, Asia, Australasia and Central & Eastern Europe	1,928	(12)	44	1,960	1.7%	2.3%	5.3%
Tobacco & NGP net revenue	7,793	164	55	8,012	2.8%	0.7%	1.4%
Tobacco & NGP adjusted operating profit							
● Europe	1,447	6	29	1,482	2.4%	2.0%	2.0%
● Americas	1,179	56	22	1,257	6.6%	1.9%	1.9%
● Africa, Asia, Australasia and Central & Eastern Europe	815	(16)	45	844	3.6%	5.5%	6.2%
Tobacco & NGP adjusted operating profit	3,441	46	96	3,583	4.1%	2.8%	2.9%
Distribution							
Gross profit	1,046	40	380	1466	40.2%	36.4%	36.4%
Adjusted operating profit including eliminations	253	8	43	304	20.2%	17.0%	17.0%
Group adjusted results							
Adjusted operating profit	3,694	54	139	3,887	5.2%	3.8%	3.9%
Adjusted net finance costs	(326)	(22)	(62)	(410)	25.8%	19.1%	19.1%
Adjusted eps (pence)	265.2	2.5p	11.1p	278.8	5.1%	4.2%	4.3%

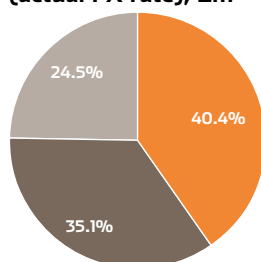
* Constant currency movement excluding Russia.

**Volumes,
bn SE**



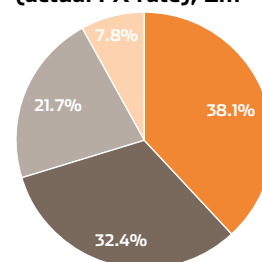
● Europe	89.9bn SE
● Americas	20.7bn SE
● AAACE	87.4bn SE

**Tobacco & NGP net revenue
(actual FX rate), £m**



● Europe	£3,240m
● Americas	£2,812m
● AAACE	£1,960m

**Adjusted operating profit
(actual FX rate), £m**



● Europe	£1,482m
● Americas	£1,257m
● AAACE	£844m
● Distribution	£304m

SALES PERFORMANCE

Reported revenue

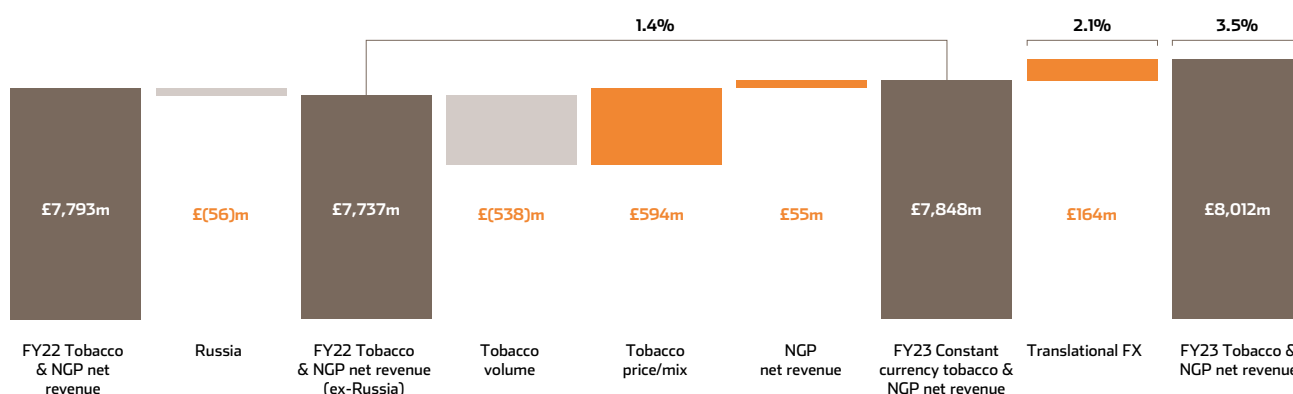
↓ -0.2%

Tobacco & NGP net revenue*

↑ +1.4%

* excluding Russia, at constant currency.

- Reported revenue declined -0.2% reflecting lower excise due to volume declines partially offset by higher Logista revenues.
- Tobacco & NGP net revenue grew +1.4% at constant currency excluding Russia, comprising +0.7% from tobacco and +26.4% from NGP; including Russia, net revenue grew by +0.7%.
- Tobacco volume was down -7.1%, reflecting declines across Europe, Americas and AAACE as a result of pressure on consumer spending; including Russia, tobacco volumes were down -10.4%.
- Aggregate market share growth in our top-five priority markets of +10bps (FY22: +35bps).
- Tobacco price mix was strong at +7.9% due to positive pricing. Including our exit from Russia, price mix was up +10.4%.
- NGP net revenue increased +26.4% at constant currency, led by product and market launches in Europe and AAACE, offsetting continued declines in the USA.
- Translation FX was favourable at +2.1% due to average sterling weakening against the dollar and euro.



OPERATING PROFIT

Reported operating profit

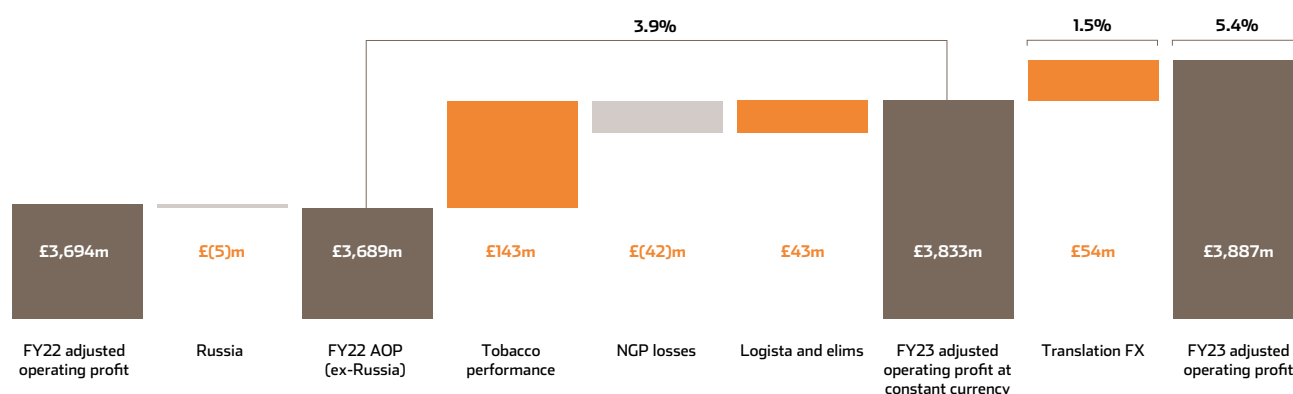
↑ +26.8%

Group adjusted operating profit*

↑ +3.9%

* excluding Russia, at constant currency.

- Reported Group operating profit of £3,402m increased by +26.8% primarily driven by non-recurrence of exit charges related to the Russian asset disposal (£399m) in FY22.
- Adjusted Group operating profit increased +3.9% at constant currency and excluding Russia, driven by Logista performance and strong tobacco pricing offsetting tobacco volume declines and increased NGP losses. Including Russia, Group adjusted operating profit increased +3.8%.
- Tobacco adjusted operating profit increased by +4.1% at constant currency and excluding Russia, reflecting strong pricing offsetting volume declines. Including Russia, tobacco adjusted operating profit rose +3.9% at constant currency.
- NGP losses increased +48.3% at constant currency as we increased investment behind product and market launches.
- Translation FX of +1.5% reflects average sterling weakening against the dollar and euro.



EARNINGS PER SHARE

Reported EPS

↑ **+52.1%**

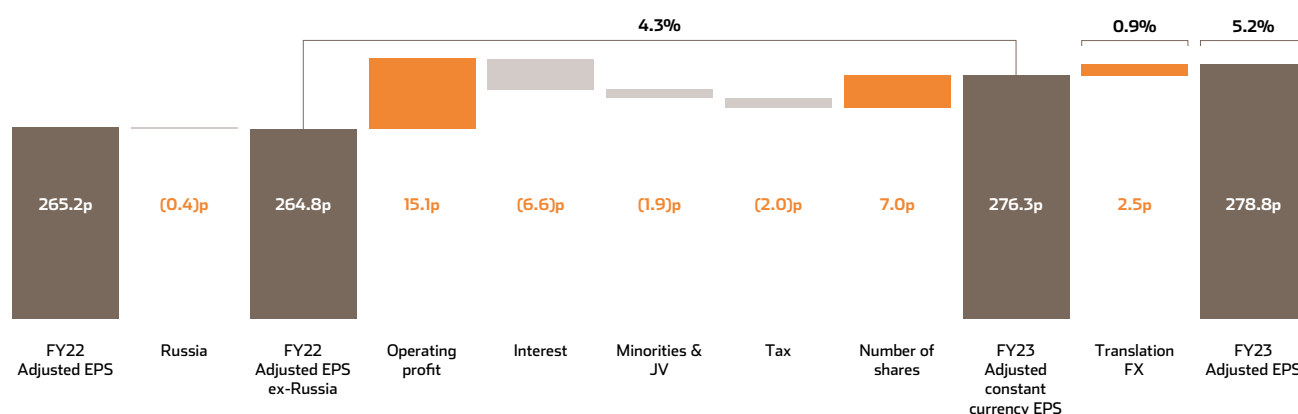
Adjusted EPS*

↑ **+4.3%**

- Reported EPS increased +52.1% to 252.4 pence driven by higher reported operating profit and a reduction in tax charge relating to favourable FX movements.
- Adjusted EPS was 278.8 pence, up +4.3% at constant currency and excluding Russia, due to increased adjusted operating profit and a lower share count as a result of the share buyback programme, offset by higher finance costs and minority interest costs, the latter reflecting higher

growth at Logista. Including Russia, adjusted EPS grew +4.2%.

* excluding Russia, at constant currency.



SUMMARY CASH FLOW STATEMENT

£ million (unless otherwise indicated)	Reported		Adjusted	
	2023	2022	2023	2022
Group operating profit	3,402	2,683	3,887	3,694
Depreciation, amortisation and impairments	632	660	270	244
EBITDA	4,034	3,343	4,157	3,938
Loss on disposal of subsidiary	1	428	-	-
Profit on disposal of assets	(39)	-	-	-
Other non-cash movements	70	56	7	(20)
Operating cash flows before movement in working capital	4,066	3,827	4,164	3,918
Working capital	(347)	40	(347)	40
Tax cash flow	(590)	(681)	(590)	(681)
Cash flows from operating activities	3,129	3,186	3,227	3,277
Net capital expenditure	(254)	(177)	(254)	(177)
Restructuring	-	-	(98)	(91)
Cash interest	(407)	(358)	(407)	(358)
Minority interest dividends	(104)	(89)	(104)	(89)
Free cash flow	2,364	2,562	2,364	2,562
(Acquisitions)/disposals	(183)	14	(183)	14
Shareholder dividends	(1,312)	(1,320)	(1,312)	(1,320)
Share buyback	(1,006)	-	(1,006)	-
Purchase of ESOT shares	-	(1)	-	(1)
Net cash (outflow)/inflow	(137)	1,255	(137)	1,255

CASH FLOW

Cash flows from operating activities were £3,129 million (2022: £3,186 million).

As anticipated, capital expenditure of £254 million was also higher than the prior year (2022: £177 million) and is anticipated to increase in 2024 to

within an expected range of £300 million to £350 million. The increased capital expenditure is supporting projects to drive simplified and efficient operations in line with our strategic plan.

Adjusted operating cash conversion was 92% (2022: 102%) on a 12-month basis.

£ million (unless otherwise indicated)

	2023	2022
Adjusted operating profit	3,887	3,694
Cash flow from operating activities post capital expenditure pre interest and tax	3,563	3,781
Adjusted operating cash conversion	92%	102%

Free cash flow of £2,364 million (2022: £2,562 million) was below the prior year primarily due to the lower cash flows from operating activities, the increase in capital expenditure and increased interest costs due to the higher cost of debt.

Restructuring cash costs were £98 million (2022: £91 million). We have cash spend from our three previous restructuring programmes: Cost Optimisation Programme I of £24 million (2022: £11 million), Cost Optimisation Programme II of £10 million (2022: £19 million) and the 2021 Strategic Review Programme of

£61 million (2022: £56 million) and other restructuring costs of £3 million. Together, the total cash spend for all three restructuring programmes is anticipated to be £1,558 million, of which £1,346 million has been spent to date. The remaining cash spend is ongoing, although is not expected to be in excess of the existing provisions.

£ million

	2023	2022
Restructuring cash cost	98	91
Cumulative to date	1,346	1,248
Anticipated total	1,558	1,558

The net cash outflow of £137 million (2022: £1,255 million inflow) reduced year on year, reflecting the share buyback programme and higher acquisition costs compared to the prior year. Acquisition costs were £183 million (2022: £14 million income) and relate to Imperial's acquisition of a range of nicotine pouches to be

launched in the US and that we announced in June and Logista's acquisition of Transportes El Mosca (73.3%) and Carbó Collbatallé S.L. (100%), all of which completed in the period. The £1.0 billion share buyback announced in October 2022 also completed in the period. We have

announced a further share buyback of up to £1.1 billion of shares during FY24.

RETURN ON INVESTED CAPITAL

Return on invested capital (ROIC) increased by 80 basis points, driven by an increase in net adjusting operating profit after tax. ROIC was 18.5% (2022: 17.7%).

Adjusted operating profit increased by £193 million. This offset the increase of

£64 million in average annual capital to drive an improvement in returns.

Our FY23 invested capital has reduced compared to the prior year mainly due to the translational FX impact on intangible assets.

£ million

	2023	2022
Reported operating profit	3,402	2,683
Adjusting items (APM section within Supplementary Information)	485	1,011
Adjusted operating profit	3,887	3,694
Equivalent tax charge	(871)	(827)
Net adjusted operating profit after tax	3,016	2,867
Working capital	(2,567)	(2,823)
Intangible assets	16,944	17,777
Property, plant and equipment	1,617	1,659
Invested capital	15,994	16,613
Average annual invested capital	16,304	16,240
Return on invested capital	18.5%	17.7%

ADJUSTED NET DEBT/EBITDA

Adjusted net debt reduced £28 million to £8,026 million (2022: £8,054 million) in the year, as continued strong cash generation supported additional return of capital to shareholders via a share buyback. Adjusted net debt/EBITDA reduced to 1.9x from 2.0x, in line with previous guidance.

Reported net debt reduced by £54 million to £8,438 million (2022: £8,492 million). Excluding accrued interest, lease liabilities and the fair value of interest rate derivatives providing commercial hedges of interest risk, Group adjusted net debt was £8,026 million (2022: £8,054 million).

£ million	2023	2022
Reported net debt	(8,438)	(8,492)
Accrued interest	125	105
Lease liabilities	349	248
Fair value of interest rate derivatives	(62)	85
Adjusted net debt	(8,026)	(8,054)
Adjusted EBITDA	4157	3938
Adjusted net debt/EBITDA	1.9x	2.0x

RECONCILIATION BETWEEN REPORTED AND ADJUSTED PERFORMANCE MEASURES

£ million unless otherwise indicated	Operating profit		Net finance (costs)/income		Earnings per share (pence)	
	2023	2022	2023	2022	2023	2022
Reported	3,402	2,683	(298)	(117)	252.4	165.9
Russia, Ukraine and associated markets	4	399	-	-	0.4	42.2
Amortisation & impairment of acquired intangibles	347	349	-	-	38.0	35.4
Restructuring costs	-	197	-	-	-	15.6
Fair value adjustment and impairment of other financial assets	36	37	-	-	3.4	3.9
Loss on disposal of subsidiaries	1	29	-	-	0.1	2.2
Acquisition and disposal costs	-	5	-	-	-	0.5
Excise tax provision	-	(9)	-	-	-	(1.0)
Charges related to legal provisions	85	-	-	-	6.4	-
Structural changes to defined benefit pension schemes	12	4	-	-	1.0	0.4
Brand impairment in equity accounted joint venture	-	-	-	-	-	2.5
Net fair value and exchange movements on financial instruments	-	-	(149)	(201)	(25.8)	(1.9)
Post-employment benefits net financing income	-	-	(13)	(8)	(1.4)	(0.8)
Tax settlement interest costs	-	-	50	-	5.2	-
Recognition of deferred tax assets	-	-	-	-	(23.0)	-
Provision for state aid recoverable	-	-	-	-	-	10.7
Uncertain tax positions	-	-	-	-	22.4	(6.7)
Deferred tax on unremitted earnings	-	-	-	-	-	(2.7)
Tax on unrecognised losses	-	-	-	-	-	0.8
Adjustments above attributable to non-controlling interests	-	-	-	-	(0.3)	(1.8)
Adjusted	3,887	3,694	(410)	(326)	278.8	265.2

Adjusting items

The main reconciling items of the Group's reported to adjusted operating profit are shown above.

In the period to 30 September 2023 adjusting items relate mainly to amortisation of acquired intangibles of £347 million (2022: £349 million) and fair value movements on derivative financial instruments £(149) million (2022: £(201) million).

Adjusting items in the prior period included net charges associated with Russia, Ukraine and associated markets which are significantly reduced in the current year to £4 million (2022: £399 million).

We have not treated restructuring costs as adjusting items in the FY23 results. Restructuring charges of £197 million in the prior year relate to the 2021 Strategic Review Programme which is now complete. There will be ongoing cash spend from past restructuring programmes.

During the period factory footprint rationalisation costs were supported by profit on sale of former operational sites and have not been included in adjusted items.

Finance costs

Adjusted net finance costs were higher at £410 million (2022: £326 million), reflecting higher interest rates in all major currencies during the year.

Reported net finance costs were £298 million (2022: £117 million), incorporating the impact of net fair value and foreign exchange gains on financial instruments of £149 million (2022: £201 million), post-employment benefits net financing income of £11 million (2022: £8 million) and tax settlement interest costs of £50 million (2022: nil). The net fair value gains of £139 million on financial instruments are primarily due to positive valuation movement of the Group's interest rate derivatives reflecting increasing market interest rate expectations in the year.

Our all-in cost of debt increased to 4.3% (2022: 3.5%) due to the refinancing of naturally maturing cheaper debt at higher rates and the impact of rising interest rates on the proportion of our debt that was not hedged.

Our interest cover decreased to 10.1x (2022: 12.1x) reflecting the increased adjusted net finance costs.

Given the rising interest environment, we expect upward pressure on finance costs going forward although we have hedging in place for 80% of our expected debt in FY24.

Taxation

Our adjusted effective tax rate is 22.4% (2022: 22.4%) and the reported effective tax rate is 21.1% (2022: 34.7%). The adjusted effective tax rate is in line with the prior year and our previously issued guidance for year ended 30 September 2023. The adjusted tax rate is lower than the reported rate due to limited tax relief arising on foreign exchange gains that arise on consolidation, the recognition of deferred tax assets for intangibles in the Group's Dutch business and an increase in uncertain tax positions in the Group's French and German businesses.

We expect our adjusted effective tax rate for the year ended 30 September 2024 to be around 23%.

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 Cooperation 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 adjusted earnings per share at constant currency (1.5% and 0.9%, respectively). Sterling weakened against the US dollar (4.3%) and weakened against the euro (2.7%). Other major currencies remained broadly flat compared to the prior year.

Dividend payments

The Group paid two interim dividends of 21.59 pence per share in June and September 2023.

The Board has approved a further interim dividend of 51.82 pence per share and will propose a final dividend of 51.82 pence per share bringing the total dividend for the year to 146.82 pence. This represents a 4.0% increase to the amount of 141.17 pence per share paid in the prior year and is in line with the Group's progressive dividend policy.

Dividend payments	Amount (pence)	Ex-date	Record dates	Payment date
First interim	21.59	25-May-23	26-May-23	30-Jun-23
Second interim	21.59	17-Aug-23	18-Aug-23	29-Sep-23
Third interim	51.82	23-Nov-23	24-Nov-23	29-Dec-23
Final	51.82	15-Feb-24	16-Feb-24	28-Mar-24


Funding/liquidity

During the year, we repaid the remaining \$354 million balance of our February 2023 \$1.0 billion bond and our €750 million bond in August 2023. We issued bonds of €950 million in the year with a coupon of 5.25%, maturing in February 2031. In September 2023, we swapped our remaining US dollar bonds to euro, therefore closing adjusted net debt was materially all euro. As at 30 September 2023, the Group had committed financing in place of around £12.9 billion, which comprised 28% bank facilities and 72% raised from capital markets. During the year the maturity date of €3,125 million of the Group's existing syndicated multicurrency facility was extended to 30 September 2026. Two further tranches of €184 million each were not extended and therefore maintain their maturity dates of 30 September 2025 and 30 March 2026, respectively. The Group also put in place an additional £550 million of committed bilateral bank facilities with maturity dates in September 2024.

The annual dividend represents a payout ratio of 52.7% with respect to basic earnings per share.

The third interim dividend will be paid on 29 December 2023 to shareholders registered on 24 November 2023. Subject to AGM approval, the proposed final dividend will be paid on 28 March 2024 to shareholders registered on 16 February 2024.

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 the exposure to the consequences of uncertainty. Risk is anything that could disrupt the achievement of the Group's strategy and objectives.

The Board and management have reviewed the risk landscape (current and emerging) and related profiling, with risk mitigations and impacts assessed.

Many of these risks are external and cannot be fully mitigated, and while 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, delivery of the 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 fast-moving consumer goods (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 inflationary pressures. This has resulted in increased commodity and energy prices as well as sustained economic pressures on consumer spending.

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 while remaining aligned to the Board's risk appetite.

RISK CAUSES

As a Group we face a number of 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 across the Group in relation to their impact on existing risks. 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 Group is exposed to geopolitical and economic conditions of the countries and regions in which it operates, which could impact its largest markets and may affect continuity of supply.

Any adverse geopolitical or economic developments in, or affecting, the Group's key countries and regions, including, but not limited to, increased international trade tensions or the outbreak of conflict could impact the Group and its operations.

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.

EMERGING RISKS

As part of the risk assessment performed by the Group Risk Committee and the Board, emerging risk topics have been discussed and considered.

Mass generative AI availability

A risk being considered is that of widely available, generative artificial intelligence rapidly surpassing our organisational ability to understand and respond to associated risks or capitalise on its opportunities. The Group continues to assess this emerging risk to identify opportunities and develop mitigations.

Regulatory change

Due to the highly regulated nature of the industry the Group operates in, new regulatory change risks are continuously emerging.

The Group considers any emerging regulatory change risks beyond the general three-year risk horizon, so that mitigations can be developed to manage the impacts of future changes.

Further regulatory changes are being considered in the UK, with a generational smoking ban and further restrictions on EVP products proposed. The Group is assessing this emerging risk and developing appropriate mitigations.

Who is involved?	What activities are completed? Assessment and evaluation of risks	How do we confirm risks are managed?
	Board <ul style="list-style-type: none"> • Oversight of the Group's internal control systems, risk management process and framework • Provides operational and strategic risk perspectives, ensuring these are considered in Group strategy • Sets the Group's risk appetite annually • Reviews the Group's principal risks and considers emerging risks and themes identified in six-monthly risk assessment process 	<ul style="list-style-type: none"> • Oversees risk management approach and reporting • Reviews results of semi-annual risk assessment, including the Group's principal risks • Discusses and agrees risk appetite for the Group's principal risks
	Audit Committee <ul style="list-style-type: none"> • Obtains and reviews scope, quality and results of assurance provided by internal and external audit • Reviews results of six-monthly risk assessment and provides assurance over the operation of the risk management framework 	<ul style="list-style-type: none"> • Oversees risk management approach and reporting • Regularly reviews results of assurance activities
	ELT <ul style="list-style-type: none"> • High-impact risks identified in "bottom-up" assessments are consolidated for review by ELT • Considers emerging risks and themes identified in risk assessment process • Regularly reviews results of Group Controls Matrix (GCM) internal control testing 	<ul style="list-style-type: none"> • Reviews results of assurance activities to ensure effective closure of any observations raised
	Risk Committee <ul style="list-style-type: none"> • Provides "top-down" insights to risk assessment process • Considers emerging risks and themes identified in risk assessment process • Provides input into development of risk management activities 	<ul style="list-style-type: none"> • Meets throughout the year to oversee risk management approach and reporting • Reviews results of assurance activities to ensure the effectiveness of risk mitigations
	Third Line <ul style="list-style-type: none"> • Group Internal Audit performs risk-based, challenging audits and provides insights and recommendations to the Audit Committee and management 	<ul style="list-style-type: none"> • Provides the Board with independent assurance over the effectiveness of the design and operation of the Risk Management Framework • Provides audit reports and reporting to management and the Audit Committee
	Second Line <ul style="list-style-type: none"> • Evaluation of functional risk registers by subject matter experts, in line with Board risk appetite, including review of first line risk assessments • Review and agreement of functional risk registers by functional leadership teams, with minimum six-monthly formal update • Formal completion of legal and regulatory disclosures (e.g. ESG-related, TCFD, Human Rights, Group Science regulatory certifications) 	<ul style="list-style-type: none"> • 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 Key Risk Indicators/Key Performance Indicators and assurance activities • Review results of GCM testing and identify common themes • Review results of assurance activities to ensure effective closure of observations raised
	First Line <ul style="list-style-type: none"> • Local ownership and accountability for completion and continued update of risk register, with minimum six-monthly formal update • 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 regular key control testing across the business – Group Controls Matrix (GCM) communicates key requirements and required testing 	<ul style="list-style-type: none"> • Leadership accountability for risk assessment and mitigation effectiveness • Regional leadership team oversight and input • Dedicated Global Business Services (GBS) Compliance function responsible for facilitating compliance activities in selected First Line operations • Management certification of compliance with Group policies, GCM financial control compliance, laws and regulations and notification of fraud on a six-monthly basis

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 134.





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.

The risks reported are those currently considered by the Board to have the most likely impact on achievement of the Group's objectives.

This year the previously reported tax legislation risk is no longer considered as a principal risk to the Group, and is not included below. The People and Organisation risk has been replaced by 'Effective management of organisational transformation'. Changes have been made to the way in which some of the remaining principal risks have been described.

Principal risk	Change in year
<p>PRICING, EXCISE OR OTHER PRODUCT TAX OUTCOMES NOT IN LINE WITH BUSINESS PLAN ASSUMPTIONS OR EXPECTATIONS</p> <p>Risk profile: </p> <p>Strategic impacts: </p> <p>Focusing on our priority markets Driving value from our broader portfolio</p>	<ul style="list-style-type: none"> • Pricing pressures resulting from sustained inflationary impact on consumer spend, triggered by unprecedented increases in prices for fuel, food and other commodities • Continued development of EU Excise Directive, which may include tax across next generation product (NGP) categories, with new rates to apply from FY27
<p>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</p>	
<p>MANAGEMENT OF POTENTIAL ADVERSE REGULATORY CHANGE AND RESPONSE TO REGULATORY CHANGE</p> <p>Risk profile: </p> <p>Strategic impact: </p> <p>Focusing on our priority markets Building a targeted NGP business</p>	<ul style="list-style-type: none"> • The FDA is expected to release final product standards that would ban menthol cigarettes and characterising flavours in cigars in the US by the end of 2023, though implementation is unlikely before FY25, if at all. Legislative proposals restricting flavours at state and local levels remain of concern. A separate regulatory proposal to implement a maximum nicotine level in cigarettes is unlikely to be implemented within the Group's three-year risk horizon • Generational smoking ban and further restrictions on EVP products proposed in the UK. The proposed generational smoking ban would have a gradual impact from 2027 onwards • Wider alignment between Tobacco and NGP regulation could arise in the EU under reforms to EU Tobacco Products Directive (EUTPD) and other legislation, and globally as a result of decisions made at the WHO Conference of Parties • Single use plastics Extended Producer Responsibility legislation introduced in the EU and the UK with expected financial impact from FY24 • Disposable vapes face political pressure in Europe • Australia's National Tobacco Strategy seeks to further standardise product, pack and marketing by 2025 • New Zealand's law prohibiting all but "very low nicotine" cigarettes will be implemented in 2025 and combines with other generational and retail restrictions • Heated tobacco characterising flavour ban in Europe
<p>Regulatory change aimed at further de-normalising the sale, marketing and consumption of tobacco and nicotine products adversely impacts the Group's products, markets, manufacturing processes, customers and/or consumers</p>	

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





Impact	Mitigation	Opportunity
<ul style="list-style-type: none"> • In markets where consumers are increasingly price-conscious, high price increases impact product demand and volumes sold • Pricing pressures may result from significant pressures on consumer disposable income, as well as increases in taxation further increasing product price. This could result in downtrading to lower price products/categories or an increase in the attractiveness of illicit product, impacting sales volumes • 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 	<ul style="list-style-type: none"> • 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 • Tools in use to better model and predict impacts of excise, inflation and other consumer pressures • Pricing strategies regularly reviewed by regional leadership teams • 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 	<ul style="list-style-type: none"> • 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 • Tailored product portfolio offerings at a local level, within and across categories, allow for any relative commercial advantage from excise mechanisms to be realised • Opportunity for use of technology and artificial intelligence-enabled tools to analyse, simulate and better predict price and promotion moves across our categories
<ul style="list-style-type: none"> • Regulatory change can restrict product specification (e.g. menthol or other flavour ban), consumer interaction, and product supply, and place restrictions on consumers' ability to enjoy our products (potentially impacting sales volumes and market size), and to access potentially reduced-risk nicotine products • 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 	<ul style="list-style-type: none"> • A reviewed set of Group public policy positions is in place to align with regulatory developments • Engagement with regulatory authorities • 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 opportunities identified • Legal action can be taken to defend against or prevent regulatory change where this impacts legal freedoms 	<ul style="list-style-type: none"> • While stringent regulation proves a burden on all firms, the burden is less on those that operate from an existing high baseline of responsibility and have advanced compliance systems • Regulation can benefit consumers and responsible market players through preventing less responsible companies from discrediting product categories • Some global regulators have adopted a policy of tobacco harm reduction, which recognises 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
<p>PRODUCT SUPPLY FAILS TO MEET MARKET DEMANDS</p> <p>Risk profile: </p> <p>Strategic impact: </p> <p>Focusing on our priority markets Building a targeted NGP business</p> <p>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</p>	<ul style="list-style-type: none"> Continued global cost inflation, notably in leaf, non-tobacco materials and conversion costs, has impacted, and will continue to impact, the cost of goods. The Russian invasion of Ukraine has continued to impact energy prices in Europe Pressures on the Group's logistics supply chain have eased due to the relaxation of regional COVID-19 lockdown restrictions Geopolitical tensions have continued to increase, with the potential to impact global supply chains if there are any adverse developments in, or affecting, the Group's key countries and regions Continuing frequency of adverse weather globally due to climate change potentially impacting supply chains, notably cigar operations in our Caribbean factories and Philippines
<p>MAJOR INCIDENT RESULTING FROM CYBER OR SIMILAR TECHNOLOGY RISK</p> <p>Risk profile: </p> <p>Strategic impact: </p> <p>Simplified and efficient operations</p> <p>Cyber-attack or other technology incident results in a major system outage or loss, theft or corruption of sensitive data. The criticality of Group systems, notably those which are Track-and-Trace related, continues to increase, with key reliance on system availability both internally and through the supply chain</p>	<ul style="list-style-type: none"> The Group continues to operate in an external environment with heightened geopolitical risk, including in a number of the Group's markets and regions, which highlights the continued risk of corporate cyber-attacks, notably ransomware Increasing trend in security incidents reported within our extended supply chain, emphasising the importance of our commitment to third-party security controls
<p>PRODUCT PORTFOLIO AND INTERACTIONS WITH CONSUMERS NOT ALIGNED TO CONSUMER PREFERENCES</p> <p>Risk profile: </p> <p>Strategic impact: </p> <p>Consumer at the centre of the business Building a targeted NGP business</p> <p>Product portfolio not aligned to consumer needs or demands, and/or product development not sufficiently agile to respond to changes in preferences. Brand strength is not sufficient to attract or retain customers</p>	<ul style="list-style-type: none"> Continued emergence and growth of new low-price tiers across many markets Continuation of downtrading trend in which consumers become increasingly value-driven due to inflationary pressures on disposable income and increasing taxes on tobacco products Evolving consumer preferences in NGP categories, including a shift towards disposable vapes

Impact	Mitigation	Opportunity
<ul style="list-style-type: none"> 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 increased cost of goods 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 	<ul style="list-style-type: none"> 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 disruptive crisis events to date incorporated into strategic and operational processes and plans 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Loss of critical systems could impact product supply to distributors 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 	<ul style="list-style-type: none"> Enterprise Security Office set up to continually improve approach Cyber risk assessment completed, and actions implemented to protect business Vulnerability scanning in place to ensure ongoing vulnerability identification External penetration testing completed on an ongoing basis Ongoing investment in security monitoring tools Modernisation of critical site network security controls (e.g. firewalls) Crisis management scenario planning and response activities in place and tested 	<ul style="list-style-type: none"> Continued modernisation of the Group's IT environment alongside the Group's security awareness and culture programme provide opportunity to further mitigate cyber risk exposure
<ul style="list-style-type: none"> 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 identify changes in consumer trends could result in lost opportunities, notably in our NGP categories where innovations are more prevalent 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 	<ul style="list-style-type: none"> Wide portfolio across all combustible value tiers NGP launches across categories, including a disposable device Continued investment in advertising and promotional spend Global Consumer Office accountability for product/brand strategy and initiatives Innovations and go-to-market plans are validated against consumer needs and preferences Excise strategies, marketing guidelines and product standards developed to support our consumers and our business Consumer panels used to gather consumer insights Brand monitoring, including equity tracking Innovation processes develop consumer products based upon robust analysis, testing and scientific support Formalised and consistent Insights approach Consumer Insights Centre of Expertise established Data sources controlled to ensure consistency and robustness of information and insights Intellectual property risks managed by Group experts and external legal support 	<ul style="list-style-type: none"> 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 Portfolio strategy workshops in priority markets to ensure clear brand roles, with brand strategies and initiatives in place to seize opportunities

Principal risk	Change in year
<p>CHANGES IN MARKET ENVIRONMENT</p> <p>Risk profile: </p> <p>Strategic impact: </p> <p>Focusing on our priority markets Driving value from our broader portfolio</p> <p>Failure to obtain or effectively respond to commercial insights and learnings, resulting in loss of market share or inability to capitalise on commercial opportunities</p>	<ul style="list-style-type: none"> Continued 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 Rapid development and proliferation of new NGP categories such as disposable vapes Continued economic pressure on consumers due to inflationary pressures and economic uncertainty across our market footprint
<p>DEVELOPMENT OF A SUSTAINABLE HARM-REDUCTION CATEGORY</p> <p>Risk profile: </p> <p>Strategic impact: </p> <p>Building a targeted NGP business</p> <p>Failure to develop a portfolio of commercially sustainable, science-based, potentially reduced harm products, that meet consumer needs, could impact the Group's ability to seize market opportunities and deliver its ESG agenda</p>	<ul style="list-style-type: none"> Decision in August 2023 by United States Court of Appeals for the District of Columbia Circuit to vacate the FDA's Marketing Denial Order for our myblu pod-based vapour portfolio Continued competitor activity in the NGP market with growth in category size through new product developments, product launches and marketing initiatives Significant shift towards disposables in vape Increasing regulation of NGP, with potential further flavour bans, disposables bans and plain packaging being considered
<p>DELIVERY OF ESG STRATEGY NOT ALIGNED TO STAKEHOLDER EXPECTATIONS</p> <p>Risk profile: </p> <p>Strategic impact: </p> <p>Focusing on our priority markets Simplified and efficient operations</p> <p>Failure to deliver on 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</p>	<ul style="list-style-type: none"> Continued focus on ESG-related matters from investors and external stakeholders New reporting requirements announced, such as the EU Corporate Sustainability Reporting Directive which will cover all pillars of environmental, social and governance. In-scope subsidiaries of the Group will be required to comply with this by 2025 Upcoming EU Corporate Sustainability Due Diligence Directive will introduce further requirements from FY25 to conduct due diligence throughout our global value chain As with all multinationals, the Group continues to face increasing climatic impacts across its global footprint In 2023, a double materiality assessment was performed and confirmed that the eight focus areas of our ESG strategy remain priorities for our stakeholders

Impact	Mitigation	Opportunity
<ul style="list-style-type: none"> • Failure to respond to changes in market environment could make the Group's products less attractive to consumers, resulting in reduced sales • 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 	<ul style="list-style-type: none"> • Formalised and consistent Insights approach • Market impacts analysed as part of market size calculations • Empty Pack Survey 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 	<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • 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 • Failure to develop a sustainable commercial model for all NGP categories could result in failure to achieve NGP ambition 	<ul style="list-style-type: none"> • Test-and-learn approach followed across categories and markets to ensure feedback and learnings captured and responded to • Successful launches of new and updated heated tobacco, oral nicotine and vape products in selected markets, including launch of blu bar • Acquisition of US range of nicotine pouches from TJP Labs to facilitate entry into the US modern oral market • 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 • Engagement with regulatory authorities • Intellectual property risks managed by subject matter experts within the Group and external legal support 	<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 • Human Rights Compliance Working Group meets regularly, specialist human rights capabilities recruited, Human Rights Policy in place and Modern Slavery Audits conducted by the ESG function • 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 • Investments in the NGP business to offer adult smokers potentially reduced harm products continue 	<ul style="list-style-type: none"> • 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

Principal risk	Change in year
<p>ADVERSE JUDGMENT OR IMPACT IN LITIGATION CASE</p> <p>Risk profile: </p> <p>Strategic impact: </p> <p>Simplified and efficient operations</p> <p>As with other corporates, litigation and other claims are pending against the Group. The interpretation of the law and the related judgments made in relation to these laws can lead to dispute or investigation and possible financial costs or reputational damage</p>	<ul style="list-style-type: none"> Increasing external trend of ESG-related litigation risks with external focus on human rights issues in international supply chains, greenwashing claims and shareholder activist claims
<p>EFFECTIVE MANAGEMENT OF ORGANISATIONAL TRANSFORMATION</p> <p>Risk profile: </p> <p>Strategic impact: </p> <p>Performance-based culture and capabilities Simplified and efficient operations</p> <p>Risk of ineffective design, implementation and benefit realisation of organisational transformation. Failure to attract, retain or develop employees with the required knowledge and experience may impact the Group's ability to achieve its strategic objectives</p>	<ul style="list-style-type: none"> Significant transformation activity across the Group, including both ongoing and new programmes

Impact	Mitigation	Opportunity
<ul style="list-style-type: none"> • 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 • 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 	<ul style="list-style-type: none"> • 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 	
<ul style="list-style-type: none"> • If organisational transformation is not effectively managed, this could result in disruption to delivery of business objectives or higher cost of implementation than forecast • High demand for local resources to support transformation programmes could result in impacts on employee engagement 	<ul style="list-style-type: none"> • Transformation Centre of Expertise working in conjunction with Independent Quality Assurance and Internal Audit to support successful delivery versus agreed milestones and to identify/address key programme interdependencies and risks • 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 • Global Talent Acquisition function established, and annual Talent Review performed • Skills and Capability Framework launched • Change capability embedded into major change programmes and standardised approach to change management being developed • Specialist Organisation Design and Effectiveness expertise recruited 	<ul style="list-style-type: none"> • Improved efficiency/ effectiveness of decision-making across the business given improved data availability and more streamlined ways of working

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. 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 is of greatest concern to the short-term liquidity of the Group.

The Directors have assessed the emerging and 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 and tax payments; and/or other legal and regulatory risks materialising of c.£500 million.
- A rapid and lasting deterioration to the Group's profitability because markets become closed to tobacco products or there are sustained failures to our tobacco manufacturing and supply chains. These assumed a permanent reduction in profitability of 15% from 1 October 2023.

The scenario planning also considered mitigation actions including reductions to capital expenditure, 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, working capital management, retrenchment of leases and discussions with lenders about capital structure.

Under the reverse stress test scenario, after considering mitigation actions including reductions of capital expenditure, dividend payments and share buyback programme, we have modelled that a 38% EBITDA reduction would lead the Group to have sufficient headroom until April 2024. The Group believes this reverse stress test scenario to be remote given the relatively small impact on our trading performance and bad debt levels during the COVID-19 pandemic, as well as the current political situation in Ukraine. In

this scenario the Group would implement a number of mitigating actions including revoking the uncommitted dividend, pausing the share buyback and reducing discretionary spend such as capital expenditure.

Based on its review of future cash flows covering the period through to November 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 have adequate resources to meet their operational needs from the date of this report through to 30 November 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 to assess its viability. This review, which is based on the business plan which was completed in July 2023, 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 100 to 101.

In addition, we describe in notes 20 to 21 on pages 210 to 220 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

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 conducted a robust assessment of the emerging and 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 refinanced 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, considering 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 2026. 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 likely landing. 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:

- 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, return of surplus capital to investors via share buyback, plus promotional marketing programmes.
- 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.

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.	<p>The maximum quantifiable impact of all envisaged business risks, including the impact of a loss of market size and share and lack of pricing.</p> <p>The value of these combined risks totals £1.3 billion over the three-year period under review.</p> <p>A further worst-case scenario has also been considered, modelling 15% reduction on remaining EBITDA after consideration of the isolated business risks. The value of this EBITDA modelled totals £1.9 billion over the three-year period under review.</p>	<ul style="list-style-type: none"> • Pricing, excise or other product tax outcomes not in line with business plan assumptions or expectations • Management of potential adverse regulatory change and response to regulatory change • Product supply fails to meet market demands • Major incident resulting from cyber or similar technology risk • Product portfolio and interactions with consumers not aligned to consumer preferences • Changes in market environment • Development of a sustainable harm-reduction category • Delivery of ESG strategy not aligned to stakeholder expectations • Effective management of organisational transformation
The possible costs associated with legal and other regulatory challenges, including competition enquiries and tax audits.	<p>Failure to successfully defend existing and reasonably foreseeable future legal and regulatory challenges, at the expected financial exposure.</p> <p>The value of these combined risks is c.£0.1 billion.</p>	<ul style="list-style-type: none"> • Adverse judgment or impact in litigation case • Delivery of ESG strategy not aligned to stakeholder expectations

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 our 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).


In FY23, we also conducted a quantified climate scenario analysis with 4°C and 1.5°C pathways aligned with the recommendations of TCFD (Task Force on Climate-related Financial Disclosures) and Paris Agreement. The scenario analysis takes into consideration climate-related physical and transition risk in the short, medium and long term (up to 2050). The Group does not consider climate change to be a risk from a viability perspective. The Group holds c.12 months of leaf stock therefore any shortage or incremental cost caused by a natural event would only impact part of the period under review. Any incremental cost would have an EBITDA impact lower than that modelled as part of the scenario testing.

CONCLUSION

On the basis of this robust assessment of the emerging and principal risks facing the Group, and on 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 Group will be able to continue in operation and meet its liabilities as they fall due over the period to September 2026.

The Strategic Report was approved by the Board and signed on its behalf.

By order of the Board.



Emily Carey
Company Secretary

GOVERNANCE

STRUCTURE AND CONTENT OF THE GOVERNANCE REPORT

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GOVERNANCE

The Board confirms that the Group complied with the principles and all relevant provisions of the UK Corporate Governance Code 2018 (the "Code") for the period under review. The Code is publicly available at www.frc.org.uk.




Board and Committee membership as at 30 September 2023

	Board	Audit Committee	Remuneration Committee	People & Governance Committee
Non-Executive Directors				
Thérèse Esperdy (Chair)	◆ ¹		◆	◆ ¹
Sue Clark (SID)	◆	◆	◆ ¹	◆
Diane de Saint Victor	◆		◆	◆
Ngozi Edozien	◆	◆		◆
Andrew Gilchrist ²	◆	◆		◆
Alan Johnson	◆	◆		◆
Bob Kunze-Concewitz	◆		◆	◆
Jon Stanton	◆	◆ ¹	◆	◆
Executive Directors				
Stefan Bomhard (CEO)	◆			
Lukas Paravicini (CFO)	◆			

1. Denotes Chair

2. Andrew Gilchrist appointed to the Board on 1 March 2023.

Board nationality

British*	
American	
German	
French	
Italian*	
Swiss	
Nigerian	
Austrian	

* Alan Johnson has dual British-Italian nationality.

Board and Executive Management Gender Diversity as at 30 September 2023

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	6	60	2	7	64
Women	4	40	2	4	36
Prefer not to say	0	0	0	0	0

Board and Executive Management Ethnic Diversity as at 30 September 2023

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	8	80	4	9	82
Mixed/Multiple Ethnic Groups	0	0	0	0	0
Asian/Asian British	0	0	0	1	9
Black/African/Caribbean/Black British	2	20	0	1	9
Other ethnic group, including Arab	0	0	0	0	0
Not specified/prefer not to say	0	0	0	0	0

Non-Executive Director skills matrix

	Fast-moving consumer goods (FMCG)	Innovation and product development	Global business leadership	Finance and risk	People and organisational transformation	Legal and regulatory affairs	Environment, sustainability and governance	Technology and digital
Thérèse Esperdy			◆	◆	◆		◆	
Sue Clark	◆		◆		◆	◆	◆	
Diane de Saint Victor				◆	◆	◆	◆	◆
Ngozi Edozien	◆			◆	◆			
Andrew Gilchrist	◆	◆		◆				◆
Alan Johnson	◆			◆	◆		◆	
Bob Kunze-Concewitz	◆	◆	◆		◆		◆	
Jon Stanton		◆	◆	◆	◆		◆	◆


Non-Executive Director tenure

As at 30 September 2023

	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-6 years	6-7 years	7-8 years	8-9 years	9+ years
Thérèse Esperdy								◆		
Sue Clark					◆					
Diane de Saint Victor			◆							
Ngozi Edozien			◆							
Andrew Gilchrist	◆									
Alan Johnson			◆							
Bob Kunze-Concewitz				◆						
Jon Stanton					◆					


1. BOARD LEADERSHIP AND COMPANY PURPOSE

The Company is led by an effective and determined Board, focused on the long-term sustainable success of the Company, generating value for shareholders and other stakeholders, and contributing to wider society.

 Read more on pages 17 and 116 to 125.


2. DIVISION OF RESPONSIBILITIES

The Chair and the Chief Executive Officer have clearly defined and separate responsibilities, and there is an appropriate combination of Executive and independent Non-Executive Directors.

 Read more on page 120.


3. COMPOSITION, SUCCESSION AND EVALUATION

Appointments are subject to a formal, rigorous and transparent procedure. Succession plans, designed to promote diversity, including gender, social and ethnic backgrounds and cognitive and personal strengths, are in place for the Board and senior management. An evaluation of the Board and its Committees is undertaken annually, in line with the Code.

 Read more on pages 129 to 133.


4. AUDIT, RISK MANAGEMENT AND INTERNAL CONTROL

Formal, transparent policies and procedures are in place to ensure the independence and effectiveness of the internal and external audit functions and the integrity of financial and narrative statements, and to manage and mitigate risks.

 Read more on pages 134 to 141.

5. REMUNERATION

The Company has remuneration policies and practices designed to support its strategy and promote long-term sustainable success. Executive remuneration is aligned to the Company's purpose and vision, and is clearly linked to the delivery of the Company's long-term strategy.

 Read more on pages 142 to 163.

READY FOR THE NEXT PHASE OF OUR STRATEGY



DEAR SHAREHOLDER

I am pleased to introduce the Governance section of this year's Annual Report.

The year in review

The Group has maintained momentum in its delivery against the strategic plan. We are in the third year of our five-year strategy and have seen further improvements in Imperial's operational and financial performance, despite the challenging macro-economic headwinds over the year.

The Board's confidence in the sustained strategic progress of the Group is reflected by the recent announcement of a further buyback of up to £1.1 billion-worth of shares from October 2023 to the end of September 2024. We successfully completed our first £1 billion share buyback programme in September 2023.

The Board has been engaged this year, completing deep dive reviews of our Tier 1 markets and visiting key regional clusters. We have spent time with our

refreshed Executive Leadership Team (ELT) which I believe has contributed to an open and productive working relationship. This has enabled us to constructively challenge, scrutinise and support as the ELT delivers the strategy and reacts to external, market and regulatory changes.

Throughout this period the Board has continued to fulfil its core role to oversee the Company's governance framework, risk and change management, financial controls and culture.

Board succession

In February 2023, Simon Langelier retired as a Non-Executive Director. I would like to thank Simon for his advice and support to the Company over the past six years.

Recognising Simon's skills and experience, we looked to make a new NED appointment that provided additional strength in finance and deep experience in the tobacco sector. I am delighted that Andrew Gilchrist joined

us as a Non-Executive Director on 1 March 2023 and the Board has already benefited from his insight and knowledge in its discussions.

We have continued to enhance the capability amongst our Directors, aiming to have the necessary skills, experience and diversity to deliver the strategy and strong performance.

I believe the company and our shareholders are well-served by the strong mix of geographic, operational, functional, gender and ethnic diversity of the Board.

Diversity

Imperial continues to make progress on diversity, equity and inclusion (DEI). We remain committed to having a Board that is diverse in all respects.

Throughout the year and up to the date of this report our Board has met the UK Listing Rule targets regarding the representation of women and ethnic minorities at Board level.

I am pleased that across the wider workforce we continue to progress against our five-year DEI strategy and ambitions, reflected in the strong results in this year's employee engagement survey.



Read about our Board's diversity and its skills and experience on pages 116 to 119.

Stakeholders

The Group's success is dependent upon the Board taking decisions for the benefit of its shareholders whilst having regard to all our stakeholders.

The Board's focus during the year has been to oversee the continuing transformation of our business, the delivery of our strategy and responding to the challenges of the macro environment. The Board aims to ensure that Imperial can have sustainable, long-term success and we remain mindful of the impact of decisions made on the Group's various stakeholders in line with SI72 of the Companies Act 2006.

Throughout the year the Board has continued with the workforce engagement programme, including "Meet the Board" sessions, informal events, site visits and engagement on executive remuneration. The Board has received updates on the views and feedback of institutional investors and has had interaction with consumers to gauge views on our brands and products.

We remain committed to understanding the views of all of Imperial's stakeholders to inform the decisions that we make.



Further information on our stakeholder engagement can be found on pages 32 to 36 and in our Section 172 statement on pages 126 to 128.

Culture

The Board recognises the importance of culture for the successful delivery of our strategy. During the year we reflected on our culture change and people strategies which aim to create an inclusive and strong performance culture across Imperial. We received regular updates on our transformation programme and the workstreams focused on talent, diversity and inclusion.

Board effectiveness

This year we engaged an independent effectiveness review of the Board and its Committees. This enabled us to receive an objective view of the performance of the Board and reflect on our progress since the previous external review in 2021 and the organisational change programme which has been underway during that time.

The review highlighted the cohesion and diversity of the boardroom, strong levels of trust and transparency and the support and challenge of the Board as it has overseen cultural change and transformation within the business. Going forward the review has proposed areas of focus as we aim to maintain and enhance our effectiveness.



Details of this year's evaluation, and the progress made against last year's actions can be found on page 133.

AGM

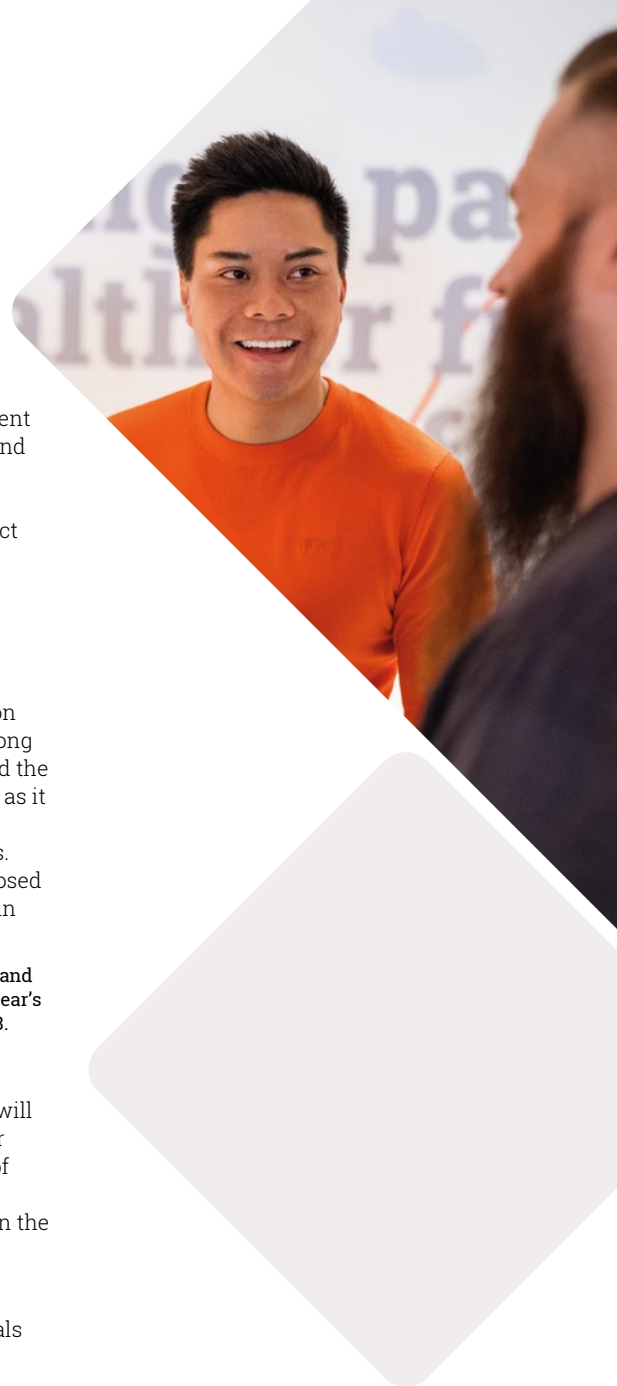
The 2024 Annual General Meeting will be held on 31 January 2024. Further details can be found in the Notice of Annual General Meeting sent to shareholders and made available on the Company's website.

Closing thoughts

I am mindful of the many individuals who have contributed to Imperial's continued progress over the year.

I would like to thank Stefan and his team for their leadership and their achievement in delivering Imperial's strategy and transformation; all my fellow Board members for creating an open and constructive environment which allows for debate and different views to be expressed; and finally Imperial's employees who have worked tirelessly to make the Company what it is today.

Thérèse Esperdy
Chair



BOARD OF DIRECTORS

A SKILLED AND DIVERSE BOARD



Thérèse Esperdy

Chair **P** **R**

Tenure

Appointed to the Board in July 2016 and became Senior Independent Director in May 2019 before being appointed Chair in January 2020.

Nationality

American

Biography

Thérèse has significant international investment banking experience having held a number of roles at JP Morgan including global chair of JP Morgan's Financial Institutions Group, co-head of Asia-Pacific Corporate & Investment Banking, global head of Debt Capital Markets, and head of US Debt Capital Markets. She began her career at Lehman Brothers and joined Chase Securities in 1997 prior to the firm's merger with JP Morgan in 2000.

Skills and experience

Thérèse has enjoyed a distinguished and lengthy career in banking and international business. She is an experienced leader and board member of multinational companies, bringing insight and understanding of shareholder views and the highest standards of corporate governance. Thérèse continues to play a pivotal role facilitating constructive challenge and oversight within the Board.

Outside interests

Senior independent director of National Grid plc (due to retire on 31 December 2023) and non-executive director of Moody's Corporation.

Stefan Bomhard

Chief Executive Officer

Tenure

Appointed in July 2020

Nationality

German

Biography

Stefan joined Imperial from Inchcape plc, a global distribution and retail leader in the premium and luxury automotive sectors, where he delivered successful transformational change during a five-year tenure as chief executive.

Prior to Inchcape, Stefan was president of Bacardi Limited's European region and was also responsible for Bacardi's Global commercial organisation and Global Travel Retail. Previous roles have included chief commercial officer of Cadbury plc and chief operating officer of Unilever Food Solutions Europe. This followed senior management and sales and marketing positions at Diageo (Burger King) and Procter & Gamble.

Skills and experience

Stefan brings extensive experience of consumer companies and retail transformation from a career in a variety of leading multinational and brand-driven businesses. His in-depth knowledge of marketing and a long career in brand-building and challenger businesses makes him uniquely placed to lead Imperial and deliver its strategy.

Outside interests

Non-executive director of Compass Group plc.



Find out more at www.imperialbrandspc.com/how-we-are-transforming/our-leadership-team

Committee membership

- P** People and Governance Committee
- A** Audit Committee
- R** Remuneration Committee
- Committee Chair



Lukas Paravicini
Chief Financial Officer

Appointment
Appointed May 2021.

Nationality
Swiss

Biography
Lukas has a proven track record in multinational consumer goods companies around the world. He joined Imperial from agricultural commodities and brokerage group ED&F Man Holdings, where he was chief financial officer. He has also held senior positions at Fonterra, a New Zealand and Australia listed co-operative and the world's largest dairy exporter, with sales in 130 countries. He was chief financial officer from 2013-2017 and chief operating officer, Global Consumer and Foodservice Business from 2017-2018. Prior to that, he spent 22 years with Nestlé in various senior finance and general management roles.

Skills and experience
Lukas brings a breadth of financial, IT and operational expertise from his extensive career in consumer companies, allowing him to provide insight to the Board on financial and commercial issues. His wide-ranging experience allows him to manage a broad portfolio as CFO, including the implementation of global shared services in complex multinational organisations, technology transformation and cybersecurity.

Outside interests
Member of The 100 Group of finance directors of the FTSE 100.



Sue Clark
Senior Independent Director (A) (P) (R)

Tenure
Appointed Non-Executive Director in December 2018, Chair of the Remuneration Committee in February 2019 and Senior Independent Director in January 2020.

Nationality
British

Biography
Sue has strong international business credentials with over 20 years' executive committee and board-level experience in the FMCG, regulated transport and utility sectors. Sue held the role of managing director of SABMiller Europe and was an executive committee member of SABMiller plc. She joined SABMiller in 2003 as corporate affairs director and was part of the executive team that built the business into a top-five FTSE company.

Skills and experience
Sue has had a long career in senior executive and non-executive roles across international corporates, notably in the areas of regulatory affairs and government relations. This invaluable perspective has particularly informed the Board's discussions on strategy and ESG. Sue's experience gives her a deep understanding of shareholder views and strong corporate governance, making her ideally suited in the roles of Senior Independent Director and Chair of the Remuneration Committee.

Outside interests
Non-executive director of Britvic plc (where she chairs the remuneration committee), non-executive director of Mondi plc and senior independent director of easyJet plc.



Diane de Saint Victor
Non-Executive Director (P) (R)

Appointment
Appointed November 2021.

Nationality
French

Biography
Diane has strong legal, regulatory, M&A, business alliance and ESG experience, having held a number of general counsel, company secretary and other key roles in an international career. She spent 13 years on the executive committee, as general counsel & company secretary, of ABB, the global technology company. Prior to joining ABB, she served as a senior vice president and general counsel of Airbus Group and as vice president and general counsel at SCA Hygiene Products. Diane spent a decade working at Honeywell, ultimately holding the post of vice president and general counsel international. She started her career with various legal and government relations positions at GE.

Previous non-executive director positions include Barclays plc, Altran, Natixis and Transocean.

Skills and experience
Diane brings over 30 years' experience of broad international legal, governance and regulatory expertise gained from a range of senior executive and non-executive positions in multinational organisations, as well as experience of transforming organisations in sectors undergoing change.

Outside interests
Non-executive director of WNS (Holdings) Limited and non-executive director of C&A AG.



Ngozi Edozien
Non-Executive Director A P

Tenure
Appointed November 2021.

Nationality
Nigerian

Biography
Ngozi has over 35 years' experience in finance/private equity, general management and strategy/business development functions with multinational companies in Europe, the US and Africa. She joined McKinsey & Company in 1992, leaving in 1999 to join Pfizer Inc. as vice president, Pfizer Global Pharmaceuticals (PGP) Strategic Planning and Business Development, a position she held until her appointment in January 2005 as the regional director, PGP East, Central and Anglophone West Africa. She served as head of West Africa for Actis LLP from 2009 until 2014 allowing her to leverage previous experience in corporate finance at JP Morgan.

Previous non-executive director positions include PZ Cussons and Vlisco plc.

Skills and experience
Ngozi's 35-year career across finance, strategy, transformation and business development allows her to bring profound insight into regulated, customer-focused FMCG businesses, an area of strategic importance to Imperial Brands. Her expertise in innovation and strategic change has proved valuable as the Board oversees the Company's transformation programme.

Outside interests
Non-executive director of Guinness Nigeria (a listed subsidiary of Diageo) and non-executive director of Bank of Africa – BMCE Group.



Andrew Gilchrist
Non-Executive Director A P

Tenure
Appointed March 2023.

Nationality
American

Biography
Andrew has a proven track record of business development, strategic planning and business integration following two decades of operational and financial experience in the tobacco sector. He was Chief Financial Officer of Reynolds American Inc until its acquisition by British American Tobacco (BAT) in 2017. Prior to this, Andrew held a range of leadership positions at Reynolds, including Chief Information Officer, Chief Commercial Officer and Business Development Director. Earlier in his career, he worked for BAT in marketing and planning roles.

Skills and experience
Andrew has a proven track record in finance and business transformation within our industry. His commercial and financial experience as chief financial officer of Reynolds American has given him a breadth of knowledge into financial, treasury and strategic matters which has benefited the work of the Audit Committee as well as the Board.

Outside interests
None.



Alan Johnson CMG
Non-Executive Director A P

Tenure
Appointed in January 2021.

Nationality
British and Italian

Biography
Alan has a strong financial background in consumer goods and retail, having held a number of senior finance positions at Unilever in Africa, Europe and Latin America during a 30+ year career, including chief audit executive and chief financial officer of the Global Foods Division. He was previously chief financial officer and then a non-executive director of Jerónimo Martins SGPS, S.A., a food retailer with operations in Portugal, Poland, and Colombia, until April 2016, and retains a role as the independent chairman of the company's internal control committee.

Previous non-executive director positions include non-executive director of the UK Department for International Development (DFID) where he chaired the audit & risk assurance committee, president and chair of the board of the International Federation of Accountants and chair of the audit committee of the International Valuation Standards Council.

Skills and experience
Alan has outstanding financial and international experience across consumer goods and retail markets, with exceptional accounting and regulatory insight gained from his chairmanship of the International Federation of Accountants. His skills and experience bring strength and robustness to discussions at the Audit Committee and Board.

Outside interests
Non-executive director of DS Smith plc and of William Grant & Sons Ltd, inaugural chair of the Stakeholder Advisory Council to the Audit and Ethics Standards Setting Boards and Chair of the Good Governance Academy.



Bob Kunze-Concewitz
Non-Executive Director  

Tenure
Appointed November 2020.

Nationality
Austrian

Biography
Bob is an experienced marketing professional and has held a number of senior roles at leading FMCG companies. He was appointed chief executive officer of Campari Group, a major player in the global spirits industry, in May 2007 having joined the business in 2005 as group marketing director. Bob previously held positions of increasing responsibility and global reach at Procter & Gamble, including global prestige products corporate marketing director.

Skills and experience
Bob brings invaluable perspective from a lifetime career in the global fast-moving consumer goods sector. His long-serving role as the CEO of a listed company, his proven experience of leveraging brand and marketing strategies across complex international markets and his tireless focus on the consumer has given the Board great knowledge and experience to draw upon in its work.

Outside interests
Chief executive officer of Campari Group (due to retire end April 2024), non-executive director of Luigi Lavazza S.p.A. and both a fellow at the Elis Institute in Rome and vice chairman of Altgamma, the Italian luxury goods association.



Jon Stanton
Non-Executive Director   

Tenure
Appointed May 2019.

Nationality
British

Biography
Jon has a wide range of international leadership experience, encompassing transformation, M&A and all aspects of finance, principally in the B2B sector.

In 2016 he was appointed chief executive of The Weir Group plc, one of the world's leading engineering businesses, having previously been CFO from 2010. Prior to that he spent 22 years at Ernst & Young, LLP, the last nine years of which were as a partner in its London office, where he led global board-level relationships. Jon is a Chartered Accountant and a member of the Institute of Chartered Accountants in England and Wales.

Skills and experience
Jon has a unique and broad skill set driven by a long and prestigious career as the CEO of a listed international company and as an accountancy partner. This financial experience, business knowledge and leadership of a multinational make him a huge asset to the Board and the Audit Committee which he chairs.

Outside interests
Chief Executive of The Weir Group plc.



Emily Carey
Company Secretary

Tenure
Appointed May 2023.

Nationality
British

Biography
Emily, a chartered accountant and company secretary, has enjoyed a 25-year career in finance, regulatory affairs, compliance, governance and company secretarial matters, with significant experience in the oil and gas and sports betting and gaming industries.

Prior to joining Imperial, Emily held a number of roles of increasing seniority including 14 years at BP plc and three years at Entain plc where she was Group Company Secretary.

Simon Langelier also served as a Non-Executive Director during the year, standing down from the Board on 1 February 2023.

THE ROLE AND PURPOSE OF THE BOARD AND ITS COMMITTEES

GOVERNANCE FRAMEWORK

The Board is responsible for the governance of the Company, undertaking its duties within a framework of clear authorities and governance structures, with effective controls that enable risk to be assessed and managed effectively.

The Board sets the tone for the Group from the top and delegates specific tasks to its Committees. Each of these Committees has specific written terms of reference issued by the Board, adopted by the respective Committee and published on our website. All Committee chairs report on the proceedings of their Committee at the next meeting of the Board, and make recommendations to the Board where appropriate. Minutes of Committee meetings are circulated to all Board members.

To ensure Directors are kept up to date on developments and to enhance the overall effectiveness of the Board, the Board Chair and Committee chairs communicate regularly with the Chief Executive Officer and the Chief Financial Officer. Where appropriate the Board convenes virtually outside of scheduled meetings to consider time-sensitive matters.

The Board is responsible to shareholders and stakeholders for approving the strategy of the Group, for overseeing the performance of the Group and evaluating and monitoring the management of risk in a manner that is most likely to promote the Company's long-term success.

As part of the governance framework, the Board has adopted a schedule of matters on which it must take the final decision. These include approving the Group's strategy, business plans, dividend, major financial announcements, and acquisitions and disposals exceeding defined thresholds.

Each member of the Board has access, collectively and individually, to the Company Secretary and is also entitled to obtain independent professional advice at the Company's expense, should they decide it is necessary in order to fulfil their responsibilities as Directors.

BOARD ROLES AND COMPOSITION

While the Board shares collective responsibility for its activities, some roles have been defined in greater depth below.

Chair

Leads the Board and is responsible for its effectiveness and promoting the highest standards of corporate governance. Oversees stakeholder engagement and ensuring the Board as a whole determines the Group's strategy and objectives.

Senior Independent Director

Supports the Chair on governance issues and acts as an intermediary for other Directors, and when required, with shareholders. Leads Non-Executive Directors in evaluating the performance of the Chair.

Non-Executive Directors

Provide constructive challenge and monitor performance. Assess the delivery of the strategy within the risk and governance framework agreed by the Board. Review the integrity of the Group's financial information, ESG issues and succession planning of executive management and set Directors' remuneration.

Chief Executive Officer

Delegated responsibility for overall performance and day-to-day management of the Group, together with implementation of the Group's strategy.

Chief Financial Officer

Provides financial leadership and supports the development and implementation of the Group's strategy.

Company Secretary

Advises the Board on corporate governance matters and compliance with Board procedures and corporate governance requirements.

BOARD COMMITTEES

The Board delegates certain matters, listed below, to Board Committees, consisting of members of the Board. For further details, see the table of Board and Committee membership at 30 September 2023 on page 112.

Audit Committee

Assists the Board in fulfilling its corporate governance responsibilities. This includes oversight of the Group's external audit, internal control systems, risk management framework and processes, and the Group Internal Audit department. The Committee's responsibilities also include ensuring the integrity of the Group's financial statements and related announcements.

This Committee is chaired by Jon Stanton.



See page 134.

Remuneration Committee

Sets and implements our Remuneration Policy aimed at aligning the interests of Executive Directors and senior management with those of our stakeholders, ensuring our ability to attract and retain high-performing executives whilst incentivising the delivery of our strategic objectives and sustained returns for investors.

This Committee is chaired by Sue Clark.



See page 142.

People and Governance Committee

Reviews and evaluates the composition and succession plans of the Board and its Committees, to maintain an appropriate balance of skills, knowledge, experience and diversity. Retains oversight of the development plans for Executive Leadership Team (ELT) members together with the Company's wider organisational structure, its diversity, equity and inclusion agenda, and its talent management processes. Oversees workforce engagement and culture. Reviews and develops the Board's corporate governance framework, including the Board performance evaluation process.

This Committee is chaired by Thérèse Esperdy.



See page 129.

Ad hoc committees

Ad hoc committees may be established to review and approve specific matters or projects.

Executive Leadership Team

The Board delegates responsibility for developing and implementing strategy, and for the day-to-day running of the business, to Stefan Bomhard, Chief Executive Officer, who is assisted in his role by the Executive Leadership Team (ELT) comprising the members listed on page 13.

The ELT is responsible for overseeing the operational execution and delivery of our strategic and financial plans, as approved by the Board. This includes: business performance management; transformation and cultural change initiatives; talent, capability and succession; major investments, divestment and capital expenditure proposals; business development considerations; ESG initiatives; and risk assessment and management.



For further details, see page 13.

OTHER NON-BOARD COMMITTEES

The Board delegates certain matters, as follows, to management committees consisting of senior executives:

Treasury Committee

(reporting to the Audit Committee)

This Committee reviews and approves material banking and treasury matters, providing second line of defence oversight of treasury-related risks.

This Committee is chaired by the Chief Financial Officer.

Risk Committee

(reporting to the Board and Audit Committee)

This Committee oversees and manages enterprise-wide risk by ensuring that the Group Risk Register remains relevant on an ongoing basis, reflecting the Group's risk appetite against those identified risks, and providing perspectives on the risks raised whilst also establishing the most effective presentation of risks for ELT and Board review.

In addition, the Committee oversees and, where necessary, directs the effective design and operation of the Group's governance, risk management and internal control framework.

This Committee is chaired by the Chief Executive Officer.

ESG Steering Committee

(reporting to the People and Governance Committee, the Audit Committee and the Remuneration Committee as well as the Board)

This Committee defines the Company's strategy relating to ESG and to provide oversight of its ESG programme, which is designed to assist in promoting the long-term sustainable success of the Company.

This Committee is chaired by the Chief Executive Officer.

Group Pensions Committee

(reporting to the Audit Committee and the Remuneration Committee)

This Committee provides oversight on both risk and reward elements of the Group's pension arrangements.

The Committee's objectives include tackling the risks inherent in the Group's defined benefit pension schemes as well as reward matters.

This Committee is chaired by the Chief Financial Officer.

Board meeting attendance

Name/Meeting	1 11/22	2 01/23	3 03/23	4 05/23	5 06/23	6 08/23	7 09/23
Non-Executive Directors							
Thérèse Esperdy (Chair)	◆	◆	◆	◆	◆	◆	◆
Sue Clark (SID)	◆	◆	◆	◆	◆	◆	◆
Diane de Saint Victor	◆	◆	◆	◆	◆	◆	◆
Ngozi Edozien	◆	◆	◆	◆	◆	◆	◆
Alan Johnson	◆	◆	◆	◆	◆	◆	◆
Bob Kunze-Concewitz	◆	◆	◆	◆	◆	◆	◆
Andrew Gilchrist ¹	n/a	n/a	◆	◆	◆	◆	◆
Simon Langelier ²	◆	◆	n/a	n/a	n/a	n/a	n/a
Jon Stanton	◆	◆	◆	◆	◆	◆	◆
Executive Directors							
Stefan Bomhard (CEO)	◆	◆	◆	◆	◆	◆	◆
Lukas Paravicini (CFO)	◆	◆	◆	◆	◆	◆	◆

Notes:




1. Appointed 1 March 2023.

2. Retired 1 February 2023 following the conclusion of the 2023 Annual General Meeting.

AREAS OF BOARD FOCUS

The Board's agenda is structured along four key focus areas: strategy, performance, people and governance.

Within these four areas, the Board considered the following during 2023:

Strategy	Performance
<p>In this third year of Imperial's five-year strategy, the Board monitored strategic progress and engaged with management on changes in the external environment, the "Must Win Battles" in our market categories and how to adapt to dynamic changes in NGP.</p> <p>See pages 16 to 23 for an overview of our strategic pillars.</p>	<p>The Board reviewed financial, operational and safety performance during the year, including full-year delivery against plan and options for shareholder distributions.</p> <p>Imperial's principal and emerging risks and the effectiveness of the Group's system of internal control and risk management were reviewed over the period.</p> <p>See pages 84 to 99 for the Operating and Financial Reviews.</p>
<p>Stakeholders: employees, consumers, suppliers, customers, investors, regulators</p>	<p>Stakeholders: employees, consumers, suppliers, customers, investors, regulators</p>
<p>S172(1) factors: a, b, c, d, e, f</p>	<p>S172(1) factors: a, b, c, d, e, f</p>
<p> See page 126 for definitions of S172 factors.</p>	
People	Governance
<p>Advised by the People and Governance Committee, the Board reviewed key people priorities, including the Board's composition and independence and progress against the Group's diversity, equity and inclusion (DEI) strategy.</p> <p>Board members engaged directly with the workforce through various events in the UK and overseas to allow the employee voice to be heard and to inform Board discussions and decisions.</p> <p>Andrew Gilchrist's appointment to the Board was announced in February 2023, with the appointment taking effect from 1 March 2023.</p>	<p>Under the leadership of the Chair and the People and Governance Committee, an externally-facilitated evaluation of the Board was conducted in 2023.</p> <p>The last externally facilitated Board review took place in 2021. In light of the strategic and operational progress of the Group and the new senior leadership and organisation in place, it was considered that a specialist board evaluation provider would be best placed to provide an objective view on the progress made by the Board over this period.</p>
<p> For further information, please see the People and Governance Committee report at pages 129 to 133.</p>	
<p> For further information on the Board evaluation, please see page 133.</p>	
<p>Stakeholders: employees, investors, regulators</p>	<p>Stakeholders: employees, investors</p>
<p>S172(1) factors: a, b, c, d, e, f</p>	<p>S172(1) factors: a, b, c, d, e, f</p>

BOARD IN ACTION:

Langenhagen factory visit, Germany

As part of its review of our European cluster, the Board visited one of our largest factories in Langenhagen. Topics discussed included energy-saving activities, the apprenticeship programmes and how the factory is adapting to deliver new products alongside our existing ones.



BOARD IN ACTION:

Market review: Africa, Asia, Australasia and Central & Eastern Europe (AAACE)

As part of its programme of deep dive reviews of Imperial's markets, the Board visited Morocco in June to better understand the dynamics, performance and strategy for the region.

A structured "listening agenda" was developed for the visit to enable stakeholder voices to be heard directly by the Board:

Consumers: a consumer immersion event was held whereby Board members met with a cross-section of consumers to gain insight on local consumer preferences, choices and moments with Imperial's brands.

Retailers: visits to a variety of stores in Casablanca allowed Directors to better understand our direct and trade commercial channel stakeholders and how we can work together effectively.

People: an informal employee event was held, where Directors could meet a cross-section of our local workforce in small groups and without a set agenda in order that they could hear directly from employees across our global organisation.

Local leadership: the Board heard from regional, cluster and market leaders about key aspects of our business, including regional and country business reviews.



BOARD ACTIVITIES 2022/23

The topics covered by the Board in its meetings during the financial year are detailed below:

Meeting	Focus area	Discussion points/Decisions made
November 2022 (London, UK)	<ul style="list-style-type: none"> FY22 Performance GCO 	<ul style="list-style-type: none"> Approval of the full year announcement, the year-end results presentation and the Annual Report and Accounts. Global Consumer Office (GCO) review, including an update on US NGP Plans, disposables and innovation pipeline.
January 2023 (Bristol, UK)	<ul style="list-style-type: none"> Performance Strategic progress Global Supply Chain NGP AGM 	<ul style="list-style-type: none"> Q1 performance and strategic progress update. Global Supply Chain review, including performance, KPIs and strategy. NGP update, including potential M&A and partnership opportunities. Annual General Meeting preparation.
March 2023 (Hamburg, Germany)	<ul style="list-style-type: none"> Europe regional review Cluster review German market engagement Risk 	<ul style="list-style-type: none"> Update on European landscape and Imperial Brands' performance. Background to key European strategic priorities. Brand overview within combustibles sector. NGP acceleration. Risk assessment update.
May 2023 (London, UK)	<ul style="list-style-type: none"> Performance US regional review Digital Transformation Future strategic planning 	<ul style="list-style-type: none"> Half year performance and announcement, with an update and assessment on strategic progress. Update on US market environment, performance and initiatives. Consumer deep dive on US brands. Overview of Unify programme, including ambition, achievements to date and key milestones.
June 2023 (Casablanca, Morocco)	<ul style="list-style-type: none"> AAACE regional review 	<ul style="list-style-type: none"> Update on Africa, Asia, Australasia and Central & Eastern Europe (AAACE) region, including landscape, renewed vision and strategy. Overview of performance by region within AAACE cluster. Consumer interaction and store visits.
August 2023 (virtual, via Teams)	<ul style="list-style-type: none"> Performance Corporate Affairs 	<ul style="list-style-type: none"> Q3 update, including operational and financial performance, inflation management and IR feedback following a US investor event. Corporate affairs update, including engagement on electronic vapour products ("vape") and the status of single use plastics schemes in Europe.
September 2023 (London, UK)	<ul style="list-style-type: none"> Performance Business plan Capital allocation Risk 	<ul style="list-style-type: none"> Performance and strategic progress update. Discussion and approval of the FY24 business plan, including strategic context within overall delivery of five-year plan, adaptation to changes in the NGP category and the continued transformation of Imperial's operating model. Consideration of options for capital allocation in FY24. Board risk assessment, including risk appetite.

Engagement with investors

We value the support of our equity and debt investors and how our engagement with these important stakeholders can influence our ability to access capital. Our aim is to provide balanced, clear and transparent communications enabling investors to understand how we see our prospects and the market environments in which we operate. Over the course of 2023, we held around 650 meetings with debt and equity investors, and research analysts through the following:

- results presentations and trading updates;
- CEO and CFO participation at investment banking conferences;
- investor roadshows in the UK, North America and Asia with private client brokers and wealth managers and with debt investors in support of Eurobond issue;
- an investor seminar in New York, USA, "Start with the Consumer", to showcase how we have built our consumer-facing capabilities;
- our AGM, providing an opportunity for the Board to meet with shareholders, particularly our retail investors;
- shareholder engagement on our proposed executive Remuneration Policy; and
- ad hoc meetings to maintain an ongoing dialogue with existing holders and to meet prospective investors.

Imperial's Chair continued her engagement with the Group's largest shareholders through in-person and virtual meetings.

The Board is kept informed of investor engagement throughout the year, through the IR Board Report which is presented at every Board meeting. Investor perception is assessed on an on-going basis through feedback on meetings, our events and our conference presentations. When appropriate, this feedback is shared with the Board in the IR Board Report.

Engagement with colleagues

The People and Governance Committee has embraced its wider role as the workforce champion. Our "Meet the Board" listening sessions continue to provide an integrated listening experience between our colleagues and NEDs that is authentic and inclusive, enabling the Board to gain insights from a representative cross-section of our global employee population. These open and honest sessions have been positively received, and are considered by colleagues to be helpful in connecting to the strategy and the enablers for delivering it.

Specific engagement:

March 2023 Germany	<ul style="list-style-type: none"> • "Meet the Board" session • Office drinks • Dinner with local management • Factory tour
May 2023 UK	<ul style="list-style-type: none"> • Dinner with cross-business talent
June 2023 Morocco	<ul style="list-style-type: none"> • "Meet the Board" session • Employee reception • Dinner with local and regional management
September 2023 UK	<ul style="list-style-type: none"> • "Meet the Board" session • Round table session - Reward focus • Dinner with Global Business Leaders

Read more on how the Board considers all our stakeholders, and how the Directors fulfil their duties under Section 172 of the Companies Act 2006, in our S172(1) statement and accompanying information on pages 126 to 128.

INVESTOR ENGAGEMENT DURING FY23

October

Results

- Pre-close trading update

November

Results

- FY Results

Roadshows

- UK
- North America
- Private Client/Wealth Management

December

Roadshows

- Private Client/Wealth Management

Conferences

- Virtual

January

Engagement

- Chair roadshow

February

Conferences

- Consumer Analyst Group of New York (CAGNY)

Engagement

- AGM

April

Results

- Pre-close trading update

May

Results

- HY Results

Roadshows

- UK
- North America
- Private Client/Wealth Management

Conferences

- London
- Virtual

June

Conferences

- Paris

Roadshows

- Asia
- Private Client/Wealth Management

Engagement

- In-person "Start with the Consumer" Seminar, NYC

July - August

Engagement

- Consultation on proposed new Remuneration Policy

September

Conferences

- Boston

STATEMENT ON SECTION 172 OF THE COMPANIES ACT 2006

Effective engagement with a wide range of stakeholders, including consumers, colleagues, governments and regulators, our customers, suppliers, and investors is key to the successful delivery of our strategy and vision in the long term.

During the year, the Directors acted in a way they considered, in good faith, most likely to promote the Company's long-term success for the benefit of its members as a whole, paying due regard to the matters set out in Section 172(1) of the Companies Act 2006.

In taking into account the various interests of all relevant stakeholders when making decisions, the Board recognises it is not always possible to achieve each stakeholder's preferred outcome. Which stakeholder groups' interests are considered depends on the decision at hand. The Board endeavours to balance the different priorities and interests of our stakeholders in a way compatible with the long-term, sustainable success of the business and which aligns with our purpose, vision and behaviours.

Examples of key decisions taken by the Board during the year and how stakeholder views and inputs, as well as Section 172(1) factors, have been considered in its decision-making are shown on the following pages, which together form our Section 172(1) statement.

The Board recognises its responsibility to give due regard to the following matters in arriving at its decisions:

Section 172(1) factors

- (a) The likely consequences of any decision in the long term
- (b) The interests of the Company's employees
- (c) The need to foster business relationships with suppliers, customers and others
- (d) The impact of the Company's operations on the community and the environment
- (e) The desirability of the Company maintaining a reputation for high standards of business conduct
- (f) The need to act fairly as between members of the Company

Examples of decisions taken by the Board and how stakeholder views and inputs, as well as s. 172(1) factors, have been considered in its decision-making are shown on the following pages.



Key stakeholders

-  Consumers
-  Customers
-  Governments and regulators
-  Colleagues
-  Suppliers
-  Investors

BOARD DECISION-MAKING AND STAKEHOLDER CONSIDERATIONS

Board meetings provide the opportunity for the Directors to discharge their duties under Section 172, considering stakeholders as part of their deliberations and decision-making.

The broad skillset and knowledge base of Board members promotes and enhances the diversity of thinking during Board discussions.

The Board meeting calendar is planned by the Chair, Company Secretary and Chief Executive, with input from other key parties, such as the CFO, as required.

The Board receives detailed papers in good time ahead of meetings to enable the time in meetings to be devoted to discussion, debate and challenge following any presentation that may also take place. As part of this process, relevant stakeholder interests are identified in the Board papers.

The Board is responsible for setting the strategic direction of the Company, as outlined on page 123, and ensuring stakeholders are treated fairly as part of this is firmly embedded in the culture of the Company. Decisions are properly recorded in meeting minutes.

Decisions are cascaded as appropriate and stakeholders engaged where necessary. Updates are provided to the Board to allow it to review and monitor impact, effectiveness and the fulfilment of its duties.

Examples of S172 in practice.

CAPITAL ALLOCATION - SHARE BUYBACK DECISION

a b e f



During the year the Board announced an ongoing, multi-year share buyback programme. This decision was underpinned by improving performance and confidence in being able to continue generating strong cash flows to support growing shareholder returns in the years to come.

S172(1) CONSIDERATIONS AT A GLANCE

Likely long-term consequences of the decision

Surplus capital returns to shareholders within five-year strategic plan but leaving sensible headroom for incremental investment (for example, in NGP) over and above the business plan and to allow for downside risk.

Interests of our colleagues

Increased confidence and demonstration of strategic delivery.

Maintaining a reputation for high standards of business conduct

Improved performance and confidence in our ability to continue to generate strong cash flows in the coming years supports growing shareholder returns through a progressive dividend.

Need to act fairly between members

The Board acted fairly when considering key stakeholders in its decision-making. Once decisions were made, clear and transparent reporting on our plans and progress was undertaken.

ACQUISITION OF US NICOTINE POUCHES:

a b c e f



On 23 June 2023, the Board announced the acquisition of a range of nicotine pouches from TJP Labs in order to facilitate its entry into the US modern oral market. The transaction enables ITG Brands, Imperial's US operation, to offer legal adult American consumers a diverse range of 14 product variants in a pouch which performs strongly in consumer testing.

Following further consumer testing, ITG Brands will relaunch this range in 2024 under a new brand, which will be supported by the company's existing US sales force.

TJP Labs, a Canada-based manufacturer, will continue to manufacture the oral nicotine pouches under contract for ITG Brands.

The transaction, for an initial consideration of £65 million with an additional deferred sum based on sales volumes over five years, was consistent with Imperial's capital allocation policy to invest in the business strategy through small bolt-on transactions. The Company continues to be committed to an ongoing multi-year share buyback (see above).

Imperial already markets modern oral products in selected European markets under the Zone X and Skruf brands.

S172(1) CONSIDERATIONS AT A GLANCE

Likely long-term consequences of the decision	Facilitates entry in the US Modern Oral Nicotine category, underpinned by our strategic priority to build a targeted NGP business.
Interests of our colleagues	Builds on our extensive brand development, marketing and sales execution capabilities in the US.
Fostering business relationships with suppliers, customers and others	The transaction is aligned to our focused, challenger approach in next generation products, enabling us to offer our legal adult consumers a wider range of product options.
Maintaining a reputation for high standards of business conduct	A clearly differentiated product within the US market which tested strongly with consumers.
Need to act fairly between members	The Board acted fairly when considering stakeholders in its decision-making. Once decisions were made, clear and transparent reporting was undertaken internally and externally.

Going concern basis

Having assessed the principal risks facing the Group, including the global economic environment, as well as realisation of other key risks, including climate change and the impact of the share buyback, the Board is of the opinion that the Group as a whole and Imperial Brands PLC have adequate resources to meet operational needs from the date of this Report through to November 2024 and, therefore, concludes that it is appropriate to prepare the financial statements on a going concern basis. The reduction in the period from the prior year, increased following the outbreak of the coronavirus to provide assurance to the market around corporate liquidity risk, was noted and determined to be both appropriate and in line with statutory requirements.

Read more on page 110.

Principal risks and uncertainties

The processes and related reporting described in the Principal Risks and Uncertainties section on pages 100 to 111 enables the Audit Committee to review and monitor the effectiveness of our risk management and internal control systems and confirm their effectiveness to the Board, in accordance with the recommendations of the Code.

Read more on pages 100 to 111.

Fair, balanced and understandable

The Directors confirm that they consider, taken as a whole, this Annual Report and Financial Statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Read more on page 139.

Modern slavery statement

In compliance with the UK Modern Slavery Act, every year since 2016, Imperial Brands submits its Modern Slavery Statement, where we outline our commitments for the upcoming year. You can read our 2022 Modern Slavery Statement on our [website](#). As part of these commitments, together with Slave-Free Alliance, of which Imperial Brands is a founding member, we developed a modern slavery toolkit to help our colleagues to enhance their knowledge about modern slavery, identify its key indicators and characteristics, respond appropriately to potential victims, and to escalate and report any concerns. In 2023, we created a Modern Slavery Local Champions Community to ensure our local champions had all the support they needed, and we updated our Modern Slavery Manufacturing Standard.

Read more on page 62 and 63.

GOVERNANCE BOARD STATEMENTS

Section 172 of the Companies Act 2006

The Board seeks to consider the interests of all relevant stakeholders when making decisions. Our formal statement is disclosed on page 126. Throughout this Annual Report we have included information on how the Board operates and considers the interests of stakeholders when making its decisions.

Read more on pages 126 to 128.

Viability statement

On the basis of a robust assessment of the emerging and principal risks facing the Group, and the assumption that they are managed or mitigated in the ways disclosed on pages 100 to 111, 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, 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 2026.

Read more on page 110.

PEOPLE AND GOVERNANCE COMMITTEE



Thérèse Esperdy
Committee Chair

PEOPLE AND GOVERNANCE COMMITTEE CHAIR'S OVERVIEW

Dear shareholder

I am pleased to introduce the People and Governance Committee report for the year.

During the year the Committee has continued its focus on executive succession planning, embedding recent appointments to the Executive Leadership Team and assessing the Group's senior management. We continued to oversee the development of a structured framework for talent management, reflecting on the skillsets and experience to support the implementation of the Group's strategy and respond to the challenges facing the business.

In March we appointed Andrew Gilchrist to the Board as a Non-Executive Director and a member of the Committee. Andrew brings deep experience of our industry as well as finance and planning from his career at Reynolds American.

Looking forward, we intend to continue to focus on succession – both for the Board and executive management – and the identification and development of a strong leadership cohort to address the opportunities presented by our strategy.

Thérèse Esperdy
Chair of the People and Governance Committee

Role of the People and Governance Committee

The People and Governance Committee leads the process for appointments to the Board and executive leadership and reviews employee engagement and wider culture change activities to ensure they are consistent with the Group's purpose, strategy and values. The Committee seeks to ensure that the composition and structure of the Board remains effective by monitoring the balance of skills, knowledge, experience and diversity amongst Directors in support of the strategy. It is also responsible for the social and governance components of the Company's ESG agenda.

KEY RESPONSIBILITIES

- Overseeing the development of a diverse pipeline for succession, taking into account the challenges and opportunities facing the Group, its strategic priorities and the skills and experience needed for the future.
- Monitoring employee engagement through formal and informal means to ensure workforce views are understood by the Board.
- Reviewing workforce practices and policies, including those which impact talent and capability and diversity and inclusion, and ensure these are consistent with Imperial's purpose, strategy and values.
- Assisting the Board in ensuring its composition is regularly reviewed and refreshed, taking into account the length of service of the Board

as a whole, so that it is effective and able to operate in the best interests of shareholders.

- Ensuring there is a formal, rigorous and transparent procedure for appointments to the Board.
- Reviewing and developing the Board's corporate governance framework and monitoring its compliance with corporate governance standards and practices while ensuring that it remains appropriate to the size, complexity and strategy of the Group.



Biographical details of the current members of the Committee are set out on pages 116 to 119.

The Committee's terms of reference can be found on our website, www.imperialbrandsplc.com/healthier-futures/governance/board-committees.

STRUCTURE AND CONTENT OF THE PEOPLE AND GOVERNANCE COMMITTEE REPORT

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About the People and Governance Committee	130
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ABOUT THE PEOPLE AND GOVERNANCE COMMITTEE

Membership and attendance:

Name/Meeting	1 11/22	2 01/23	3 05/23	4 09/23
Thérèse Esperdy (Chair)	◆	◆	◆	◆
Sue Clark (SID)	◆	◆	◆	◆
Diane de Saint Victor	◆	◆	◆	◆
Ngozi Edozien	◆	◆	◆	◆
Andrew Gilchrist ¹	n/a	n/a	◆	◆
Alan Johnson	◆	◆	◆	◆
Bob Kunze-Concewitz	◆	◆	◆	◆
Simon Langelier ²	◆	◆	n/a	n/a
Jon Stanton	◆	◆	◆	◆

1. Appointed 1 March 2023.
 2. Retired from the Board at the conclusion of the Annual General Meeting on 1 February 2023.
 Note: n/a signifies not eligible to attend

Other regular attendees

- Company Secretary, as Secretary to the People and Governance Committee
- Chief Executive Officer
- Chief Financial Officer
- Chief People and Culture Officer
- Other senior executives as appropriate

The People and Governance Committee consists entirely of independent NEDs, as defined in the UK Corporate Governance Code 2018 (the Code). The Board Chair is the Chair of the Committee, and was independent, as defined by the Code, upon appointment.

PEOPLE AND GOVERNANCE COMMITTEE ACTIVITIES 2022/23

Succession planning


Executive

The Committee reviewed the Group's talent model, its development initiatives and approach to succession across a band of management grades. It discussed the pipeline of potential executive leaders over the short and longer term, as well as the work underway to identify the development needs of future leaders within the organisation.

Non-Executive

To assist in succession planning for Non-Executive Director appointments and Committee membership, the Committee considered the skills, experience and tenure of current Non-Executive Directors and reflected on how this skillset enabled the Board to execute the Group's strategy, fulfil the tasks and activities of its Committees and meet future business and regulatory challenges.

The Committee assessed the appointment of Andrew Gilchrist as a Non-Executive Director and recommended that he join the Audit and People and Governance Committees.

 Read more about the skills and experience of our Board on pages 116 to 119.

Employee engagement

The successful delivery of Imperial's cultural transformation forms a key part of the Group's strategy. During this critical phase of organisational transformation, the Board has determined that all NEDs should have responsibility for workforce engagement. The Board considers this arrangement to be effective because it allows every Board member to participate rather than channelling engagement through a single Director and insights are heard collectively.

Imperial's programme for employee engagement forms part of the remit of the People and Governance Committee. The Committee reviews the mechanism for workforce engagement on an annual basis and considers the effectiveness of this approach as part of the Committee evaluation.

The workforce engagement programme includes a number of Board-led activities, including individual and collective site visits and structured listening sessions to facilitate two-way dialogue between employees and Board members. These are complemented by insights from employee engagement


surveys, updates on the Group's culture strategy, people agenda and the diversity, equity and inclusion strategy.

During the year the Board held two "Meet the Board" sessions in Germany and Morocco, and further participated in dinners and office visits. These sessions included small groups to allow for different voices to be heard and with no set agenda to enable open discussion. Participants in these sessions represented a broad cross-section of our workforce.

Diversity

The Committee continued to appraise appointments to the Board from the perspective of its commitment to diversity, particularly with respect to gender and ethnicity, in its composition and succession plans. The proportion of women on the Board at 30 September 2023 remained at 40%.


The proportion of women in our Executive Leadership Team was 30% for the year.

 Further information on gender balance amongst the Group's senior management can be found on page 69 of the Strategic Report.

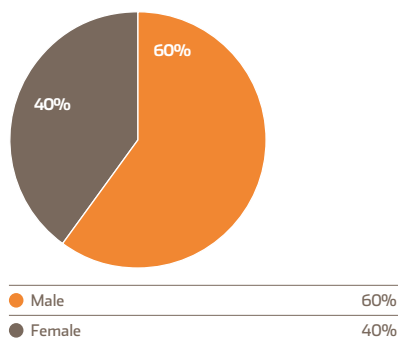
The Board currently has two Directors who identify as being from an ethnic minority background, meeting the Parker Review's current recommendation of at least one Director. Two members of our Executive Leadership Team identify as being from an ethnic minority background.

During the year, the Committee reviewed progress against Imperial's diversity, equity and inclusion ambition and five year strategy. Areas considered by the review included:

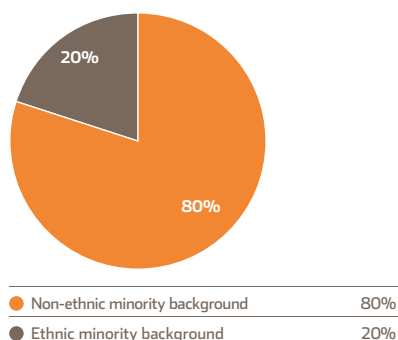
- Actions to attract and hire diverse talent.
- Global and local gender goals.
- Benchmarked measures of employee inclusion.
- Employee data informing priorities and enabling the setting of goals in other areas of representation, with priority focus on ethnicity.
- The completion of external assessments to identify priority areas for policy and practice improvement.

 See pages 67 to 69 for more information about our DEI agenda.

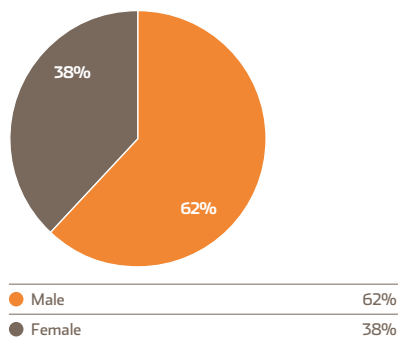
Board gender balance as at 30 September 2023



Board ethnicity as at 30 September 2023



Senior management¹ and direct reports gender balance as at 30 September 2023



1. Senior management as defined by the Code.

Board appointments

The Committee utilised an external search consultant to undertake a review of candidates for potential appointment to the Board. Andrew Gilchrist was interviewed by the Committee, the Chief Executive and Chief Financial Officer and the Committee concluded that Andrew would be an excellent addition to the Board as a Non-Executive Director, with valuable financial and sector knowledge, and therefore recommended Andrew's appointment to the Board. Andrew Gilchrist was appointed to the Board on 1 March 2023.

Independence

All Directors have a statutory duty to exercise independent judgement. Non-Executive Director (NED) independence has a pivotal role in bringing constructive challenge and independent oversight to effective Board discussion and decision-making.

In accordance with the provisions of the UK Corporate Governance Code, the Chair was considered independent at the time she was appointed to the Board and to that role, and the Board considers all other NEDs to be independent.

Conflicts of interest

Each Director has a statutory duty to disclose actual or potential conflicts of interest. The Company's Articles of Association allow the Board to authorise potential conflicts of interest that may arise and to impose such limits or conditions as it thinks fit. This authorisation process informs the People and Governance Committee's assessment of a Non-Executive Director's independence when proposing that Director for re-election at the AGM.

Time commitment and outside appointments

Each NED must be able to devote sufficient time to the role in order to discharge their responsibilities effectively. NED external time commitments are regularly reviewed to ensure that they are able to allocate appropriate time to Imperial.

The Committee is satisfied that the Chair and each of the NEDs dedicates sufficient time to fulfil their Imperial duties.

NEDs are required to consult with the Chair and Company Secretary before accepting any other role which may impact their ability to commit appropriate time to Imperial. Approval of any new outside appointment for an existing NED will consider the time

commitment required, independence and potential conflicts of interest. During the year, the Board approved the appointments of Ngozi Edozien as a non-executive director of Bank of Africa and Alan Johnson as inaugural chair of the Stakeholder Advisory Council to the Audit and Ethics Standards Setting Boards.

In accordance with the Code and subject to the agreement of the Board, Executive Directors are permitted to accept one external non-executive board appointment and to retain any fees received from such appointment. During the financial year, Stefan Bomhard was a non-executive director of Compass Group PLC.

Reappointment of Directors

In accordance with the Code and the Company's Articles of Association, all Directors offer themselves to shareholders for re-election annually, except those who are retiring immediately after the Annual General Meeting. Each Director may be removed at any time by the Board or the shareholders.

Director induction, training and development

The Chair is assisted by the Company Secretary in providing all new Directors with a comprehensive induction programme on joining the Board. The induction programme provides new Directors with an understanding of their duties as Directors, the Group, its businesses and the markets and regulatory environments in which it operates. This includes meeting with senior management and an overview of the Group's governance practices. Non-Executive Directors will have further content tailored to the Board Committees that they join. Feedback is sought from the Director each time a programme is completed and shared with the Committee to ensure that our induction process is continually updated and improved.

Andrew Gilchrist joined the Board in March 2023 and received a tailored induction following his appointment. This included one-to-one meetings with our Executive Leadership Team, business and functional leaders and our internal and external auditors.

The Chair has overall responsibility for ensuring that Directors receive suitable training to enable them to carry out their duties. Training is provided through deep dive sessions ("Neducation"), written content and presentations, as well as meetings with Group employees and external advisers. Directors undertake visits to different

Imperial sites around the world, where they meet with colleagues, management, suppliers and consumers. You can read more about our stakeholder engagement in more detail on pages 32 to 36.

During the year the Board received training on corporate policy positions and intellectual property rights and licensing in NGP.

The Directors have access to independent professional advice at the Group's expense, as well as the advice and services of the Company Secretary, who advises the Board on regulatory and corporate governance matters.

Review of the People and Governance Committee

For its 2023 evaluation, the Board initiated an external review using the firm Independent Board Evaluation (IBE), covering the Board and its Committees. The Committee evaluation was undertaken through meeting observation, together with a review of meeting materials and one-to-one interviews with Committee members and the Chief People and Culture Officer.

The feedback confirmed that the Committee was operating effectively, having quality interaction and in-depth discussion with the executive that has demonstrated progress in the organisation's cultural transformation alongside evolving talent management and succession planning programmes. Areas of focus for 2024 include rebalancing agenda time towards traditional nomination committee activities, including succession planning for the Board.

BOARD EVALUATION

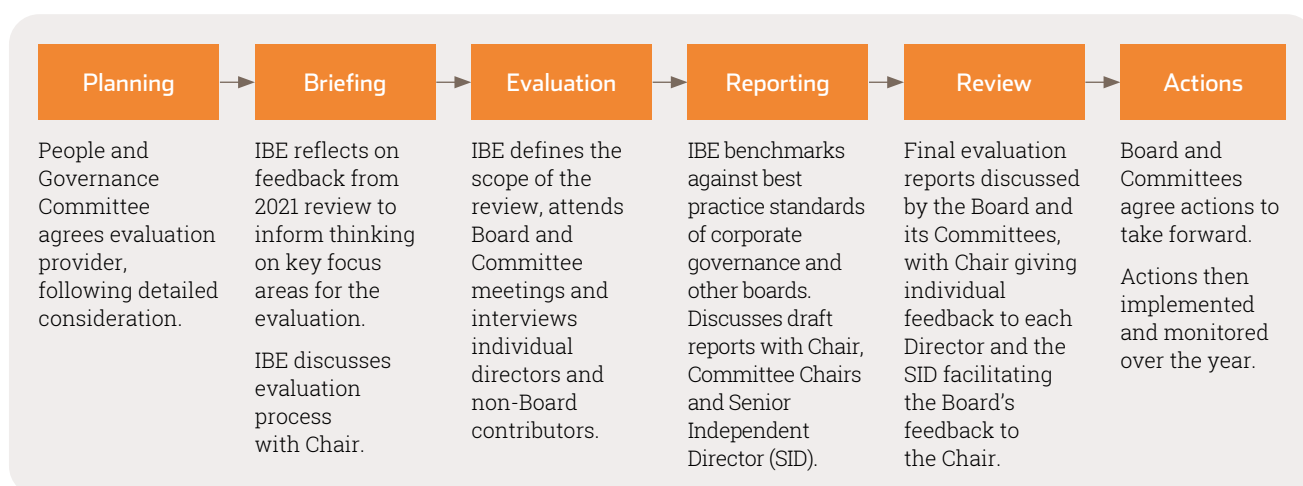
An evaluation of the Board, its Committees, the Chair and individual Directors is undertaken on an annual basis, assessing the quality of decision making and discussion by the Board and each Committee and reflecting on the performance of each individual Director.

Actions from the 2022 Board review

The outcomes and actions agreed following last year's review were a focus for the Board throughout the year. Progress against these key actions include:

2022 Action	Actions taken during the year
NGP Prioritising the Board's focus on NGP	<ul style="list-style-type: none"> Reviewed and developed M&A opportunities within NGP. Held discussions over the year on scientific, regulatory and consumer developments within NGP – both as standalone items and as part of the CEO's regular report to the Board. Organised a deep dive on NGP intellectual property and licensing.
Talent and culture Building the talent pool, mapping the cultural transformation within the organisation and monitoring the progress of Diversity, Equity & Inclusion initiatives.	<ul style="list-style-type: none"> Reviewed the talent and capability programme across a spectrum of senior management levels, including internal progression and new hires. Considered the progress in embedding Imperial's organisational culture programme, including the development of a Senior People leadership skills programme ("Connected Leadership"). Used KPIs to track the Group's five-year diversity, equity and inclusion strategy.
Strategic planning Consider the medium to long-term strategic direction of the Group.	<ul style="list-style-type: none"> Received regular updates on market and competitor developments. Held two deep dives on the approach and planning for the next five-year strategic plan.

The process below was followed for this external review:



2023 BOARD REVIEW

In 2023, the Board initiated an external evaluation by the firm Independent Board Evaluation (IBE). IBE externally facilitated Imperial Brands' Board evaluation in 2021 but beyond this there is no connection between IBE and either Imperial Brands or its Directors.

The evaluation supported the view that the Board was performing effectively, noting the progress made since the previous review in 2021. The cohesion and diversity of the boardroom, strong levels of trust and transparency and the support and challenge of the Board as it has overseen cultural change and transformation within the business were identified as areas of strength in the review.

Recommendations were made with the aim of helping the Board achieve optimal effectiveness. The Board

agreed to implement actions across the following areas:

Board agenda and focus

The Board's focus during 2022-23, has been on the three areas referred to above, together with ESG and specific projects. As Imperial begins to develop the next strategic plan, their focus will shift towards more time on long-term strategy, NGP and risk. We will ensure increased co-ordination across the Board and its Committees to ensure that strategic and operational priorities dovetail and agendas are linked.

Adding value and optimising challenge

With the Board having satisfied one of the key recommendations of the 2021 review, namely rebuilding trust and solidifying its culture both within the boardroom and with executive management, there is now opportunity to review Board meeting structure

and topics to explore strategic ideas before they are fully developed, find ways to introduce different styles of discussion and allow Board members to bring their experience to the decision-making process.

Strategy

While delivery of the current strategic plan has gone well to date, the Board is mindful that the market, regulatory and geopolitical landscape remains dynamic and the parameters for a future strategy will be different to those of the current plan. The format of formal and informal Board time will be re-examined to agree optimal methods for engaging the Board on the development of the next five years of the strategy, including encouraging strategic debates on diverse options.

AUDIT COMMITTEE



Jon Stanton
Committee Chair

AUDIT COMMITTEE CHAIR'S OVERVIEW

Dear shareholder

I am pleased to present the report to shareholders of the Audit Committee for the year ended 30 September 2023, which sets out how it has discharged its duties in accordance with the UK Corporate Governance Code 2018 (the Code) and details the key matters considered and findings during the year. The Audit Committee has exercised the authority delegated to it by the Board to provide assurance for the integrity of the Group's financial statements, to oversee the Group's external and internal audit and to review the Group's internal control and compliance frameworks.

I would like to express my thanks to Simon Langelier, who stepped down from the Board and Audit Committee during the year, for his most respected input during his tenure; a warm welcome goes to Andrew Gilchrist who joined the Audit Committee this year, providing extremely valuable sector and geographical insights to our discussions in addition to his financial expertise.

The Committee has spent time during the year monitoring Imperial's risk management, control and financial governance framework, including a step-up in our approach to Enterprise Risk Management and the enhancement of the surrounding framework. These are critical as we enter the fourth year of our five-year strategy and, as a business, look beyond that. The Group's strategic ambitions remain on track and the Committee continues its focus to provide the Board with the necessary assurance in its delivery of that strategy.

The Committee also received updates from the Treasury and Tax functions during the year, both of which have strengthened the governance underpinning their activities, which has been critical as they play their part in the wider ongoing Finance Transformation. We also monitored and received updates on the developments proposed by what was the Department for Business, Energy and Industrial Strategy (BEIS) as part of its 'Restoring Trust in Audit and Corporate Governance' agenda, and the subsequent withdrawal of draft new reporting regulations. We will continue to monitor the proposed wider reforms, as well as the forthcoming Code changes.



See also the Committee's focus in 2023 on page 136.

The Audit Committee has closely scrutinised a number of areas when assessing critical judgements and estimates made by management and ensuring support for a robust financial close.

As a Committee, we continue to focus on ensuring the Annual Report is fair, balanced and understandable, with an emphasis on transparency of underlying performance drivers, and confirming both that adjusting items are in accordance with the agreed framework and that disclosures are enhanced where necessary to help users understand the accounts. This included ensuring that an appropriate balance within both the Half Year Report and the Annual Report of reported and adjusted results was presented. Additional Alternative Performance Measures were adopted in the year to enable a greater explanation of the impact of the Company's Russia exit; it is anticipated that these will only be used in respect of this financial year.

Both external and internal auditors continue to present feedback on key financial risks and controls and to provide objective and appropriate challenge to management in addressing these areas. Both took advantage of regular private meetings with myself and the full Audit Committee throughout the year. These processes continue to enable the Audit Committee to report to the Board on how it discharged its responsibilities and to make recommendations to the Board, all of which were accepted. The Committee was also subject to an external evaluation during the year, further details of which you can find below, but I was pleased with the findings and will work with members to consider areas for improvement identified as part of the process.

The following pages provide an insight into the range of activities and deliberations of the Audit Committee during the financial year, supported by a fuller list of key matters considered by the Audit Committee set out on page 137 to 139.

Jon Stanton
Chair of the Audit Committee

STRUCTURE AND CONTENT OF THE AUDIT COMMITTEE REPORT

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Role of the Audit Committee

The Audit Committee assists the Board in fulfilling its corporate governance responsibilities relating to financial and narrative reporting and controls. This includes oversight of the Group's internal control systems, risk management process and framework, the Group Internal Audit department and the external audit.

It also involves ensuring the integrity of the Group's financial statements and related announcements.

KEY RESPONSIBILITIES

In line with the authority delegated by the Board, the Audit Committee:

- Reviews and challenges the critical management judgements and estimates which underpin the financial statements, drawing on the views of the external auditor in making an informed assessment, particularly in relation to each of the key matters detailed on pages 137 to 139.
- Maintains appropriate oversight over the work and effectiveness of Group Internal Audit, including confirming it is appropriately resourced, reviewing its audit findings and monitoring management's responses.
- Monitors and evaluates the effectiveness of Imperial's risk management and internal control systems, including obtaining assurance that controls are operating effectively and are evidenced as such through, for example, the internal self-

certification exercise and subsequent internal audit testing.

- Reviews the adequacy and security of the Company's procedures for detecting fraud, and its systems and controls for preventing bribery.
- Scrutinises the independence, approach, objectivity, effectiveness, compliance and remuneration of the external auditor.
- Assesses the going concern status and medium-term viability of the Group.
- Assists the Board in confirming that, taken as a whole, the Annual Report is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy (see page 139).



The terms of reference of the Audit Committee can be found on our website.

ABOUT THE AUDIT COMMITTEE

Membership* and attendance

Name/Meeting	1 11/22	2 02/23	3 05/23	4 09/23
Jon Stanton (Chair)	◆	◆	◆	◆
Sue Clark (SID)	◆	◆	◆	◆
Ngozi Edozien	◆	◆	◆	◆
Andrew Gilchrist ¹	n/a	n/a	◆	◆
Alan Johnson	◆	◆	◆	◆
Simon Langelier ²	◆	◆	n/a	n/a

* Only members are entitled to attend.

1. Appointed 1 March 2023

2. Retired 1 February 2023

Note: n/a signifies not eligible to attend

Other regular attendees during FY23

- Board Chair
- Chief Executive Officer
- Chief Financial Officer
- Group Finance Director
- Company Secretary
- Deputy Company Secretary, as Secretary to the Audit Committee
- Group Financial Controller
- Global Tax Director
- Director of Group Internal Audit
- Representatives from EY, our external auditor

GOVERNANCE

The Audit Committee consists entirely of independent Non-Executive Directors as defined by the Code. The Audit Committee chair, and both Alan Johnson and, following his appointment in March 2023, Andrew Gilchrist meet the Code's standard of having recent and relevant financial experience. The Board is satisfied that the Committee as a whole has the required competence relevant to the sector in which the Company operates, supported by the FMCG experience of Sue Clark, Ngozi Edozien, Andrew Gilchrist and Alan Johnson.

Biographical details of the current members of the Audit Committee are set out on pages 116 to 119. Members of the Audit Committee are appointed by the Board following recommendation by the People and Governance Committee. Simon Langelier stepped down as a Director of the Company and, therefore, as a member of the Audit Committee in February 2023; Andrew Gilchrist joined the Committee on his appointment to the Board in March 2023.

The Audit Committee's terms of reference state it must meet at least three times a year. The quorum for meetings is two.

At each meeting, both the Director of Group Internal Audit and EY had the opportunity to meet with the Audit Committee without management present.

The Audit Committee is authorised to seek external legal advice and other independent professional advice as it sees fit.

AUDIT COMMITTEE REPORT

Focus in 2023

- Oversight of continuous improvement agenda of risk management, internal control and assurance taking into account BEIS proposals.
- Supporting the Finance Transformation being led by the CFO to enhance capabilities, prioritise controls and governance and support the broader culture change being led by our CEO.
- Reviewing and challenging critical judgements, estimates and disclosures, including adjusted performance measures, particularly as they relate to the ongoing execution of our new strategy, and an uncertain macro environment.

- Ensuring reporting and disclosures are fair, balanced and understandable, and adequately reflect developments in our ESG commitments and FRC disclosure guidelines.
- Assessment and approval of alternative performance measures to facilitate the presentation of results following the Company’s Russia exit.
- Oversight of the external auditor and implementation of ongoing enhancements to derive value from the external audit whilst also enhancing audit quality.
- Supporting the Group Internal Audit strategy.

Looking ahead to 2024

For the coming year, the Committee will continue to support and monitor the Finance team’s transformation programme and the development of the Group’s risk management framework to

better support delivery of Imperial’s strategy to enable a more consistent, effective and transparent approach to risk and to drive future value. Regulatory developments will continue to be in focus with the outcome of the BEIS proposals to be taken into consideration, and the enactment of the FRC’s Standard for Audit Committees. We will, as always, challenge ourselves to ensure our overall reporting continues to improve, remains appropriate and takes full account of regulatory and other developments.

Review of the Audit Committee

An externally facilitated evaluation of the Board and Committees was undertaken in 2023, as reported elsewhere in the Annual Report, conducted by Independent Board Evaluation (IBE). IBE has no other link with the Company or its Directors.

The Audit Committee evaluation was undertaken through meeting observation, together with a review of meeting materials and one-to-one interviews with Committee members and the external audit lead partner.

There is a high level of confidence in the Audit Committee, which feedback confirms is well-chaired. The composition facilitates challenge, evaluation and debate and draws well on members’ experience, facilitating good cross-Committee governance. The main areas to focus on for the Audit Committee were the continued evolution of the Group’s risk management and internal controls programme; and non-financial/ESG reporting.

AUDIT COMMITTEE’S ACTIVITIES 2022/23

A summary of the topics covered by the Audit Committee in its meetings during the financial year is provided below:

Topic	Matters discussed and decisions taken
Financial results and audit	<ul style="list-style-type: none"> • Finance update, including climate change impact modelling • Finance Transformation update • FY22 Results overview and accounting estimates and judgements update and recommendations to the Board • Review of HY23 Results, including going concern and accounting estimates and judgements • Financial controls self-certification and FY22 attestations update • Confirmed audit/non-audit service fees • Update on alternative performance measures (APMs) • FY23 audit plan and update • External audit effectiveness review, including FY22 learnings to improve ways of working • Restructuring Policy review • Recommended reappointment of external auditor to the Board • Considered audit and non-audit service fees
Corporate reporting	<ul style="list-style-type: none"> • Recommended preliminary announcement and Annual Report and Accounts to Board, including the Audit Committee report and risk management disclosure • Recommended half year reporting to the Board, including interim dividends • Recommended final dividend to the Board
Internal Audit	<ul style="list-style-type: none"> • Group Internal Audit update, including FY24 plan and approval of Charter • Group Internal Audit annual review • Group Internal Audit updates, including strategy roll-out update • Engaged senior management for deep dives where issues required greater scrutiny
Functional and business reviews	<ul style="list-style-type: none"> • Group Treasury update, including risk management • Tax review including strategy confirmation • Logista review
Governance, risk and control	<ul style="list-style-type: none"> • Internal controls and risk management update, allowing confirmation of internal controls and risk Code compliance • Enterprise risk management framework update • Risk and controls assurance – US • Governance, Risk and Control Operating Model update. • FRC and BEIS updates • Reviewed independence of Audit Committee members. • Committee evaluation • Update on FY23 Audit Committee planner • Private discussions with external auditor, Group Internal Audit and CFO

KEY MATTERS CONSIDERED

The Audit Committee considered the appropriateness of the following areas of significant judgement, complexity or estimation in connection with the financial statements:

Focus area and why it is significant	How we as an Audit Committee addressed this area	Outcomes
<p>Use of alternative performance measures</p> <p>Non-GAAP or alternative performance measures (APMs) provide an appropriate and useful assessment of business performance and reflect the way the business is managed. They are also used in determining annual and long-term incentives for remuneration, and are widely used by our investors. There is a risk that their inappropriate use could distort the performance of the business.</p>	<p>During the year the conclusions of a detailed review and scrutiny of the proposed use of APMs in FY23 were presented to the Audit Committee. The Committee also reviewed and approved changes to the APMs proposed by management to provide greater clarity on the nature and amount of all adjusting items.</p> <p>No restructuring costs associated with the 2021 strategic review were recognised in FY23, as previously agreed by the Committee.</p> <p>Production changes at the Company's Kyiv factory were considered as an adjusting item and discussed by the Audit Committee.</p> <p>The Audit Committee discussed with management and EY the fair value adjustment and impairment of other financial assets.</p>	<p>Three additional APMs were introduced at the half year to better enable the presentation of Group results excluding Russia and it is anticipated that these will be discontinued after FY23. The separation of "NGP Adjusted Operating Profit" as a standalone metric, being a derivative of the previously combined Tobacco and NGP Operating Profit APM, was approved for the full year, to better reflect the growing importance of this market.</p> <p>No action required.</p> <p>Its treatment in this way was consistent with that of sector peers and considered appropriate.</p> <p>Approved.</p>
<p>Segmental reporting</p> <p>The accounting standard IFRS 8 Operating Segments requires alignment of external reporting segments with the internal management information provided to the Chief Operating Decision Maker within an organisation.</p>	<p>The Group changed its internal management reporting structuring with effect from 1 October 2022. The change involved the movement of the Central and Eastern Europe cluster from the Europe division to Africa, Asia Australasia (AAA) division. The AAA division was subsequently renamed the AAACE division.</p> <p>The Audit Committee reviewed the resultant changes to the external reported operating segments presented on the new basis at the Half Year, together with a restatement of the prior year comparative figures.</p>	<p>The FY23 full year figures are presented on the same revised basis, also including a restatement of the comparatives, and were similarly reviewed.</p>

Focus area and why it is significant	How we as an Audit Committee addressed this area	Outcomes
<p>Goodwill and intangible asset impairment reviews</p> <p>(See note 11 to the financial statements for further information)</p> <p>Goodwill and intangible assets form a major part of the Group's balance sheet, and their current valuations must be supported by future prospects.</p>	<p>At both the half year and the full year, the Audit Committee reviewed cash forecasts for the Cash Generating Unit Groupings (CGUGs) that are used to support the Group's goodwill and intangible assets balances. Within this review the potential impacts of climate change were considered.</p> <p>In addition, CGUGs were reviewed in connection with the Group reorganisation of the Central and Eastern Europe cluster into the newly constituted AAACE division.</p> <p>The Audit Committee also considered detailed reporting from, and held discussions with, the external auditor.</p>	<p>Following these reviews it was concluded that there is significant headroom from the discounted cash flows for each CGUG above the valuation of the goodwill allocated to it.</p> <p>The Audit Committee concluded that there was no requirement to impair goodwill and intangibles and that the disclosure of sensitivities was appropriate and on this basis the Committee approved the note disclosure in the financial statements.</p>
<p>Taxation</p> <p>(See notes 7 and 22 to the financial statements for further information)</p> <p>The Group is subject to taxation in a number of international jurisdictions, requiring significant management judgement in relation to effective tax rates, tax compliance and the reasonableness of tax provisions, which could materially affect the Group's reported results.</p> <p>The Group is subject to periodic challenges by local tax authorities on a range of matters and there are uncertain tax positions in relation mainly to two principal matters: German branch capital structure; and a French tax authority challenge in respect of an intra-Group disposal and financing.</p>	<p>The Audit Committee received a detailed update from management at each Committee meeting on the status of ongoing inquiries and tax audits with local authorities; the Group's effective tax rate for the current year; and the level of provision for known and potential liabilities, including the third-party counsel received in developing estimates. In addition, the Audit Committee discussed material positions with the external auditor in support of developing an independent perspective on the positions presented.</p> <p>The Audit Committee received specific progress reports on French tax litigation, German tax authority audit into debt and equity allocation to branches, the recognition and recoverability of deferred tax in connection with the Group's Dutch business and the conclusion of the transfer pricing audits, including settlement on UK, German and French transfer pricing audits, and in light of these considered the reasonableness of provisions and reporting disclosures.</p>	<p>The Audit Committee continued to consider the appropriateness of items treated as adjusting and concluded that the items satisfied tax adjusting item criteria on the basis of materiality and nature.</p> <p>The Audit Committee reviewed the status of each material tax judgement, including a range of possible outcomes, noted that independent third-party support had been obtained for each judgement and agreed that the level of tax provisions and disclosures was appropriate.</p>
<p>Litigation matters and competition investigations</p> <p>The Group is exposed to litigation matters arising from claimants seeking remedies from the Company or its subsidiary companies. A small number of claims alleging smoking-related health effects remain, as well as NGP-related product litigation in the US only. A claim arising from specific US legislation (Helms Burton) remains ongoing, one element of the US state settlement agreements remains unresolved, employment related claims arising from a number of legacy disputes is ongoing and the Group faces one ESG related claim (see notes 24 and 29). The Group is in the process of appealing three decisions by national Competition Authorities in the EU.</p>	<p>The Audit Committee considered reports from the Group's external lawyers which confirmed that the Group continues to have meritorious defences to a number of actual and threatened legal proceedings.</p>	<p>The Audit Committee concluded that risks in respect of these actual and threatened legal proceedings and litigation matters otherwise covered in this report, along with any competition authority proceedings, are appropriately disclosed or provided for in the Group's Annual Report and Accounts.</p>

Focus area and why it is significant	How we as an Audit Committee addressed this area	Outcomes
<p>Going concern and viability statement</p> <p>In the context of global economic uncertainty, characterised by Ukraine and other conflicts and, amongst other things, the ongoing cost-of-living crisis, the Directors are required to consider whether it is appropriate to prepare the financial statements on a going concern basis and explain how they have assessed the prospects of the Company over a longer period.</p>	<p>Management performed a comprehensive series of stress tests to confirm that the going concern basis and viability statement remain appropriate. These tests are described in the going concern statement on page 110. The tests involved the stress testing of the resilience of the Group to certain changes in trading conditions that may come about as a result of the global economic environment, as well as realisation of other key risks, including climate change and the impact of the share buyback.</p> <p>The Audit Committee reviewed these tests on operating cash flows, the ongoing resilience of demand and supply, the financial impact of the disposal of the business in Russia and the impact of the war in Ukraine on the business. The Audit Committee noted the Group's ability to raise funds, with significant oversubscription to the Group's debt financing offers, even in challenging markets.</p>	<p>Together, these points allowed the Audit Committee to form an opinion as to the ability of the Group to remain a going concern from the date of this Annual Report through to November 2024 and make its recommendation to the Board. The Audit Committee noted that this 12-month period was a reduction from the prior year, which had increased following the outbreak of the coronavirus to provide assurance to the market around corporate liquidity risk. The Committee determined this was appropriate given the Group's cash flow resilience and strong access to funding markets when required, and also noted that it was in line with statutory requirements.</p> <p>The Audit Committee also considered management's view of the Group's ability to remain viable, for the agreed three-year period, following the forecast realisation of a number of key risks, including the possible impacts of climate change, and concluded that it is appropriate to sign off the Group's viability statement.</p>
<p>Revenue recognition</p> <p>There is a risk that revenue could be overstated through the inclusion of sales which are not in compliance with the Group's revenue recognition policy.</p>	<p>Discussions were held with management and the external auditor which satisfied the Audit Committee that the Group's criteria for revenue recognition continued to be appropriate and that the central monitoring of trade weight at period ends ensured any material breaches to the Group's revenue recognition policy would be both detected and reported to the Audit Committee and, where applicable, disclosed externally.</p>	<p>The Audit Committee is satisfied that the Group's policy was operating effectively. No breaches were found during the year.</p>
<p>Fair, balanced and understandable</p> <p>The Board is required to state that the Group's external reporting is fair, balanced and understandable. The Audit Committee is requested by the Board to provide advice to support the assertion.</p>	<p>The Audit Committee received a report from management summarising the processes that had been undertaken to ensure that the Group's external reporting is fair, balanced and understandable. This included, but was not limited to, the following: (i) a full document review by the Disclosure Committee, including ensuring no undue reporting of good news and material information is given due prominence; (ii) engagement of a cross-functional group of internal and external subject matter experts and content owners in the preparation and review of materials, including the ELT, Group Corporate Communications, Group Finance, Group Internal Audit, Group Legal, Investor Relations, ESG team and Company Secretariat; (iii) input and advice from appropriate external advisers, including the Company's brokers, legal advisers, and external audit challenge and scrutiny; (iv) regular research to identify emerging practice and guidance from relevant regulatory bodies; and (v) regular meetings involving the key contributors to the document, during which specific consideration was given to the fair, balanced and understandable assertion.</p> <p>During the year the Audit Committee has continued its review of the use of APMs, including ensuring the appropriate balance of reported and adjusted measures in the Annual Report.</p>	<p>After consideration of the Annual Report against these criteria the Audit Committee recommended to the Board, which accepted the recommendation, that taken as a whole the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.</p>

GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL

Assessing and managing the risks faced by the Group is fundamental to achieving our strategic objectives, safeguarding our stakeholders' interests and protecting the Group from reputational or legal challenges. This is reflected in our risk management framework, which ensures significant risks are identified, managed and monitored.

The Board has responsibility for the oversight of the Group's internal control systems, risk management process and framework. The Board delegates to the Audit Committee the detailed risk assessment review and assurance over the operation of the risk management framework.

The Group's risk management approach is described in the Principal Risks and Uncertainties section on pages 100 to 111 and is designed to manage, rather than eliminate, the significant risks the Group may face. Consequently, our internal controls can only provide reasonable, and not absolute, assurance over our principal risks.

During the year the Board considered the Group's "bottom-up" risk assessment, which included consideration of both current and emerging risks and issues as discussed in the Principal Risks and Uncertainties section on pages 100 to 111.

MONITORING THE EFFECTIVENESS OF RISK MANAGEMENT

The Audit Committee is responsible for approving the risk management approach on behalf of the Board, and for oversight of its ongoing effectiveness.

The Board and Audit Committee received regular updates throughout the year on the continued development of the Group's internal control systems, risk management process and framework, as well as on the results of risk assessments and internal control effectiveness assessments.

The Board and Audit Committee have been informed of, and looked at, all significant whistleblowing reports and reported frauds in the year, and are comfortable that none of these gave rise to evidence of systemic non-compliance with relevant laws and regulations.

The Audit Committee receives presentations from the Executive on their respective functions. This direct dialogue with the Audit Committee provides further assurance to the Audit Committee regarding the effective management of significant risks to the Group.

Reporting provided to the Audit Committee enables the review and monitoring of the effectiveness of our risk management and internal control systems. The Audit Committee has considered and confirmed to the Board that this is in accordance with the recommendations of the Code and the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and that such systems were in place throughout the year and up to the date of the approval of the financial statements.

INTERNAL AUDIT

Group Internal Audit (GIA) is responsible for providing objective assurance on the adequacy and effectiveness of the risk management and internal controls framework.

During the year GIA performed a risk-based audit programme aligned to the Group's strategic priorities, resulting in relevant recommendations and insights to further strengthen the Group's control framework.

The Audit Committee reviewed key reports from GIA at each Audit Committee meeting to monitor the effectiveness of the control framework and considered the effectiveness and results of the audits undertaken by GIA, and monitored management responses to the audit matters raised.

The Audit Committee also met independently with the Director of Internal Audit to discuss additional insights.

The Audit Committee reviews the effectiveness of GIA routinely through post-audit surveys and KPI reporting, and monitors progress on GIA's own strategic priorities through updates provided.

The Audit Committee also reviewed and approved the FY24 GIA plan, including the scope, risk coverage and resourcing model to deliver it.

EXTERNAL AUDIT

The Audit Committee is responsible for oversight of EY as the Group's external auditor, agreeing its audit strategy and related work plan, as well as approving its fees. At the Committee's February 2023 meeting, EY set out its external audit plan for the year, which continued to build on its previous experience, EY's continued focus on audit quality and the feedback it received from management, the Board and the Audit Committee. EY provided the Audit Committee with an overview of its evolving audit strategy, tailored to the Group, including its audit risk assessment, Group audit materiality and scope, and the key areas of its proposed audit approach.

The Audit Committee considered the external auditor's feedback, management letter and half year review. EY also provided feedback to relevant Group and local management in a number of debrief sessions and audit close meetings.

The Audit Engagement Letter detailing the provision of statutory audit and half year review services in respect of FY23 was considered and approved in the prior year.

The Audit Committee has had regular private meetings with EY and is satisfied that EY has been given full access and complete transparency by management throughout the year.

Independence of our external auditor

As part of the continual requirement to ensure the independence and objectivity of EY as our external auditor, the Audit Committee maintains and regularly reviews our Auditor Independence Policy. This policy, which provides clear definitions of services that the external auditor may and may not provide as determined by the FRC's Revised Ethical Standard published in December 2019, can be found on our website at www.imperialbrandspc.com.

Our Auditor Independence Policy requires that the Group Audit Partner rotates after a maximum of five years. Marcus Butler, our signing Audit Partner, has just completed his fourth year. The policy states that EY may only provide non-audit services where those services do not conflict with its independence. It also establishes a formal authorisation process, including tendering for individual non-audit services expected to generate fees in excess of £100,000, and prior approval by the Audit Committee for allowable non-audit work that EY may perform. Guidelines for the recruitment of employees or former employees of EY, and for the recruitment of our employees by EY, are contained in the policy.

During the year EY undertook limited non-audit work, all of which was required by law for the auditor to undertake and/or assurance or attestation-related. This non-audit work was awarded to EY due to its knowledge of the Group and it being deemed best placed to provide effectively the services required. In the current year, non-audit fees were 5% (2022: 7%) of total audit fees (see note 4). EY did not undertake any advisory or consultancy work for the Group. Following the auditor independence reviews during the year, the Audit Committee concluded that the level of non-audit fees is appropriate in the light of the above activities and the Audit Committee does not believe that the objectivity of the external audit has been impaired as a result of this non-audit work.

To ensure compliance with the Auditor Independence Policy, during the year the Audit Committee carried out four auditor independence reviews, including consideration of the remuneration received by EY for audit

services, audit-related services and non-audit work. The Audit Committee also considered reports by both management and EY, which did not raise any concerns in respect of EY's independence, and confirmed that EY maintains appropriate internal safeguards to ensure its independence and objectivity. The outcome of these reviews was that performance of the relevant non-audit work by EY was in compliance with the policy and was the most cost-effective way of conducting our business. No conflicts of interest were found to exist between such audit and non-audit work. The Audit Committee therefore confirmed that the Company and Group continue to receive an independent audit service.

Audit fees

In the current year audit fees were £9.3 million (2022: £8.2 million) (see note 4).

Audit quality

The Board and Audit Committee place great importance on ensuring that the Group receives a high-standard and effective external audit and any recommendation to re-appoint the auditor is based on continuing satisfactory performance. The key tool in assessing the performance of our external auditor is an audit effectiveness questionnaire. The questionnaire covers audit scope, planning, quality and delivery, challenge and communication, and independence, and is completed by members of the Audit Committee, Logista's Audit Committee and senior managers and finance executives from across the Group. Responses indicated that EY had delivered a high-quality and effective audit, with no pervasive Group-wide concerns identified. Based on its consideration of the responses, together with its own ongoing assessment, for example through the quality of EY's reports to the Audit Committee and the Committee's interaction with the Group Audit Partner, the Audit Committee remains satisfied with the efficiency and effectiveness of the audit.

The Audit Committee noted that the FRC Audit Quality review team did not select our FY22 accounts for review. The Committee also noted that the FRC rated the majority of audits carried out by EY as requiring no or only limited improvements.

Audit tender

The external audit was last tendered in 2019. EY was awarded the audit in February 2019, with a 1 October 2019 start date. The next time the audit will

be tendered will likely be in 2029, as required by regulation. The Audit Committee continues to review the independence and the quality of the external audit to assess whether a tender should be undertaken in advance of the regulatory requirement. The Company is in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

The Audit Committee recommended to the Board that EY should be reappointed as external auditor at the next AGM.

Statement of auditors' responsibilities

EY is responsible for forming an independent opinion on the financial statements of the Group as a whole and on the financial statements of Imperial Brands PLC as presented by the Directors. In addition, it also reports on other elements of the Annual Report as required by legislation or regulation and reports its opinion to members. Further details of EY's opinions start on page 169.

Statement in relation to disclosure of information to auditors

Each of the Directors in office at the date of approval of this Annual Report confirms that:

- so far as they are aware, there is no relevant audit information (that is, information needed by EY in connection with preparing its report) of which EY is unaware; and
- each has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish EY is aware of that information.

ANNUAL STATEMENT FROM REMUNERATION COMMITTEE CHAIR



Sue Clark
Committee Chair

Membership and meeting attendance

Members	11/22	03/23	05/23	09/23
Sue Clark (Chair)	◆	◆	◆	◆
Thérèse Esperdy	◆	◆	◆	◆
Diane de Saint Victor	◆	◆	◆	◆
Bob Kunze-Concewitz	◆	◆	◆	◆
Jon Stanton	◆	◆	◆	◆

Focus in 2023

- Triennial review of the Directors' Remuneration Policy
- Extensive two-phase investor consultation on Directors' Remuneration Policy
- Ensuring remuneration continues to support the Group's strategy as we move into the improving delivery phase
- Attraction and retention of high-performing individuals in a competitive global market place
- Further development and incorporation of ESG strategy into incentive plans
- Review of wider workforce reward considerations in light of ongoing economic volatility

Looking ahead to 2024

- Ensure remuneration continues to support ongoing delivery of the Company's strategic goals
- Review wider workforce reward strategy to ensure alignment with strategy, purpose and values
- Retention and incentivisation of our international Executive Leadership Team

KEY SECTIONS OF THIS REPORT ARE AS FOLLOWS:

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DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the financial year ended 30 September 2023, which includes:

- The updated Directors' Remuneration Policy, to be submitted for shareholder approval at the AGM on 31 January 2024; and
- The annual Directors' Remuneration Report, showing how the current Policy has been implemented during FY23 and how, subject to approval, the new Policy will be implemented for FY24.

FY23 was the third year of the five-year strategy launched in 2021, where we moved from the initial foundation building phase to a period of improving financial delivery. Despite ongoing macroeconomic challenges, the Company delivered resilient performance underpinned by targeted investments in capabilities and people,

improving shareholder returns through a growing dividend and our ongoing share buyback programme.

DIRECTORS' REMUNERATION POLICY

During the year the Committee undertook a comprehensive review of the current Policy which included an extensive, two-phase investor engagement process covering over 60% of our issued share capital, as well as the Investment Association, Institutional Shareholder Services and Glass Lewis. The Policy was last approved by shareholders at the 2021 AGM with a vote of over 95%.

In reviewing the Policy, the Committee sought to ensure continued alignment with the five-year strategy and the ability to retain and incentivise a world-class international Executive Leadership Team. The Committee was satisfied that the existing framework

remains broadly fit for purpose, having made a number of best practice changes in 2021 including aligning executive pensions with the wider workforce; introducing post-cessation shareholding requirements; and strengthening our malus and clawback provisions.

No material changes are being made to the Policy at this time, but instead some refinements to the framework and implementation of our incentive structures are proposed, as described below. The Committee will continue to monitor its effectiveness and if material revisions are required before the end of the three-year life of the Policy (e.g. following the end of our current five-year strategic plan), we would consult with shareholders as appropriate.

Performance metrics in incentive plans

The Committee proposes to make some refinements to performance metrics for FY24, to ensure that incentives act as a driver of progress in the second phase of our strategy, delivering stronger and more consistent performance in both conventional tobacco and next generation products (NGP), as well as our commitment to ambitious long-term sustainability goals.

The key changes to performance metrics, which formed a significant part of our discussions with shareholders, are as follows:

- Introduction of a new free cash flow metric in the LTIP, aligned to our key strategic pillar of supporting strong and sustainable cash generation. Strong cash generation is a critical enabler of our four capital allocation priorities, which are listed in full on page 12; and include investment behind the strategy to deliver growth initiatives and return surplus capital to shareholders while maintaining our target leverage. Cumulative free cash flow will operate alongside ROIC in the LTIP (with an equal weighting of 15% each), to ensure continued focus on capital discipline.
- Increased weighting on NGP under the Annual Bonus from 5% to 10%, to reflect accelerated activity across NGP categories and our focus on consumer health. We recognise that consumer health is both a key pillar of our strategy and our most important ESG priority. NGP will continue to be measured by reference to revenue from our heated tobacco, vapes and oral nicotine products.
- A move of our existing climate metric from the Annual Bonus to the LTIP,

reflecting the long-term nature of our ambitions in this area and with an increased weighting from 5% to 10%.

- A review of the TSR comparator group to ensure that the group constituents remain relevant in terms of financial size, capitalisation and correlation, and have an appropriate business and geographical mix. Further details of the updated TSR comparator group can be found on page 153.

We are committed to reducing our impact on the climate throughout our value chain, focusing on both mitigation and adaptation, with a series of ambitious intermediate objectives in place to reduce our carbon footprint, as set out on page 48. Alongside consumer health, climate was identified as a key priority in our ESG materiality assessment, based on the views of consumers, customers, employees and stakeholders. Further details on proposed weightings for the Annual Bonus and LTIP for FY24 are set out in full on page 153.

Operation of Annual Bonus deferral

A key principle of our remuneration framework is to ensure strong alignment between executive and shareholder interests through encouraging share ownership, as reflected in a range of features including bonus deferral, holding periods and shareholding requirements of 300% of gross base salary. Bonus deferral and shareholding requirements also apply to all of our Executive Leadership Team below Board level.

Following our Policy review, we are proposing to introduce flexibility under the Policy for the Committee to reduce the level of bonus deferral, but only where the minimum Executive Director shareholding has been met. Any reduction in deferral would be to a level no lower than 25%. In our view this is a balanced approach which continues to meet our high expectations around building significant shareholdings, while fairly recognising the international nature of our management team and the global talent market in which we operate, where the combination of features described above is relatively uncommon.

SHAREHOLDER ENGAGEMENT DURING THE YEAR

We were very grateful for the time shareholders spent with us in helping shape our proposed Policy and for the strong support we received for the Directors' Remuneration Report

(97.54%) in 2023. During the year, our programme of engagement consisted of two phases: an initial consultation in March to invite general views on a range of executive remuneration topics and our wider strategy, which helped formulate our initial proposals. In July, we wrote back to investors summarising our proposals and held a number of open and constructive discussions, leading to refinements in the final approach.

We received a wide range of views and the majority of investor feedback was positive. Some investors did raise a clear preference for the retention of ROIC within the LTIP, to ensure a continued focus on capital discipline and making investments which will generate long-term value for investors. As a result of the feedback received from investors, we have retained ROIC with a reduced weighting of 15% and included cumulative free cash flow with an equal weighting of 15%. We also heard a range of differing views on the appropriate weighting and metric for our climate measure. On balance, we decided to retain the proposed climate weighting of 10% under the LTIP, for the reasons outlined above.

WORKFORCE ENGAGEMENT DURING THE YEAR

The Committee was directly involved in the Board's work during the year on workforce engagement which is described in detail on page 130. Our "Meet the Board" sessions are a valuable way of having open conversations with colleagues about a wide range of matters, which have included the role of the Board in decision-making, our strategy, the ESG agenda, our purpose, vision and culture, and diversity, equity and inclusion. We have specifically explored the topic of reward, hearing participant's views on the alignment of executive reward and reward for the wider workforce at Imperial Brands. We also discussed a range of reward topics covering ESG, strategy, performance metrics, policy, corporate governance, benchmarking and reward alignment throughout all levels of the Company. I have been encouraged by the level of openness, engagement and interest shown by our colleagues, and would like to thank them for their valued contribution.

SUPPORTING OUR COLLEAGUES

While in recent months we have seen a slowing down in the volatility of the macroeconomic environment across the globe, the Committee has continued to monitor the impact of the still very challenging environment on our

workforce. In FY22, we introduced a number of targeted actions which supported our colleagues and we have continued to monitor and, where appropriate, take action in FY23 in locations where significant economic challenges continue to exist.

Annual salary budgets continue to be determined with a focus on markets where wage inflation lagged price inflation by a significant margin, recognising the disproportionate impact for those on lower incomes. Across the countries we operate in, salary increases typically range from 4% to 8% (excluding higher increases made in countries experiencing hyperinflation), with average increases in the UK at 5% for FY24.

The Committee will continue to monitor and review workforce pay and policies over the coming year, to ensure we support our colleagues.

REMUNERATION OUTCOMES FOR FY23

The FY23 Annual Bonus was based on stretching financial measures with 40% based on adjusted operating profit, 20% on adjusted operating cash conversion and 20% on market share. ESG (consumer health and climate) and strategic objectives formed the remaining 20% of the bonus at 10% weightings for each.

Adjusted operating profit performance with growth of 3.8% at constant currency was delivered through strong market share growth and tobacco pricing. A third consecutive year of market share growth of +10bps against FY22 was achieved with performance mainly driven by the US, Spain and Australia. Cash generation remained a key focus and has supported the delivery of a 92% adjusted operating cash conversion outcome and this strong cash generation has enabled the business to return £2.3 billion to shareholders via dividends and share buyback.

Strong performance was achieved across both ESG measures of consumer health (NGP net revenue) and climate change (reduction in energy consumption and Scope 1 & 2 CO₂ emissions). NGP net revenue growth accelerated during the year, with strong growth in all categories across Europe, and delivery of £227 million NGP net revenue (excluding US and at internal exchange rates). An 8.8% reduction in energy consumption and significant reductions in CO₂ emissions were delivered following a concerted focus on energy conservation and energy efficiency.

The market share, NGP revenue and climate targets were met in full, while the adjusted operating profit and cash conversion targets were achieved in part.

The Executive Directors performed extremely well against their strategic objectives which as far as possible have been set as specific and quantifiable. For Stefan Bomhard, this included the launch of blu 2.0 into eight, Pulze into five and blu bar into eleven markets, the planned entry into modern oral nicotine in the US and upper quartile global colleague engagement scores during a period of significant change and transformation. Lukas Paravicini's objectives included the setting up of Finance and IT GBS operations, the UNIFY programme progressing to time and budget and material increases in Finance, IT and Transformation colleague engagement scores. Further details are shown on page 155 and 156.

In aggregate, as a percentage of maximum, Stefan received a bonus of 71.6% and Lukas received a bonus of 70.6%. 50% of the bonus will be deferred in Imperial Brands shares over three years. The Committee believes this outcome reflects fairly the performance of the business during the year. No discretion has been applied by the Committee.

The LTIP award due to vest in February 2024 will vest in part, resulting in 85% of the total award vesting. No discretion was applied by the Committee in respect of the vesting outcome.

IMPLEMENTATION FOR FY24

The Committee reviews remuneration trends and plans for the wider workforce each year and this provides important and relevant context for the decisions it makes regarding the Executive Directors and the Executive Leadership Team.

In reviewing salaries this year, the Committee has been mindful of the ongoing global inflationary pressures that have been impacting many of our people across the Group.

The annual salary review is effective from 1 October 2023. As mentioned earlier, salary increases awarded to employees typically ranged from 4% to 8% across the markets we operate in (excluding higher increases made in countries experiencing hyperinflation). Our budgeted average increase for the UK workforce is 5% for FY24.

In setting the salary for the Executive Directors, the Committee took into consideration global inflationary pressures, the approach taken for colleagues, performance and contribution, and the impact on total remuneration.

Stefan was appointed on 1 July 2020 and has provided exceptional leadership over the first three years of our transformation strategy. After careful consideration, the Committee decided to award a salary increase of 4.5% to Stefan and of 4% to Lukas. The increases awarded reflect the strong performance and contribution from both our Executive Directors during the year. In taking these decisions, the Committee considered the comparison with wider workforce increases, noting that the increases were, again, below the average increase for the UK workforce. Stefan's new salary is £1,400,036 pa and Lukas' new salary is £789,568 pa.

FY24 is an important year, where we continue to drive our “accelerating returns” phase of our strategy. The Committee considered carefully the measures and targets for FY24 across both the Annual Bonus and LTIP, and has sought to ensure a set of metrics that balance key financial metrics, continued growth in NGP and commitment to our long-term sustainability goals, to ensure that we continue to drive and reward the behaviours that will deliver on the long-term strategy. However, the Committee also recognises that we continue to operate in an uncertain and challenging macroeconomic and geopolitical environment.

The Annual Bonus performance metrics for FY24 will be: organic adjusted operating profit at constant currency (40% weighting), market share growth (15% weighting), cash conversion (15% weighting), ESG/NGP

consumer health (10% weighting) and individual/strategic objectives (20% weighting). The financial targets will be aligned with the guidance provided at our Capital Markets Day and in our latest trading statements.

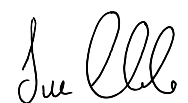
The FY24 LTIP will be granted in February 2024. The measures for the FY24 award will be: organic adjusted EPS growth at constant currency (weighting 40%), relative TSR (weighting 20%), return on invested capital (weighting 15%), the newly introduced cumulative free cash flow measure (weighting 15%), and ESG climate which has moved from the Annual Bonus (weighting 10%). The targets are detailed on page 153.

CHAIR FEES

The Committee reviewed and approved a 4% fee increase for the Company Chair. Thérèse Esperdy's fee will be £664,280 pa from 1 October 2023.

CONCLUSION

On behalf of the Committee I would once again like to thank our shareholders and wider stakeholders for their engagement during the year. We believe the proposed new Policy, and plan for implementation from FY24, best supports the next phase of our strategy and the continued retention and incentivisation of our international Executive Leadership Team. Should you have any questions or feedback, please get in touch with me at RemcoChair@impbrands.com. We hope that you will support the Remuneration Policy and Annual Remuneration Report at our AGM.



Sue Clark
Chair of the Remuneration Committee

Meetings held in FY23

In FY23, the Committee met on four occasions and the table below summarises the matters discussed:

	Nov-22	Mar-23	May-23	Sep-23
Approval of FY22 Bonus out-turn	◆			
Approval of 2020-2022 LTIP out-turn	◆			
Review of Executive Directors' remuneration dashboard	◆		◆	◆
Approval of DRR	◆			
Review of CEO pay ratio	◆			
Approval of FY23 Annual Bonus targets and weightings	◆			
Approval of 2023-2025 LTIP targets and weightings	◆			
Approval of vesting of Share Matching Scheme and Bonus Matching Plan for senior management and FY23 grant	◆			
Approval of operation of Discretionary Share plan and Sharesave for FY23	◆			
Approval of FY23 LTIP grant	◆			
Review and approval of Directors' Remuneration Policy, including investor consultation		◆	◆	◆
Discussion on workforce remuneration			◆	◆
Review of forecast for Annual Bonus out-turn			◆	◆
Review of forecast for LTIP out-turn			◆	◆
Discussion of FY24 Annual Bonus plan				◆
Discussion of 2024-2026 LTIP plan				◆
Approval of base salaries for Executive Leadership Team and Chair's fee				◆
Review of the Committee's terms of reference				◆

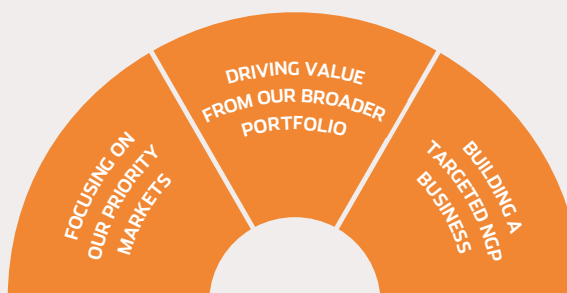
REMUNERATION AT A GLANCE

OUR EXECUTIVE PAY PRINCIPLES

- To attract and retain the very best global talent
- To reward executives well for maximising shareholder returns sustainably and delivering long-term quality growth that benefits all our stakeholders
- To motivate executives to consistently perform to the best of their ability
- To reinforce the behaviours that support our values
- To align executive reward with the experience of our shareholders through encouraging share ownership and an "ownership" mindset
- To balance restraint with fair reward for contribution, in the way we reward executives, as we do for the wider workforce

OUR APPROACH TO REWARDING EXECUTIVE DIRECTORS IN 2024

Our strategic priorities



Measuring performance¹

Annual Bonus:

- Adjusted operating profit (40%)
- Adjusted operating cash conversion (15%)
- Market share growth (15%)
- Strategic/individual (20%)
- Consumer health – NGP (10%)

LTIP:

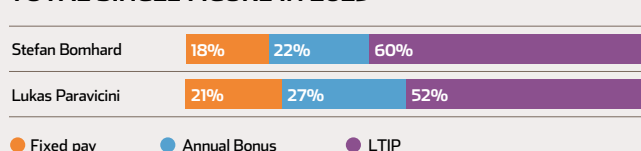
- Adjusted EPS growth (40%)
- Return on invested capital (15%)
- Cumulative free cash flow (15%)
- Relative TSR (20%)
- Climate change (10%)

1. Further details of the above performance measures can be found on page 153.

EXECUTIVE DIRECTORS' VARIABLE REMUNERATION OUTCOMES FOR 2023

		Maximum % of bonus/ LTIP	Out-turn as a % of maximum bonus/ LTIP	% of weighting achieved
Annual Bonus	Adjusted operating profit growth at constant currency	40%	26.8%	67%
	Adjusted operating cash conversion	20%	4.8%	24%
	Weighted market share growth	20%	20%	100%
	ESG – Climate change, consumer health	10%	10%	100%
	Strategic/individual – Stefan Bomhard	10%	10%	100%
	Strategic/individual – Lukas Paravicini	10%	9%	90%
Total	Stefan Bomhard	100%	71.6%	71.6%
	Lukas Paravicini	100%	70.6%	70.6%
Long-Term Incentive Plan	Adjusted EPS growth at constant currency	40%	25%	62%
	Net debt/EBITDA	20%	20%	100%
	Return on invested capital (ROIC)	20%	20%	100%
	Relative TSR	20%	20%	100%
Total		100%	85%	85%

TOTAL SINGLE FIGURE IN 2023



● Fixed pay ● Annual Bonus ● LTIP

(£,000)	Stefan Bomhard	Lukas Paravicini
Base salary	1,340	752
Benefits and pension	204	109
Total fixed pay	1,544	861
Annual Bonus	1,919	1,062
LTIP	5,138	2,099
Total remuneration	8,601	4,022

DIRECTORS' REMUNERATION POLICY

This section of the report sets out the Remuneration Policy for Executive Directors and Non-Executive Directors, which shareholders will be asked to approve at the 2024 AGM on 31 January 2024, and if approved, will take effect from this date. Until this time, the Remuneration Policy approved by shareholders on 3 February 2021 will continue to apply.

Over the last 18 months, the Committee has undertaken a comprehensive review of remuneration arrangements, with a particular focus on alignment to Imperial's strategy and purpose. A stakeholder consultation process was carried out and input was received from Remuneration Committee members, the Chair of the Board, other Non-Executive Directors, and the independent external adviser to the Committee, Deloitte. The Committee also considered input from the Executive Leadership Team and wider colleagues while ensuring that conflicts of interest were suitably mitigated. The Committee undertook a detailed consultation process with shareholders in developing the Policy and thanks them for their valuable input.

The Remuneration Committee concluded that the current Policy remains broadly fit for purpose, and therefore only minor changes to that Policy are proposed.

Bonus deferral – One change to the proposed Policy relates to the operation of bonus deferral. Half of any annual bonus earned will continue to be deferred into an award of shares which vest after a minimum of three years, with the other half paid in cash, up until the minimum shareholding guideline of 300% of gross base salary has been met. Once the minimum shareholding guideline has been met, the Committee may determine that a lower portion of an Annual Bonus is deferred into an award over shares which vest after a minimum of three years, subject to a minimum deferral of 25%, with the remaining award paid in cash.

The Remuneration Committee intends that the new Policy will operate for three years. If, however, changes are needed over the three-year life of the Policy, a new Policy would be proposed out of cycle at the 2025 or 2026 AGM or if felt more appropriate at a separate General Meeting.

Element & purpose	Operation & opportunity
<p>Salary Attract and retain high-performing individuals, reflecting market value of the role and the Executive Director's skills, experience and performance.</p>	<p>Operation Reviewed, but not necessarily increased, annually by the Committee taking into account Company performance as well as each Executive Director's performance together with changes in role and responsibility. Salary increases, if any, are generally effective from 1 October. The Remuneration Committee considers pay data for UK listed companies closest to the Company by FTSE ranking (and excluding those in the financial services sector) and other relevant international comparators of similar size and sector. In determining individual remuneration, the primary factors taken into account are individual performance, the scale of the challenges intrinsic to that individual's role, changes in role, their ability and experience. The Remuneration Committee also considers general increases for the wider workforce, with a focus on increases in the country in which the Executive Director is based.</p> <p>Maximum opportunity To avoid setting expectations of Executive Directors and other employees, there is no maximum salary or maximum increase in salary under the Policy.</p>
<p>Pension Provision of market-competitive pension aligned to workforce.</p>	<p>Operation Pension provision for Executive Directors is provided in line with other employees. Executive Directors are offered membership of the defined contribution plan, and have the option to receive a cash supplement in lieu of, or a combination thereof. The Remuneration Committee may amend the form of any Executive Director's pension arrangements in response to changes in pensions' legislation or similar developments, so long as any amendment does not increase the cost to the Company of an Executive Director's pension provision.</p> <p>Maximum opportunity The maximum pension contribution or allowance for Executive Directors will be aligned with the workforce (currently 14% of salary).</p>
<p>Benefits Competitive benefits taking into account market value of role and benefits across the workforce.</p>	<p>Operation Benefits include provision of a company car (or cash allowance in lieu), health insurance, life insurance and income protection insurance which are provided directly or through the Company's pension scheme. Other benefits, including expatriate or relocation arrangements, may also be provided on the basis that they are also offered more widely across the Company or are necessary in order to be competitive locally. Reasonable business-related expenses will be reimbursed. Where appropriate, benefits may include any tax payable thereon.</p> <p>Maximum opportunity While there is no maximum level of benefits prescribed, they are generally set an appropriate level reflecting market-competitive data. The value may vary depending on the cost of providing such provisions.</p>

Element & purpose	Operation & opportunity
<p>Annual Bonus plan Incentivise delivery of Group strategic objectives and enhance performance.</p>	<p>Operation The Annual Bonus will be subject to the relevant performance measures set by the Remuneration Committee usually at the start of each year to reflect the Group's KPIs at that time. The measures may be a balance of financial and non-financial, but with the expectation that the majority of the Annual Bonus will be subject to quantifiable financial measures.</p> <p>Performance at threshold normally results in zero payment. Payments rise to 100% of the maximum opportunity for levels of performance between the threshold and maximum targets.</p> <p>Half of any Annual Bonus earned is deferred into an award over shares which vests after a minimum of three years, with the other half paid in cash, up until the minimum shareholding guideline of 300% of gross base salary has been met, as determined by the Remuneration Committee.</p> <p>Once the minimum shareholding guideline has been met, the Remuneration Committee may determine that a lower portion of any Annual Bonus is deferred into an award over shares which vest after a minimum of three years, subject to a minimum deferral of 25% with the remaining award paid in cash.</p> <p>These awards are forfeitable if the Executive Director resigns voluntarily or is dismissed for cause.</p> <p>Dividend roll-up may apply to any element of an Annual Bonus deferred into an award over shares. Any such dividend roll-up may be paid in additional shares (or, exceptionally, cash), and may assume dividend reinvestment.</p> <p>Malus and clawback provisions are in place. The deferred shares are not subject to performance conditions.</p> <p>Maximum opportunity 200% of base salary.</p>
<p>Long-Term Incentive Plan Incentivise long-term Group performance in line with the Group's strategic objectives.</p> <p>Align Executive Directors' interests with those of shareholders.</p>	<p>Operation Awards normally have a performance period of three financial years.</p> <p>Performance measures may include financial, non-financial or value creation (e.g. TSR) conditions as determined by the Remuneration Committee normally before each grant to align with the strategic priorities of the business at that time. In normal circumstances, at least 70% of the LTIP award will be subject to financial and/or value creation measures.</p> <p>Malus and clawback provisions are in place.</p> <p>Executive Directors are ordinarily required to retain the net-of-tax number of vested LTIP award shares for a period of two years after vesting.</p> <p>Maximum opportunity Chief Executive Officer: 350% of base salary. Other Executive Directors: 250% of base salary.</p> <p>LTIP awards may include additional shares (or, exceptionally, cash) equivalent to the value of the dividend roll-up, and which may assume dividend reinvestment.</p>
<p>All-employee arrangements Provision of market-competitive arrangements aligned to workforce.</p>	<p>Operation Executive Directors may participate in any all-employee arrangements established and operated by the Company, on the same basis as other Group employees.</p> <p>The Company currently operates a Sharesave Plan for the benefit of its worldwide employees, and in which Executive Directors are eligible to participate.</p> <p>Maximum opportunity In accordance with the limits applicable to the relevant all-employee arrangements.</p>
<p>Shareholding guideline Align Executive Directors' interests with long-term interests of shareholders.</p>	<p>Operation Executive Directors are expected to build a holding in the Company's shares to a minimum value broadly equivalent to 300% of gross base salary. Executive Directors are required to continue to hold shares after cessation of employment. The requirement is to hold shares to the value of the shareholding guideline (i.e. 300% of salary or the existing shareholding if lower at the time of cessation) for a period of one year after cessation, with the requirement reducing to half the shareholding guideline for the second year after cessation.</p> <p>Progress towards the shareholding guidelines is monitored on an annual basis and the Remuneration Committee will consider any necessary sanctions required for non-compliance.</p> <p>Maximum opportunity No maximum holding but requirement to build to a minimum value broadly equivalent to 300% of gross base salary.</p>

REMUNERATION COMMITTEE DISCRETIONS RELATING TO VARIABLE PAY SCHEMES

The Remuneration Committee operates each of the Company's incentive plans for which it has responsibility according to their respective rules and, where relevant, in accordance with the Listing Rules. The Remuneration Committee has discretion, consistent with market practice and the framework of this Policy, in respect of:

- participants;
- the timing of grant of an award and/or payment;
- the size of an award (subject to the maxima set out in our Policy);
- the performance measures and targets;
- the determination of vesting and confirmation that the calculation of performance is made in an appropriate manner, with due consideration of shareholder experience, Company performance and whether and, if so, how adjustments should be made (subject to the provision that any adjustments to targets set should result in the revised target being no less challenging than the original target);
- the adjustment up or down including to zero of the number of shares that vest taking into account a number of factors, including personal or corporate performance and circumstances that were unforeseen at the date of grant;
- discretion required when dealing with a change of control (including, as appropriate, the testing of any performance conditions on the occurrence of such events, the application of time pro-rating and the "roll-over" of awards) and any adjustments required in special circumstances (e.g. rights issues, corporate restructuring events and special dividends);
- determination of a good/bad leaver status for plan purposes based on the rules of the plan and the appropriate treatment chosen, including the timing of vesting of awards held by good leavers, the application of time pro-rating and any additional conditions applying to good leavers' awards;
- whether, and on what basis, dividend roll-up may apply to any award;
- whether recoupment (or "malus" and/or "clawback") shall apply to awards and, if so, the amount that shall be subject to recoupment and the method by which it will be applied;
- the method by which awards will be settled in shares (e.g. newly-issued, treasury or market-purchased shares) or (exceptionally) in cash;
- the method by which any post-vesting holding period and post-cessation holding period shall apply and the extent to which it may be disapplied in exceptional circumstances (e.g. ill-health); and
- amendments to the terms of the incentive plans, subject to any requirements to obtain shareholder approval for such amendments.

In relation to the Annual Bonus and LTIP awards, the Remuneration Committee retains the ability to adjust the targets set if events occur which cause it to determine that the conditions are no longer appropriate. Adjustments to LTIP award targets may be made if an amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy than was intended. Adjustment may also be made for any changes to accounting policy or accounting standards over the performance period. Any use of discretion beyond the normal operation of the plan would be justified in the Annual Report on Remuneration and, if appropriate, be subject to consultation with the Company's major shareholders. The use of discretion in relation to the Company's Sharesave Plan is as permitted under HMRC rules.

Financial targets are normally set based on sliding scales that take account of internal planning and external market expectations for the Group. Sliding scales may incorporate multiple reference points (e.g. threshold, target, maximum). In relation to strategic (including NGP) or ESG targets, the structure of the targets may vary based on the nature of the target set. Targets and underpins may be set which provide for Committee judgement in assessing the extent to which they have been met.

All discretions available under share plan rules will be available under this Policy, except where explicitly limited under this Policy.

MALUS AND CLAWBACK

The Remuneration Committee believes that it is appropriate for all variable pay awards made by the Company to be subject to provisions that allow it to recover any value delivered (or which would otherwise be delivered) in connection with any variable award, including Annual Bonus and LTIP awards, in exceptional circumstances and where it believes that the value of those variable pay awards is no longer appropriate.

Malus provisions apply before payment and clawback provisions are in place for a period of three years following payment of the Annual Bonus (or vesting of any element of Annual Bonus deferred into an award over shares) or vesting of any LTIP award.

The malus and clawback provisions can be used in the following circumstances:

- There has been a material misstatement of financial results;
- There has been an error of calculation in the grant or vesting of any award;
- The award holder has committed fraud or misconduct; and
- The award holder has (by act or omission) contributed to:
 - serious reputational damage to the Group;
 - an instance of corporate failure (e.g. the appointment of a liquidator);
 - a material failure of risk management; or
 - a material downturn of operational, financial or business performance.

PAYMENTS FROM EXISTING AWARDS AND AMENDMENTS TO THE POLICY

Subject to the achievement of applicable performance measures, Executive Directors are eligible to receive payment, and existing awards may vest, in accordance with the terms of any such award made prior to the approval and implementation of the 2024 Remuneration Policy detailed in this report. Any employee appointed to the Board as an Executive Director will remain eligible to receive payments, and existing awards may vest, in accordance with the terms of any such payment or award under any of the Group's share plans or incentive arrangements made prior to such appointment.

The Committee may make minor amendments to the Policy to aid its operation or implementation without seeking shareholder approvals (e.g. for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) provided that any such change is not to the material advantage of the Director.

PERFORMANCE MEASURE SELECTION

The measures used under the variable reward elements are reviewed annually to ensure they support the Group's strategy.

Performance targets are set to be stretching yet achievable, taking into account the Group's strategic priorities and the economic environment at the time. Further information on the measures and targets for 2024 can be found on pages 153.

DIFFERENCES IN REMUNERATION POLICY FOR EXECUTIVE DIRECTORS AND THE POLICY FOR OTHER EMPLOYEES

The Remuneration Policy for Executive Directors is designed having regard to the remuneration policy for employees across the Group. The structure of the Remuneration Policy for Executive Directors and other senior employees is closely aligned. The key differentiator is the increased emphasis on long-term performance in respect of Executive Directors, with a greater percentage of their total remuneration being performance related. This includes mandatory three-year deferral of a portion of bonus (typically 50%) and an additional two-year holding period on vested LTIPs, neither of which apply to managers. There are also variations in the performance metrics which the Remuneration Committee believes are necessary to reflect the different levels of responsibility.

The Company's approach to annual salary reviews is consistent across the Group, with consideration given to Company performance, the scope of the role, level of experience, responsibility, individual performance and pay levels in comparable companies.

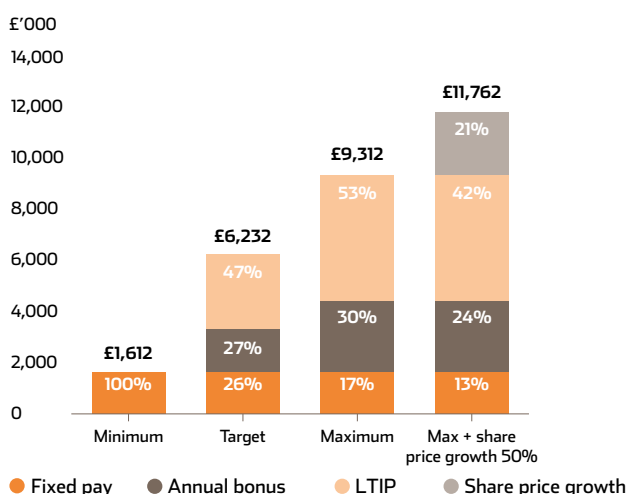
All managers are eligible to participate in an Annual Bonus plan with similar metrics to those used for the Executive Directors.

Senior managers are eligible to participate in the LTIP (c.500 individuals). Where possible, all employees are encouraged to become shareholders by participating in our Sharesave Plan on the same terms as Executive Directors. Approximately 40% of eligible employees have taken the opportunity to participate in the Sharesave Plan. Certain managers (c.200 individuals) are eligible to participate in the legacy Share Matching Scheme although this is closed to new participants. Executive Directors may not participate in the Share Matching Scheme.

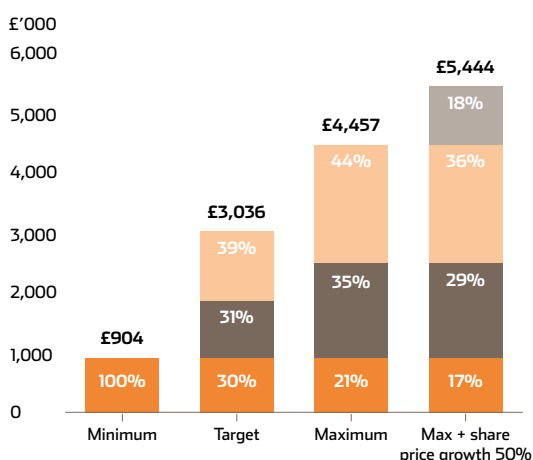
Retirement benefit, typically in the form of a pension, is provided based on local market practice. Other benefits provided reflect local market practice and legislation.

TOTAL REMUNERATION BY PERFORMANCE SCENARIO FOR 2023/2024 FINANCIAL YEAR

Stefan Bomhard



Lukas Paravicini



EXECUTIVE DIRECTORS' SERVICE AGREEMENTS AND LOSS OF OFFICE PAYMENTS

The Company's policy is that Executive Directors' service agreements normally continue until their agreed retirement date or such other date as the parties agree, are terminable on no more than one year's notice and contain no liquidated damages provisions nor any other entitlement to the payment of a predetermined amount on termination of employment in any circumstances. The Company may make payments in lieu of accrued holiday, and in some limited cases career counselling may be provided after the cessation of employment for a defined period and a contribution may be made towards an individual's legal fees. The Remuneration Committee has the authority to enter into settlement agreements with Executive Directors and to pay compensation to settle potential legal claims where considered in the best interests of all parties. Under the terms of our Articles of Association, all Executive Directors are subject to annual re-election by shareholders and copies of their service agreements are available for viewing at the Company's registered office during normal business hours and both prior to and at the AGM.

Executive Directors' service agreements contain provisions for payment in lieu of notice in respect of base salary, pension contributions and a percentage of base salary in respect of other benefits, but these are at the Remuneration Committee's sole discretion. The Company is unequivocally against rewards for failure. The circumstances of any termination (including performance) and an individual's duty and opportunity to mitigate losses would be taken into account in every case; our policy is to stop or reduce compensatory payments to former Executive Directors to the extent that they receive remuneration from other employment during the compensation period and so any such payments would be paid monthly in arrears.

For Executive Directors leaving employment for specified "good leaver" reasons (including death, ill health, disability, the business or company in which they are employed ceasing to be part of the Group) or in other circumstances and where the Remuneration Committee permits, Annual Bonus awards will be based on performance, adjusted for time served, and paid at the same time as for other employees. The Remuneration Committee has discretion to treat any Executive Director leaving for a reason other than the specified reasons above to be permitted to retain their Annual Bonuses, to adjust the timing and pro-rating to take account of any prevailing exceptional circumstances.

Any element of an Annual Bonus award which is deferred into shares will ordinarily be forfeited by an Executive Director if such Executive Director leaves employment prior to the end of the applicable vesting period due to their voluntary resignation or dismissal for "cause" (for example, dismissal for gross misconduct or bringing the Company into disrepute). An Executive Director who leaves employment for any other reason will be entitled to retain their deferred bonus awards, which will normally vest at the normal vesting date.

Under the rules of the LTIP, outstanding awards remain capable of vesting in accordance with their terms if a participant leaves for the specified "good leaver" reasons as detailed above, or in any other circumstances where permitted by the Remuneration Committee. In these circumstances awards vest as the Remuneration Committee determines, having regard to the time the award has been held and the achievement of the performance criteria. Awards will normally vest at the normal vesting date. If the termination of employment is not for one of the specified good leaver reasons and the Remuneration Committee does not exercise its discretion to allow an award to vest, awards lapse entirely.

EXECUTIVE DIRECTORS' SERVICE AGREEMENTS

Executive Director	Date of contract	Expiry date	Compensation on termination following a change of control
Stefan Bomhard	31 January 2020	Terminable on 12 months' notice	No provisions
Lukas Paravicini	11 April 2021	Terminable on 12 months' notice	No provisions

1. Service agreement dated 31 January 2020 with a start date of 1 July 2020.
2. Service agreement dated 11 April 2021 with a start date of 1 May 2021.

Copies of Executive Directors' service agreements are available to view at the Company's registered office.

RECRUITMENT OF EXECUTIVE DIRECTORS

The remuneration package for any new Executive Director is set in accordance with the terms of the approved Remuneration Policy in force at the time of appointment. Base salary will be set at an appropriate level, taking into account the experience of the individual being appointed and the nature of the role. This may include setting the initial base salary below market but with an expectation that subsequent increases will bring this into line with the desired market rate, in line with their development in the role. The pension provision offered will be no more than that offered to the wider workforce at the time of appointment. Depending on the timing of such an appointment within the financial year, it may be necessary for the Remuneration Committee to use alternative performance measures for the first performance period.

The Remuneration Committee may offer additional cash and/or share-based elements when it considers these to be in the best interests of the Company and, therefore, shareholders, to buy out remuneration or contractual entitlements which the individual would forfeit at their current employer. Buyout awards will be based solely on remuneration lost when leaving the former employer and would reflect the delivery mechanism (i.e. cash, shares or options), time horizons and performance requirements attaching to that remuneration where possible. Shareholders will be informed of any such awards at the time of appointment. Ordinarily, any such buyout awards would be delivered as "recruitment awards" under the LTIP rules but the Remuneration Committee may need to avail itself of the current Listing Rule 9.4.2 R, if required, in order to facilitate the recruitment of the relevant individual. The Remuneration Committee confirms that this provision would only be used to compensate for remuneration lost.

In the case of an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms on grant. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.

For external and internal appointments, the Remuneration Committee may agree that the Company will meet certain relocation expenses, as appropriate and within the limits set by the Remuneration Committee.

CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE COMPANY

We did not consult with employees as part of the process of developing the new Policy. However, in addition to the employee engagement detailed on pages 33 and 130 we have shared our gender pay report and the CEO pay ratio with employees. As part of our employee experience survey, we also received feedback on what employees value in terms of their reward package and where we can improve at the local level.

The Remuneration Committee ensures that it is fully briefed on pay practices across the Company generally, including internal relativities and participation in all-employee share plans. The Remuneration Committee usually reviews external market data annually and this is the primary source of remuneration comparison.

CONSIDERATION OF SHAREHOLDER VIEWS

The Remuneration Committee understands that shareholders have diverse views in respect of remuneration, and therefore engages with the Company's largest shareholders to ensure it understands the range of views which exist on remuneration issues. When any material changes are proposed to be made to the Remuneration Policy, the Remuneration Committee Chair will inform and, where appropriate, consult with major shareholders in advance, and will offer a meeting to discuss these.

The Remuneration Committee actively engaged with shareholders prior to proposing the new Remuneration Policy at its 2024 AGM. As set out in the Chair statement on page 143, in March we undertook an initial consultation with shareholders which helped formulate the proposals that were sent to shareholders, in July, who together own approximately 61% of the Company. Open and constructive meetings were held with the shareholders who wanted to discuss the proposals, which led to refinements in the final approach. We also corresponded with the Investment Association, ISS and Glass Lewis.

The Remuneration Committee also seeks ongoing advice from its external advisers on wider shareholder views, to ensure that it is kept up to date with any changes in market practice and shareholder sentiment.

Following the extensive consultation undertaken and in consideration of the feedback received, the Remuneration Committee is proposing limited changes to its existing Policy as it strongly believes that this is the best approach to support the Group's strategic aims, motivate management and provide the tools to attract high calibre new talent to the Company and is therefore in the best interests of shareholders and other stakeholders.

POLICY IN RESPECT OF EXTERNAL BOARD APPOINTMENTS

The Remuneration Committee recognises that external non-executive directorships are beneficial for both the Executive Director concerned and the Company. Each serving Executive Director is restricted to one external non-executive directorship in a listed company and may not serve as the chair of a FTSE 100 company. At the discretion of the Board, Executive Directors are permitted to retain fees received in respect of any such non-executive directorship.

POLICY FOR THE CHAIR AND NON-EXECUTIVE DIRECTORS

Strategic purpose	Key features
<p>Fees Attract and retain high performing individuals.</p>	<p>Operation Reviewed, but not necessarily increased, annually by the Board. Fee increases, if applicable, are normally effective from 1 October. The Board considers best practice and fee data at comparator companies of similar scale. Additional fees may be payable for acting as the Senior Independent Director, as Chair and/or a member of a Committee or for other additional responsibilities. An allowance may be paid when regular intercontinental travel is required. Higher fees may be paid to a Non-Executive Director should they be required to assume executive duties on a temporary basis. No eligibility for Annual Bonus, retirement benefits or to participate in the Group's employee share plans.</p> <p>Maximum opportunity No prescribed maximum annual increase. Aggregate annual fees limited by Articles of Association (currently £2.0 million).</p>
<p>Benefits Reimbursement of business-related expenses.</p>	<p>Operation Reimbursement of travel to the Company's registered office is recognised as a taxable benefit. To the extent that any other reasonable business related expenses are recognised as a taxable benefit, these will be reimbursed at cost (including any tax thereon). Reasonable benefits may be provided from time to time on a case-by-case basis.</p> <p>Maximum opportunity Grossed-up costs.</p>

The Chair and Non-Executive Directors are encouraged to establish a holding in Imperial Brands shares of the equivalent of one year's base fee.

CHAIR AND NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

The Chair and Non-Executive Directors do not have service agreements, but the terms of their appointment, including the time commitment expected, are recorded in letters of appointment which are available for viewing at the Company's registered office during normal business hours and both prior to and at the AGM.

In line with the Board's annual review policy, the Chair's and Non-Executive Directors' terms of appointment were reviewed and confirmed by the Board on 31 January 2023. There are no provisions regarding notice periods in their letters of appointment which state that the Chair and Non-Executive Directors will only receive payment until the date their appointment ends and, therefore, no compensation is payable on termination. Under the terms of the Company's Articles of Association, all Non-Executive Directors are subject to annual re-election by shareholders.

PAY ARRANGEMENTS FOR FY24

The table below summarises how we intend to apply the main areas of our Directors' Remuneration Policy for FY24.

Element	Implementation																																				
Salary																																					
Attract and retain high-performing individuals, reflecting market value of the role and the Executive Director's skills, experience and performance.	<table border="1"> <thead> <tr> <th></th> <th>Base salary as at Oct 22</th> <th>Oct 23 base increase%</th> <th>Base salary as at Oct 23</th> </tr> </thead> <tbody> <tr> <td>Stefan Bomhard</td> <td>£1,339,747</td> <td>4.5%</td> <td>£1,400,036</td> </tr> <tr> <td>Lukas Paravicini</td> <td>£759,200¹</td> <td>4%</td> <td>£789,568</td> </tr> </tbody> </table> <p>1. Lukas Paravicini's base salary was effective from 1 January 2023. Increases for the workforce typically ranged from 4% to 8%, with average increases for the UK workforce at 5%.</p>		Base salary as at Oct 22	Oct 23 base increase%	Base salary as at Oct 23	Stefan Bomhard	£1,339,747	4.5%	£1,400,036	Lukas Paravicini	£759,200 ¹	4%	£789,568																								
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Where the minimum shareholding guideline of 300% of gross base salary has been met, the Remuneration Committee may determine that a lower deferral percentage be applied subject to a minimum deferral percentage of 25%.	<table border="1"> <tbody> <tr> <td>Adjusted operating profit growth at constant currency</td> <td>40%</td> </tr> <tr> <td>Adjusted operating cash conversion</td> <td>15%</td> </tr> <tr> <td>Market share growth</td> <td>15%</td> </tr> <tr> <td>ESG /NGP – consumer health (NGP revenue)</td> <td>10%</td> </tr> <tr> <td>Strategic/individual</td> <td>20%</td> </tr> </tbody> </table> <p>Underlying targets are commercially sensitive and will be fully disclosed in next year's Annual Report.</p>	Adjusted operating profit growth at constant currency	40%	Adjusted operating cash conversion	15%	Market share growth	15%	ESG /NGP – consumer health (NGP revenue)	10%	Strategic/individual	20%																										
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Malus and clawback provisions are in place.	<table border="1"> <thead> <tr> <th>Performance measure</th> <th>Weighting</th> <th>Cut in</th> <th>Target</th> <th>Max</th> </tr> </thead> <tbody> <tr> <td>Adjusted EPS growth at constant currency excluding share buybacks¹</td> <td>(40%)</td> <td>3.9%</td> <td>4.8%</td> <td>5.8%</td> </tr> <tr> <td>Return on invested capital (ROIC)</td> <td>(15%)</td> <td>19.1%</td> <td>21.1%</td> <td>21.9%</td> </tr> <tr> <td>Cumulative free cash flow (CFCF)</td> <td>(15%)</td> <td>£5.9b</td> <td>£6.7b</td> <td>£7.5b</td> </tr> <tr> <td>Relative TSR against a group of FMCG companies²</td> <td>(20%)</td> <td>median</td> <td>N/A</td> <td>upper quartile</td> </tr> <tr> <td rowspan="2">Climate change</td> <td>Scope 1 & 2 CO₂ emissions reduction</td> <td>(5%)</td> <td>70%</td> <td>72%</td> <td>75%</td> </tr> <tr> <td>Energy consumption reduction</td> <td>(5%)</td> <td>4.5%</td> <td>6.0%</td> <td>7.5%</td> </tr> </tbody> </table> <p>Cut in would deliver a 25% pay out of maximum.</p>	Performance measure	Weighting	Cut in	Target	Max	Adjusted EPS growth at constant currency excluding share buybacks ¹	(40%)	3.9%	4.8%	5.8%	Return on invested capital (ROIC)	(15%)	19.1%	21.1%	21.9%	Cumulative free cash flow (CFCF)	(15%)	£5.9b	£6.7b	£7.5b	Relative TSR against a group of FMCG companies ²	(20%)	median	N/A	upper quartile	Climate change	Scope 1 & 2 CO ₂ emissions reduction	(5%)	70%	72%	75%	Energy consumption reduction	(5%)	4.5%	6.0%	7.5%
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Chair and Non-Executive Directors' fees																																					
Attract and retain high-performing individuals.	With effect from 1 October 2023:																																				
	Chair's fee will increase by 4% from £638,729 to £664,280 pa.																																				
	NED base fee will increase by 4% from £83,945 to £87,305 pa.																																				
	Senior Independent Director and chairs of the Remuneration and Audit Committees' fees will increase by approximately 3.6% from £27,500 to £28,500 pa.																																				
	Committee membership fees will remain at £5,500 pa.																																				
Shareholding requirement																																					
Align Executive Directors' interests with long-term interests of shareholders.	300% of base salary. Requirement to hold shares after cessation of employment to the value of the shareholding guideline (i.e. 300% or the existing shareholding if lower at the time) for a period of one year, with the requirement reducing to half the shareholding guideline for the second year.																																				

1. The EPS growth target has been set at a moderately lower level than the previous year, primarily due to tax legislation changes.

2. The TSR comparator group comprises the following companies: Altria Group, Anheuser Busch InBev, British American Tobacco, Carlsberg B, Constellation Brands, Diageo, Heineken, Japan Tobacco, Kimberly-Clark, Kirin Holdings, L'Oreal, Monster Beverage, Pernod Ricard, PepsiCo, Philip Morris International, Procter & Gamble, Reckitt, The Coca-Cola Company, Unicharm, and Unilever.

ANNUAL REPORT ON REMUNERATION

The Annual Report on Remuneration has been split into the following sections.

1. The remuneration earned by our Directors for the financial year ended 30 September 2023
2. Details of share awards granted, share interests held and historical CEO total single figure versus shareholder returns
3. How Directors' remuneration compares with employee pay including the CEO pay ratio, our relative spend on pay and current dilution
4. Remuneration Committee membership and work undertaken during the year, details of advice received and consideration of shareholders' views

1. REMUNERATION EARNED BY OUR DIRECTORS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2023

Single Total Figure of Remuneration for each Director (Audited)

Executive Directors	Year	Salary £'000	Benefits £'000 ¹	Pension £'000 ²	Total fixed pay	Annual bonus £'000 ³	LTIP £'000 ⁴	Other £'000 ⁵	Total variable pay	Total pay
	2023	1,340	16	188	1,544	1,919	5,138	-	7,057	8,601
Stefan Bomhard	2022	1,301	17	182	1,500	2,185	1,747	-	3,932	5,432
	2023	752	4	105	861	1,062	2,099	-	3,161	4,022
Lukas Paravicini	2022	730	15	102	847	1,205	-	566	1,771	2,618
Total	2023	2,092	20	293	2,405	2,981	7,237	-	10,218	12,623
Total	2022	2,031	32	284	2,347	3,390	1,747	566	5,703	8,050

Notes

1. Stefan Bomhard received an annual car allowance of £15,000. Lukas Paravicini received a car allowance for October and November 2022 before moving to a company car from December 2022; Stefan Bomhard received private medical insurance and Lukas Paravicini received health cash plan.
2. Each individual received a cash supplement of 14% of salary in lieu of membership of the pension fund.
3. Annual Bonus for the year ended 30 September 2023. Half of the gross value is deferred into an award over shares for three years; no further performance conditions apply.
4. LTIP represents the value of the FY21-23 LTIP awards whose performance period ended 30 September 2023. As these awards do not vest until February 2024 they are based on a share price of £17.74, being the three-month average to 30 September 2023, and an estimate of dividend roll-up based on announced dividend payable on 31 December 2023. Of the FY21-23 LTIP value shown, £640k and £155k relates to share price appreciation for Stefan Bomhard and Lukas Paravicini respectively. The LTIP value for FY22 has been restated to reflect the actual vesting value as at the vesting date 15 February 2023.
5. For Lukas Paravicini "Other" represents the buyout of a guaranteed bonus he would have received from his previous employer.

Non-Executive Directors	Fees £'000		Taxable benefits ¹		Total	
	2023	2022	2023	2022 ²	2023	2022
Thérèse Esperdy	639	620	50	41	689	661
Sue Clark ³	144	141	2	4	146	145
Diane de Saint Victor ⁴	89	77	3	5	92	82
Ngozi Edozien ^{4,5}	101	87	-	30	101	117
Andrew Gilchrist ^{5,6}	59	-	-	-	59	-
Alan Johnson	89	87	3	5	92	92
Bob Kunze-Concewitz	89	87	3	5	92	92
Simon Langelier ⁷	30	87	3	6	33	93
Jon Stanton ⁸	117	114	1	2	118	116
Total	1,357	1,300	65	98	1,422	1,398

Notes

1. Benefits in kind for Non-Executive Directors relate to the reimbursement of travelling expenses to meetings held at the Company's registered office.
2. Taxable benefit figures for 2022 have been restated to include tax gross-up.
3. Includes payments in respect of Senior Independent Director of £27,500 and Chair of the Remuneration Committee fees of £27,500 respectively pa.
4. Diane de Saint Victor and Ngozi Edozien were appointed to the Board on 15 November 2021.
5. Ngozi Edozien's amount includes a payment of £12,000 (full year) and Andrew Gilchrist's amount includes a payment of £7,000 (March to September) in respect of a non-European travel allowance in recognition of the extra time commitment required for travel.
6. Andrew Gilchrist was appointed to the Board on 1 March 2023.
7. Simon Langelier stepped down from the Board on 1 February 2023.
8. Includes payment in respect of chair of the Audit Committee fees of £27,500 pa.

The aggregate remuneration of all Executive and Non-Executive Directors under salary, fees, benefits, cash supplements in lieu of pensions, Annual Bonus and LTIP was £14,045k (2022 restated: £9,448k).

No Director is eligible to participate in the defined benefit pension fund. Each Director eligible for membership of the defined contribution pension fund has opted to receive a cash supplement in lieu and therefore, no pension disclosure is required.

Determination of 2023 Annual Bonus (Audited)

The 2023 Annual Bonus was based on a scorecard of measures. Details of the measures, their weightings, targets and extent of achievement are set out in the table below.

Measure	Weighting	Cut in	Target	Max	Achievement	Pay-out
Adjusted operating profit at constant currency	40%	0%	3.5%	5.2%	3.8%	26.8%
Adjusted operating cash conversion	20%	90%	95%	100%	92%	4.8%
Weighted market share	20%	-3bps	+1bps	+5bps	+10bps	20%
Climate change – energy consumption	2.5%	0.5%	2.0%	3.5%	8.8%	2.5%
Climate change – CO ₂ emissions	2.5%	57%	60%	63%	65%	2.5%
Consumer health – NGP net revenue (£m) ¹	5%	181	200	221	227m	5%
Strategic/individual – Stefan Bomhard	10%	–	–	–	100%	10%
Strategic/individual – Lukas Paravicini	10%	–	–	–	90%	9%
Total bonus Stefan Bomhard	100%					71.6% of max
Total bonus Lukas Paravicini	100%					70.6% of max

1. Excluding US and at internal exchange rates.

The Committee set the following strategic goals for the Executive Directors:

Strategic/individual measures and targets	Performance assessment highlighting key achievements
<p>Stefan Bomhard</p> <ul style="list-style-type: none"> Build a targeted NGP business (5%) 	<ul style="list-style-type: none"> Significant percentage of NGP markets (Heated Tobacco and vaping) achieved their launch objectives, exceeding target set. Overall results exceeded targets in business plan. Achieved target to launch blu 2.0 into eight markets. blu bar launched into eleven markets. Pulze launched into five markets, exceeding target. Completed assessment of options and recommendation for progression on US NGP. Board agreed recommendation to enter MOND in US and acquisition made and completed in May 23 with FY24 launch planned. Completion of follow up from ELT strategic review on potential future growth options for Group.
<ul style="list-style-type: none"> Lead transformation program (5%) 	<ul style="list-style-type: none"> Conducted five Global Business Leaders events, exceeding target. High engagement with average participant feedback of 4.3 out of 5. Maintained FY22 global pulse survey results around role modelling of new behaviours by senior leaders (all employees). Results upper quartile against global benchmark on leadership measure. Global engagement score sustained at 74% exceeding global benchmark by 1%. Continued development of ELT including dedicated sessions for new team members supporting team integration. DEI programme KPIs defined and deployed in business. Meaningful progress on gender and ethnic diversity. Female representation increased by 12% at ELT-1 level and tracking ahead of gender goal target glidepath at 29.8%. Business case for Novo FY23 delivered. Operating model transformation key projects (GBS & Digital Core Transformation) primarily on time and within budget.

Total payout as a % of maximum bonus: 71.6%

	Strategic/individual measures and targets	Performance assessment highlighting key achievements
Lukas Paravicini	<ul style="list-style-type: none"> Continued Company transformation (5%) Drive shareholder value (5%) 	<ul style="list-style-type: none"> Completed Finance Transformation in Group and top 5 markets. Set up a 100+ strong GBS, by transferring activities in line with blueprint and by assessing, appointing and training the retained organisation. In line with Group's multi-function GBS strategy, fully transferred IT Operations (100+ FTE) under the remit of the newly created GBS IT. GM and Cluster Lead survey in March showed transformation impact well received and further improvement in results on survey rerun in September. Finance, IT and Transformation employee engagement increased to 72% (+8pp vs FY22). Material increases in key Inclusion metric (81%, +9pp vs FY22) and Wellbeing (72%, +6pp vs FY22) scores. Overall engagement supported by personal people leadership score improving by 5pp to 79%. Explore phase of UNIFY programme completed on time and within budget. Prepared itself for the Deploy phase for early adopters UK/I and Radom factory. UNIFY deploy phase accompanied by a strong business transformation, communication and change management plan. Programme is well established and well supported in the organisation at large. Global IT and UNIFY capex managed within allocated budget. Funding provided proactively, taking advantage of market opportunities to deliver €950million of new debt financing with 8 years' maturity. Active debt holder engagement increased throughout the year, leveraging in full the best practices acquired over time in Investors Relations.

Total payout as a % of maximum bonus: 70.6%

Individual Annual Bonus payments:

Executive Directors	Total Annual Bonus £'000	
	Maximum	Actual ¹
Stefan Bomhard	£2,679	£1,919
Lukas Paravicini	£1,504	£1,062

Notes

1. Half of the bonus will be deferred into an award over shares.

Long-Term Incentive Plan awards vesting (Audited)

Performance awards vesting in February 2024 are based on performance measured over the three-year period ended 30 September 2023.

Measure	Weighting	Cut-in (25% vesting)	Target (60% vesting)	Maximum (100% vesting)	Actual performance	Percentage of award vesting
Adjusted EPS growth at constant currency (average annual growth)	40%	2.00%	3.31%	4.80%	3.4%	25%
Adjusted net debt / EBITDA (for FY23)	20%	2.00	1.91	1.80	1.77	20%
Return on invested capital (ROIC) (average annual)	20%	16.60%	17.00%	17.50%	17.56%	20%
Relative TSR (return over three financial years)	20%	Median	n/a	Upper quartile	2/25	20%
Achievement						85%

Adjusted EPS excludes the impact of share buybacks and associated financing costs.

The methodology agreed for net debt/EBITDA out-turn included an adjustment for share buybacks to ensure that the measure is not negatively impacted by cash returned to shareholders. The targets for the adjusted net debt/EBITDA for FY23 assumed a share buyback in FY23 of £400 million. The out-turn was adjusted to reflect the actual share buyback undertaken in FY23 of £1 billion.

The TSR measure compared the Company's performance against the following companies: Altria Group, Anheuser-Busch InBev, Beiersdorf, British American Tobacco, Brown-Forman, Carlsberg, Clorox, Constellation Brands, Diageo, Heineken, Henkel, Japan Tobacco, Kimberly-Clark, Kirin Holdings, L'Oréal, Monster Beverage, Pernod Ricard, PepsiCo, Philip Morris International, Procter & Gamble, Reckitt Benckiser Group, Unicharm and Unilever PLC.

Vested awards granted for FY21 onwards are subject to a two-year holding period.

Recruitment Award vesting during the year ended 30 September 2023

No awards to report.

Payments for loss of office and payments to former Directors (Audited)

No payments to report.

2. DETAILS OF SHARE AWARDS GRANTED, SHARE INTERESTS HELD AND HISTORICAL CEO TOTAL SINGLE FIGURE VERSUS SHAREHOLDER RETURNS

Performance awards granted during the year (Audited)

When determining the Directors' awards, the Committee took into account the prevailing share price performance over the year and the number of shares awarded as a result.

	Date of grant	Share price ¹	Number of nil-cost options	Face value	Amount of base salary	End of performance period
Stefan Bomhard	15 February 2023	£20.22	231,904	£4,689,099	350%	30 September 2025
Lukas Paravicini	15 February 2023	£20.22	90,257	£1,824,997	250%	30 September 2025

1. Valued using the closing share price the trading day prior to grant.

The targets for the above performance awards are as follows:

Measure	Weight	Minimum performance (25% vesting)	Maximum performance (100% vesting)
		Target	Target
Adjusted EPS growth at constant currency	40%	4.4%	6.3% or higher
Return on invested capital (ROIC) (average annual)	20%	20.2%	21.0% or higher
Relative TSR	40%	Median	Upper quartile

Adjusted EPS excludes the impact of share buybacks and associated financing costs.

The TSR comparator group comprises the following companies: Altria Group, Anheuser Busch InBev, British American Tobacco, Brown-Forman, Carlsberg B, Carnival, Clorox, Constellation Brands, Diageo, Heineken, Henkel, Japan Tobacco, Kimberly-Clark, Kirin Holdings, L'Oreal, Monster Beverage, Pernod Ricard, PepsiCo, Philip Morris International, Procter & Gamble, Reckitt, Unicharm, and Unilever.

Each measure operates independently and is capable of vesting regardless of the Company's performance in respect of the other metrics. The Committee retains discretion to adjust up or down including to zero the number of shares that vest taking into account a number of factors including personal or corporate performance and circumstances that were unforeseen at the date of grant.

SHARE INTERESTS AND INCENTIVES (AUDITED)

	Shares held at earlier of 30 September 2023 and leaving date			Dividends reinvested post year end	Conditional awards and options held at earlier of 30 September 2023 and leaving date				
	Shares held at 30 September 2022	Owned outright	Subject to a holding period	Owned outright	Awards unvested and subject to performance conditions	Awards unvested and subject to continued employment	Options unvested and subject to continued employment	Vested but not exercised	Options exercised during the year
Executive Directors									
Stefan Bomhard	33,349	19,164	61,901	1,030	755,169	105,460	687	-	85,079
Lukas Paravicini	-	-	-	-	305,800	40,789	-	-	-
Non-Executive Directors									
Thérèse Esperdy ¹	37,787	61,729	-	-	-	-	-	-	-
Sue Clark	6,506	8,040	-	21	-	-	-	-	-
Diane de Saint Victor	252	625	-	3	-	-	-	-	-
Ngozi Edozien ²	252	621	-	4	-	-	-	-	-
Andrew Gilchrist ³	-	3,238	-	-	-	-	-	-	-
Alan Johnson	586	984	-	8	-	-	-	-	-
Bob Kunze-Concewitz	50,630	50,974	-	-	-	-	-	-	-
Simon Langelier ⁴	26,101	26,168	-	-	-	-	-	-	-
Jon Stanton	2,820	3,260	-	19	-	-	-	-	-

1. Thérèse Esperdy shares are in the form of American Depositary Receipts.

2. Ngozi Edozien's share amount of 625 includes 353 American Depositary Receipts.

3. Andrew Gilchrist was appointed to the Board on 1 March 2023 and his shares are in the form of American Depositary Receipts.

4. Simon Langelier stepped down from the Board on 1 February 2023.

5. There have been no changes in Director share figures reported in the table above, between 30 September 2023 and the date this report was signed, other than the dividend reinvestment post year end figures included in the table.

Our middle market share price at the close of business on 29 September 2023, being the last trading day of the financial year, was £16.67 and the range of the middle market price during the year was £16.40 to £21.85.

Full details of the Directors' share interests are available for inspection in the Register of Directors' Interests at our registered office.

EXECUTIVE SHAREHOLDINGS (AUDITED)

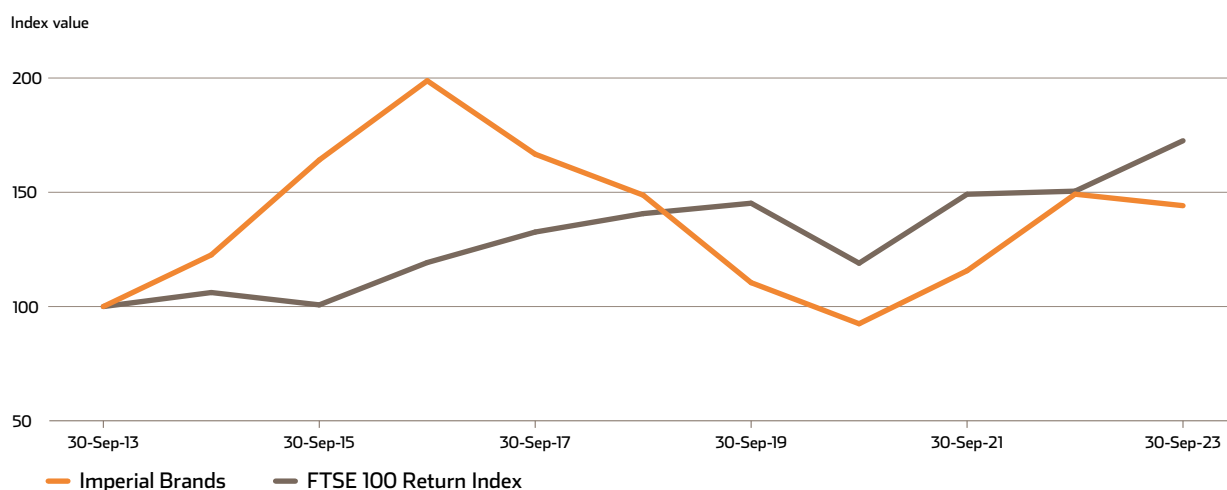
	Shares held at start of year ¹	Shares held at end of year ²	Increase in shares held during year	Value of shares held at start of year ³ £'000	Value of shares held at end of year ⁴ £'000	Difference in value £'000	Shareholding required (% salary)	Current shareholding (% salary/fees)	Requirement met ^{5,6}
Executive Directors									
Stefan Bomhard ⁵	33,349	134,955	101,606	619	2,250	1,631	300	168	Yes
Lukas Paravicini ⁶	-	21,618	21,618	-	360	360	300	47	Yes

- Shares held is inclusive of shares owned outright, those vested but subject to a holding period awarded, including shares awarded under the Deferred Share Bonus Plan being the deferred element of the bonus.
- Or date of leaving if earlier.
- Based on a share price of £18.55, being the closing price on 30 September 2022.
- Based on a share price of £16.67, being the closing price on 30 September 2023.
- Stefan Bomhard joined the Board on 1 July 2020 and has five years to build to his shareholding requirement.
- Lukas Paravicini joined the Board on 1 May 2021 and has five years to build to his shareholding requirement.

REVIEW OF PAST PERFORMANCE

The chart below shows the value of £100 invested in the Company on 1 October 2013 compared with the value of £100 invested in the FTSE 100 Index for each of our financial year-ends to 30 September 2023. We have chosen the FTSE 100 Index as it provides the most appropriate and widely recognised index for benchmarking our corporate performance over a 10-year period.

Total shareholder return performance



CHANGE IN CHIEF EXECUTIVE OFFICER REMUNERATION

	2023 Stefan Bomhard	2022 Stefan Bomhard	2021 Stefan Bomhard	2020 Stefan Bomhard	2020 Joerg Biebernick	2020 Dominic Brisby	2020 Alison Cooper	2019 Alison Cooper	2018 Alison Cooper	2017 Alison Cooper	2016 Alison Cooper	2015 Alison Cooper	2014 Alison Cooper
Total remuneration £'000	8,601	5,432	3,421	1,104	963	943	448	2,137	3,935	4,657	5,404	3,637	2,686
Annual Bonus as a percentage of maximum	71.6	84	64.1	40 ¹	40 ¹	40 ¹	40 ¹	31 ²	87	60	72	80	69
Shares vesting as a percentage of maximum	85	19.8 ³	30.8 ⁴	nil	nil	nil	nil	nil	20	44.4	45.7	15.8	5.8

- 48.4% was the formulaic out-turn; however, the Remuneration Committee accepted the CEO's recommendation and used its discretion to reduce this to 40%.
- 51% was the formulaic out-turn; however, the Remuneration Committee used its discretion and reduced this to 31%.
- Relates to vesting of Long-Term Incentive Plan (excluding Recruitment Award).
- Relates to vesting of Recruitment Award based on performance criteria of former employer.

3. HOW DIRECTORS' REMUNERATION COMPARES WITH EMPLOYEES' REMUNERATION

There is a strong alignment between how we approach pay for our Executive Directors and the wider workforce, with a focus on performance-related pay and similar performance metrics in our Annual Bonus and LTIP. Our reward packages are designed to attract, incentivise and retain the best talent, driven by market practice, skills and experience.

Executive Directors		UK employees
Increase in line with or below wider workforce	Salary	Average increase of 5% for FY24
Mix of financial/strategic measures, with 50% of bonus deferred into award over shares	Annual Bonus	Mix of financial/strategic measures 100% paid in cash
Performance metrics measured over three years, with two-year holding period after vesting	LTIP	Performance metrics measured over three years No holding period
14% cash or contributions into Company's pension fund	Pension	The majority of UK employees receive a contribution of 14% of salary
£250 per month and three-year savings period	Sharesave	£250 per month and three-year savings period

Consideration of colleagues' views

Our colleagues are at the core of our business, and during the year the Board continued its "Meet the Board" sessions and workforce engagement which gave us an opportunity to hear feedback from colleagues on a variety of topics including our strategy, ESG, culture, and diversity, equity and inclusion. We also explored the topic of remuneration, giving participants the opportunity to discuss how the Committee aligns executive reward with the approach to pay for all employees, and to understand their views on reward at Imperial Brands. The level of engagement was extremely high with a constructive discussion covering:

- Performance metric selection across Annual Bonus and LTIP, and how the metrics selected align with strategy and purpose.
- Total remuneration package and how this aligns for employees throughout all levels of the Company.
- UK Corporate Governance Code and how the decisions taken by the Company are influenced by the UK regulatory environment.
- The role of external benchmarking in remuneration decisions for executives, as well as at other levels of the Company, and the comparator groups that are considered.
- Alignment of ESG priorities to strategy and remuneration.

The Board continues its commitment to listening to colleagues and appreciates the opportunity to understand what is important to them, and how their priorities evolve with each year of our "Meet the Board" programme. These views are considered in decision-making and actions taken in the year.

We look forward to continuing our "Meet the Board" listening sessions on reward in FY24 to ensure that we stay close to the evolving priorities of our diverse workforce.

PERCENTAGE CHANGE IN BOARD REMUNERATION

The table below shows the percentage change in the salary, benefits and Annual Bonus for the Directors, between FY23 and FY22, as well as the disclosures for FY22, FY21 and FY20.

	Year-on-year change in pay for Directors compared with UK employees											
	2023			2022			2021			2020		
	Salary (%)	Benefits (%)	Annual Bonus (%)	Salary (%)	Benefits (%)	Annual Bonus (%)	Salary (%)	Benefits (%)	Annual Bonus (%)	Salary (%)	Benefits (%)	Annual Bonus (%)
Executive Director												
Stefan Bomhard (from 1 Jul 20)	3.0	(5.9)	(12.2)	2.5	0.0	34.3	58.6 ²	183.3 ²	540.6 ²	-	-	-
Lukas Paravicini (from 1 May 21)	3.0	(73.3)	(11.9)	140.1 ²	150.0 ²	241.4 ²	-	-	-	-	-	-
Non-Executive Directors												
Thérèse Esperdy	3.1	22.0	-	2.5	-	-	24.7	(100)	-	353.3 ²	-41.3	-
Sue Clark	2.1	(50.0)	-	2.2	-	-	7.0	(100)	-	55.4	-50.0	-
Alan Johnson (from 1 Jan 21)	2.3	(40.0)	-	-	-	-	-	-	-	-	-	-
Andrew Gilchrist (from 1 Mar 23)	-	-	-	-	-	-	-	-	-	-	-	-
Bob Kunze-Concewitz (from 1 Nov 20)	2.3	(40.0)	-	11.5 ²	-	-	-	-	-	-	-	-
Jon Stanton	2.6	(50.0)	-	1.8	-	-	17.9	(100)	-	187.9 ²	0.0	-
Ngozi Edozien (from 15 Nov 21)	16.1 ²	(100.0)	-	-	-	-	-	-	-	-	-	-
Diane de Saint Victor (from 15 Nov 21)	15.6 ²	(40.0)	-	-	-	-	-	-	-	-	-	-
All UK employees	6.6	5.9	4.1	2.7	7.3	2.9	0.0	2.4	7.9	6.69	-5.72	32.44

1. A year on year comparison is not possible in the year that a Director joins the Board.
2. Increase reflects first full year.

CEO PAY RATIO

The table below shows the multiple of our CEO's pay ratio to median, lower quartile and upper quartile pay in the UK. The calculations are based on methodology Option A as defined by the regulations and by calculating the pay and benefits of all UK employees on a full-time equivalent basis. Option A was chosen as it is the most robust approach. The CEO pay ratio is based on comparing the CEO's pay to that of Imperial Brands' UK-based employee population, a large proportion of whom are in sales roles. The Committee anticipates that the ratios are likely to be volatile over time, largely driven by the CEO's incentive outcomes which are dependent on Group-wide results.

The pay levels shown for the percentiles reflect remuneration for the 12 months to 30 September 2023.

Financial year	Calculation methodology	P25 (lower quartile) x:1	P50 (median) x:1	P75 (upper quartile) x:1
2023	A	151.3	112.1	69.5
2022 ¹	A	98.0	75.8	49.6
2021	A	60.7	48.4	31.1
2020	A	50.2	38.7	24.4
2019	A	53.0	36.5	22.0
	Stefan Bomhard	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
Total remuneration	£8,600,605	151.3	112.1	69.5
Base salary	£1,339,747	31.6	24.9	16.7

1. 2022 CEO pay ratios have been updated to reflect the value of the updated 2022 CEO single figure which incorporates long-term incentives based on actual vesting, rather than the estimate used for the 2022 disclosure.

The CEO total remuneration pay ratio has increased across all percentiles, due to an increase in CEO total remuneration driven by incentive out-turns and strong share price performance. The CEO base salary ratio has remained static, confirming that the variance is driven by performance-related variable pay.

The salary component for FY23 at each quartile is £42,376 (P25), £53,849 (P50) and £80,078 (P75). The equivalent total pay numbers are £56,840 (P25), £76,735 (P50) and £123,667 (P75).

The Committee is satisfied that the overall picture presented by the 2023 pay ratios is consistent with the reward policies for our UK employees. The Committee takes into account these ratios when making decisions around the Executive Director pay packages, and Imperial Brands takes seriously the need to ensure competitive pay packages across the organisation.

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below shows the expenditure and percentage change in overall spend on employee remuneration, dividends and share buybacks.

£ million unless otherwise stated	2023	2022	Percentage change
Executive Directors' total remuneration ^{1,2}	13	8	62.5
Overall expenditure on pay ²	882	642	37.4
Dividend paid in the year	1,312	1,320	(0.6)
Share buybacks in the year ³	1,006	-	n/a

- Executive Directors' total remuneration is based on the total single figure for all Executive Directors and is included to provide a comparison between Executive Director and overall employee pay.
- Excludes employer's social security costs.
- In FY23, expenditure includes £1 billion of share buybacks and £6 million of fees and stamp duty. There were no share buybacks in FY22.

EMPLOYEE BENEFIT TRUSTS

Our policy remains to satisfy options and awards under our employee share plans either from market-purchased ordinary shares or ordinary shares held in treasury, distributed through our employee benefit trusts: the Imperial Tobacco Group PLC Employee and Executive Benefit Trust (the Executive Trust) and the Imperial Tobacco Group PLC 2001 Employee Benefit Trust (the 2001 Trust) (together the Employee Benefit Trusts).

As at 30 September 2023, we held 70,289,137 ordinary shares in treasury which can be used to satisfy options and awards under our employee share plans either directly or by gifting them to the Employee Benefit Trusts.

Options and awards may also be satisfied by the issue of new ordinary shares.

Details of the ordinary shares held by the Employee Benefit Trusts are as follows:

	Balance at 01/10/2022	Acquired during year	Distributed during year	Balance at 30/09/2023	Ordinary shares under award at 30/09/2023	Surplus/(shortfall)
Executive Trust	1,504,333	0	(111,230)	1,393,103	2,326,963	(933,860)
2001 Trust	2,157,457	0	(1,981,156)	176,301	6,370,306	(6,194,005)

SHARE PLAN FLOW RATES

The rules of each of the Company's share plans contain provisions limiting the grant of options and awards to shares representing no more than 10% of the issued share capital of the Company over a period of 10 years (or, in the case of options and awards granted under the LTIP and Deferred Share Bonus Plan, 5% of issued share capital over the same 10-year period). As at 30 September 2023, an aggregate total of 1% of the Company's issued share capital (including shares held in treasury) is subject to options and awards under our executive and all-employee share plans.

SUMMARY OF OPTIONS AND AWARDS GRANTED

Limit on awards	Cumulative options and awards granted as a percentage of issued share capital (including those held in treasury)	Options and awards granted during the year as a percentage of issued share capital (including those held in treasury)
10% in 10 years	2.8	0.4
5% in 5 years	1.9	0.4
5% in 10 years (executive plans)	2.3	0.3

EXTERNAL BOARD DIRECTORSHIPS

The Committee recognises that external non-executive directorships are beneficial for both the Executive Director concerned and the Company. Each serving Executive Director is restricted to one external non-executive directorship in a listed company and may not serve as the chair of a FTSE 100 company. At the discretion of the Board, Executive Directors are permitted to retain fees received in respect of any such non-executive directorship.

Stefan Bomhard is a non-executive director of Compass Group PLC and was permitted to retain the £94,000 fee received from this position in the financial year.

4. REMUNERATION COMMITTEE MEMBERSHIP AND DUTIES

The Board is ultimately accountable for executive remuneration, but has delegated this responsibility to the Committee, at least three of whose members are independent Non-Executive Directors. The Chair, who is a member of the Committee, was independent on appointment. We consider this independence fundamental in ensuring that Executive Directors' and senior management's remuneration is set by those who have no personal financial interest, other than as shareholders, in the matters discussed. To reinforce this independence, a standing item at each Committee meeting allows the members to meet without any Executive Director or other manager being present.

Biographical details of the current members of the Remuneration Committee are set out at pages 116 to 119. Members of the Committee are appointed by the Board following recommendation by the People and Governance Committee (formerly known as the Succession and Nominations Committee).

The Committee must meet at least twice a year. A quorum for meeting is two.

The Committee considers its key responsibility as being to support the Company's strategy and its short and long-term sustainable success. This is ensured by the adherence to our Executive Pay Principles set out on pages 146 to 148 and to the Directors' Remuneration Policy which together set the right conditions for high-calibre executives to deliver and, further, to provide long-term benefits to all stakeholders. It also determines the specific remuneration package, including service agreements and pension arrangements, for the Chair, each Executive Director and our Executive Leadership Team. When setting the policy for Executive Director remuneration, the Committee reviews workforce remuneration and related policies to ensure the alignment of incentives and rewards across the Group.

The Committee's other responsibilities include:

- Maintaining a competitive Remuneration Policy appropriate to the business environment of the countries in which we operate, thereby ensuring we can attract, retain and motivate high-calibre individuals throughout the business;
- Aligning Executive Directors' and senior management's remuneration with the interests of long-term shareholders and other stakeholders whilst ensuring that remuneration is fair but not excessive and reflects the contribution made;
- Setting measures and targets for the performance-related elements of variable pay;
- Oversight of our overall policy for employee remuneration, employment conditions and our employee share plans; and
- Ensuring appropriate independent advisers are appointed to provide advice and guidance to the Committee.

The Committee's terms of reference are reviewed annually and were last reviewed in September 2023. They are available on our website www.imperialbrandsplc.com

When carrying out its duties the Committee considers the Remuneration Policy and practices in the context of provision 40 of the UK Corporate Governance Code, as follows:

Clarity – The Remuneration Policy sets out clearly each element of remuneration limits in terms of quantum and the discretions the Committee can apply. The DRR sets out the arrangements clearly and transparently. Questions on the remuneration arrangements can be raised at the AGM and through our "Meet the Board" programme.

Simplicity – The remuneration structure for our Executive Directors consists of fixed pay (base salary, pension and benefits), Annual Bonus and a Long-Term Incentive Plan. Our remuneration structures throughout the organisation are simple in nature and understood by employees.

Risk – A number of features within the Remuneration Policy exist to manage different kinds of risks; these include:

- Malus and clawback provisions operating across all discretionary incentive plans;
- Deferral of remuneration and holding periods;
- Remuneration Committee discretion to override formulaic out-turns to ensure incentive pay-outs reflect underlying business performance and shareholder experience;
- Limits on awards specified within the policy and plan rules; and
- Regular interaction with the Audit Committee.

Predictability – The Committee regularly reviews the performance of in-flight awards so it understands the likely outcomes.

Proportionality – The Committee is against rewarding poor performance and, therefore, a significant portion of remuneration is performance-based and dependent on delivering the Company's strategy. Performance targets are based on a combination of measures to ensure there is no undue focus on a single measure.

Alignment – There is a clear progression of remuneration throughout the workforce with performance measures supporting the key performance indicators and the long-term sustainability of the business. The Committee reviews the Remuneration Policy, taking into account the feedback received from shareholders and the impact on the wider workforce.

Remuneration Committee meetings 2022/23

The Remuneration Committee met for four scheduled meetings during the year. Details of the main activities covered in the meetings are set out in the Chair's statement at the beginning of the DRR on page 145.

Other regular attendees include the CEO, Company Secretary, Chief People and Culture Officer, Global Reward Director and the Committee's principal adviser. None of the individuals were involved in any decisions relating to their own remuneration.

Remuneration Committee evaluation 2022/23

For its FY23 evaluation, the Board initiated an external review using the firm Independent Board Evaluation (IBE), covering the Board and its Committees. The Remuneration Committee evaluation was undertaken through meeting observation, together with a review of meeting materials and one-to-one interviews with Committee members and the independent remuneration advisors to the Committee.

The review concluded that the Committee was operating effectively, with a strong chair, cohesive membership and good participation. The understanding of the UK market and the ability of the Committee to test its thinking prior to reaching conclusions were positively noted.

Further information on the Board evaluation is on page 133.

Advice provided to the Remuneration Committee

Deloitte LLP was appointed as the independent adviser to the Committee throughout FY23. Deloitte was paid fees of £267,760 for its services during the year.

Deloitte is a member of the Remuneration Consultants Group and complies with its Code of Conduct which sets out guidelines to ensure that its advice is independent and free of undue influence. Deloitte LLP provided other advisory services including corporate tax and employee mobility advice, and technology consulting services.

The Committee is satisfied that advice received by Deloitte during the year was independent and objective and that all individuals who provided remuneration advice to the Committee have no connections with Imperial Brands that may impair their independence.

Other companies which provided advice to the Remuneration Committee are as follows:

Alithos Limited undertook total shareholder return (TSR) calculations and provided advice on all TSR-related matters. During the year it was paid £19,500 and provided no other services to the Company. Willis Towers Watson provided market pay data and was paid £36,000 for these services. Willis Towers Watson also provided actuarial and wider reward-related services to the Company. Both advisers were appointed by the Committee, which remains satisfied that the provision of those other services in no way compromises their independence. They are all paid on the basis of actual work performed rather than on a fixed fee basis.

VOTING ON THE REMUNERATION REPORT AT THE 2023 AGM

At the 2023 AGM there was a vote to approve the Directors' Remuneration Report. We received a strong vote in favour of our Directors' Remuneration Policy at our 2021 AGM.

Resolution	Votes for including discretionary votes	Percentage for	Votes against	Percentage against	Total votes cast excluding votes withheld	Votes cast including votes withheld ¹	Total votes including votes withheld
Directors' Remuneration Report (2023 AGM)	709,307,449	97.54	17,905,513	2.46	727,212,962	955,342	728,168,304
Directors' Remuneration Policy (2021 AGM)	706,375,474	95.28	34,958,557	4.72	741,334,031	1,374,300	742,708,331

1. Votes withheld are not included in the final figures as they are not recognised as a vote in law.

The strong support received for the Directors' Remuneration Report followed engagement with our largest shareholders during 2021, 2022 and 2023. The input we received from shareholders was extremely helpful. Following the AGM, we continued to engage with our largest shareholders, taking their feedback on our plans for the Directors' Remuneration Policy and our FY24 incentives. At the 2024 AGM, shareholders will be invited to vote on the 2023 Directors' Remuneration Report (advisory vote) and 2024 Directors' Remuneration Policy (binding vote).



Sue Clark
Chair of the Remuneration Committee

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 30 September 2023. This Directors' Report, together with our Strategic Report, forms the management report required under the Disclosure Guidance and Transparency Rules (DGTR). The Company has chosen, in accordance with Section 414 C(11) of the Companies Act 2006, to include certain matters in the Strategic Report that would otherwise be required to be disclosed in the Directors' Report. The Strategic Report can be found on pages 2 to 111 and includes an indication of future likely developments of the Company, details of important Company events and the Company's business model and strategy. The Corporate Governance information on pages 112 to 141 and the Directors' Responsibilities Statement on page 168 are incorporated into the Directors' Report by reference. The Directors' Report, including the information incorporated by reference, fulfils the requirements of the Corporate Governance Statement for the purposes of the DGTR.

Specifically, the following disclosures and those referred to under "Other information" on page 167 have been included elsewhere in the Annual Report and are incorporated into the Directors' Report by reference:

Disclosure	Page
Future developments in the business	6
Disclosure of greenhouse gas emissions, energy consumption and energy efficiency action	50
Going concern statement	110
Viability statement	110
Statement of Directors' responsibilities	168
Disclosure of information to the auditor	141
Financial risk management	210
Shareholder information	263

EQUAL OPPORTUNITIES

We regard equality and fairness as a fundamental right of all our people. We aim to create a work environment that allows equal opportunities so people are employed fairly, safely and in compliance with applicable employment laws and regulation. We respect each person for who they are and what they can contribute and provide the same opportunity for career development and promotion regardless of disability, physical or mental health, age, race, origin, gender, sexual orientation, political views, religion, marital status or any other legally protected status.

CHARITABLE AND POLITICAL DONATIONS

As part of our responsible approach, we continued to support a number of communities in which we operate by allocating a central budget. This budget largely funds our support of the Eliminating Child Labour in Tobacco Growing (ECLT) Foundation and our support of Hope for Justice. In addition, a number of our subsidiaries donate to charitable and community endeavours from local budgets.

All charitable donations and partnership investments are subject to the requirements of our Code of Conduct.

No political donations were made to UK or non-UK political parties, organisations or candidates during the year (2022: nil).

POWERS OF DIRECTORS AND SHARE CAPITAL

The business of Imperial is managed by the Board which may exercise all the powers of the Company, subject to the provisions of the Articles of Association and the Companies Act 2006. Authority is sought from shareholders at each Annual General Meeting to grant the Directors powers, in line with institutional shareholder guidelines and relevant legislation, in relation to the issue and buyback by the Company of its shares.

Details of our share capital are shown in note 25 to the financial statements. All shares other than those held in treasury are freely transferable and rank *pari passu* for voting and dividend rights.

As at 30 September 2023 we held 70,289,137 shares in treasury, which represented approximately 7.26% of the Company's issued share capital and had an aggregate nominal value of £7,028,914.

We have not cancelled these shares but hold them in a treasury shares reserve within our profit and loss account reserve, and they represent a deduction from equity shareholders' funds.

Repurchases of own shares

On 6 October 2022, we announced a commitment to return surplus capital to shareholders through regular annual share buybacks if circumstances were right and in line with our five-year strategy to deliver sustainable growth and enhanced shareholder returns, expected to be in the region of £1 billion in the financial year ending 30 September 2023. This programme completed on 11 September 2023.

At its AGM on 1 February 2023, the Company obtained shareholder authorisation for the buyback of up to 94,200,000 shares (the "2023 Buyback Authority"), renewing and replacing a similar authority granted at the AGM held on 2 February 2022. 52,107,043 ordinary shares with a nominal value of 10 pence each were purchased in FY23, of which 33,432,389 were purchased under the 2023 Buyback Authority. The aggregate amount of consideration paid by Imperial in FY23 was £1,000 million. The 2023 Buyback Authority will expire at the earlier of the close of business on 31 March 2024 and the end of the AGM of the Company to be held in 2024.

On 5 October 2023, we announced the commencement of a further £1.1 billion share buyback programme which is expected to be completed by 30 September 2024. As at close of business on 10 November 2023, a total of 54.1 million further shares could still be repurchased under the 2023 AGM Authority before it expires.

The Board continues to regard the ability to repurchase issued shares in suitable circumstances as an important part of Imperial's financial management. A resolution will be proposed at the 2024 AGM to renew the authority for the Company to purchase its own shares, up to specified limits and in line with institutional shareholder guidelines, for a further year. The proposal will be described in more detail in the 2024 Notice of AGM. For all recent share buyback programmes, Imperial has entered into irrevocable, non-discretionary arrangements with a broker in order to reduce the issued share capital of the Company.

INSURANCE AND INDEMNITIES

Imperial maintains directors' and officers' liability insurance which provides appropriate cover for legal action brought against its Directors and Officers. The Company has also granted indemnities to each of its Directors to the extent permitted by law. Qualifying third-party indemnity arrangements for the benefit of Directors, in a form and scope which comply with the requirements of the UK Companies Act 2006, were in force throughout the year and up to the date of this Annual Report.

INTEREST IN VOTING RIGHTS

As at 30 September 2023, the Company has been notified in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules (DGTRs) of the following interests in our shares. The Company has not been notified of any changes to these interests since the year-end and up to 13 November 2023, being a date not more than one month prior to the date of the AGM Notice of Meeting.

Disclosure	Number of ordinary shares at the date of notification (millions)	Percentage of issued share capital at the date of notification
Spring Mountain Investments Ltd	56	6.02 ²
BlackRock	53	5.62 ¹
Capital Group Companies Inc	48	5.09 ¹
FIL Limited	47	4.98 ¹

1. Direct holding.
2. Indirect holding.

Information provided to the Company under the DGTRs is publicly available via the regulatory information services, and on our website at <https://www.imperialbrandsplc.com/creating-shareholder-value/stock-exchange-announcements>.

RESULTS AND DIVIDENDS

We include a review of our operational and financial performance on pages 84 to 99.

The profit attributable to equity holders of the Company for the financial year was £2,328 million, as shown in our Consolidated Income Statement. Note 3 to the financial statements gives an analysis of revenue and operating profit.

An analysis of net assets is provided in the Consolidated Balance Sheet and the related notes to the financial statements.

We pay quarterly dividends. The first and second dividends for financial year 2023 were paid on 30 June 2023 and 30 September 2023 respectively. The third dividend will be paid on 29 December 2023 and, subject to AGM approval, the final dividend will be paid on 28 March 2024 to our shareholders on the Register of Members at the close of business on 16 February 2024. The associated ex-dividend date will be 15 February 2024.

Following a review by the Audit Committee at its meeting in November 2023, which confirmed the accounts showed distributable reserves sufficient to support the expected third interim and final dividends and the interim dividends in financial year 2024, the Directors have declared and propose dividends as follows:

Ordinary shares	2023 £ million	2022 £ million
Interim paid – June 2023 21.59p per share	196	202
Interim paid – September 2023 21.59p per share	195	202
Declared interim – December 2023 51.82p per share	466	464
Proposed final – March 2024 51.82p per share	465	457
Total ordinary dividends 146.82p per share (2022: 141.17p)	1,322	1,325

PENSION FUND

The Group Pensions Committee provides global oversight on both risk and reward elements of the Group's pension arrangements.

The Committee's objectives include tackling the risks inherent in the Group's defined benefit pension schemes as well as reward matters.

The Group has three main pension arrangements, the largest being the Imperial Tobacco Pension Fund, which is not controlled by the Board but by a trustee company. Its board consists of five Directors nominated by the Company, one Director nominated by employee members and two Directors nominated by current and deferred pensioners. This trustee company is responsible for the assets of the pension fund, which are held separately from those of the Group and are managed by independent fund managers. The pension fund assets can only be used in accordance with the fund's rules and for no other purpose.

ARTICLES

The Company's Articles of Association do not contain any entrenchment provisions and, therefore, may be altered or added to, or completely new Articles may be adopted, by special resolution, subject to the provisions of the Companies Act 2006.

SIGNIFICANT AGREEMENTS

The agreements summarised below are those which we consider to be significant to the Group as a whole and which contain provisions that take effect, or give the other party or parties a specific right to alter or terminate them if we are subject to a change of control following a takeover bid.

The Group has four credit facility agreements that provide that, unless the lenders (as defined within each agreement) otherwise agree, if any person or group of associated persons and/or any connected persons acquires the right to exercise more than 50% of the votes exercisable at a general meeting of the Company, the respective borrowers (as defined within each agreement) must repay any outstanding utilisation owed by them under the facility agreement and the total commitments under that facility agreement will be cancelled.

The four credit agreements are:

- a credit facilities agreement dated March 2020 under which certain banks and/or financial institutions

make available to Imperial Brands Finance PLC and Imperial Tobacco Germany Finance GmbH (now Reemtsma Cigarettenfabriken GmbH) committed credit facilities of €3,493 million for a period of up to three years with bi-annual six-month auto-extensions;

- a credit facility agreement dated September 2023 under which a certain bank makes available to Imperial Brands Finance PLC committed credit facilities of £250 million until September 2024;
- a credit facility agreement dated September 2023 under which a certain bank makes available to Imperial Brands Finance PLC committed credit facilities of £200 million until September 2024; and
- a credit facility agreement dated September 2023 under which a certain bank makes available to Imperial Brands Finance PLC committed credit facilities of £100 million until September 2024.

In addition, three deeds of counter-indemnity each dated April 2023 made on substantially the same terms under which certain insurance companies (the Sureties) have made available to the Company, Imperial Brands Finance PLC and Imperial Tobacco Limited a surety bond, in each case issued on a standalone basis but in aggregate forming an amount of £120 million, until December 2028.

If any person or group of associated persons (as defined within each agreement) acquires the right to exercise more than 50% of the votes exercisable at a general meeting of the Company, the Sureties may demand that Imperial Tobacco Limited, amongst other things, pay a sum to a cash collateral account equal to but not exceeding the aggregate amount outstanding under each guarantee.

Imperial Brands Finance PLC and Imperial Brands Finance Netherlands B.V. have issued bonds under Euro Medium Term Notes (EMTN) Debt Issuance Programmes. The Company acts as guarantor.

The final terms of these series of notes contain change of control provisions under which the holder of each note will, subject to any earlier exercise by the Issuer, have the option to require the Issuer to redeem or, at the Issuer's option, purchase that note at its nominal value if: (a) any person, or persons acting in concert or on behalf of any such person(s), becomes interested in: (i) more than 50% of the issued or allotted ordinary share capital

of the Company; or (ii) such number of shares in the capital of the Company carrying more than 50% of the voting rights normally exercisable at a general meeting of the Company; and (b) as a result of the change of control, there is either: (i) a reduction to a non-investment grade rating or withdrawal of the investment grade rating of the notes which is not raised again, reinstated to or replaced by an investment grade rating during the change of control period specified in the final terms; or (ii) to the extent that the notes are not rated at the time of the change of control, the Issuer fails to obtain an investment grade credit rating of the notes within the change of control period as a result of the change of control.

The bonds Imperial Brands Finance PLC issued in such manner are as follows:

- 15 September 2008 £600 million 8.125% guaranteed notes due 2024;
- 26 September 2011 £500 million 5.5% guaranteed notes due 2026;
- 28 February 2014 €650 million 3.375% guaranteed notes due 2026;
- 28 February 2014 £500 million 4.875% guaranteed notes due 2032;
- 27 January 2017 €500 million 1.375% guaranteed notes due 2025; and
- 12 February 2019 €750 million 2.125% guaranteed notes due 2027.

The bonds Imperial Brands Finance Netherlands B.V. issued in such manner are as follows:

- 18 March 2021 €1,000 million 1.750% guaranteed notes due 2033;
- 15 February 2023 €600 million 5.250% guaranteed notes due 2031; and
- 12 September 2023 €350 million 5.250% guaranteed notes due 2031.

Imperial Brands Finance PLC has also issued bonds in the USA under the provisions of Section 144a and Regulation S respectively of the US Securities Act (1933). The Company acts as guarantor.

The final terms of this series of notes contain change of control provisions under which the holder of each note will, subject to any earlier exercise by the Issuer, have the option to require the Issuer to redeem or, at the Issuer's option, purchase that note at 101% of its nominal value if: (a) (i) any person (as such term is used in the US Securities Exchange Act of 1934 (the Exchange Act)) becomes the beneficial owner of more than 50% of the Company's voting stock; or (ii) there is a transfer (other than by merger, consolidation, amalgamation or other combination)

of all or substantially all of the Company's assets and those of its subsidiaries to any person (as such term is used in the Exchange Act); or (iii) a majority of the members of the Company's Board of Directors is not continuing in such capacity; and (b) as a result of the change of control, there is a reduction to a non-investment grade rating or withdrawal of the investment grade rating of the notes which is not raised again, reinstated to or replaced by an investment grade rating during the change of control period specified in the final terms.

The bonds issued in such manner are as follows:

- 21 July 2015 \$1,500 million 4.25% guaranteed notes due 2025;
- 26 July 2019 \$1,000 million 3.125% guaranteed notes due 2024;
- 26 July 2019 \$750 million 3.5% guaranteed notes due 2026;
- 26 July 2019 \$1,000 million 3.875% guaranteed notes due 2029; and
- 27 July 2022 \$1,000 million 6.125% guaranteed notes due 2027.

WAIVER OF DIVIDENDS

In respect of LR 9.8.4R (12) and (13) the trustee of the Imperial Tobacco Group PLC Employee and Executive Benefit Trust and the Imperial Tobacco Group PLC 2001 Employee Benefit Trust agrees to waive dividends payable on the Group's shares it holds for satisfying awards under various Imperial Brands PLC share plans. In accordance with Section 726 of the Act no dividends can be paid to the Company in respect of the shares it holds in treasury.

2023 ANNUAL GENERAL MEETING VOTE

At the Annual General Meeting in 2023, the Company received strong support for all its resolutions.

POST-YEAR-END EVENTS

Share Buybacks

As noted above, on 5 October 2023 the Company announced a further share buyback programme of up to £1.1 billion of shares in the period from 6 October 2023 to the end of September 2024.

2024 ANNUAL GENERAL MEETING

This year's AGM will be held at the Bristol Marriott Royal Hotel on 31 January 2024 at 9.30am.

Details of the resolutions to be put to the meeting can be found in the Notice of Annual General Meeting sent to shareholders and made available on the Company's website.

LISTING RULE 9.8.4

For the purposes of LR 9.8.4R, the information required to be disclosed by LR 9.8.4R can be found on the pages set out below:

Section	Information	Page
(1)	Interest capitalised	n/a
(2)	Publication of unaudited financial information	n/a
(4)	Details of long-term incentive schemes	146, 148, to 150, 153, 154, 156, 157, 159 and 226 to 229
(5)	Waiver of emoluments by a Director	n/a
(6)	Waiver of future emoluments by a Director	n/a
(7)	Non pre-emptive issues of equity for cash	n/a
(8)	Non pre-emptive issue by major subsidiary undertakings	n/a
(9)	Listed subsidiary	n/a
(10)	Contracts of significance	166
(11)	Provision of services by a controlling shareholder	n/a
(12)	Shareholder waivers of dividends	See above
(13)	Shareholder waivers of future dividends	See above
(14)	Agreements with controlling shareholders	n/a

OTHER INFORMATION

In accordance with the Companies Act 2006, the following items have been included in other sections of this Annual Report:

- a fair review of the business, as required by the Companies Act 2006, is included in the Strategic Report;
- the information in our Governance Report, including information on our Directors, is included in this Directors' Report by reference;
- future developments in the business are included in the investment case commencing on page 6;
- information relating to our people, including colleague engagement, is included in the Stakeholder Engagement section on page 33, our People and Planet agenda on page 39, Safe and Inclusive workplace on pages 64 to 66 and on pages 123 and 125 in our Governance Report;
- our principal risks are detailed on pages 102 to 109;
- information relating to our sustainability approach that supports our environmental, social and governance agenda is included on pages 38 to 69;
- responsibilities to a broader stakeholder group, including consumers and customers, are included on pages 32 to 36, and 126 to 128;
- information on our greenhouse gas emissions is included on page 50; and
- the Directors of the Company are listed on pages 116 to 119.

Our report under the Streamlined Energy and Carbon Reporting requirements can be found on page 51.

The Strategic Report and this Directors' Report were approved and signed by order of the Board.



Emily Carey
Company Secretary

13 November 2023
Imperial Brands PLC
Incorporated and domiciled in England and Wales No: 3236483

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards. In addition, the Directors have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and consistently apply suitable accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- state whether the Group financial statements have been prepared in accordance with UK-adopted International Accounting Standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Group financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company on a consolidated and individual basis, and to enable them to ensure that the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Parent Company and its subsidiaries and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Remuneration Report and Corporate Governance Statement that comply with the law and those regulations.

The Directors are responsible for the maintenance and integrity of the Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors in office as at the date of this report, whose names and functions are listed on pages 116 to 119, confirms that, to the best of their knowledge:

- the Group and Parent Company financial statements, which have been prepared in accordance with UK-adopted International Accounting Standards and UK GAAP FRS 101 respectively, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Parent Company on a consolidated and individual basis; and
- the Strategic Report and the Directors' Report contained in the Annual Report and Accounts include a fair review of the development and performance of the business and position of the Group and Parent Company, together with a description of the principal risks and uncertainties that they face.

The Directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and the Parent Company's position and performance, business model and strategy.

The Directors' responsibilities in relation to the disclosure of information to auditors is disclosed in the Audit Committee report on page 141.

This Statement of Directors' Responsibilities was approved by the Board and signed on its behalf.

The Strategic Report and the Directors' Report were approved by the Board and signed on its behalf.

By order of the Board.



Emily Carey
Company Secretary

13 November 2023
Imperial Brands PLC
Incorporated and domiciled in England and Wales
No. 3236483

Opinion

In our opinion:

- Imperial Brands PLC’s (“Imperial Brands”) consolidated financial statements and parent company financial statements (the “financial statements”) give a true and fair view of the state of the group’s and of the parent company’s affairs as at 30 September 2023 and of the group’s profit for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Imperial Brands PLC (the ‘parent company’) and its subsidiaries (the ‘group’) for the year ended 30 September 2023 which comprise:

Group	Parent company
Consolidated balance sheet at 30 September 2023	Balance sheet at 30 September 2023
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Related notes I to IX to the financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity for the year then ended	
Consolidated cash flow statement for the year then ended	
Related notes 1 to 34 to the financial statements, including a summary of significant accounting policies and the supplementary information on pages 235 to 246	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards, The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 “Reduced Disclosure Framework” (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC’s Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors’ assessment of the group and parent company’s ability to continue to adopt the going concern basis of accounting included:

- confirming our understanding of the directors’ going concern assessment process, including the controls over the review and approval of the business plan and cash flow forecasts covering the period through to 30 November 2024;
- assessing the appropriateness of the duration of the going concern assessment period to 30 November 2024 and considering the existence of any significant events or conditions beyond this period based on our procedures on the group’s business plan, cash flow forecasts and from knowledge arising from other areas of the audit;
- verifying inputs against the board-approved business plan, cash flow forecasts and debt facility terms, and reconciling the opening liquidity position to the year end position as at 30 September 2023;
- reviewing borrowing facilities to confirm both their availability to the group and the forecast debt repayments through the going concern assessment period and to validate that there are only two financial covenants in relation to the revolving credit facility;
- evaluating management’s historical forecasting accuracy and the consistency of the going concern assessment with information obtained from other areas of the audit, such as our audit procedures on the business plan and cash flow forecasts which underpin management’s goodwill impairment assessments;
- testing the assessment, including forecast liquidity under base and downside scenarios, for clerical accuracy;
- assessing whether assumptions made, including those relating to current economic challenges, were reasonable and in the case of downside scenarios, appropriately severe, in light of the group’s relevant principal risks and uncertainties and our own independent assessment of those risks;
- assessing management’s considerations related to material climate change impacts in the going concern period;

- evaluating the amount and timing of identified mitigating actions available to respond to a severe but plausible downside scenario, and whether those actions are feasible and within the group's control;
- performing independent stress testing on management's assumptions including applying incremental adverse cash flow sensitivities. Our sensitivities included the impact of certain severe but plausible scenarios identified in other areas of our audit, including litigation and tax, materialising within the going concern period; and,
- performing reverse stress testing on management's base case scenario to understand how severe conditions would have to be to breach liquidity or financial covenants and whether the reduction in EBITDA that result in breaches to liquidity or financial covenants has no more than a remote possibility of occurring;
- assessing the appropriateness of the going concern disclosure on page 182.

Our key observations

- The directors' assessment forecasts that the group will maintain sufficient liquidity throughout the going concern assessment period in the base case scenario and will not breach banking covenants. Management considered a severe but plausible downside scenario corresponding to a 15% permanent reduction in EBITDA, which would result in a minimum level of headroom of £0.5bn in April 2024. Under the reverse stress test scenario, which includes a permanent reduction in EBITDA of 38%, liquidity is eroded in April 2024. This scenario is not considered plausible. We have not identified any climate-related risks that would materially impact the group's forecasts to 30 November 2024.
- Controllable mitigating actions available to management over the going concern assessment period, including reductions to non-declared dividend payments and uncommitted share buybacks, are sufficient to ensure liquidity in both management's plausible downside scenario and the audit team's additional downside sensitivities.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for the period to 30 November 2024.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> • We performed an audit of the complete financial information of 5 components and audit procedures on specific balances for a further 13 components. • The components where we performed full or specific audit procedures accounted for 84% of Profit before tax on an absolute basis, 81% of Revenue and 93% of Total assets.
Key audit matters	<ul style="list-style-type: none"> • Revenue recognition, including management override of controls • Management override of controls or errors related to KPIs impacting executive remuneration • Uncertain tax positions • Litigation
Materiality	<ul style="list-style-type: none"> • Overall group materiality of £156m which represents 5% of profit before tax.

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account the level of revenue, assets and profit before tax, risk profile (including country risk, management's assessment of control effectiveness, internal audit findings and the extent of changes in the business environment) and other known factors when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 394 reporting components of the group, we selected 18 (2022: 19) components covering entities within Australia, the Dominican Republic, Germany, Morocco, Poland, Spain, the UK and the USA., which represent the principal business units within the group.

Of the 18 components selected, we performed an audit of the complete financial information of 5 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 13 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the group financial statements either because of the size of these accounts or their risk profile.

The audit scope of specific scope components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the group. We increased our coverage of the total group cash balance as at 30 September 2023 by performing specified procedures over cash balances by obtaining bank confirmation letters for 22 additional business units in order to reduce the unaudited cash balance below our performance materiality. Of the remaining components that together represent 16% of the group's Profit before tax on an absolute basis, none are individually greater than 2% of the group's Profit before tax. For these components, we performed other procedures, including analytical review, testing of consolidation journals, intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the group financial statements.

The table below illustrates the coverage obtained from the work performed by our audit teams.

Reporting components	2023				2022			
	Number	% of group PBT (on absolute basis) ¹	% of group Revenue	% of group Assets	Number	% of group PBT (on absolute basis) ¹	% of group Revenue	% of group Assets
Full scope	5	70%	63%	79%	5	73%	60%	70%
Specific scope	13	14%	18%	13%	14	18%	23%	19%
Specified procedures	22	0%	0%	1%	18	0%	0%	1%
Full, specific, and specified procedures coverage	40	84%	81%	93%	37	91%	83%	90%
Remaining components	354	16%	19%	7%	357	9%	17%	10%
Total reporting components	394	100%	100%	100%	394	100%	100%	100%

1. Coverage of profit before tax measured on an absolute basis for each component (components with a loss would be added to both the numerator and denominator).

Changes from the prior year

The approach to audit scoping is similar to the prior year audit. Our scoping changes from the prior year arise due to a change in either the risk assigned to the components or the contribution by the component. As a result, certain components in France and Belgium have moved from specific scope to review scope, considering within remaining components above, reflecting lowered audit risk and reduced contribution in comparison to the prior year.

Involvement with component teams

In establishing our overall approach to the group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 5 full scope components, audit procedures were performed on one of these directly by the primary audit team and four by component audit teams. For the 13 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the group as a whole.

Imperial Brands has centralised processes and controls in relation to certain accounts managed by its Finance Shared Services ("FSS") centres in Manila and Krakow. Members of the group engagement team provided direct oversight, review, and coordination of the EY FSS audit teams. The EY FSS audit teams performed centralised testing for certain accounts covered at the Imperial Brands' FSS locations, including revenue and receivables and purchases and payables. In establishing our overall approach to the group audit, we determined the work that needed to be undertaken at each of the locations by the group engagement team or by auditors from local EY teams.

The group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor, and other group Partners, visit all full scope and other key locations. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in Germany, Morocco, Spain and the USA. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, and reviewing relevant audit working papers on risk areas. The primary team interacted regularly with the component teams, where appropriate, during various stages of the audit, reviewed relevant working papers and were responsible for the scope and direction of the audit process. At critical periods of the audit, we increased the use of online collaboration tools to facilitate team meetings, information sharing and the evaluation, review and oversight of component teams. We requested more detailed deliverables from component teams, and we utilised fully the interactive capability of EY Canvas, our global audit workflow tool, to review remotely the relevant underlying work performed. For the UK components, communication has been maintained throughout the audit with the Senior Statutory Auditor covering the same areas described above applicable to all non-UK component teams. This, together with the additional procedures performed at group level, gave us appropriate evidence for our opinion on the group financial statements.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact Imperial Brands. The group has determined that the most significant future impacts from climate change on their operations will be from:

- an increase in material costs due to increases in operating costs of suppliers and raw materials;
- increased costs from emerging regulation such as carbon taxation;
- changes in the tobacco crop yield that may lead to agricultural supply chain disruption; and,
- other impacts that may cause supply chain disruption or affect production capacity, namely:
 - increased frequency and severity of extreme weather events
 - physical hazards such as flooding
 - chronic drought risk; and
 - more severe hurricane risk.

These are explained on pages 70 to 81 in the required Task Force for Climate related Financial Disclosures, which form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the group's business and any consequential material impact on its financial statements.

As explained in note 2, Accounting estimates and judgements, governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK adopted international accounting standards.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of physical and transition climate risk, and ensuring that the effects of material climate risks disclosed on page 75 have been appropriately reflected in asset values and associated disclosures where values are determined through modelling future cash flows, being goodwill and intangible assets impairment assessment (note 11) and the recoverability of deferred tax assets (note 22). We also challenged the Directors' considerations of climate change in their assessment and disclosure of going concern (note 1) and viability.

Whilst the group have stated their commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2040, the group are currently unable to determine the full future economic impact on their business model, operational plans and customers to achieve this and therefore as set out above the potential impacts are not fully incorporated in these financial statements.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk
<p>Revenue recognition, including management override of controls (2023: £32,475m, 2022: £32,551m)</p> <p>Tobacco revenue is an area of focus for stakeholders interested in the performance of the company against an industry backdrop of declining global sales volumes.</p> <p>Most of the group's sales arrangements require little judgement to be exercised, with revenue being recognised on the delivery of goods. However, there is a risk that management may override controls to intentionally misstate revenue transactions by recording fictitious manual journals to revenue (e.g. by inappropriate rebate accounting).</p>	<p>We have reviewed Imperial's Code of Conduct, Speaking-up, and Fraud risk management policies in order to evaluate the 'tone at the top'.</p> <p>We obtained an understanding of the revenue process and understood how Imperial's revenue recognition policies are applied. We also assessed the processes and key controls over rebate accounting, by walking through the process from identification to recording.</p> <p>We reviewed the group revenue recognition policies, as documented in the group Accounting Manual, for compliance with IFRS 15 'Revenue from contracts with customers'.</p> <p>We discussed and reviewed key contractual arrangements with management and obtained relevant documentation, including those in respect of rebate arrangements.</p> <p>As part of our overall revenue recognition testing, for Tobacco & NGP components with revenue in scope, we used data analytics techniques. This included testing the occurrence of revenue by analysing the correlation of journal entries posted to revenue with journals posted to accounts receivables and then subsequently as cash receipts. We validated cash receipt postings by tracing to bank statements on a sample basis.</p>

Risk

There is also a risk of error relating to the accounting for non-routine transactions. Due to the size of the revenue balance, even errors representing a relatively small proportion could lead to material misstatement of profit.

In addition, the impact of promotional activity around period ends leading to trade loading can have a material impact on performance in the following period. This anticipated impact, if material, should be described in the front half of the annual report to provide investors with a fair and balanced understanding of the drivers of business performance.

Refer to the audit committee report (page 139); accounting policies (note 1); accounting estimates and judgements (note 2); and segmental information (note 3) of the consolidated financial statements.

Our response to the risk

This provided us with a high level of assurance over £15.9 billion (71%) of Tobacco & NGP revenue recognised by the group.

For the Distribution component, we performed a combination of tests of controls and substantive tests of detail to obtain assurance over £9.0 billion (83%) of Distribution revenue recognised by the group.

We performed detailed, disaggregated, analytical review to identify unusual trends and inventory positions at all full and specific scope locations. Our procedures focused on variances in receivable days and customers rebates/discounts at period ends, which could represent inventory being 'pushed' into the channel.

We reviewed external factors for indicators of trade pull factors with a focus on full scope and high-risk markets.

We made inquiries outside of finance to identify instances of late or unusual requests for shipments or extensions of credit terms.

On a sample basis, we obtained third party confirmations of trade terms from customers to assess for indicators of trade loading, where relevant, such as unusual sales patterns, rebates/discounts or increased receivable days at period-ends. We performed appropriate alternative procedures where confirmations were requested and not received, including reviewing contracts and recalculating rebates, validating the inputs of management's calculations, and tracing rebate provision amounts to post year end settlements.

Our remaining procedures, applicable to all full and specific scope components included the following:

- Cut-off testing for a sample of revenue transactions near the period end to check that they were recognised in the appropriate period;
- Targeted manual journal entry testing in response to the risk of fraud; and,
- Review of disclosures against the requirements of IFRS 15

The audit procedures performed to address this risk were performed by component and shared service centre teams and reviewed by the group team.

Key observations communicated to the Audit Committee

Based on the procedures performed, including those in respect of manual adjustments to revenue, we did not identify any evidence of material misstatement in the revenue recognised during the year.

Management override of controls or errors related to KPIs impacting executive remuneration

Manipulation of KPIs impacting remuneration – there is a risk that management could override controls in order to manipulate KPIs which have a bearing on remuneration. In the current year we have identified the following items as areas of focus:

- Manipulation of reported margins to overstate operating profits;
- Incorrect classification of items as adjusting costs in order to manipulate the adjusted operating profit metric;
- Errors relating to working capital metrics, particularly focused on inappropriate cash cut-off to manipulate working capital and therefore the adjusted operating cash conversion metric;
- Incorrect reporting of ESG metrics on which aspects of executive remuneration are based.

In respect of our focus on reported margins, we have:

- Inquired of divisional finance leadership to identify any unusual and/or new arrangements/projects entered into during the current financial year that would be expected to have an impact upon operating profit margins.
- Used data analytical techniques to identify and investigate unusual trends in margins in order to identify any unusual movements throughout the year and in comparison to prior year.

In respect of our focus on the classification of adjusting items, we have:

- Challenged the timing of recognition of one-off costs and whether the classification of any costs as adjusting is in line with group policy and disclosed appropriately.
- Evaluated the classification of one-off adjustments for indicators of management bias, in particular whether both income and expense items are treated consistently.

In respect of our focus on working capital metrics, we have:

- Performed cut-off testing at year end on working capital balances to a lower testing threshold. Namely, on trade receivables, inventory and trade payables to ensure that working capital metrics are not recorded pre year end and then reversed post year end to manipulate the adjusted operating cash conversion metric.
 - Performed detailed, disaggregated analytical review to identify unusual trends and positions in key significant accounts such as cash, trade receivables, trade payables and inventory to identify potential manipulation of these balances that would influence working capital balances.
-

Risk	Our response to the risk
<p>Refer to the audit committee report (page 137); accounting policies (note 1); accounting estimates and judgements (note 2) of the consolidated financial statements; and the supplementary information.</p>	<ul style="list-style-type: none"> • Made inquiries outside of finance, for example with Sales, to identify any unusual and new arrangements entered into during the last quarter of Imperial's financial year to assess if these are being manipulated to flatter working capital. <p>In respect of our focus on ESG metrics linked to executive remuneration, we have:</p> <ul style="list-style-type: none"> • Conducted in-person and remote site visits to understand local level ESG performance and data collection processes; • Obtained an understanding of the process for collecting, collating and reporting the ESG metrics during the reporting period; • Performed analytical review procedures to understand the appropriateness of the data. • Performed testing, on a sample basis, against underlying source information to check the accuracy and completeness of the data and the appropriate application of the ESG criteria. <p>We reviewed the annual report disclosures, including Imperial's management rationale for treating as adjusting, whether equal prominence had been given with statutory measures and the transparency of the reconciliation of statutory measures to APM's.</p>

Key observations communicated to the Audit Committee

We did not identify any unusual trends in reported margin that would indicate manipulation.

We consider that items identified as being adjusted are appropriate and in line with the revised group accounting policy.

Following our procedures performed over working capital metrics, we consider these balances are materially correct.

We did not identify any issues with regards the completeness, accuracy or appropriateness of data used in the application of ESG criteria related to executive remuneration.

Uncertain tax positions (Provision for uncertain tax positions – 2023: £189m, 2022: £148m)

The global nature of the group's operations results in complexities in the payment of, and accounting for, tax.

Management applies judgement in assessing tax exposures in each jurisdiction, many of which require interpretation of local tax laws.

Given this judgement, there is a risk that tax provisions are misstated.

Refer to the audit committee report (page 138); accounting policies (note 1); accounting estimates and judgements (note 2); and tax disclosure (note 7) of the consolidated financial statements.

We challenged management's judgements using tax specialists, both domestic and overseas, to provide technical support regarding developments in the period and to consider whether the amounts provided reflected an appropriate best estimate of the expected economic outflow.

The group audit team, including tax specialists, evaluated the tax consequences of the transactions undertaken in the period. We confirmed that the tax figures appropriately reflect the transactions and there are no additional material risks for which an uncertain tax position (UTP) should be recorded.

We challenged whether the tax exposures identified were complete. Our work included inquiring with management regarding the current status of discussions with tax authorities, the impact of legislative developments and the review of transfer pricing policies.

We assessed whether the group's disclosures, detailing the year end status of material open tax inquiries, adequately disclose relevant facts and circumstances and potential liabilities of the group.

The audit procedures were designed and led by the group audit team, with support from component teams whose work was reviewed by the group audit team.

Key observations communicated to the Audit Committee

Based on our assessment of tax risks and the latest status of tax audits, we conclude that the group's approach to judgements for uncertain tax positions is balanced and that the amounts provided are reasonable. We consider the group's tax disclosures are also appropriate.

Litigation

There are a number of ongoing legal cases in different jurisdictions relating to competition, product liability, intellectual property and commercial litigation. Significant judgements are involved in determining the likelihood of a probable outflow occurring from legal cases, together with the estimate of the likely financial cost. The group's assessment includes evaluating

We evaluated the processes and controls over litigation operated by management at group, by walking through the process from identification of potential litigation to the evaluation of probability of outcome and the quantification and recording of a provision or disclosure of a contingent liability.

We inspected Imperial's litigation log and communications to the Executive Leadership Team and met with group Finance and group General Legal Counsel to discuss the developments in significant cases.

Risk	Our response to the risk
<p>the relevant law, historical and pending court rulings with the support of legal counsel.</p> <p>Given the judgements and the significance of the amounts involved, there is a risk that legal provisions are misstated or that contingent liabilities are inadequately disclosed.</p> <p>Specifically, our audit risk relates to legal cases for which the financial cost to the business could be material if the potential exposures were to be realised, and any cases which could indicate non-compliance with the legal and regulatory frameworks with which the group is required to comply.</p> <p>Refer to the audit committee report (page 138); accounting policies (note 1); accounting estimates and judgements (note 2), and contingent liabilities (note 29) of the consolidated financial statements.</p>	<p>We requested, received and read letters received directly from management's external legal counsel that evaluated the current status of legal proceedings and independently quantified the estimate of any economic outflow arising from settlement of the litigation.</p> <p>We evaluated whether any of the fines levied, ongoing litigation cases, whistleblower reports or reported frauds in the year gave rise to evidence that there had been instances of non-compliance with the relevant laws and regulations.</p> <p>We assessed whether the group's disclosures detailing contingent liabilities and financial commitments adequately disclose relevant facts and circumstances and potential liabilities of the group.</p> <p>The audit procedures were designed and led by the group audit team, with support from component teams whose work was reviewed by the group audit team.</p>

Key observations communicated to the Audit Committee

Having met with internal Legal Counsel and received responses from external lawyers, we consider that where an economic outflow is probable management have appropriately recorded a provision. For those cases which we consider meet the criteria of a contingent liability we concluded that sufficient disclosure exists in the annual report to allow users to understand the range of exposures facing the company, where that is possible.

In the prior year, our auditor's report included a key audit matter in relation to the measurement and classification of adjusting items. This year, the key audit matter has been expanded to focus on management override of controls or errors related to KPIs impacting executive remuneration. We remain focussed on the manipulation of adjusted measures, working capital balances that impact the adjusted operating cash conversion metric, and the appropriateness of the classification of items as adjusting. In the current year we added focus on reported margins and specific ESG metrics which are also linked to executive remuneration.

Both in the current year and prior year, our auditor's report includes key audit matters in relation to revenue recognition including management override, uncertain tax positions and litigation. The risk associated with these matters remained consistent with the prior year.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the group to be £156 million (2022: £126 million), which is 5% of Profit before tax (2022: 5% of Profit before tax). We believe that Profit before tax provides the most relevant performance measure to the stakeholders of the group.

We determined materiality for the parent company to be £210 million (2022: £309 million), which is 2% (2022: 2%) of net assets. In performing our procedures, materiality was capped at the group allocated materiality of £35 million (2022: £30 million).

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 75% (2022: 75%) of our planning materiality, namely £117 million (2022: £95 million).

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £23 million to £35 million (2022: £19 million to £30 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £8 million (2022: £6 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 168, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 128;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 110 to 111;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 111;
- Directors' statement on fair, balanced and understandable set out on page 128;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 128;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 100 to 101; and;
- The section describing the work of the audit committee set out on page 135 to 136.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 168, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are frameworks which are directly relevant to specific assertions in the financial statements and are those that relate to the reporting framework (UK adopted international accounting standards, the Companies Act 2006 and the UK Corporate Governance Code) and the relevant tax laws and regulations in the jurisdictions in which the group operates. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to health and safety, employee matters and country-specific regulations on tobacco control.
- We understood how the group is complying with those frameworks by making inquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our inquiries through our review of board minutes, papers provided to the Audit Committee and attendance at meetings of the Audit Committee, as well as consideration of the results of our audit procedures across the group.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud and assessing whistleblowing incidences for those with a potential financial reporting impact. Where necessary, our procedures included our forensic investigation specialists. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programmes and controls that the group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of group management, those charged with governance and legal counsel, as well as journal entry testing, with a focus on manual consolidation journals and journals indicating significant or unusual transactions based on our understanding of the business. Through our testing we

challenged the assumptions and judgements made by management in respect of significant one-off transactions in the financial year and significant accounting estimates as referred to in the key audit matters section above. At a component level, our full and specific scope component audit team's procedures included inquiries of component management; journal entry testing; and focused testing, including in respect of the key audit matter of revenue recognition. We also leveraged our data analytics platform in performing our work on the order to cash and purchase to pay and inventory processes to assist in identifying higher risk transactions for testing.

- Where we identified potential non-compliance with laws and regulations, we developed an appropriate audit response and communicated directly with components impacted. Our procedures involved: understanding the process and controls to identify non-compliance, inquiring of internal and external legal counsel, performing an analysis of press reporting on these matters, understanding the fact patterns in each case and documenting the positions taken by management, and using specialists to support us in concluding on the matters identified.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the audit committee, we signed an engagement letter on 15 January 2020 which was subsequently replaced on 23 August 2022. We were appointed by the shareholders at the AGM on 5 February 2020 to audit the financial statements for the year ending 30 September 2020 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is four years, covering the years ending 2020 to 2023.

- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Marcus Butler (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor

London
13 November 2023

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the year ended 30 September 2023

£ million unless otherwise indicated	Notes	2023	2022
Revenue	3	32,475	32,551
Duty and similar items		(14,398)	(15,644)
Other cost of sales		(11,397)	(10,869)
Cost of sales		(25,795)	(26,513)
Gross profit		6,680	6,038
Distribution, advertising and selling costs		(2,338)	(2,021)
Administrative and other expenses		(940)	(1,334)
Operating profit		3,402	2,683
Investment income		907	1,600
Finance costs		(1,205)	(1,717)
Net finance costs		(298)	(117)
Share of profit/(loss) of investments accounted for using the equity method	14	7	(15)
Profit before tax	4	3,111	2,551
Tax	7	(655)	(886)
Profit for the year		2,456	1,665
Attributable to:			
Owners of the parent		2,328	1,570
Non-controlling interests		128	95
Earnings per ordinary share (pence)			
• Basic	9	252.4	165.9
• Diluted	9	250.8	164.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2023

£ million	Notes	2023	2022
Profit for the year		2,456	1,665
Other comprehensive income			
Exchange movements		(508)	841
Exchange movements recycled to profit and loss upon disposal of subsidiaries		-	190
Hyperinflation adjustment in the year	1	5	11
Current tax on hedge of net investments and quasi-equity loans		(115)	148
Items that may be reclassified to profit and loss		(618)	1,190
Net actuarial (losses)/gains on retirement benefits	23	(376)	76
Current tax relating to net actuarial losses on retirement benefits		-	10
Deferred tax relating to net actuarial losses/(gains) on retirement benefits		135	(52)
Items that will not be reclassified to profit and loss		(241)	34
Other comprehensive (expense)/income for the year, net of tax		(859)	1,224
Total comprehensive income for the year		1,597	2,889
Attributable to:			
Owners of the parent		1,484	2,778
Non-controlling interests		113	111
Total comprehensive income for the year		1,597	2,889

CONSOLIDATED BALANCE SHEET

at 30 September 2023

£ million	Notes	2023	2022
Non-current assets			
Intangible assets	11	16,944	17,777
Property, plant and equipment	12	1,617	1,659
Right of use assets	13	326	228
Investments accounted for using the equity method	14	55	56
Retirement benefit assets	23	414	826
Trade and other receivables	16	63	67
Derivative financial instruments	20/21	824	985
Deferred tax assets	22	653	439
		20,896	22,037
Current assets			
Inventories	15	4,522	4,140
Trade and other receivables	16	2,490	2,543
Current tax assets	7	112	334
Cash and cash equivalents	17	1,345	1,850
Derivative financial instruments	20/21	126	54
		8,595	8,921
Total assets		29,491	30,958
Current liabilities			
Borrowings	19	(1,499)	(1,011)
Derivative financial instruments	20/21	(174)	(54)
Lease liabilities	13	(81)	(58)
Trade and other payables	18	(9,579)	(9,506)
Current tax liabilities	7	(418)	(307)
Provisions	24	(148)	(203)
		(11,899)	(11,139)
Non-current liabilities			
Borrowings	19	(7,882)	(8,996)
Derivative financial instruments	20/21	(829)	(1,072)
Lease liabilities	13	(268)	(190)
Trade and other payables	18	(27)	(10)
Deferred tax liabilities	22	(871)	(961)
Retirement benefit liabilities	23	(807)	(894)
Provisions	24	(266)	(223)
		(10,950)	(12,346)
Total liabilities		(22,849)	(23,485)
Net assets		6,642	7,473
Equity			
Share capital	25	97	103
Share premium and capital redemption		5,843	5,837
Retained earnings		(674)	(443)
Exchange translation reserve		755	1,363
Equity attributable to owners of the parent		6,021	6,860
Non-controlling interests		621	613
Total equity		6,642	7,473

The financial statements on pages 178 to 262 were approved by the Board of Directors on 13 November 2023 and signed on its behalf by:



Lukas Paravicini
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2023

£ million	Share capital	Share premium and capital redemption	Retained earnings	Exchange translation reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
At 1 October 2022	103	5,837	(443)	1,363	6,860	613	7,473
Profit for the year	-	-	2,328	-	2,328	128	2,456
Exchange movements on retranslation of net assets	-	-	-	(942)	(942)	(15)	(957)
Exchange movements on net investment hedges	-	-	-	427	427	-	427
Exchange movements on quasi-equity loans	-	-	-	22	22	-	22
Hyperinflation adjustment in the year	-	-	5	-	5	-	5
Current tax on hedge of net investments and quasi-equity loans	-	-	-	(115)	(115)	-	(115)
Net actuarial losses on retirement benefits	-	-	(376)	-	(376)	-	(376)
Deferred tax relating to net actuarial losses on retirement benefits	-	-	135	-	135	-	135
Other comprehensive expense	-	-	(236)	(608)	(844)	(15)	(859)
Total comprehensive income/(expense)	-	-	2,092	(608)	1,484	113	1,597
Transactions with owners							
Costs of employees' services compensated by share schemes	-	-	41	-	41	-	41
Repurchase of shares	(6)	6	(1,006)	-	(1,006)	-	(1,006)
Changes in non-controlling interests	-	-	1	-	1	(1)	-
Deferred tax on share-based payments	-	-	1	-	1	-	1
Registration of put/call option	-	-	(48)	-	(48)	-	(48)
Dividends paid	-	-	(1,312)	-	(1,312)	(104)	(1,416)
At 30 September 2023	97	5,843	(674)	755	6,021	621	6,642
At 30 September 2021	103	5,837	(788)	200	5,352	588	5,940
Hyperinflation restatement to 1 October 2021	-	-	22	-	22	-	22
At 1 October 2021	103	5,837	(766)	200	5,374	588	5,962
Profit for the year	-	-	1,570	-	1,570	95	1,665
Exchange movements on retranslation of net assets	-	-	-	1,518	1,518	16	1,534
Exchange movements on net investment hedges	-	-	-	(649)	(649)	-	(649)
Exchange movements on quasi-equity loans	-	-	-	(44)	(44)	-	(44)
Exchange movements recycled to profit and loss upon disposal of subsidiaries	-	-	-	190	190	-	190
Hyperinflation adjustment in the year	-	-	11	-	11	-	11
Current tax on hedge of net investments and quasi-equity loans	-	-	-	148	148	-	148
Net actuarial gains on retirement benefits	-	-	76	-	76	-	76
Current tax relating to net actuarial gains on retirement benefits	-	-	10	-	10	-	10
Deferred tax relating to net actuarial gains on retirement benefits	-	-	(52)	-	(52)	-	(52)
Other comprehensive income	-	-	45	1,163	1,208	16	1,224
Total comprehensive income	-	-	1,615	1,163	2,778	111	2,889
Transactions with owners							
Costs of employees' services compensated by share schemes	-	-	29	-	29	-	29
Changes in non-controlling interests	-	-	(3)	-	(3)	3	-
Deferred tax on share-based payments	-	-	2	-	2	-	2
Dividends paid	-	-	(1,320)	-	(1,320)	(89)	(1,409)
At 30 September 2022	103	5,837	(443)	1,363	6,860	613	7,473

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 September 2023

£ million	2023	2022
Cash flows from operating activities		
Operating profit	3,402	2,683
Dividends received from investments accounted for using the equity method	7	7
Depreciation, amortisation and impairment	632	660
Profit on disposal of non-current assets	(39)	-
Loss on disposal of subsidiaries	1	428
Post-employment benefits	(29)	(56)
Costs of employees' services compensated by share schemes	31	29
Other non-cash items	40	37
Movement in provisions	21	39
Operating cash flows before movement in working capital	4,066	3,827
Increase in inventories	(551)	(195)
Decrease in trade and other receivables	46	89
Increase in trade and other payables	158	146
Movement in working capital	(347)	40
Tax paid	(590)	(681)
Net cash flows generated from operating activities	3,129	3,186
Cash flows from investing activities		
Interest received	10	8
Proceeds from the sale of non-current assets	71	53
Proceeds from sale of subsidiaries, net of cash disposed of (note 10)	-	27
Purchase of non-current assets	(325)	(230)
Purchase of brands and operations (note 10/11)	(183)	(13)
Net cash used in investing activities	(427)	(155)
Cash flows from financing activities		
Interest paid	(417)	(366)
Purchase of shares by Employee Share Ownership Trusts	-	(1)
Lease liabilities paid	(92)	(68)
Increase in borrowings	1,462	1,710
Repayment of borrowings	(1,518)	(2,476)
Cash flows relating to derivative financial instruments	(64)	94
Repurchase of shares	(1,006)	-
Dividends paid to non-controlling interests	(104)	(89)
Dividends paid to owners of the parent	(1,312)	(1,320)
Net cash used in financing activities	(3,051)	(2,516)
Net (decrease)/increase in cash and cash equivalents	(349)	515
Cash and cash equivalents at start of year	1,850	1,287
Effect of foreign exchange rates on cash and cash equivalents	(156)	48
Cash and cash equivalents at end of year	1,345	1,850

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements comprise the results of the Company, a public company limited by shares, incorporated in England and Wales, and its subsidiary undertakings, together with the Group's share of the results of its associates and joint arrangements. The Company's registered number is 3236483 and its registered address is 121 Winterstoke Road, Bristol, BS3 2LL.

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards ("UK-adopted IAS").

The financial statements have been prepared under the historical cost convention except where fair value measurement is required under IFRS as described below in the accounting policies on financial instruments, and on a going concern basis.

The consolidated financial statements are presented in pounds sterling, the presentation currency of the Group, and the functional currency of the Company. All values are rounded to the nearest one million (£1 million) except where otherwise indicated.

Alternative performance measures

Information on Alternative Performance Measures (APMs) is presented within the Supplementary Information section of this document.

Basis for going concern

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. During the period of the COVID-19 pandemic as well as during 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 is of greatest concern to the short-term liquidity of the Group.

The Directors have assessed the emerging and 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 and tax payments, and/or other legal and regulatory risks materialising, of c.£500m.
- A rapid and lasting deterioration to the Group's profitability because markets become closed to tobacco products or there are sustained failures to our tobacco manufacturing and supply chains. These assumed a permanent reduction in profitability of 15 per cent from 1 October 2023.

The scenario planning also considered mitigation actions including reductions to capital expenditure, 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, working capital management, retrenchment of leases, and discussions with lenders about capital structure.

Under the reverse stress test scenario, after considering mitigation actions including reductions of capital expenditure, dividend payments and share buyback programme, we have modelled that a 38% EBITDA reduction would lead the Group to have sufficient headroom until April 2024. The Group believes this reverse stress test scenario to be remote given the relatively small impact on our trading performance and bad debt levels during the COVID-19 pandemic, as well as the current political situation in Ukraine. In this scenario Group would implement a number of mitigating actions including revoking the uncommitted dividend, pausing the share buyback and reducing discretionary spend such as capex.

Based on its review of future cash flows covering the period through to November 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 have adequate resources to meet their operational needs from the date of this report through to 30 November 2024 and concludes that it is appropriate to prepare the financial statements on a going concern basis.

Imperial Brands PLC (the Company) provides guarantees to a number of subsidiaries under section 479A of the Companies Act 2006, whereby the subsidiaries, incorporated in the UK and Ireland, are exempt from the requirements of the Act relating to the audit of individual accounts for the financial year ending 30 September 2023. See note VIII Guarantees of the Imperial Brands PLC financial statements for further details.

The principal accounting policies, which have been applied consistently other than where new policies (detailed below) have been adopted, are set out below.

Basis of consolidation

Subsidiaries are those entities controlled by the Group. Control exists when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

The acquisition method of accounting is used to account for the purchase of subsidiaries. The excess of the value transferred to the seller in return for control of the acquired business together with the fair value of any previously held equity interest in that business over the Group's share of the fair value of the identifiable net assets is recorded as goodwill.

Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless costs cannot be recovered.

Joint ventures

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. The financial statements of joint ventures are included in the Group financial statements using the equity accounting method, with the Group's share of net assets included as a single line item entitled "Investments accounted for using the equity method". In the same way, the Group's share of earnings is presented in the consolidated income statement below operating profit entitled "Share of profit of investments accounted for using the equity method".

Foreign currency

Items included in the financial statements of each Group company are measured using the currency of the primary economic environment in which the company operates (the functional currency).

The income and cash flow statements of Group companies using non-sterling functional currencies are translated to sterling (the Group's presentational currency) at average rates of exchange in each period. Assets and liabilities of these companies are translated at rates of exchange ruling at the balance sheet date. The differences between retained profits and losses translated at average and closing rates are taken to reserves, as are differences arising on the retranslation of the net assets at the beginning of the year.

Transactions in currencies other than a company's functional currency are initially recorded at the exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates ruling at the balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement with exchange differences arising on trading transactions being reported in operating profit, and those arising on financing transactions being reported in net finance costs unless as a result of net investment hedging they are reported in other comprehensive income.

The Group designates as net investment hedges certain external borrowings and derivatives up to the value of the net assets of Group companies that use non-sterling functional currencies after deducting permanent intercompany loans. Gains or losses on these hedges that are regarded as highly effective are transferred to other comprehensive income, where they offset gains or losses on translation of the net investments that are recorded in equity, in the exchange translation reserve.

The Group's financial results are principally exposed to euro and US dollar exchange rates, which are detailed in the table below.

	2023		2022	
	Closing rate	Average rate	Closing rate	Average rate
Foreign exchange rate versus GBP				
Euro	1.1545	1.1487	1.1325	1.1807
US dollar	1.2214	1.2264	1.1040	1.2813

Hyperinflation

The Turkish economy was designated hyperinflationary from April 2022. The Group has applied IAS 29 Financial Reporting in Hyperinflationary Economies to its Turkish operations with effect from 1 October 2021. In accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates, the comparative figures for the year ended 30 September 2022 have not been modified. The adjustments required by IAS 29 are set out below.

- Adjustment of historical cost non-monetary assets and liabilities from their date of initial recognition to the balance sheet date (1 October 2021) to reflect the changes in purchasing power of the currency caused by inflation, as measured by the official Consumer Price Index (CPI) published by the Turkish Statistical Institute (TurkStat).
- Adjustment of the components of the income statement and cash flow statement for the inflation index since their generation, with a balancing entry in the income statement and a reconciling item in the cash flow statement, respectively.
- Adjustment of the income statement to reflect the impact of inflation on holding monetary assets and liabilities in local currency and where necessary.
- The financial statements of the Group's Turkish operations have been translated into sterling at the closing exchange rate at 30 September 2023.
- The impact of adjustments to non-monetary assets recognising inflation from the adoption date to the closing balance sheet date, on translation into sterling at the closing balance sheet rate has been recognised within other comprehensive income.

The TurkStat CPI index was 1,691.04 at 30 September 2023 (1,046.89 at 30 September 2022 and 570.66 at 30 September 2021). The inflation index for the year is therefore 1.6153 (2022: 1.8345). The Turkish economy has been designated hyperinflationary since April 2022, but the impact on the Group's results remains immaterial.

Revenue recognition

For the Tobacco & Next Generation Products (Tobacco & NGP) business, revenue comprises the invoiced value for the sale of goods net of sales taxes, rebates and discounts. Revenue is based on the completion of performance obligations that constitute the delivery of goods. The performance obligation is recognised as complete at the point in time when a Group company has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. The distribution business also recognises revenue associated with logistics services, recognised on the basis of the invoiced value for the provision of these services net of sales taxes, rebates and discounts. The performance obligations associated with distribution services, which include fees for distributing certain third-party products, are linked to the successful distribution of products for customers.

The Group recognises income arising from the licensing of intellectual property, occurring in the ordinary course of business, which is treated as revenue. Licensing revenue will be recognised over the period of the licence. The licences granted are distinct from other promises in the contract.

NOTES TO THE FINANCIAL STATEMENTS *continued*

For the Distribution business, revenue comprises the invoiced value for the sale of goods and services net of sales taxes, rebates and discounts when goods have been delivered or distribution services have been provided. The Distribution business only recognises commission revenue on purchase and sale transactions in which it acts as a commission agent. Distribution and marketing commissions are included in revenue. Revenue is recognised on products on consignment when these are sold by the consignee.

Payments are made to both direct and indirect customers for rebates, discounts and other promotional activities. Direct customers are those to which the Group supplies goods or services. Indirect customers are other entities within the supply chain to the end consumer. Rebates and discounts are deducted from revenue. Where the contract with customers has an entitlement to variable consideration due to the existence of retrospective rebates and discounts, revenue is estimated based on the amount of consideration expected to be received. This estimation is a determination of the most likely amount to be received using all known factors including historic experience. Typically there is a high degree of certainty over the amount of retrospective rebates/discounts paid due to relatively low year-on-year variations in the volume and pattern of product sales. As the provision of distribution services typically involves product delivery tasks undertaken in a short period of time, revenue and any associated rebates and discounts relating to these services do not normally span an accounting year end.

Payments for promotional activities will also be deducted from revenue where the payments relate to goods or service that are closely related to or indistinct from associated sales of goods or services to that customer. The calculated costs are accrued and accounted for as incurred and matched as a deduction from the associated revenues (i.e. excluded from revenues reported in the Group's consolidated income statement).

Duty and similar items

Duty and similar items includes duty and levies having the characteristics of duty. In countries where duty is a production tax, duty is included in revenue and in cost of sales in the consolidated income statement. Duty is regarded as a sales tax and excluded from revenue where:

- duty becomes payable to the tax authority when the goods are sold;
- there is an obligation to change the sales price when a change in the rate of duty is imposed; and
- there is a requirement to identify the duty separately on sales information such as invoices.

Payments made in the USA under the Master Settlement Agreement are recognised in other cost of sales, for further disclosure see note 29 contingent liabilities.

Taxes

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Uncertain tax positions are assessed and measured on an issue by issue basis within the jurisdictions where we operate using management's estimate of the most likely outcome. Where management determines that a greater than 50% probability exists that the tax authorities would accept the position taken in the tax return, amounts are recognised in the consolidated financial statements on that basis. Where the amount of tax payable or recoverable is uncertain, the Group recognises a liability or asset based on either: management's judgement of the most likely outcome; or, when there is a wide range of possible outcomes, a probability weighted average approach. The Group recognises interest on late paid taxes as part of financing costs. The Group recognises penalties, if applicable, as part of administrative and other expenses.

Deferred tax is provided in full on temporary differences between the carrying amount of assets and liabilities in the financial statements and the tax base, except if it arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be realised. Deferred tax is determined using the tax rates that have been enacted or substantively enacted at the balance sheet date, and are expected to apply when the deferred tax liability is settled or the deferred tax asset is realised.

Dividends

Final dividends are recognised as a liability in the period in which the dividends are approved by shareholders, whereas interim dividends are recognised in the period in which the dividends are paid.

Intangible assets – goodwill

Goodwill represents the excess of value transferred to the seller in return for control of the acquired business together with the fair value of any previously held equity interest in that business over the Group's share of the fair value of the identifiable net assets.

Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Any impairment is recognised immediately in the consolidated income statement and cannot be subsequently reversed. If any negative goodwill arises this is recognised immediately in the income statement. For the purpose of impairment testing, goodwill is allocated to groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Intangible assets – other

Other intangible assets are initially recognised in the consolidated balance sheet at historical cost unless they are acquired as part of a business combination, in which case they are initially recognised at fair value. They are shown in the balance sheet at historical cost less accumulated amortisation and impairment. The Group does not operate a revaluation model and therefore assets are not subject to ongoing revaluations.

These assets consist mainly of acquired trademarks, intellectual property, product development, concessions and rights, acquired customer relationships and computer software. The Davidoff cigarette trademark is considered by the Directors to have an indefinite life based on the fact that it is an established international brand with global potential. Trademarks with indefinite lives are not amortised but are reviewed annually for impairment. The carrying value of Davidoff is subject to an annual impairment review under the requirements of IAS 36 as the Group does not currently foresee a limit to the period over which the asset is expected to generate net cash inflows. The most recent assessment indicates that the carrying value is not impaired.

Intellectual property (including trademarks), product development, supply agreements (including customer relationships) and computer software are amortised over their estimated useful lives as follows:

Intellectual property

Intellectual property	5 – 30 years	straight line
Supply agreements	3 – 15 years	straight line
Software	3 – 10 years	straight line
Product development	3 – 10 years	straight line

Property, plant and equipment

Property, plant and equipment are recognised in the consolidated balance sheet at historical cost or at their initial fair value where they are acquired as part of an acquisition, subject to depreciation or impairment. The Group does not operate a revaluation model and therefore assets are not subject to ongoing revaluations.

Land is not depreciated. Depreciation is provided on other property, plant and equipment so as to write down the initial cost of each asset to its residual value over its estimated useful life as follows:

Property	up to 50 years	straight line
Plant and equipment	2 – 20 years	straight line/ reducing balance
Fixtures and motor vehicles	2 – 15 years	straight line

The assets' residual values and useful lives are reviewed and, if appropriate, adjusted at each balance sheet date.

Financial instruments and hedging

Receivables held under a hold to collect business model are stated at amortised cost. Receivables held under a hold to sell business model, which are expected to be sold via a non-recourse factoring arrangement are separately classified as fair value through profit or loss, within trade and other receivables.

The calculation of impairment provisions is subject to an expected credit loss model, involving a prediction of future credit losses based on past loss patterns. The revised approach involves the recognition of provisions relating to potential future impairments, in addition to impairments that have already occurred. The expected credit loss approach involves modelling of historic loss rates, and consideration of the level of future credit risk. Expected loss rates are then applied to the gross receivables balance to calculate the impairment provision.

Cash and cash equivalents include cash in hand and deposits held on call, together with other short-term highly liquid investments.

The Group transacts derivative financial instruments to manage the underlying exposure to foreign exchange and interest rate risks. The Group does not transact derivative financial instruments for trading purposes. Derivative financial instruments are initially recorded at fair value plus any directly attributable transaction costs. Derivative financial assets and liabilities are included in the consolidated balance sheet at fair value, and include accrued interest receivable and payable where relevant. However, as the Group has decided (as permitted under IFRS 9) not to cash flow or fair value hedge account for its derivative financial instruments, changes in fair values are recognised in the consolidated income statement in the period in which they arise unless the derivative qualifies and has been designated as a net investment hedging instrument in which case the changes in fair values, attributable to foreign exchange, are recognised in other comprehensive income.

Collateral transferred under the terms and conditions of collateral appendix documents in respect of certain derivatives are netted off the carrying value of those derivatives in the consolidated balance sheet.

Right of use assets

The Group has lease contracts relating to property and other assets (which predominantly relates to motor vehicles).

The Group recognises right of use assets, at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments which depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Lease payments include the exercise of purchase options if determined reasonably certain to be exercised and termination payments if the lease term reflects the exercise of an option to terminate.

NOTES TO THE FINANCIAL STATEMENTS *continued*

In calculating the present value of lease payments, the Group uses the incremental borrowing rate, defined as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment, at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accumulation of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight line basis over the lease term in cost of sales or distribution, advertising and selling costs.

Short term leases, leases of low value assets and practical expedients applied

The Group has applied a number of practical expedients permitted by IFRS 16. These include;

- the exclusion of leases where the lease term ends within 12 months of the commencement of the lease or date of initial application; and
- the exclusion of leases of low value assets, defined as those of less than US\$5,000.

IFRS 16 was applied using the modified retrospective method, to contracts that were previously identified as operating leases in accordance with IAS 17 and IFRIC 4. The Group has elected to;

- apply hindsight in determining the lease term if the contract contains options to extend or terminate the lease;
- exclude initial direct costs from the measurement of the right of use asset; and
- use a single discount rate to a portfolio of leases with reasonably similar characteristics.

These elections were only applied on transition to IFRS 16 and have not been applied to new leases following adoption of the standard.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in first out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventory is considered for obsolescence or other impairment issues and an associated provision is booked where necessary.

Leaf tobacco inventory which has an operating cycle that exceeds 12 months is classified as a current asset, consistent with recognised industry practice.

Provisions

A provision is recognised in the consolidated balance sheet when the Group has a legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle that obligation, and a reliable estimate of the amount can be made.

A provision for restructuring is recognised when the Group has approved a detailed formal restructuring plan, and the restructuring has either commenced or has been publicly announced, and it is more likely than not that the plan will be implemented, and the amount required to settle any obligations arising can be reliably estimated. Future operating losses are not provided for.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Group. Contingent liabilities are not recognised, only disclosed, unless the possibility of a future outflow of resources is considered remote, or where a disclosure would seriously prejudice the position of the Group.

Retirement benefit schemes

For defined benefit schemes, the amount recognised in the consolidated balance sheet is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of the scheme assets to the extent that they are demonstrably recoverable either by refund or a reduction in future contributions. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The service cost of providing retirement benefits to employees during the year is charged to operating profit. Past service costs are recognised immediately in operating profit, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time.

All actuarial gains and losses, including differences between actual and expected returns on assets and differences that arise as a result of changes in actuarial assumptions, are recognised immediately in full in the statement of comprehensive income for the period in which they arise. An interest charge is made in the income statement by applying the rate used to discount the defined benefit obligations to the net defined benefit liability of the schemes.

For defined contribution schemes, contributions are recognised as an employee benefit expense when they are due.

Share-based payments

The Group applies the requirements of IFRS 2 Share-Based Payment Transactions to both equity-settled and cash-settled share-based employee compensation schemes. The majority of the Group's schemes are equity-settled.

Equity-settled share-based payments are measured at fair value at the date of grant and are expensed over the vesting period, based on the number of instruments that are expected to vest. For plans where vesting conditions are based on total shareholder returns, the fair value at the date of grant reflects these conditions. Earnings per share and net revenue vesting conditions are reflected in the estimate of awards that will eventually vest. For cash-settled share-based payments, a liability equal to the portion of the services received is recognised at its current fair value at each balance sheet date. Where applicable the Group recognises the impact of revisions to original estimates in the consolidated income statement, with a corresponding adjustment to equity for equity-settled schemes and current liabilities for cash-settled schemes. Fair values are measured using appropriate valuation models, taking into account the terms and conditions of the awards.

The Group funds the purchase of shares to satisfy rights to shares arising under share-based employee compensation schemes. Shares acquired to satisfy those rights are held in Employee Share Ownership Trusts. On consolidation, these shares are accounted for as a deduction from equity attributable to owners of the parent. When the rights are exercised, equity is increased by the amount of any proceeds received by the Employee Share Ownership Trusts.

Treasury shares

When the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted on consolidation from equity attributable to owners of the parent until the shares are reissued or disposed of. When such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, increases equity attributable to owners of the parent. When such shares are cancelled they are transferred to the capital redemption reserve.

Where the Group enters into a contract with a third party that contains an obligation to re-purchase its own shares for cash or another financial asset, a financial liability is recognised for the present value of the redemption amount. One example is an obligation under a forward contract to re-purchase shares in Imperial Brands PLC for cash. The financial liability is recognised initially at the present value of the redemption amount, and is reclassified from equity. Subsequently, the financial liability is measured in accordance with IFRS 9, and is revalued at subsequent reporting points as appropriate. If the contract expires without delivery, the carrying amount of the financial liability is reclassified to equity.

New accounting standards

The following amendments to the accounting standards, issued by the IASB or International Financial Reporting Standards Interpretations Committee (IFRS IC) and endorsed for use in the UK, have been adopted by the Group from 1 October 2022 with no impact on the Group's consolidated results, financial position or disclosures:

- Amendments to IAS 12 International Tax Reform – Pillar Two model rules. (The Group has applied the mandatory exception under IAS 12 in relation to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.)

New accounting standards and interpretations not yet in issue

There are also a number of other amendments and clarifications to IFRS, effective in future years, none of which are expected to significantly impact the Group's consolidated results or financial position.

2. ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and judgements associated with accounting entries which will be affected by future events. Estimates and judgements are continually evaluated based on historical experience, and other factors, including current information that helps form a forward-looking view of expected future outcomes.

Estimates involve the determination of the quantum of accounting balances to be recognised. Judgements typically involve decisions such as whether to recognise an asset or liability.

The actual amounts recognised in the future may deviate from these estimates and judgements.

Estimates

Significant estimates

Companies are required to state whether estimates have a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year. We have reviewed the items below where estimation uncertainty exists. While a number of these areas do involve estimation of the carrying value of assets or liabilities that are potentially significant within the context of the financial statement. The Group considers the probability of a significant risk of material adjustment to be low. None of these estimates are expected to present a material adjustment to the carrying amount of assets and liabilities in the next financial year. Therefore, no significant estimates are required to be disclosed.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Other estimates

Other estimates involve other uncertainties, such as those carrying lower risk, which have a smaller potential impact or would be expected to crystallise over a longer timeframe than a significant estimate. These items, listed below, are only disclosed where this provides material relevant information.

Determination of useful economic life of intangible assets

For non-goodwill intangible assets, there is a need to estimate the useful economical life of each asset. This includes determining whether the asset has an indefinite useful economic life, or not. The Davidoff trademark has a significant market share and positive cash flow growth expectations. There are no regulatory or contractual restrictions on the use of this trademark, and there are no plans to significantly redirect resources elsewhere which would reduce the value of this asset. Consequently, in the view of management, the Davidoff trademark does not have a foreseeable and definite end to its ability to generate future cash flows and hence it is not amortised. The carrying value of Davidoff is subject to an annual impairment review under the requirements of IAS 36. The most recent assessment indicates that the carrying value is not impaired.

Amortisation and impairment of intangible assets

For non-indefinite life assets, which are amortised, the useful economic life and recoverable amounts are estimated based upon the expectation of the time period during which an intangible asset will support future cash flows, and the quantum of those cash flows. Due to estimation uncertainties the useful economic lives and associated amortisation rates have to be reviewed and revised where necessary. In addition, where there are indications that the current carrying value of an intangible asset is greater than its recoverable amount, an impairment to the carrying value of the asset may be required. Factors considered important that could trigger an impairment review of intangible assets include the following:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of the use of the acquired assets or the strategy for the overall business; and
- significant negative industry or economic trends.

The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent in the application of the Group's accounting estimates in relation to intangible assets can affect the amounts reported in the financial statements, especially the estimates of the expected useful economic lives and the carrying values of those assets. If business conditions significantly change it is possible that materially different amounts could be reported in the Group's financial statements in future periods. Indefinite life intangible assets, including goodwill, are subject to annual impairment testing where an assessment of the carrying value of the asset against its recoverable amount is undertaken. There are long term uncertainties associated with estimating the value of the recoverable amount, particularly with regard to long term cash flow growth rates which are influenced by the future size and shape of the tobacco sector. While long term growth rates currently used in impairment assessments are based on current best estimates of future performance, there may be changes in these assumptions when conducting impairment tests in subsequent years. Details of goodwill and intangible asset impairment assessments are included in note 11.

Corporate income taxes

Where tax liabilities have been judged to exist, estimation is often required to determine the potential future tax payments. The Group is subject to tax in numerous jurisdictions and significant judgement is required in determining the provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises provisions for tax based on estimates of the taxes that are likely to become due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made. Consideration of the valuation estimates related to tax provisions is given in note 7 to these financial statements.

Other legal proceedings and disputes

Where a liability is determined there can be a degree of estimation of the potential level of damages expected. Key areas of estimation uncertainty include consideration as to the expected future amount to be paid out in the event the claim succeeds. In some situations where a probability risk calculation is required to determine the amount of an associated provision, both the quantum of future payments and the probability of those payments crystallising needs to be considered, both factors having a degree of uncertainty. More detail as to the considered position of these claims is given in note 24 and note 29 of the financial statements. To the extent that the Group's assessments at any time do not reflect subsequent developments or the eventual outcome of any claim, its future financial statements may be materially affected, with a favourable or adverse impact upon the Group's operating profit, financial position and liquidity.

Restructuring provisions

The Group holds restructuring provisions where appropriate in respect of estimated future economic outflows which arise due to past events. Estimates are based on information available at the balance sheet date. Actual outflows may not occur as anticipated, and estimates may prove to be incorrect, leading to further charges or releases of provisions as circumstances dictate. These provisions cover the cost of factory closures, scaling down of capacity and other structural changes to the business. These programmes are run as discrete projects with controls over the expected costs and the associated accounting impacts. The calculation of restructuring provisions includes estimation challenges relating to asset remediation costs, the valuation of disposals and termination costs. More details relating to the estimates associated with these restructuring programmes can be found in notes 5 and 24.

Judgements

Paragraph 122 of IAS 1 requires disclosure of judgements made by management in applying an entity's accounting policies, other than those relating to estimation uncertainty. Paragraph 125 of IAS 1 requires more wide-ranging disclosures of judgements that depend on management assumptions about the future, and other major sources of estimation uncertainty ("significant judgements").

Corporate income taxes

Judgement is involved in determining whether the Group is subject to a tax liability or not in line with tax law. The Group is subject to income tax in numerous jurisdictions and significant judgement is required in determining whether there is a liability requiring a provision for tax. Recognition of tax liabilities in situations where there is uncertainty is based on precedent in similar tax cases and external advice as to whether challenges by tax authorities are likely to result in future tax payments being made. The recognition of a tax liability involves consideration of the probability of tax authorities accepting the position taken in the tax return and there is therefore some uncertainty.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the temporary differences, losses and credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The Group has determined that it cannot recognise deferred tax assets on the temporary differences, tax losses and tax credits carried forward for certain subsidiaries. Further details of the estimates related to deferred taxes are given in note 22 to these financial statements.

Legal proceedings and disputes

The Group reviews outstanding legal cases following developments in the legal proceedings at each balance sheet date, considering the nature of the litigation, claim or assessment; the legal processes and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought; the progress of the case (including progress after the date of the financial statements but before those statements are issued); the opinions or views of legal counsel and other advisers; experience of similar cases; and any decision of the Group's management as to how it will respond to the litigation, claim or assessment. Judgement is required as to whether a liability exists. A provision will only be recognised where it is probable that the Group will be required to settle a claim.

Control of Logista

A key judgement relates to whether the Group has effective control of Logista sufficient that the Group can consolidate this entity within its Group accounts in line with the requirements of IFRS 10 Consolidated Financial Statements. The Group holds 50.01% of the voting shares. The Group has reviewed its control of Logista and that it is appropriate to consolidate this entity in line with the requirements of IFRS 10 Consolidated Financial Statements. The Group continues to have Director presence on the Board of Logista, representing 5 out of 12 Directors. The Group has powers to control as set out in the Relationship Framework Agreement which specifies certain areas of operation reserved for shareholder approval and through these measures the Group is able to exercise control of Logista. The Group has therefore concluded that it continues to be appropriate to recognise Logista as a fully consolidated subsidiary.

Climate change

The Group has a designated program to manage and mitigate climate-related risks. The effect of climate change is not considered to have a material effect on the estimates in the financial statements. Governmental and societal responses to climate change risks are still developing and consequently financial statements cannot capture all possible future outcomes as these are not yet known or don't have sufficient certainty to be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK-adopted International Accounting Standards. Please refer to the following sections for further discussion on the impact of climate change relating to going concern assumptions in note 1, intangible assets impairment assumptions in note 11 and recoverability of deferred tax assets in note 22.

NOTES TO THE FINANCIAL STATEMENTS *continued*

3. SEGMENT INFORMATION

Imperial Brands comprises two distinct businesses – Tobacco & NGP and Distribution. The Tobacco & NGP business comprises the manufacture, marketing and sale of Tobacco & NGP and Tobacco & NGP-related products, including sales to (but not by) the Distribution business. The Distribution business comprises the distribution of Tobacco & NGP products for Tobacco & NGP product manufacturers, including Imperial Brands, as well as a wide range of non-Tobacco & NGP products and services. The Distribution business is run on an operationally neutral basis ensuring all customers are treated equally, and consequently transactions between the Tobacco & NGP and Distribution businesses are undertaken on an arm's length basis reflecting market prices for comparable goods and services.

On 1 October 2022 the Group reorganised the structure of the Europe and AAA regions. The Central and Eastern Europe cluster, which includes operations in Poland, Czech Republic, Ukraine, Slovakia, Hungary, Azerbaijan, Armenia, Georgia and Slovenia, moved from the Europe region to the AAA region. The AAA region has been re-named AAACE. The managerial and internal reporting structures of the regions have been revised to reflect the new structure. Following the introduction of these changes we have revised our segmental reporting as required under IFRS 8. The comparative figures below have been restated accordingly

The function of the Chief Operating Decision Maker (defined in IFRS 8), which is to review performance and allocate resources, is performed by the Board and the Chief Executive, who are regularly provided with information on the Group's segments. This information is used as the basis of the segment revenue and profit disclosures provided below. The main profit measure used by the Board and the Chief Executive is adjusted operating profit. Segment balance sheet information is not provided to the Board or the Chief Executive.

The Group's reportable segments are Europe, Americas, Africa, Asia, Australasia and Central and Eastern Europe (AAACE) and Distribution. Operating segments are comprised of geographical groupings of business markets. The main Tobacco & NGP business markets within the Europe, Americas and AAACE reportable segments are:

Europe – United Kingdom, Germany, Spain, France, Italy, Greece, Sweden, Norway, Belgium and the Netherlands.

Americas – United States.

AAACE – Australia, Japan, Saudi Arabia, Taiwan, Poland, Czech Republic, Ukraine, Slovakia, Hungary, Slovenia and our African markets including Algeria and Morocco.

Tobacco & NGP

£ million unless otherwise indicated	2023			2022		
	Tobacco	NGP	Tobacco & NGP	Tobacco	NGP	Tobacco & NGP
Revenue	22,114	299	22,413	23,232	224	23,456
Net revenue	7,747	265	8,012	7,585	208	7,793
Operating profit/(loss)	3,262	(156)	3,106	2,599	(127)	2,472
Adjusted operating profit			3,583			3,441
Adjusted operating margin %			44.7			44.2

Distribution

£ million unless otherwise indicated	2023	2022
Revenue	10,819	9,756
Distribution gross profit	1,466	1,046
Operating profit	298	212
Adjusted operating profit	306	254
Adjusted operating margin %	20.9	24.3

Revenue

£ million	2023		2022 (restated)	
	Total revenue	External revenue	Total revenue	External revenue
Tobacco & NGP				
Europe	11,749	10,992	12,052	11,391
Americas	3,700	3,700	3,756	3,756
AAACE	6,964	6,964	7,648	7,648
Total Tobacco & NGP	22,413	21,656	23,456	22,795
Distribution	10,819	10,819	9,756	9,756
Eliminations	(757)	-	(661)	-
Total Group	32,475	32,475	32,551	32,551

The eliminations all relate to Tobacco & NGP sales to Distribution.

Tobacco & NGP net revenue

£ million	2023		2022 (restated)			
	Tobacco	NGP	Total	Tobacco	NGP	Total
Europe	3,020	220	3,240	2,883	156	3,039
Americas	2,778	34	2,812	2,784	42	2,826
AAACE	1,949	11	1,960	1,918	10	1,928
Total Tobacco & NGP	7,747	265	8,012	7,585	208	7,793

Adjusted operating profit and reconciliation to profit before tax

£ million	2023	2022 (restated)
Tobacco & NGP		
Europe	1,482	1,447
Americas	1,257	1,179
AAACE	844	815
Total Tobacco & NGP	3,583	3,441
Distribution	306	254
Eliminations	(2)	(1)
Adjusted operating profit	3,887	3,694
Russia, Ukraine and associated markets – Tobacco & NGP	(4)	(399)
Amortisation and impairment of acquired intangibles – Tobacco & NGP	(339)	(323)
Amortisation of acquired intangibles – Distribution	(8)	(26)
Restructuring costs – Tobacco & NGP	-	(197)
Fair value adjustment and impairment of other financial assets – Tobacco & NGP	(36)	(37)
Loss on disposal of subsidiaries – Tobacco & NGP	(1)	(13)
Loss on disposal of subsidiaries – Distribution	-	(16)
Acquisition and disposal costs – Tobacco & NGP	-	(5)
Excise tax provision – Tobacco & NGP	-	9
Charges related to legal provisions – Tobacco & NGP	(85)	-
Structural changes to defined benefit pension schemes – Tobacco & NGP	(12)	(4)
Operating profit	3,402	2,683
Net finance costs	(298)	(117)
Share of profit/(loss) of investments accounted for using the equity method	7	(15)
Profit before tax	3,111	2,551

NOTES TO THE FINANCIAL STATEMENTS *continued*

Other information

£ million	2023		2022 (restated)	
	Additions to property, plant and equipment	Depreciation and software amortisation	Additions to property, plant and equipment	Depreciation and software amortisation
Tobacco & NGP				
Europe	69	79	44	76
Americas	36	20	31	25
AAACE	46	41	41	52
Total Tobacco & NGP	151	140	116	153
Distribution	40	41	29	32
Total Group	191	181	145	185

Additional geographic analysis

External revenue and non-current assets are presented for individually significant countries. The geographical analysis is based on country of origin. The Group's products are sold in over 120 countries.

£ million	2023		2022 (restated)	
	External revenue	Non-current assets	External revenue	Non-current assets
UK	3,926	148	4,286	149
Germany	4,142	3,245	4,238	3,280
France	3,428	2,350	3,215	2,371
USA	3,657	5,646	3,726	6,430
Other	17,322	7,553	17,086	7,490
Total Group	32,475	18,942	32,551	19,720

Non-current assets comprise intangible assets, property, plant and equipment, right of use assets and investments accounted for using the equity method. Note the comparative figure has been restated to include right of use assets.

4. PROFIT BEFORE TAX

Profit before tax is stated after charging/(crediting):

£ million	2023	2022
Raw materials and consumables used	773	857
Changes in inventories of finished goods – Tobacco & NGP	2,630	2,660
Changes in inventories of finished goods – Distribution	7,994	7,350
Depreciation and impairment of fixed assets	153	235
Amortisation and impairment of intangible assets and investments in associates	394	406
Acquisition and disposal costs	-	5
Expenses relating to short-term leases	4	3
Expenses relating to low value asset leases	1	2
Depreciation and impairment of right of use assets	85	74
Net foreign exchange (gains)/losses	(11)	75
Write down of inventories	40	20
Profit on disposal of non-current assets	39	-
Write back of trade receivables	(5)	(3)

Analysis of fees payable to Ernst & Young LLP and its associates

£ million	2023	2022
Parent Company and consolidated financial statements	2.7	2.2
The Company's subsidiaries	6.1	5.6
Total audit fees	8.8	7.8
Audit-related assurance services	0.5	0.4
Total audit-related fees	9.3	8.2
Other assurance services	0.5	0.6
Total non-audit fees	0.5	0.6
Total auditor's remuneration	9.8	8.8

5. RESTRUCTURING COSTS

£ million	2023	2022
Employment related	–	103
Asset impairments	–	70
Other charges	–	24
	–	197

Analysed by workstream:

£ million	2023			2022		
	Costs	Cash spend	Cumulative cash spend	Costs	Cash spend	Cumulative cash spend
2021 Strategic review programme	–	61	165	197	56	104
Other	–	37	1,276	–	35	1,239
	–	98	1,441	197	91	1,343

Restructuring projects involve significant one-off costs that are incurred in integrating acquired businesses and in major rationalisation and optimisation initiatives together with their related tax effects.

As these projects are not part of business as usual, any costs incurred are classified as restructuring costs and are included within administrative and other expenses in the consolidated income statement and treated as adjusting items.

No accounting charges are now expected to be recognised in relation to historic restructuring programmes, however there remains some ongoing cash costs to be incurred which are not expected to be in excess of existing provisions.

6. DIRECTORS AND EMPLOYEES

Employment costs

£ million	2023	2022
Wages and salaries	882	642
Social security costs	186	142
Other pension costs (note 23)	41	64
Share-based payments (note 26)	31	29
	1,140	877

Operating executive (excluding executive directors)

£ million	2023	2022
Base salary	4.7	4.3
Benefits	0.9	0.7
Pension salary supplement	0.7	0.7
Bonus	4.8	5.3
Termination payments	2.1	5.8
LTIP annual vesting ¹	7.8	1.5
	21.0	18.3

1. Share plans vesting represent the value of LTIP awards (inclusive of Recruitment Awards) where the performance periods ends in the year.

Note: aggregate remuneration paid to or receivable by Executive directors, Non-Executive Directors and members of the Operating Executive for qualifying services in accordance with IAS 24, which includes National Insurance and similar charges was £39,323,966 (2022: £31,671,710).

Key management compensation¹

£ million	2023	2022
Short term employee benefits	17.0	17.6
Post-employment benefits	–	0.1
Termination payments	2.1	5.7
Share based payments (in accordance with IAS 24)	15.0	3.6
	34.1	27.0

1. Key management includes Directors, members of the Executive Committee and the Company Secretary.

Details of Directors' emoluments and interests, and of key management compensation which represent related-party transactions requiring disclosure under IAS 24, are provided within the Directors' Remuneration Report. The Directors' Remuneration Report, on pages 142-163 includes details on salary, benefits, pension and share plans. These disclosures form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Number of people employed by the group during the year

	2023		2022	
	At 30 September	Average	At 30 September	Average
Tobacco & NGP	18,800	19,100	19,900	22,600
Distribution	6,400	6,400	5,800	6,000
	25,200	25,500	25,700	28,600

Number of people employed by the group by location during the year

	2023		2022	
	At 30 September	Average	At 30 September	Average
UK and European Union	12,200	11,900	14,000	14,200
Americas	4,700	5,100	5,700	7,800
Rest of the World	8,300	8,500	6,000	6,600
	25,200	25,500	25,700	28,600

7. TAX

The major components of income tax expense for the years ended 30 September 2023 and 2022 are:

£ million	2023	2022
UK current tax		
Current year (credited)/charged to the consolidated income statement	(55)	217
Current year charged/(credited) to consolidated other comprehensive income	115	(158)
Total current year UK current tax	60	59
Adjustments in respect of prior years charged to the consolidated income statement	15	149
Total UK current tax	75	208
Overseas current tax		
Current year charged to the consolidated income statement	620	670
Total current year overseas current tax	620	670
Adjustments in respect of prior years charged/(credited) to the consolidated income statement	233	(116)
Total overseas current tax	853	554
Total current tax charged to the consolidated statement of other comprehensive income	928	762
£ million	2023	2022
UK current tax		
Current year	(55)	217
Adjustments in respect of prior years	15	149
Overseas current tax		
Current year	620	670
Adjustments in respect of prior years	233	(116)
Total current tax	813	920
Deferred tax		
Relating to origination and reversal of temporary differences	(158)	(34)
Total tax charged to the consolidated income statement	655	886

£ million	2023	2022
Tax related to items recognised in consolidated other comprehensive income during the year:		
Current tax on hedge of net investment and quasi-equity loans	115	(148)
Current tax on actuarial gains and losses	-	(10)
Total current tax	115	(158)
Deferred tax on actuarial gains and losses	(135)	52
Deferred tax on hyperinflation adjustment	1	3
Total deferred tax	(134)	55
Total tax credited to consolidated other comprehensive income	(19)	(103)
£ million		
Tax related to items recognised in equity during the year:		
Deferred tax on share-based payments	(1)	(2)
Total tax credited to equity	(1)	(2)

Factors affecting the tax charge for the year

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the average UK corporation tax rate of 22.0% (2022: 19.0%) as follows:

£ million	2023	2022
Profit before tax	3,111	2,551
Tax at the UK corporation tax rate of 22.0% (2022: 19.0%)	684	484
Tax effects of:		
Differences in effective tax rates on overseas earnings	24	118
Movement in provision for uncertain tax positions	211	(78)
Remeasurement of deferred tax balances arising from changes in tax rates	-	4
Remeasurement of previously recognised deferred tax assets	(6)	(1)
Increase in unrecognised deferred tax assets	1	14
Deferred tax on unremitted earnings	5	(26)
Share of (profit)/loss of investments accounted for using the equity method	(2)	3
Non-deductible expenses	24	18
(Non-taxable gains)/non-deductible losses on net foreign exchange on financial instruments	(122)	145
Recognition of deferred tax assets	(212)	-
Exempt losses on Russian and associated markets exit	-	88
Provision for state aid tax recoverable	-	101
Adjustments in respect of prior years	48	16
Total tax charged to the consolidated income statement	655	886

Differences in effective tax rates on overseas earnings represents the impact of worldwide profits being taxed at rates different from 22.0%.

The remeasurement of deferred tax balances arising from changes in tax rates for the year is £nil (2022: £4 million).

During the year the Group has increased the provision for deferred tax on unremitted earnings by £5 million (2022: £26 million decrease). The tax will arise on the distribution of profits through the Group and on planned Group simplification.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Movement on the current tax account

£ million	2023	2022
At 1 October	27	82
Charged to the consolidated income statement	(813)	(920)
(Charged)/credited to other comprehensive income	(115)	158
Cash paid	590	681
Exchange movements	6	(7)
Balance sheet reclassification	(1)	33
At 30 September	(306)	27

The cash tax paid in the year is £223 million lower than the current tax charge (2022: £239 million lower). This arises as a result of timing differences between the accrual of income taxes and the actual payment of cash and the movement in the provision for uncertain tax positions.

Analysis of current tax account

£ million	2023	2022
Current tax assets	112	334
Current tax liabilities	(418)	(307)
	(306)	27

Uncertain tax positions

As an international business the Group is exposed to uncertain tax positions and changes in legislation in the jurisdictions in which it operates. The Group's uncertain tax positions principally include cross border transfer pricing, interpretation of new or complex tax legislation and tax arising on the valuation of assets.

Provisions arising from uncertain tax positions taken in the calculation of tax assets and liabilities are included within current tax liabilities. At 30 September 2023 the total value of these provisions excluding compensating assets under mutual agreement procedure was £261 million (2022: £215 million excluding compensating assets, 2022: £148 million including compensating assets). The assessment of uncertain tax positions is subjective and significant management judgement is required. This judgement is based on current interpretation of legislation, management experience and professional advice. Until matters are finally concluded it is possible that amounts ultimately paid will be different from the amounts provided.

Management have assessed the Group's provision for uncertain tax positions and have concluded that apart from the matters referred to below the provisions in place are not material individually or in aggregate, and that a reasonably possible change in the next financial year would not have a material impact on the results of the Group.

French tax litigation

The Group has an ongoing challenge from the French tax authorities, which is now in litigation, and could lead to additional liabilities of £254 million including tax, interest, and penalties. The challenge concerns the valuation placed on the shares of Altadis Distribution France (now known as Logista France) following an intragroup transfer of shares in October 2012 and the tax consequences flowing from a potentially higher value that is argued for by the tax authorities. In May 2023 the Administrative Tribunal of Montreuil issued its decision, ruling in favour of the French tax authorities. In July 2023 the Group appealed to the Administrative Court of Appeal of Paris. Whilst the Group has appealed, in the light of the Administrative Tribunal of Montreuil's decision, having subsequently reassessed the probability of a successful appeal, the Group has now determined it is appropriate to increase the provision for uncertain tax positions to £180 million (2022: £42 million).

State and UK CFC

In April 2019, the EU Commission's final decision regarding its investigation into the UK's Controlled Foreign Company regime was published. It concludes that the legislation up until December 2018 does partially represent state aid. The UK Government has appealed to the European Court seeking annulment of the EU Commission's decision. The Group, along with a number of UK corporates, has made a similar application to the European Court.

Based on the Commission's decision and despite the appeals, the UK Government was obliged to recover state aid received. Whilst the Group's position remains that no state aid has been received, in February 2021 a recovery charging notice for £101 million was issued to the Group by HMRC and has since been paid.

In June 2022 the European General Court rejected the appeals. Whilst this decision has been appealed to the Court of Justice of the European Union (CJEU) and the appeal may possibly be successful, in the light of the European General Court's decision, during 2022 the Group reassessed recoverability of the £101 million previously recorded as a receivable and determined it was appropriate to provide in full.

Transfer pricing

The Group has been subject to tax audits relating to transfer pricing matters in several jurisdictions, principally UK, France and Germany. The Group estimates the potential gross level of exposure relating to transfer pricing issues is approximately £100 million (2022: £200 million). The Group holds a provision of £68 million excluding compensating assets (2022: £121 million excluding compensating assets, £54 million including compensating assets) in respect of these items.

In December 2021 the Group concluded a transfer pricing audit with the French tax authorities. In September 2022 the Group concluded transfer pricing audits with the UK and German tax authorities. Settlements of the French and UK audits were made during 2022. Settlement of the German audit was made during 2023. In September 2023 an additional separate transfer pricing audit was opened by the German tax authorities.

The Group believes the transfer pricing provision held above appropriately provides for this and other transfer pricing issues.

French branch tax

In December 2021 the Group received assessments from the French tax authorities concerning the intragroup financing of the French branch of Imperial Tobacco Limited. In February 2022 the Group appealed against the assessment. In September 2022 the French tax authorities opened a further tax audit into this matter. Following discussions with the French tax authorities a settlement proposal covering all years was made for £48 million including interest, for which a provision was made in 2022 and has since been settled in 2023. The Group holds a provision of £nil (2022: £48 million) in respect of this matter.

8. DIVIDENDS

Distributions to ordinary equity holders

£ million	2023	2022	2021
Paid interim of 43.18 pence per share (2022: 42.54 pence, 2021: 42.12 pence)			
• Paid June 2021	-	-	199
• Paid September 2021	-	-	199
• Paid December 2021	-	-	458
• Paid June 2022	-	202	-
• Paid September 2022	-	202	-
• Paid December 2022	-	464	-
• Paid June 2023	196	-	-
• Paid September 2023	195	-	-
Interim dividend paid	391	868	856
Proposed third interim of 51.82 pence per share (2022: 49.31 pence, 2021: 48.48 pence)			
• To be paid December 2023	466	-	-
Interim dividend proposed	466	-	-
Proposed final of 51.82 pence per share (2022: 49.32 pence, 2021: 48.48 pence)			
• Paid March 2022	-	-	458
• Paid March 2023	-	457	-
• To be paid March 2024	465	-	-
Final dividend	465	457	458
Total ordinary share dividends of 146.82 pence per share (2022: 141.17 pence, 2021: 139.08 pence)	1,322	1,325	1,314

The proposed third interim dividend for the year ended 30 September 2023 of 51.82 pence per share amounts to a proposed dividend of £466 million, which will be paid in December 2023. The proposed final dividend for the year ended 30 September 2023 of 51.82 pence per share amounts to a proposed dividend payment of £465 million in March 2024 based on the number of shares ranking for dividend at 30 September 2023, and is subject to shareholder approval. If approved, the total dividend paid in respect of 2023 will be £1,322 million (2022: £1,325 million). The dividend paid during 2023 is £1,312 million (2022: £1,320 million).

NOTES TO THE FINANCIAL STATEMENTS *continued*

9. EARNINGS PER ORDINARY SHARE

Basic earnings per share is based on the profit for the period attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the period excluding shares held to satisfy the Group's employee share schemes and shares purchased by the Company and held as treasury shares. Diluted earnings per share have been calculated by taking into account the weighted average number of shares that would be issued if rights held under the employee share schemes were exercised. No instruments have been excluded from the calculation for any period on the grounds that they are anti-dilutive.

£ million	2023	2022
Earnings: basic and diluted – attributable to owners of the Parent Company	2,328	1,570
Millions of shares		
Weighted average number of shares:		
Shares for basic earnings per share	922.5	946.2
Potentially dilutive share options	5.7	6.8
Shares for diluted earnings per share	928.2	953.0
Pence		
Basic earnings per share	252.4	165.9
Diluted earnings per share	250.8	164.7

10. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Russian associated markets exit

In the prior year a loss on exit from the Russian and associated markets of £423 million was incurred, comprising a loss on transfer of Russian operations of £364 million, impairment of assets and exit costs of the associated markets of £35 million and the impairment of an intangible asset held by the Global Horizon Ventures Limited joint venture of £24 million. Following a review of the impacts resulting from the decision to transfer the Russian factory it was determined that it was unviable to continue trading in these areas for a number of reasons including duty and supply chain challenges. The decision to exit operations results in a number of assets held by these markets having to be impaired. In addition, certain exit costs are expected to be incurred in the process of ceasing operations. Total impairment and exit costs of £35 million were recognised in the financial year ending 30 September 2022. There is ongoing work to complete the exit from the associated markets. In the current year revisions to these exit provisions totalling £14 million have been recognised primarily arising due to changes in the expected level of exit costs.

Logista

Acquisition of Speedlink Worldwide Express B.V.

On 16 February 2022, the Group's subsidiary Logista acquired 70% of the share capital of Speedlink Worldwide Express B.V. for a purchase consideration of €20 million (£16 million) which has been paid in cash. There is an intention to purchase the remaining 30% of share capital over the next two years. As effective control has been achieved through this acquisition, Speedlink Worldwide Express B.V. has been consolidated as a subsidiary within the Group with a 65% minority interest. Goodwill of €12 million (£10 million), intangible assets of €15 million (£13 million) and deferred tax liability of €4 million (£3 million) were recognised on acquisition.

Acquisition of Herinvemol, S.L. (Transportes El Mosca)

On 17 June 2022, the Group's subsidiary Logista announced the acquisition of 60% of the shares of Herinvemol S.L. Herinvemol S.L. is the parent company of a group of companies over which it holds control, trading as 'Transportes El Mosca'. This acquisition completed on 28 October 2022.

Transportes El Mosca offers national and international intermodal transport services by road, sea and air, as well as frozen or refrigerated transport. The main destination markets for the international road transport activity are the United Kingdom, Germany, Portugal, France, the Netherlands, and Italy, and its clients are mainly producers and large distribution chains in the food sector.

The total purchase consideration for the 60% initial shareholding is €99 million (£86 million) with €1 million (£1 million) remaining as a current liability as at 30 September 2023. The agreement contemplates cross-call and call options for the remaining 40% exercisable over a 3-year time horizon. At 30 September 2023 goodwill of €39 million (£33 million) has been recognised relating to this acquisition which has been assigned to the Distribution segment. The valuation of the assets at fair value has been carried out by an independent expert. This valuation includes, as intangible assets, Customer Relationships for €42 million (£38 million) and Trademarks for €5 million (£4 million).

On 3 August 2023, Logista announced the acquisition of an additional 13.33% of equity for a consideration of €23 million (£20 million), increasing its total ownership to 73.33%.

At 30 September 2023, Logista has a purchase option for the remaining 26.67%, which is recorded at fair value as a non-current liability for an amount of €25 million (£22 million) and a current liability for an amount of €25 million (£22 million), with a corresponding adjustment taken to equity reserves. The equity movement of €56 million (£48 million) is calculated based on the initial valuation of the call options at fair value of €75 million (£65 million), reduced by the minority interests arising from the purchase transaction of €17 million (£14 million) and those arising from the profit for the year generated by the acquired company.

The revenue and net profit that were contributed to the consolidated income statement for the period ended 30 September 2023 totalled €260 million (£226 million) and €4 million (£3 million), respectively.

The ordinary income and net profit that would have contributed to the consolidated income statement if Transportes El Mosca had been acquired on 1 October 2022 is not significantly different from the figures indicated in the previous paragraph.

Acquisition of Carbó Collbatallé S.L.

In April 2022, the Group's subsidiary Logista reached an agreement for the acquisition of 100% of the shares of Carbó Collbatallé, a company that offers transport and logistics services for refrigerated and frozen foods, which carries out its commercial activity mainly in the Spanish market. This acquisition was completed in October 2022.

The total consideration for the shares acquired was €55 million (£46 million) of which €51 million (£42 million) was paid in cash at the time of the purchase with €4 million (£4 million) outstanding as at 30 September 2023.

As at 30 September 2023, goodwill of €36 million (£31 million) has been recognised which has been assigned to the Distribution segment. The valuation of the assets at fair value has been carried out by an independent expert. This valuation includes, as intangible assets, Customer Relationships for €20 million (£17 million) and Trademarks for €1 million (£1 million).

The revenue and net profit that were contributed to the consolidated income statement for the period ended 30 September 2023 totalled €63 million (£55 million) and €5 million (£4 million) respectively.

Acquisition of Gramma Farmaceutici, S.R.L.

In July 2023, the Group's subsidiary Logista acquired 100% of the equity shares of Gramma Farmaceutici, S.R.L., a company specialised in logistics services for the pharmaceutical industry in Italy. The total purchase price of these shares amounted to €3 million (£3 million), paid in cash at the time of purchase. The book value of the net assets acquired was €296 thousand (£257 thousand). As at 30 September 2023, the company has recorded provisional goodwill of €3 million (£3 million) which has been assigned to the Distribution segment.

The revenue and net profit that were contributed to the consolidated income statement for the period ended 30 September 2023 totalled €2 million (£2 million) and €18 thousand (£16 thousand) respectively. The ordinary income and net profit that would have contributed to the consolidated income statement if the company had been acquired on 1 October 2022 is not significantly different from the figures indicated in the previous paragraph.

The amounts of the assets and liabilities arising from the following acquisitions during the year ending 30 September 2023 are as follows:

£ million	Carbó Collbatallé S.L. Fair value	Hernivemol, S.L. (Transportes El Mosca) Fair value	Total Fair value
Property, plant and equipment and right of use assets	29	67	96
Other intangible assets	18	42	60
Other non-current assets	-	1	1
Trade receivables and other accounts receivable	10	75	85
Cash and other equivalent liquid assets	3	11	14
Other current assets	1	2	3
Deferred tax liabilities	(5)	(10)	(15)
Trade payables and other accounts payable	(16)	(55)	(71)
Other current financial liabilities	-	(43)	(43)
Other non-current financial liabilities	(25)	(23)	(48)
Total net assets	15	67	82
Less minority interests	-	(14)	(14)
Net assets acquired by the group	15	53	68
Consideration for the acquisition	46	86	132
Goodwill	31	33	64

NOTES TO THE FINANCIAL STATEMENTS *continued*

11. INTANGIBLE ASSETS

	2023				
£ million	Goodwill	Intellectual property and product development	Supply agreements	Software	Total
Cost					
At 1 October 2022	14,228	13,871	1,433	522	30,054
Additions	-	136	1	119	256
Acquisitions	67	5	54	2	128
Disposals	-	(115)	-	(3)	(118)
Reclassifications	-	(2)	-	2	-
Exchange movements	(510)	(853)	(31)	(12)	(1,406)
At 30 September 2023	13,785	13,042	1,457	630	28,914
Amortisation and impairment					
At 1 October 2022	1,587	8,925	1,414	351	12,277
Amortisation charge for the year	-	352	6	34	392
Disposals	-	(109)	-	(3)	(112)
Reclassifications	-	(1)	-	1	-
Exchange movements	(31)	(517)	(31)	(8)	(587)
Accumulated amortisation	-	8,111	1,389	374	9,874
Accumulated impairment	1,556	539	-	1	2,096
At 30 September 2023	1,556	8,650	1,389	375	11,970
Net book value					
At 30 September 2023	12,229	4,392	68	255	16,944

	2022				
£ million	Goodwill	Intellectual property and product development	Supply agreements	Software	Total
Cost					
At 1 October 2021	13,417	12,359	1,387	451	27,614
Additions	-	20	1	65	86
Acquisitions	10	-	13	-	23
Disposals	-	-	-	(8)	(8)
Reclassifications	4	-	-	-	4
Exchange movements	797	1,492	32	14	2,335
At 30 September 2022	14,228	13,871	1,433	522	30,054
Amortisation and impairment					
At 1 October 2021	1,542	7,735	1,355	308	10,940
Amortisation charge for the year	-	331	27	35	393
Impairment	-	-	-	1	1
Disposals	-	-	-	(5)	(5)
Reclassifications	4	-	-	-	4
Exchange movements	41	859	32	12	944
Accumulated amortisation	-	8,386	1,414	350	10,150
Accumulated impairment	1,587	539	-	1	2,127
At 30 September 2022	1,587	8,925	1,414	351	12,277
Net book value					
At 30 September 2022	12,641	4,946	19	171	17,777

Amortisation and impairment of acquired intangibles excluded from adjusted operating profit amounted to £347 million (2022: £349 million), this comprises amortisation on intellectual property of £341 million (2022: £323 million) and amortisation on supply agreements of £6 million (2022: £26 million).

Intellectual property mainly comprises brands acquired in the USA in 2015 and through the purchases of Altadis in 2008 and Commonwealth Brands in 2007.

Supply agreements include Distribution customer relationships acquired as part of the purchase of Altadis, and of Carbó Collbatallé S.L. and Herinvemol S.L. (Transportes El Mosca) in the current financial year.

Intangible amortisation and impairment are included within administrative and other expenses in the consolidated income statement.

In June 2023 the Group purchased intellectual property relating to tobacco pouches to be marketed within the United States. The purchase consideration was \$130 million (£106 million) comprising \$50 million (£41 million) which was paid in cash on completion, deferred consideration of \$31 million (£25 million) expected to be paid in December 2023 and contingent consideration currently estimated at \$49 million (£40 million) payable over a five-year period up until 2028. All deferred and contingent consideration has been discounted at a rate of 13% and a corresponding consideration liability of \$81 million (£66 million) has been recognised. The total initial intangible asset value recognised was \$130 million (£106 million).

Goodwill and intangible asset impairment review

On 1 October 2022 the Group reorganised the Tobacco & NGP business, changing our geographic footprint with the markets comprising our Central and Eastern Europe cluster moving from our Europe region into the Africa, Asia & Australasia (AAA) region to form the newly constituted AAACE region. The managerial and internal reporting structures of the business have been revised to reflect the new structure. Following the introduction of these changes we have revised our segmental reporting as required under IFRS 8. As the Group's Cash Generating Unit Groupings (CGUG) that are used for annual goodwill impairment testing are aligned to the region-based segments, where appropriate, goodwill and other indefinite life intangible assets has been reapportioned across the new CGUG structure on a relative value basis to reflect the segmental changes.

One of the requirements of IAS 36 is to undertake an impairment test based on the former CGUG prior to reapportioning intangible assets to new CGUG in the event of a Group reorganisation. The impairment testing which was undertaken as at 1 October 2022 indicated no impairment. Therefore there was no requirement to impair any goodwill or brand intangible prior to the reallocation to new CGUG.

Our reportable segments have been updated to Americas, Europe, AAACE and Distribution. The Tobacco & NGP operating segments continue to be comprised of geographical groupings of business markets. The main Tobacco & NGP business markets that have moved segments as part of this restructuring are Poland, Czech Republic, Ukraine, Slovakia, Hungary, Azerbaijan, Armenia, Georgia, Moldova, Croatia and Slovenia.

Goodwill is allocated to CGUG that are expected to benefit from the business combination in which the goodwill arose. For the Tobacco & NGP business, CGUG are based on the markets where the business operates and are grouped in line with the regional structure in operation during the year. The groupings represent the lowest level at which goodwill is monitored for internal management purposes. A summary of the carrying value of goodwill and intangible assets with indefinite lives is set out below.

£ million	2023		2022 (restated)	
	Goodwill	Intangible assets with indefinite lives	Goodwill	Intangible assets with indefinite lives
Europe	4,123	307	4,295	313
Americas	4,147	-	4,326	-
AAACE	2,181	162	2,277	165
Tobacco & NGP	10,451	469	10,898	478
Distribution	1,778	-	1,743	-
	12,229	469	12,641	478

Goodwill has arisen principally on the acquisitions of Reemtsma in 2002 (all CGUG), Commonwealth Brands in 2007 (USA), Altadis in 2008 (all CGUG) and ITG Brands in 2015 (USA). Intangible assets with indefinite lives relate to the tobacco trademark, Davidoff, which was purchased as part of the acquisition of Reemtsma in 2002.

The Group tests goodwill and intangible assets with indefinite lives for impairment annually, or more frequently if there are any indications that impairment may have arisen. The value of a CGUG is based on value-in-use calculations. These calculations use cash flow projections derived from financial plans of our Tobacco business which are based on detailed bottom-up market-by-market forecasts of projected sales volumes for each product line. These forecasts reflect, on an individual market basis, numerous assumptions and estimates regarding anticipated changes in market size, prices and duty regimes, consumer uptrading and downtrading, consumer preferences and other changes in product mix, based on long-term market trends, market data, anticipated regulatory developments, and management experience and expectations. We consider that pricing, market size, market shares and cost inflation are the key assumptions used in our plans.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Growth rates and discount rates used

The compound annual growth rates implicit in these value-in-use calculations are shown below.

%	2023			2022		
	Pre-tax discount rate	Initial growth rate	Long-term growth rate	Pre-tax discount rate	Initial growth rate	Long-term growth rate
Europe	10.4	4.5	1.0	10.3	4.6	0.6
Americas	8.9	5.8	2.1	8.7	5.2	1.6
AAACE	12.5	4.3	2.2	11.1	2.8	1.3
Distribution	12.3	5.0	1.6	11.8	3.9	1.5

The calculation to determine the value in use involves a discounted future cash flow forecast model. Nominal cash flows are used in the calculation which will themselves already factor in the effects of inflation. The cash flows are sourced from the Group business plan which considers and factors in the risk of variability of future business performance and hence cash flow variation. A nominal discount rate is used within the model based on the Group's weighted average cost of capital which is itself calculated using the Capital Asset Pricing Model. As risk has been applied within the undiscounted cash flows no adjustment is made to the discount rate for risk, except for the application of country risk premia over and above the Group weighted average cost of capital where appropriate.

Country-specific discount rates are used based on the Group's weighted average cost of capital adjusted for country risk premium. The impairment review is undertaken at a CGUG level which involves the aggregation of the individual value in use amounts for the individual countries which constitute each CGUG. Our impairment projections are prepared under the basis set out in IAS 36 which can differ from our internal plans.

Nominal cash flows from the business plan period are used for year one, two and three, then extrapolated out to year five using the implicit growth rate, shown in the table above as the initial growth rate. In certain markets, the extrapolated cash flow growth rate can exceed the long term growth rate based on the business plan being a better reflection of the anticipated initial growth. Estimated long term weighted average compound growth rates are used beyond year five.

Long term growth rates are determined as the lower of:

- the nominal GDP growth rates for the country of operation; and
- the extrapolation of the initial growth rates as estimated by management for years one to five.

Long-term growth rates are based on management's long-term expectations, taking account of industry specific factors such as the nature of our products, the role of excise in government fiscal policy, and relatively stable and predictable long-term macro trends in the Tobacco industry. Year on year variations in initial growth rates may result in consequential changes to estimated long term rates.

Europe's initial growth rate was in line with the prior year. The long term growth rate improved by 0.4%. This primarily reflects improvements in the UK market where the outlook is forecast to be better than prior year forecast and where the long term growth rate was not capped by the medium term rate.

Americas was broadly in line with the prior year growth assumptions for the initial and medium growth rate. The key changes which largely offset each other were the 0.5% increase in long-term growth rate and an increased tax rate by 4%.

AAACE's increases in the initial growth rates are driven by improved initial and medium-term forecasts, which are both due to changes in the growth outlook for a number of key markets including Taiwan, Ivory Coast and Hungary. Improvements in forecast profitability reflect actions delivered in line with our strategic goals. The long-term growth rate has improved this year, in the prior year this needed to be capped to the medium-term rate for a number of the key markets.

The Distribution improved initial growth rate reflects stronger business projections compared to prior year.

Goodwill and intangible asset impairment review conclusion

Our impairment testing confirms there are sufficient cash flows to support the current carrying values of the goodwill held at 30 September 2023. Any reasonable movement in the assumptions used in the impairment tests would not result in an impairment. The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent in the application of the Group's accounting estimates in relation to intangible assets can affect the amounts reported in the financial statements, especially the estimates of the expected useful economic lives and the carrying values of those assets. If business conditions significantly change it is possible that materially different amounts could be reported in the Group's financial statements in future periods. There are uncertainties associated with estimating the valuation of the recoverable amount.

At the present time the recoverable amount is significantly in excess of the carrying value of goodwill and other intangible assets. However, given the uncertainties mentioned above this could change in the future.

Consideration of the impact of climate change

The Group has completed an assessment of the impact of climate change which includes how it will vary future costs and therefore cash flows. The detail of the Tobacco & NGP climate change review can be found on pages 74-77. The review has concluded that there are impacts on future cash flows as a result of climate change, with the most significant being relating to NTM and leaf costs due to increases in the operating costs of suppliers and raw materials. We have factored the additional costs to the Group relating to forecast climate costs into our discounted cash flow forecasts used for impairment testing valuation purposes. The modelled impact of this for the Group was £338 million (2022: £726 million). This concluded that there continues to be sufficient headroom. There is therefore no impairment recognised as result of incremental climate change costs. However, the Group will continue to review the climate change impact going forward and any future changes in impact assessment could potentially result in changes to the impairment assessment.

Other intangible assets

Other intangible assets are considered for impairment risk. The carrying values of brand intangibles are reviewed against expected future cash flows of associated products. Impairment will only be recognised where there is evidence that the carrying value of the brand cannot be recovered through those cash flows. No impairments (2022: £nil) have been recognised for brand intangibles.

Intellectual property and product development intangible assets have also been reviewed to identify potential impairment triggers. No such impairment triggers were noted in the year ended 30 September 2023 and hence no impairment charge has been incurred (2022: £nil).

No impairment charge (2022: £1 million) was incurred in the year relating to software.

12. PROPERTY, PLANT AND EQUIPMENT

	2023			
£ million	Property	Plant and equipment	Fixtures and motor vehicles	Total
Cost				
At 1 October 2022	806	2,080	455	3,341
Additions	3	130	58	191
Acquisitions	-	5	9	14
Disposals	(22)	(74)	(24)	(120)
Hyperinflation adjustment (note 1)	-	5	-	5
Exchange movements	(31)	(81)	(14)	(126)
At 30 September 2023	756	2,065	484	3,305
Depreciation and impairment				
At 1 October 2022	181	1,200	301	1,682
Depreciation charge for the year	17	98	32	147
Impairment	-	6	-	6
Disposals	(11)	(60)	(15)	(86)
Exchange movements	(10)	(41)	(10)	(61)
At 30 September 2023	177	1,203	308	1,688
Net book value				
At 30 September 2023	579	862	176	1,617

NOTES TO THE FINANCIAL STATEMENTS *continued*

£ million				2022
	Property	Plant and equipment	Fixtures and motor vehicles	Total
Cost				
At 30 September 2021	797	2,086	411	3,294
Hyperinflation restatement to 1 October 2021	1	24	2	27
At 1 October 2021	798	2,110	413	3,321
Additions	13	74	58	145
Disposals	(51)	(170)	(24)	(245)
Hyperinflation adjustment (note 1)	1	7	–	8
Reclassifications	19	(4)	(5)	10
Exchange movements	26	63	13	102
At 30 September 2022	806	2,080	455	3,341
Depreciation and impairment				
At 30 September 2021	162	1,146	271	1,579
Hyperinflation restatement to 1 October 2021	–	–	–	–
At 1 October 2021	162	1,146	271	1,579
Depreciation charge for the year	14	102	34	150
Impairment	10	69	6	85
Disposals	(13)	(146)	(21)	(180)
Reclassifications	–	(4)	1	(3)
Exchange movements	8	33	10	51
At 30 September 2022	181	1,200	301	1,682
Net book value				
At 30 September 2022	625	880	154	1,659

13. RIGHT OF USE ASSETS AND LEASE LIABILITY

The movements in right of use assets in the year were as follows:

£ million				2023
	Property	Plant and equipment	Fixtures and motor vehicles	Total
Net book value				
At 1 October 2022	194	3	31	228
Additions	74	3	37	112
Acquisitions	50	–	32	84
Terminations and modifications	(3)	–	(2)	(5)
Depreciation and impairment	(53)	(4)	(28)	(85)
Exchange movements	(6)	–	(2)	(8)
At 30 September 2023	256	2	68	326

The movements in lease liabilities in the year were as follows:

£ million	Lease Liabilities
At 1 October 2022	248
Cash flow	(92)
Accretion of interest	10
New leases, terminations and modifications	106
Acquisitions	84
Exchange movements	(7)
At 30 September 2023	349

The maturity profile and the future minimum lease payments of the carrying amount of the Group's lease liabilities and the contractual cash flows as at 30 September 2023 is disclosed in Note 20.

The following are the amounts recognised in the consolidated income statement:

£ million	2023	2022
Expenses relating to short-term leases	4	3
Expenses relating to low value asset leases	1	2
Depreciation and impairment expense of right of use assets	85	74
Interest on lease liabilities	10	6

The movements in right of use assets in the year ending 30 September 2022 were as follows:

£ million				2022
	Property	Plant and equipment	Fixtures and motor vehicles	Total
Net book value				
At 1 October 2021	202	6	34	242
Additions	57	1	11	69
Terminations and modifications	(13)	-	(2)	(15)
Depreciation	(56)	(4)	(14)	(74)
Exchange movements	4	-	2	6
At 30 September 2022	194	3	31	228

The movements in lease liabilities in the year ending 30 September 2022 were as follows:

£ million	Lease Liabilities
At 1 October 2021	251
Cash flow	(68)
Accretion of interest	6
New leases, terminations and modifications	54
Exchange movements	5
At 30 September 2022	248

The maturity profile and the future minimum lease payments of the carrying amount of the Group's lease liabilities and the contractual cash flows as at 30 September 2022 is disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS *continued*

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The principal joint venture during the year was Global Horizon Ventures Limited. In the prior year, the entity held an intangible asset relating to royalties arising on the sales of a specific brand within Russia. Following the transfer of the Russian assets on 27 April 2022 these royalties ceased and, therefore, the Group's share of this intangible asset was fully impaired.

Summarised financial information for the Group's joint ventures, which are accounted for using the equity method, is shown below:

	2023		
£ million	Global Horizon Ventures	Others	Total
Revenue	19	28	47
Profit after tax	13	4	17
Non-current assets	-	7	7
Current assets	56	49	105
Total assets	56	56	112
Current liabilities	(7)	(41)	(48)
Non-current liabilities	-	(14)	(14)
Total liabilities	(7)	(55)	(62)
Net assets	49	1	50

	2022		
£ million	Global Horizon Ventures	Others	Total
Revenue	23	27	50
Profit after tax	(7)	5	(2)
Non-current assets	-	6	6
Current assets	62	44	106
Total assets	62	50	112
Current liabilities	-	(39)	(39)
Non-current liabilities	(7)	(10)	(17)
Total liabilities	(7)	(49)	(56)
Net assets	55	1	56

Transactions and balances with joint ventures

£ million	2023	2022
Purchases from	4	11
Accounts payable to	(2)	(3)

Movement on investments accounted for using the equity method

£ million	2023	2022
At 1 October	56	88
Share of profit/(loss) for the year from joint ventures	7	(15)
Share of profit for the year from associates	2	2
Increase in investment in associates	-	2
Impairment of investment in associates	(2)	(12)
Dividends	(7)	(9)
Foreign exchange losses	(1)	-
At 30 September	55	56

15. INVENTORIES

£ million	2023	2022
Raw materials	1,159	910
Work in progress	81	73
Finished inventories	3,106	2,969
Other inventories	176	188
	4,522	4,140

Other inventories mainly comprise duty-paid tax stamps.

Within finished inventories of £3,106 million (2022: £2,969 million) there is excise duty of £1,192 million (2022: £1,255 million).

It is generally recognised industry practice to classify leaf tobacco inventory as a current asset, although part of such inventory, because of the duration of the processing cycle ordinarily would not be consumed within one year. We estimate that around £337 million (2022: £114 million) of leaf tobacco held within raw materials will not be utilised within a year of the balance sheet date.

16. TRADE AND OTHER RECEIVABLES

£ million	2023		2022	
	Current	Non-current	Current	Non-current
Trade receivables	2,211	3	2,262	3
Less: loss allowance	(63)	(3)	(76)	(3)
Net trade receivables	2,148	-	2,186	-
Other receivables	149	26	200	37
Prepayments	193	37	157	30
	2,490	63	2,543	67

Trade receivables may be analysed as follows:

£ million	2023		2022	
	Current	Non-current	Current	Non-current
Within credit terms	1,996	-	2,084	-
Past due by less than 3 months	121	-	93	-
Past due by more than 3 months	31	-	9	-
Amounts that are impaired	63	3	76	3
	2,211	3	2,262	3

NOTES TO THE FINANCIAL STATEMENTS *continued*

The movements in the total loss allowance for receivables can be analysed as follows:

£ million	2023	2022
At 1 October	79	71
Net (decrease)/increase in provision	(13)	8
At 30 September	66	79

Trade receivables are reviewed by their risk profiles and loss patterns to assess credit risk. Historical and forward-looking information is considered to determine the appropriate expected credit loss allowance. Provision levels are calculated on the residual credit risk after consideration of any credit protection which is used by the Group. Expected credit losses (ECLs) are applied to net trade receivables which are measured reflecting lifetime ECLs using the simplified approach.

17. CASH AND CASH EQUIVALENTS

£ million	2023	2022
Cash at bank and in hand	683	703
Short-term deposits and other liquid assets	662	1,147
	1,345	1,850

£135 million (2022: £144 million) of total cash and cash equivalents is held in countries in which prior approval is required to transfer the funds abroad. Nevertheless, if the Group complies with these requirements, such liquid funds are at its disposition within a reasonable period of time which in all cases is three months or less from the date the transfer is requested.

18. TRADE AND OTHER PAYABLES

£ million	2023		2022	
	Current	Non-current	Current	Non-current
Trade payables	1,507	-	1,345	-
Duties payable	5,297	-	5,453	-
Other taxes and social security contributions	1,375	-	1,412	-
Other payables	526	-	500	-
Accruals	874	27	796	10
	9,579	27	9,506	10

19. BORROWINGS

The Group's borrowings held at amortised cost, are as follows:

£ million	2023	2022
Current borrowings		
Bank loans and overdrafts	49	27
Capital market issuance:		
\$354 million 3.5% notes due February 2023	-	322
€750 million 1.125% notes due August 2023	-	662
£600 million 8.125% notes due March 2024	627	-
\$1,000 million 3.125% notes due July 2024	823	-
Total current borrowings	1,499	1,011
Non-current borrowings		
Bank loans	2	1
Capital market issuance:		
£600 million 8.125% notes due March 2024	-	626
\$1,000 million 3.125% notes due July 2024	-	910
€500 million 1.375% notes due January 2025	437	445
\$1,500 million 4.25% notes due July 2025	1,236	1,367
€650 million 3.375% notes due February 2026	574	584
\$750 million 3.5% notes due July 2026	617	682
£500 million 5.5% notes due September 2026	500	500
€750 million 2.125% notes due February 2027	657	670
\$1,000 million 6.125% notes due July 2027	822	908
\$1,000 million 3.875% notes due July 2029	822	909
€950 million 5.25% notes due February 2031	838	-
£500 million 4.875% notes due June 2032	505	505
€1,000 million 1.75% notes due March 2033	872	889
Total non-current borrowings	7,882	8,996
Total borrowings	9,381	10,007
Analysed as:		
Capital market issuance	9,330	9,979
Bank loans and overdrafts	51	28

Current and non-current borrowings include interest payable of £33 million (2022: £2 million) and £96 million (2022: £104 million) respectively as at the balance sheet date.

Interest payable on capital market issuances are at fixed rates of interest and interest payable on bank loans and overdrafts are at floating rates of interest.

On 13 February 2023, \$354 million (£292 million equivalent) 3.5% notes were repaid. On 15 February 2023, €600 million (£533 million equivalent) 5.25% notes were issued. On 14 August 2023, €750 million (£646 million equivalent) 1.125% notes were repaid. On 12 September 2023, €350 million (£301 million equivalent) 5.25% notes were issued, supplementary to the 15 February 2023, €600 million issue.

All borrowings are unsecured and the Group has not defaulted on any borrowings during the year (2022: no defaults).

The maturity profile of the Group's bonds and the contractual cash flows as at September 2023 is disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Fair value of borrowings

The fair value of borrowings as at 30 September 2023 is estimated to be £8,669 million (2022: £9,030 million). £8,617 million (2022: £9,002 million) relates to capital market issuance and has been determined by reference to market prices as at the balance sheet date. A comparison of the carrying amount and fair value of capital market issuance by currency is provided below. The fair value of all other borrowings is considered to equal their carrying amount.

£ million	2023		2022	
	Balance sheet amount	Fair value	Balance sheet amount	Fair value
GBP	1,632	1,524	1,631	1,457
EUR	3,378	2,996	3,250	2,777
USD	4,320	4,097	5,098	4,768
Total capital market issuance	9,330	8,617	9,979	9,002

Undrawn revolving credit facilities

At 30 September the Group had the following undrawn committed facilities:

£ million	2023	2022
Amounts maturing:		
In less than one year	550	-
Between one and two years	159	-
Between two and five years	2,866	3,091
	3,575	3,091

During the year the maturity of €3,125 million of the Group's syndicated multicurrency facility of €3,493 million (2022 €3,500 million) was extended to 30 September 2026. One syndicate member opted not to extend their participation of €184 million which has a maturity date of 30 September 2025. One syndicate member opted not to extend their participation of €184 million which has a maturity date of 30 March 2026. One syndicate member sold their participation of €125 million and one syndicate member sold their participation of €184 million. Two syndicate members increased their participations from €125 million to €184 million and a new syndicate member joined with a participation of €184 million.

During the year three new bilateral facilities for a total £550 million, all maturing in September 2024, were arranged.

20. FINANCIAL RISK FACTORS

Financial risk management

Overview

In the normal course of business, the Group is exposed to financial risks including, but not limited to, market, credit and liquidity risk. This note explains the Group's exposure to these risks, how they are measured and assessed, and summarises the policies and processes used to manage them, including those related to the management of capital.

The Group operates a centralised treasury function which is responsible for the management of the financial risks of the Group, together with its financing and liquidity requirements. Financial risks comprise, but are not limited to, exposures to funding and liquidity, interest rate, foreign exchange and counterparty credit risk. The treasury function is also responsible for the financial risk management of the Group's global defined benefit pension schemes and management of Group-wide insurance programmes. The treasury function does not operate as a profit centre, nor does it enter into speculative transactions.

The Group's treasury activities are overseen by the Treasury Committee, which meets four times per year and comprises the Chief Financial Officer, the Director of Treasury, the Group Finance Director, the Chief Legal and Corporate Affairs Officer, the Chief Strategy and Development Officer and three Group Regional Finance Directors. The Treasury Committee operates in accordance with the terms of reference set out by the Board and a policy (the Treasury Operations Policy) which sets out the expectations and boundaries to assist in the effective oversight of treasury activities.

The Board reviews and approves all major treasury decisions.

The Group's management of financial risks covers the following:

(A) Market risk

Price risk

The Group is not exposed to equity securities price risk other than assets held by its pension funds disclosed in note 23 and an equity holding in Oxford Cannabinoid Technologies PLC. The Group is exposed to commodity price risk in that there may be fluctuations in the price of tobacco leaf. As with other agricultural commodities, the price of tobacco leaf tends to be cyclical as supply and demand considerations influence tobacco plantings in those countries where tobacco is grown. Also, different regions may experience variations in weather patterns that may affect crop quality or supply and so lead to changes in price. The Group seeks to reduce this price risk by sourcing tobacco leaf from a number of different countries and counterparties and by varying the levels of tobacco leaf held. Currently, these techniques reduce the expected exposure to this risk over the short to medium term to levels considered not material and accordingly, no sensitivity analysis has been presented.

Foreign exchange risk

The Group is exposed to movements in foreign exchange rates due to its commercial trading transactions and profits denominated in foreign currencies, as well as the translation of cash, borrowings and derivatives held in non-functional currencies.

The Group's financial results are principally exposed to fluctuations in euro and US dollar exchange rates. Management of the Group's foreign exchange transaction and translation risk is addressed below.

Transaction risk

The Group's material transaction exposures arise on costs denominated in currencies other than the functional currencies of subsidiaries, including the purchase of tobacco leaf, which is sourced from various countries but purchased principally in US dollars, and packaging materials which are sourced from various countries and purchased in a number of currencies. The Group is also exposed to transaction foreign exchange risk on the conversion of foreign subsidiary earnings into sterling to fund the external dividends to shareholders. This is managed by selling euros and US dollars monthly throughout the year. Other foreign currency flows are matched where possible and remaining foreign currency transaction exposures are not hedged.

Translation risk

The Group's currency mix of debt and related derivatives is held with consideration to the currency mix of its net assets and profits, which are primarily euros and US dollars. The Group issues debt in the most appropriate market or markets at the time of raising new finance and has a policy of using derivative financial instruments, cross-currency swaps, to change the currency of debt as required. Borrowings denominated in, or swapped into foreign currencies to match the Group's investments in overseas subsidiaries are treated as a hedge against the net investment where appropriate.

Foreign exchange sensitivity analysis

The Group's sensitivity to foreign exchange rate movements, which impacts the translation of monetary items held by subsidiary companies in currencies other than their functional currencies, is illustrated on an indicative basis below. The sensitivity analysis has been prepared on the basis that net debt and the proportion of financial instruments in foreign currencies remain constant, and that there is no change to the net investment hedge designations in place at 30 September 2023. The sensitivity analysis does not reflect any change to revenue or non-finance costs that may result from changing exchange rates, and ignores any taxation implications and offsetting effects of movements in the fair value of derivative financial instruments.

	2023	2022
£ million	Increase/ (decrease) in income	Increase in income
Income statement impact of non-functional currency foreign exchange exposures:		
10% appreciation of sterling against euro (2022: 10%)	33	59
10% appreciation of sterling against US dollar (2022: 10%)	(9)	2

An equivalent depreciation of sterling against the above currencies would cause a decrease in income of £41 million and £11 million increase for euro and US dollar exchange rates respectively (2022: £72 million decrease and £2 million decrease).

Movements in equity in the table below relate to intercompany loans treated as quasi-equity under IAS 21 and hedging instruments designated as net investment hedges of the Group's euro and US dollar denominated assets.

	2023	2022
£ million	Change in equity	Change in equity
Equity impact of non-functional currency foreign exchange exposures:		
10% appreciation of sterling against euro (2022: 10%)	1,035	621
10% appreciation of sterling against US dollar (2022: 10%)	205	276

An equivalent depreciation of sterling against the above currencies would result in a change in equity of £(1,265) million and £(250) million for euro and US dollar exchange rates respectively (2022: £(759) million and £(338) million).

NOTES TO THE FINANCIAL STATEMENTS *continued*

At 30 September 2023, after the effect of derivative financial instruments, approximately 111% of the Group's net debt was denominated in euro and non US dollar currencies (2022: 80%) and (11)% in US dollars (2022: 20%).

Interest rate risk

The Group's interest rate risk arises from its borrowings net of cash and cash equivalents, with the primary exposures arising from fluctuations in euro and US dollar interest rates. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group manages its exposure to interest rate risk on its borrowings by entering into derivative financial instruments, interest rate swaps, to achieve an appropriate mix of fixed and floating interest rate debt in accordance with the Treasury Operations Policy and Treasury Committee discussions.

As at 30 September 2023, after adjusting for the effect of derivative financial instruments detailed in note 21, approximately 107% (2022: 103%) of reported net debt was at fixed rates of interest and (7)% (2022: (3)%) was at floating rates of interest. After adjusting for cash held in subsidiary bank accounts and cash in transit, accrued interest, the mark to market of the derivative portfolio and finance leases, approximately 100% (2022: 97%) of debt was at fixed rates of interest and 0% (2022: 3%) was at floating rates of interest.

Interest rate sensitivity analysis

The Group's sensitivity to interest rates on its euro and US dollar monetary items which are primarily external borrowings, cash and cash equivalents, is illustrated on an indicative basis below. The impact in the Group's income statement reflects the effect on net finance costs in respect of the Group's net debt and the fixed to floating rate debt ratio prevailing at 30 September 2023, ignoring any taxation implications and offsetting effects of movements in the fair value of derivative financial instruments.

The sensitivity analysis has been prepared on the basis that net debt and the derivatives portfolio remain constant and that there is no net impact on other comprehensive income (2022: £nil).

£ million	2023	2022
	Change in income	Change in income
Income statement impact of interest rate movements:		
+/- 1% increase in euro interest rates (2022: 1%)	12	13
+/- 1% increase in US dollar interest rates (2022: 1%)	(9)	(9)

(B) Credit risk

IFRS 9 requires an expected credit loss (ECL) model to be applied to financial assets. The expected credit loss model requires the Group to account for expected losses as a result of credit risk on initial recognition of financial assets and to recognise changes in those expected credit losses at each reporting date. Allowances are measured at an amount equal to the lifetime expected credit losses where the credit risk on the receivables increases significantly after initial recognition. The Group is primarily exposed to credit risk arising from the extension of credit to its customers, on cash deposits and derivatives. The maximum aggregate credit risk to these sources was £4,507 million at 30 September 2023 (2022: £5,151 million).

Trade and other receivables

Policies are in place to manage the risk associated with the extension of credit to third parties to ensure that commercial intent is balanced effectively with credit risk management. Subsidiaries have policies in place that require appropriate credit checks on customers and credit is extended with consideration to financial risk and creditworthiness. If a customer requires credit beyond an acceptable limit, security may be put in place to minimise the financial impact in the event of a payment default. Instruments that may typically be used as security include non-recourse receivables factoring and bank guarantees. At 30 September 2023 the level of trade receivables that were sold to a financial institution under a non-recourse factoring arrangement, and subsequently derecognised totalled £570 million (2022: £570 million). The total value of trade receivables reclassified as fair value was £22 million at 30 September 2023 (2022: £50 million). There was no valuation difference between amortised cost and fair value. Analysis of trade and other receivables is provided in note 16.

Financial instruments

In order to manage its credit risk to any one counterparty, the Group places cash deposits and enters into derivative financial instruments with a diversified group of financial institutions carrying suitable credit ratings in line with the Treasury Operations Policy. Utilisation of counterparty credit limits is regularly monitored by treasury and ISDA agreements are in place to permit the net settlement of assets and liabilities in certain circumstances. During the year the Group terminated one collateralised trade held under an ISDA Credit Support Annex and as at 30 September 2023 had placed collateral of £nil (2022: £12 million) with a third party in order to manage their counterparty risk on the Group under derivative financial instruments.

The table below summarises the Group's largest exposures to financial counterparties as at 30 September 2023. At the balance sheet date management does not expect these counterparties to default on their current obligations.

Counterparty exposure	2023	2022
	Maximum exposure to credit risk £ million	Maximum exposure to credit risk £ million
Highest	311	136
2nd highest	104	135
3rd highest	84	128
4th highest	83	127
5th highest	80	114

These exposures are held with counterparties with investment grade credit ratings or in money market funds with a AAA rating.

(C) Liquidity risk

The Group is exposed to liquidity risk, which represents the risk of having insufficient funds to meet its financing needs in any particular location when needed. To manage this risk the Group has a policy of actively maintaining a mixture of short, medium and long-term committed facilities that are structured to ensure that the Group has sufficient available funds to meet the forecast requirements of the Group over the short to medium term. To prevent over-reliance on individual sources of liquidity, funding is provided across a range of instruments including debt capital market issuance, bank term loans, bank revolving credit facilities and European commercial paper.

The Group primarily borrows centrally in order to meet forecast funding requirements, and the treasury function is in regular dialogue with subsidiary companies to ensure their liquidity needs are met. Subsidiary companies are funded by a combination of share capital and retained earnings, intercompany loans, and in very limited cases through external local borrowings. Cash pooling processes are used to centralise surplus cash held by subsidiaries where possible in order to minimise external borrowing requirements and interest costs. Treasury invests surplus cash in bank deposits and money market funds and uses foreign exchange contracts to manage short term liquidity requirements in line with short term cash flow forecasts. As at 30 September 2023, the Group held liquid assets of £1,345 million (2022: £1,850 million).

The table below summarises the Group's non derivative financial liabilities by maturity based on their contractual cash flows as at 30 September 2023. The amounts disclosed are undiscounted cash flows calculated using spot rates of exchange prevailing at the relevant balance sheet date. Contractual cash flows in respect of the Group's derivative financial instruments are detailed in note 21.

£ million	Balance sheet amount	Contractual cash flows total	2023			
			<1 year	Between 1 and 2 years	Between 2 and 5 years	> 5 years
Non-derivative financial liabilities:						
Bank loans	51	51	49	2	-	-
Capital market issuance	9,330	10,663	1,767	1,951	3,651	3,294
Trade payables	1,507	1,507	1,507	-	-	-
Lease liabilities	349	406	82	70	114	140
Total non-derivative financial liabilities	11,237	12,627	3,405	2,023	3,765	3,434

£ million	Balance sheet amount	Contractual cash flows total	2022			
			<1 year	Between 1 and 2 years	Between 2 and 5 years	> 5 years
Non-derivative financial liabilities:						
Bank loans	28	28	27	1	-	-
Capital market issuance	9,979	11,440	1,349	1,830	5,710	2,551
Trade payables	1,345	1,345	1,345	-	-	-
Lease liabilities	248	289	64	56	84	85
Total non-derivative financial liabilities	11,600	13,102	2,785	1,887	5,794	2,636

NOTES TO THE FINANCIAL STATEMENTS *continued*

Capital management

The Group defines capital as adjusted net debt and equity and manages its capital structure through an appropriate balance of debt and equity in order to drive an efficient mix for the Group. Besides the minimum capitalisation rules that may apply to subsidiaries in certain countries, the Group's only externally imposed capital requirements are interest cover and gearing covenants contained within its core external bank debt facilities, with which the Group was fully compliant during the current and prior periods and expects to be so going forward. Management have assessed that the likelihood of a future covenant breach is remote.

The Group continues to manage its capital structure to maintain investment grade credit ratings which it monitors by reference to a number of key financial ratios, including ongoing consideration of the return of capital to shareholders via regular dividend payments and share buybacks and in on-going discussions with the relevant rating agencies.

As at 30 September 2023 the Group was rated Baa3/stable outlook by Moody's Investor Service Ltd, BBB/A-2/stable outlook by Standard and Poor's Credit Market Services Europe Limited and BBB/F2/stable outlook by Fitch Ratings Limited.

The Group regards its total capital as follows.

£ million	2023	2022
Adjusted net debt	8,026	8,054
Equity attributable to the owners of the parent	6,021	6,860
Total capital	14,047	14,914

Hedge accounting

The Group has investments in foreign operations which are consolidated in its financial statements and whose functional currencies are euros or US dollars. Where it is practicable and cost effective to do so, the foreign exchange rate exposures arising from these investments are hedged through the use of cross-currency swaps, foreign exchange swaps and foreign currency denominated debt.

The Group only designates the undiscounted spot element of the cross currency swaps, foreign exchange swaps and foreign currency debt as hedging instruments. Changes in the fair value of the cross currency swaps and foreign exchange swaps attributable to changes in interest rates and the effect of discounting are recognised directly in profit or loss within the "Finance costs" line. These amounts are, therefore, not included in the hedge effectiveness assessment.

Net investment gains and losses are reported in exchange movements within other comprehensive income and the hedging instrument foreign currency gains and losses deferred to the foreign currency revaluation reserve are detailed in the statement of changes in equity.

The Group establishes the hedging ratio by matching the notional balance of the hedging instruments with an equal notional balance of the net assets of the foreign operation. Given that only the undiscounted spot element of hedging instruments is designated in the hedging relationship, no ineffectiveness is expected unless the notional balance of the designated hedging instruments exceeds the total balance of the foreign operation's net assets during the reporting period. The foreign currency risk component is determined as the change in the carrying amount of designated net assets of the foreign operation arising solely from changes in spot foreign currency exchange rates.

All net investment hedges were fully effective at 30 September 2023.

The following table sets out the maturity profile of the hedging instruments used in the Group's net investment hedging strategies:

		2023				
		Total notional balance	Maturity			
£ million			<1 year	Between 1 and 2 years	Between 2 and 5 years	> 5 years
Bonds	(3,897)	-	(433)	(2,645)	(819)	
Cross-currency swaps	(5,986)	(1,447)	(1,214)	(1,971)	(1,354)	
Foreign exchange swaps	(541)	(541)	-	-	-	
	(10,424)	(1,988)	(1,647)	(4,616)	(2,173)	

		2022				
		Total notional balance	Maturity			
£ million			<1 year	Between 1 and 2 years	Between 2 and 5 years	> 5 years
Bonds	(5,378)	(982)	(906)	(3,490)	-	
Cross-currency swaps	(3,623)	-	(1,475)	(1,596)	(552)	
Foreign exchange swaps	(273)	(273)	-	-	-	
	(9,274)	(1,255)	(2,381)	(5,086)	(552)	

The following table contains details of the hedging instruments and hedged items used in the Group's net investment hedging strategies:

£ million	Carrying amount			Balance sheet line item	2023
	Notional balance	Assets	Liabilities		Changes in fair value used for calculating hedge ineffectiveness
Hedging instrument:					
Bonds	3,897	-	3,929	Borrowings	338
Cross-currency swaps	5,986	-	249	Derivative financial instruments	75
Foreign exchange swaps	541	1	-	Derivative financial instruments	14
Hedged item:					
Investment in a foreign operation	n/a	10,424	-		427

£ million	Carrying amount			Balance sheet line item	2022
	Notional balance	Assets	Liabilities		Changes in fair value used for calculating hedge ineffectiveness
Hedging instrument:					
Bonds	5,378	-	5,414	Borrowings	(532)
Cross-currency swaps	3,623	-	331	Derivative financial instruments	(117)
Foreign exchange swaps	273	-	7	Derivative financial instruments	-
Hedged item:					
Investment in a foreign operation	n/a	9,274	-		(649)

Reconciliation of changes in the value of net investment hedges:

£ million	2023					At the end of the year
	At the beginning of the year	Income statement	Other comprehensive income	Designations/ (de-designations)		
Derivatives in net investment hedges of foreign operations	(338)	1	89	-		(248)
Bonds in net investment hedges of foreign operations	(5,414)	(3)	338	1,150		(3,929)
Total	(5,752)	(2)	427	1,150		(4,177)

£ million	2022					At the end of the year
	At the beginning of the year	Income statement	Other comprehensive income	Designations/ (de-designations)		
Derivatives in net investment hedges of foreign operations	(214)	(7)	(117)	-		(338)
Bonds in net investment hedges of foreign operations	(5,286)	(3)	(532)	407		(5,414)
Total	(5,500)	(10)	(649)	407		(5,752)

The Group also treats certain permanent intragroup loans that meet relevant qualifying criteria under IAS 21 as part of its net investment in foreign operations where appropriate. Intragroup loans with a notional value of €3,714 million (£3,217 million equivalent) (2022: €674 million (£595 million equivalent)) were treated as part of the Group's net investment in foreign operations at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Fair value estimation and hierarchy

All financial assets and liabilities are carried on the balance sheet at amortised cost, other than derivative financial instruments which are carried at fair value. Derivative fair values are determined based on observable market data such as yield curves, foreign exchange rates and credit default swap prices to calculate the present value of future cash flows associated with each derivative at the balance sheet date (Level 2 classification hierarchy per IFRS 7). Market data is sourced through Bloomberg and valuations are validated by reference to counterparty valuations where appropriate. Some of the Group's derivative financial instruments contain early termination options and these have been considered when assessing the element of the fair value related to credit risk. On this basis the reduction in reported net derivative liabilities due to credit risk is £2 million (2022: £3 million) and would have been a £5 million (2022: £8 million) reduction without considering the early termination options. There were no changes to the valuation methods or transfers between hierarchies during the year. With the exception of capital market issuance, the fair value of all financial assets and financial liabilities is considered approximate to their carrying amount as outlined in note 20.

Auxly Cannabis Group Inc.

The Group has invested CAD 123 million into Auxly Cannabis Group Inc. by way of a debenture convertible to equity at a conversion price of \$0.81 per share. Following a two year extension to the repayment date which was agreed in July 2023, repayment of the debenture is now repayable on 25 September 2026. The debenture is valued as a loan receivable measured on the basis of discounting future cash flows at a rate of 14% (2022: 14%) plus the application of an expected credit loss provision. At 30 September 2023 the loan was held at a fair value of £nil (30 September 2022: £17 million) following an increase in the expected credit loss provision to £70 million (30 September 2022: £53 million). The expected credit loss provision increase reflects changes in the counterparty credit risk.

Netting arrangements of financial instruments

The following tables set out the Group's financial assets and financial liabilities that are subject to netting and set-off arrangements. Financial assets and liabilities that are subject to set-off arrangements and disclosed on a net basis in the Group's balance sheet primarily relate to collateral in respect of one derivative financial instrument under an ISDA Credit Support Annex.

					2023
£ million	Gross financial assets/ (liabilities)	Gross collateral assets/ (liabilities) set-off	Net financial assets/ (liabilities) per balance sheet	Related amounts not set-off in the balance sheet	Net
Assets					
Derivative financial instruments	950	-	950	(817)	133
Liabilities					
Derivative financial instruments	(1,003)	-	(1,003)	817	(186)
					2022
£ million	Gross financial assets/ (liabilities)	Gross collateral assets/ (liabilities) set-off	Net financial assets/ (liabilities) per balance sheet	Related amounts not set-off in the balance sheet	Net
Assets					
Derivative financial instruments	1,051	(12)	1,039	(948)	91
Liabilities					
Derivative financial instruments	(1,138)	12	(1,126)	948	(178)

The table below sets out the Group's accounting classification of each class of financial assets and liabilities:

2023						
£ million	Fair value through income statement	Fair value through other comprehensive income	Assets and liabilities at amortised cost	Total	Current	Non-Current
Trade and other receivables	-	-	2,323	2,323	2,297	26
Cash and cash equivalents	-	-	1,345	1,345	1,345	-
Derivatives	949	1	-	950	126	824
Total financial assets	949	1	3,668	4,618	3,768	850
Borrowings	-	-	(9,381)	(9,381)	(1,499)	(7,882)
Trade and other payables	-	-	(8,705)	(8,705)	(8,705)	-
Derivatives	(754)	(249)	-	(1,003)	(174)	(829)
Lease liabilities	-	-	(349)	(349)	(81)	(268)
Total financial liabilities	(754)	(249)	(18,435)	(19,438)	(10,459)	(8,979)
Total net financial assets/(liabilities)	195	(248)	14,767	14,820	(6,691)	8,129

2022						
£ million	Fair value through income statement	Fair value through other comprehensive income	Assets and liabilities at amortised cost	Total	Current	Non-Current
Trade and other receivables	17	-	2,406	2,423	2,386	37
Cash and cash equivalents	-	-	1,850	1,850	1,850	-
Derivatives	1,039	-	-	1,039	54	985
Total financial assets	1,056	-	4,256	5,312	4,290	1,022
Borrowings	-	-	(10,007)	(10,007)	(1,011)	(8,996)
Trade and other payables	-	-	(8,710)	(8,710)	(8,710)	-
Derivatives	(788)	(338)	-	(1,126)	(54)	(1,072)
Lease liabilities	-	-	(248)	(248)	(58)	(190)
Total financial liabilities	(788)	(338)	(18,965)	(20,091)	(9,833)	(10,258)
Total net financial assets/(liabilities)	268	(338)	(14,709)	(14,779)	(5,543)	(9,236)

Derivatives classified as fair value through other comprehensive income relate to cross currency swaps and foreign exchange swaps designated as hedges of foreign currency denominated net investments. The Group only designates the undiscounted foreign exchange spot element of these derivative instruments and the changes in fair value related to this element are posted to other comprehensive income. Changes in the fair value of these derivative instruments attributable to changes in interest rates and the effect of discounting are recognised in the income statement. The Group also designates certain bonds as hedges of foreign currency denominated net investments and the foreign exchange revaluation of those bonds is recognised in other comprehensive income. The carrying value at 30 September 2023 of those bonds included in the above table is £3,929 million (2022: £5,414 million). All of the Group's net investment hedges remain effective.

NOTES TO THE FINANCIAL STATEMENTS *continued*

21. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments held at fair value, are as follows.

£ million	2023			2022		
	Assets	Liabilities	Net Fair Value	Assets	Liabilities	Net Fair Value
Current derivative financial instruments:						
Interest rate swaps	30	(66)	(36)	6	(36)	(30)
Foreign exchange contracts	12	(5)	7	31	(13)	18
Cross-currency swaps	84	(103)	(19)	17	(5)	12
Total current derivatives	126	(174)	(48)	54	(54)	-
	126	(174)	(48)	54	(54)	-
Non-current derivative financial instruments:						
Interest rate swaps	745	(652)	93	680	(746)	(66)
Cross-currency swaps	79	(177)	(98)	305	(338)	(33)
Total non-current derivatives	824	(829)	(5)	985	(1,084)	(99)
Collateral ¹	-	-	-	-	12	12
	824	(829)	(5)	985	(1,072)	(87)
Total carrying value of derivative financial instruments	950	(1,003)	(53)	1,039	(1,126)	(87)
Analysed as:						
Interest rate swaps	775	(718)	57	686	(782)	(96)
Foreign exchange contracts	12	(5)	7	31	(13)	18
Cross-currency swaps	163	(280)	(117)	322	(343)	(21)
Collateral ¹	-	-	-	-	12	12
Total carrying value of derivative financial instruments	950	(1,003)	(53)	1,039	(1,126)	(87)

1. Collateral deposited against derivative financial liabilities under the terms and conditions of an ISDA Credit Support Annex.

Fair values are determined based on observable market data such as yield curves, foreign exchange rates and credit default swap prices to calculate the present value of future cash flows associated with each derivative at the balance sheet date. Market data is sourced from a reputable financial data provider and valuations are validated by comparison to counterparty valuations where appropriate. Some of the Group's derivative financial instruments contain early termination options and these have been considered when assessing the element of the fair value related to credit risk. On this basis the reduction in reported net derivative liabilities due to credit risk is £2 million (2022: £3 million) and would have been a £5 million (2022: £8 million) reduction without considering the early termination options. The classification of these derivative assets and liabilities under the IFRS 7 fair value hierarchy is provided in note 20.

Maturity of obligations under derivative financial instruments

Derivative financial instruments have been classified in the balance sheet as current or non-current on an undiscounted contractual basis based on spot rates as at the balance sheet date. For the purposes of the above and following analysis, maturity dates have been based on the likelihood of any early termination options being exercised with consideration to counterparty expectations and market conditions prevailing as at 30 September 2023. As at 30 September 2022 collateral transferred to counterparties in respect of derivative financial liabilities was classified consistently with the related underlying derivative. No collateralised trades are outstanding as at 30 September 2023.

The table below summarises the Group's derivative financial instruments by maturity based on their remaining contractual cash flows as at 30 September 2023. The amounts disclosed are the undiscounted cash flows calculated using spot rates of exchange prevailing at the relevant balance sheet date. Contractual cash flows in respect of the Group's non derivative financial instruments are detailed in note 20.

£ million	Balance sheet amount	Contractual cash flows total	2023			
			<1 year	Between 1 and 2 years	Between 2 and 5 years	>5 years
Net settled derivatives	57	200	(3)	34	143	26
Gross settled derivatives	(110)	-	-	-	-	-
• receipts	-	17,822	5,429	4,010	5,283	3,100
• payments	-	(17,675)	(5,374)	(3,941)	(5,247)	(3,113)
	(53)	347	52	103	179	13

£ million	Balance sheet amount	Contractual cash flows total	<1 year	Between 1 and 2 years	Between 2 and 5 years	>5 years
Net settled derivatives	(84)	(321)	(71)	(64)	(101)	(85)
Gross settled derivatives	(3)	-	-	-	-	-
• receipts	-	9,890	1,934	3,293	4,059	604
• payments	-	(9,635)	(1,851)	(3,201)	(3,944)	(639)
	(87)	(66)	12	28	14	(120)

Derivatives as hedging instruments

As outlined in note 20, the Group hedges its underlying interest rate exposure and foreign currency translation exposures in an efficient, commercial and structured manner, primarily using interest rate swaps and cross currency swaps. Foreign exchange contracts are used to manage the Group's short term liquidity requirements in line with short term cash flow forecasts as appropriate.

The Group does not apply cash flow or fair value hedge accounting, as permitted under IFRS 9, which results in fair value gains and losses attributable to derivative financial instruments being recognised in net finance costs unless they are designated as hedges of a net investment in foreign operations, in which case they are recognised in other comprehensive income.

As a result of the discontinuation of GBP LIBOR in December 2021 and US\$ LIBOR discontinuation in June 2023, the Group amended all GBP LIBOR derivatives to reference the daily risk free rate of SONIA instead of GBP LIBOR and all US\$ LIBOR derivatives were amended to reference the daily risk free rate of SOFR instead of US\$ LIBOR. There are no changes pending for EUR derivatives. These changes did not impact the Group's commercial hedging strategy and they did not have a material financial impact.

Interest rate swaps

To manage interest rate risk on its borrowings, the Group issues debt in the market or markets that are most appropriate at the time of raising new finance with regard to currency, interest denomination or duration, and then uses interest rate swaps to re-base the debt into the appropriate proportions of fixed and floating interest rates. Interest rate swaps are also transacted to manage and re-profile the Group's interest rate risk over the short, medium and long term in accordance with the Treasury Committee framework and Treasury Committee discussions. Fair value movements are recognised in net finance costs in the relevant reporting period.

As at 30 September 2023, the notional amount of interest rate swaps outstanding that were entered into to convert fixed rate borrowings into floating rates of interest at the time of raising new finance was £8,111 million equivalent (2022: £9,578 million equivalent) with a fair value of £714 million liability (2022: £755 million liability). The fixed interest rates vary from 1.3% to 7.9% (2022: 1.1% to 7.9%), and the floating rates are based on EURIBOR, SONIA and SOFR.

As at 30 September 2023, the notional amount of interest rate swaps outstanding that were entered into to convert the Group's debt into the appropriate proportion of fixed and floating rates to manage and re-profile the Group's interest rate risk was £11,622 million equivalent (2022: £11,548 million equivalent) with a fair value of £771 million asset (2022: £671 million asset). The fixed interest rates vary from 3.1% receivable to 4.0% payable (2022: 0.5% payable to 4.0% payable), and the floating receivable rates reference EURIBOR and SOFR. This includes forward starting interest rate swaps with a total notional amount of £4,055 million equivalent (2022: £3,353 million equivalent) with tenors between 1 and 10 years, starting between October 2023 and May 2032.

Cross-currency swaps

The Group enters into cross-currency swaps to convert the currency of debt into the appropriate currency with consideration to the underlying assets of the Group as appropriate. Fair value movements are recognised in net finance costs in the relevant reporting period unless the swaps are designated as hedges of a net investment in foreign operations, in which case the fair value movement attributable to changes in foreign exchange is recognised in other comprehensive income.

As at 30 September 2023, the notional amount of cross-currency swaps entered into to convert sterling debt into the desired currency was £1,600 million (2022: £1,600 million) and the fair value of these swaps was £111 million net liability (2022: £232 million net liability); the notional amount of cross-currency swaps entered into to convert US dollar debt into the desired currency was \$5,250 million (2022: \$2,250 million) and the fair value of these swaps was £6 million net liability (2022: £211 million net asset).

Foreign exchange contracts

The Group enters into foreign exchange contracts to manage short term liquidity requirements in line with cash flow forecasts. As at 30 September 2023, the notional amount of these contracts was £2,020 million equivalent (2022: £1,662 million equivalent) and the fair value of these contracts was a net asset of £7 million (2022: £19 million net asset).

NOTES TO THE FINANCIAL STATEMENTS *continued*

Hedges of net investments in foreign operations

As at 30 September 2023, cross currency swaps with a notional amount of €6,910 million (2022: €4,103 million) were designated as hedges of net investments in foreign operations. During the year, foreign exchange translation gains amounting to £75 million (2022: £105 million losses) were recognised within exchange movements in other comprehensive income in respect of cross currency swaps designated as hedges of a net investment in foreign operations. No hedging ineffectiveness occurred during the year (2022: £nil).

As at 30 September 2023, foreign exchange swaps with a notional amount of €624 million (2022: €309 million) were designated as hedges of net investments in foreign operations. During the year, foreign exchange translation gains amounting to £14 million (2022: £12 million losses) were recognised within exchange movements in other comprehensive income in respect of foreign exchange swaps that had been designated as hedges of a net investment in foreign operations. No hedging ineffectiveness occurred during the year (2022: £nil).

The movements in other comprehensive income due to net investment hedging in the period were as follows:

£ million	2023	2022
Foreign exchange gains/(losses) on borrowings	338	(532)
Foreign exchange gains/(losses) on derivative financial instruments	89	(117)
	427	(649)

22. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax relates to the following:

£ million	Consolidated income statement 2023	Consolidated income statement 2022	Consolidated balance sheet 2023	Consolidated balance sheet 2022
Temporary differences on depreciation and amortisation	164	14	(716)	(895)
Retirement benefits	(9)	(4)	30	(90)
Tax credits and losses	6	(17)	282	278
Accruals, provisions and other temporary differences	(3)	41	186	185
Deferred tax (expense)/benefit	158	34		
Net deferred tax (liabilities)/assets			(218)	(522)

Reflected in the consolidated balance sheet as follows

£ million	2023	2022
Deferred tax assets	653	439
Deferred tax liabilities	(871)	(961)
	(218)	(522)

Reconciliation of net deferred tax liabilities

£ million	2023	2022
At 1 October	(522)	(479)
Credited to the income statement	158	34
Credited/(charged) to other comprehensive income	134	(55)
Credited to equity	1	2
Acquisitions	(15)	-
Exchange movements	22	(18)
Other movements	4	(6)
As at 30 September	(218)	(522)

Unrecognised deferred tax assets

£ million	Gross 2023	Net 2023	Gross 2022	Net 2022
Tax losses	235	62	278	75
Tax credits	15	15	25	25
Other temporary differences	84	24	71	20
	334	101	374	120

Analysis of unrecognised deferred tax assets by expiry date

£ million	Gross 2023	Net 2023	Gross 2022	Net 2022
Tax losses expiring:				
Within 2-5 years	-	-	20	4
No expiry	235	62	258	71
	235	62	278	75
Tax credits expiring:				
Within 1 year	15	15	22	22
Within 2-5 years	-	-	1	1
No expiry	-	-	2	2
	15	15	25	25
Other temporary differences expiring:				
No expiry	84	24	71	20
	84	24	71	20

In December 2021, the OECD issued model rules for a new global minimum tax framework (Pillar Two), applicable for multinational enterprise groups with global revenue over €750 million. The legislation implementing the rules in the UK was substantively enacted on 20 June 2023 and will apply to the Group from the financial year ending 30 September 2025 onwards. The Group has applied the mandatory exception under IAS 12 in relation to the accounting for deferred tax assets and liabilities arising from the implementation of the Pillar Two model rules. The Group is reviewing this legislation and monitoring the status of implementation of the model rules outside of the UK to assess the potential impact.

Included within net deferred tax liabilities are deferred tax assets recognised of £257 million (2022: £257 million) for tax credits arising in the Group's Spanish business. These tax credits have no time expiry. Utilisation of these tax credits is restricted to 50% of the Spanish business's taxable profits arising in any given year; those tax law restrictions extend the period over which the deferred tax assets would otherwise be recovered. The Group considers there to be forecast future taxable profits which support the recognition of these long-term deferred tax assets. The period over which these deferred tax assets are utilised is sensitive to forecasting assumptions about future growth rates (which may be influenced by the future effects of climate change) and regulatory changes. Any material effects of climate change in the long term could extend the period over which the deferred tax asset will be recovered but as the tax credits do not expire, the Group considers there is positive evidence that sufficient future taxable profits would still be available. Based on a range of forecast scenarios modelling sensitivities (including the future effects of climate change) these deferred tax assets are expected to be utilised over a period of 18-22 years.

Included within net deferred tax liabilities are deferred tax assets recognised for retirement benefits of £88 million (2022: £55 million) arising in the Group's German business. These deferred tax assets are expected to be recovered both by way of utilisation against the reversal of deferred tax liabilities of £40 million (2022: £20 million) arising in the Group's German business and by way of utilisation against future taxable profits. The Group considers there to be forecast future taxable profits which support the recognition of these long term deferred tax assets. Based on a range of forecast scenarios modelling sensitivities these deferred tax assets are expected to be recovered over a period of 20-40 years corresponding to the life of the pension scheme.

Included within net deferred tax liabilities are deferred tax assets recognised for intangibles of £199 million (2022: £nil) arising in the Group's Dutch business. These deferred tax assets are expected to be recovered by way of utilisation against future taxable profits. The Group considers there to be forecast future taxable profits which support the recognition of these long term deferred tax assets. The period over which these deferred tax assets are utilised is sensitive to forecasting assumptions about future growth rates and regulatory changes. These deferred tax assets are expected to be recovered over a period of 16 years corresponding to the life of the intangibles.

We have reviewed the recoverability of deferred tax assets in overseas territories in light of forecast business performance. In 2023 we have recognised deferred tax assets of £6 million that were previously unrecognised (2022: recognised deferred tax assets of £1 million that were previously unrecognised) on the basis that it is more likely than not that these are recoverable (2022: recoverable).

A deferred tax liability of £40 million (2022: £43 million) is recognised in respect of taxation expected to arise on the future distribution of unremitted earnings totalling £2 billion (2022: £2 billion).

The temporary differences associated with investments in the Group's subsidiaries, associates and joint ventures for which a deferred tax liability has not been recognised in the periods presented, aggregate to £1,215 million (2022: £1,244 million) for which a deferred tax liability of £38 million (2022: £37 million) has not been recognised. No liability has been recognised because the Group is in a position to control the timing of the reversal of those temporary differences and it is probable that such differences will not reverse in the foreseeable future.

23. RETIREMENT BENEFIT SCHEMES

The Group operates a number of retirement benefit schemes for its employees, including both defined benefit and defined contribution schemes. The Group's three principal schemes are defined benefit schemes and are operated by Imperial Tobacco Limited (ITL) in the UK, Reemtsma Cigarettenfabriken GmbH in Germany and ITG Brands in the USA; these schemes represent 64%, 15% and 9% of the Group's total defined benefit obligations (2022: 62%, 15% and 10%) and 22%, 32% and 8% of the current service cost (2022: 31%, 32% and 10%) respectively.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Imperial tobacco pension fund

The UK scheme, the Imperial Tobacco Pension Fund ("ITPF"), was closed to future accrual on 30 September 2023. All active members are now enrolled into the defined contribution scheme as of 1 October 2023 alongside all new employees that have joined since 1 October 2010. Former active members of the defined benefit section of the ITPF are now deferred members who are able to draw their pension in the same way as an existing deferred member and are in receipt of annual inflationary increases as existing deferred members. The closure to future accrual resulted in a curtailment credit of £8.3 million in the 2023 income statement. As part of the agreement with active members to close to future accrual, the company agreed a compensation package. The main component included a number of payments to members between October 2023 and October 2025, for which the company has accrued £14.3 million in the 2023 income statement. The ITPF defined benefit obligation comprises 80% in respect of pensioners and dependants, 20% in respect of deferred members and has a weighted average maturity of 12 years.

The ITPF operates under trust law and is managed and administered by the Trustees on behalf of the members in accordance with the terms of the Trust Deed and Rules and relevant legislation. The ITPF assets are held by the trust.

The main risk for the company in respect of the ITPF is that additional contributions are required if the assets are not expected to be sufficient to pay for the benefits. The investment portfolio is subject to a range of risks typical of the asset classes held, such as liquidity to manage the Liability Driven Investment (LDI) portfolio, credit exposure within investment funds and exposure to the property market. The ITPF holds a buy-in policy with Standard Life as an asset; this covers around 61% of the pensioner defined benefit obligation. The buy-in eliminates investment return, longevity, inflation and funding risks in respect of those benefits covered. The ITPF also has access to a loan facility to provide short-term liquidity to support the LDI portfolio in the event of significant changes in government bond yields.

The main uncertainties affecting the level of benefits payable under the ITPF are future inflation levels, as these impact increases to pensions, and the actual longevity of the membership.

The contributions paid to the ITPF are set by the ITPF Scheme Actuary every three years. The Scheme Actuary is an external consultant, appointed by the Trustees. Principal factors that the Scheme Actuary will have regard to include the covenant offered by the company, the level of risk in the ITPF, the expected return on assets, the results of the funding assessment on the Technical Provisions basis and the expected cost of securing benefits if the ITPF were to be wound up.

The latest valuation agreed at 31 March 2022 reported a 118% funding ratio on the Technical Provisions basis. The company and Trustee agreed to maintain the existing dynamic contribution schedule, which means ITL's annual contributions will reduce or increase depending on the ITPF valuation going forward. The level of ITL's annual contribution to the ITPF was nil for the year to 31 March 2023. ITL expect to pay £8.4 million in contributions to an escrow account for the year to 31 March 2024. Further contributions were agreed to be paid by ITL in the event of a downgrade of the Group's credit rating to non-investment grade by either Standard & Poor's or Moody's. In addition, a reduced surety guarantee with a total value of £120 million was agreed (previously £225 million) and a parental guarantee from Imperial Brands PLC remains in place. In certain circumstances, surplus funds in the defined benefit section of the ITPF may be used to finance defined contribution section contributions on ITL's behalf with company contributions reduced accordingly.

The IAS 19 measurement of the defined benefit obligation is sensitive to the assumptions made about future inflation as well as the assumptions made about life expectancy. It is also sensitive to the discount rate, which depends on market yields on sterling denominated AA corporate bonds. The main differences between the Technical Provisions and IAS 19 assumptions are a more prudent longevity assumption for Technical Provisions and a different approach to setting the discount rate. A consequence of the ITPF's investment strategy, with a proportion of the assets invested in return-seeking assets, is that the difference between the market value of the assets and the IAS 19 defined benefit obligation may be relatively volatile.

The ITPF has a pension surplus on the IAS 19 measure and, in line with IFRIC 14, recognition of the net asset on the fund is only appropriate where it can be recovered. The ITPF trust deed gives the company an ability to receive a refund of surplus assets assuming the full settlement of liabilities in the event of a wind-up. Furthermore, in the ordinary course of business the Trustee has no rights to unilaterally wind up the ITPF or otherwise augment the benefits due to the ITPF's members. Based on these circumstances, any net surplus in the ITPF is recognised in full.

The Reemtsma Cigarettenfabriken Pension Plan

The German scheme, the Reemtsma Cigarettenfabriken Pension Plan (RCPP), is primarily a career average pension plan, though a small group of members has final salary benefits. The RCPP defined benefit obligation comprises 53% in respect of pensioners and dependants, 24% in respect of deferred members and 23% in respect of active members and has a weighted average maturity of 16 years. The RCPP was closed to new members from 1 January 2020, but existing active members at that date continue to accrue benefits.

The RCPP is unfunded and the company pays benefits as they arise. The RCPP obligations arise under a works council agreement and are subject to standard German legal requirements around such matters as the benefits to be provided to employees who leave service, and pension increases in payment. Over the next year Reemtsma Cigarettenfabriken GmbH expects to pay £24 million (2022: £23 million) in respect of benefits.

The main uncertainties affecting the level of benefits payable under the RCPP are future inflation levels, as these impact increases to pensions, and the actual longevity of the membership.

The IAS 19 measurement of the defined benefit obligation and the current service cost are sensitive to the assumptions made about the above variables, as well as the discount rate, which depends on market yields on euro denominated AA corporate bonds.

ITG scheme

The main US pension scheme, held by ITG Brands is the ITG Scheme, is a defined benefit pension plan that is closed to new entrants. The ITG Scheme defined benefit obligation comprises 83% in respect of pensioners and dependants, 2% in respect of deferred members and 15% in respect of active members and has a weighted average maturity of nine years.

The ITG Scheme is funded and benefits are paid from the ITG Scheme assets. Contributions to the plan are determined based on US regulatory requirements. ITG Brands made no contributions this year and is not expected to make any contributions in the next year.

Annual benefits in payment are assumed not to increase from current levels. The main uncertainty affecting the level of benefits payable under the plan is the actual longevity of the membership. Other key uncertainties impacting the plan include investment risk and potential past service benefit changes from future union negotiations.

The IAS 19 measurement of the defined benefit obligation and the service cost are sensitive to the assumptions made about the above variables, as well as the discount rate, which depends on market yields on US dollar denominated AA corporate bonds.

Other plans

Other plans of the Group include various pension plans, other post-employment and long-term employee benefit plans in several countries of operation. Some of the plans are funded, with assets backing the obligations held in separate legal vehicles such as trusts, whilst others are operated on an unfunded basis. The benefits provided, the approach to funding and the legal basis of the plans reflect their local territories. IAS 19 requires that the discount rate for calculating the DBO and service cost is set according to the level of relevant market yields on corporate bonds where the market is considered "deep", or government bonds where it is not.

For the year ended 30 September 2023 the Group included no new schemes in the IAS 19 position that had not been previously reported in the IAS 19 position or elsewhere in the financial statements.

The company agreed with the Trustees in Ireland to merge both defined benefit plans into a single trust and with the trustees in New Zealand to fully close and wind-up the defined benefit plan.

The results of the most recent available actuarial valuations for the various plans have been updated to 30 September 2023 in order to determine the amounts to be included in the Group's consolidated financial statements. The aggregate IAS 19 position is as follows:

Defined benefit plans

£ million	2023			2022		
	DBO	Assets	Total	DBO	Assets	Total
At 1 October	(3,609)	3,541	(68)	(5,319)	5,166	(153)
Consolidated income statement expense:						
Current service cost	(25)	-	(25)	(49)	-	(49)
Settlements gains/(losses)	2	(6)	(4)	136	(139)	(3)
Past service income/(costs)	9	-	9	(2)	-	(2)
Cost of termination benefits	(5)	-	(5)	(10)	-	(10)
Net interest (expense)/income on net defined benefit (liability)/asset	(165)	178	13	(99)	107	8
Administration costs paid from plan assets	-	(5)	(5)	-	(5)	(5)
Cost recognised in the income statement			(17)			(61)
Remeasurements:						
Actuarial loss due to liability experience	(132)	-	(132)	(94)	-	(94)
Actuarial gain due to financial assumption changes	234	-	234	1,659	-	1,659
Actuarial gain due to demographic assumption changes	-	-	-	10	-	10
Return on plan assets excluding amounts included in net interest (expense)/income above	-	(478)	(478)	-	(1,499)	(1,499)
Remeasurement effects recognised in other comprehensive income			(376)			76
Cash:						
Employer contributions	-	59	59	-	120	120
Employee contributions	-	-	-	(1)	1	-
Benefits paid directly by the company	265	(265)	-	311	(311)	-
Benefits paid from plan assets	-	-	-	-	-	-
Net cash			59			120
Immaterial benefit plans categorised as an IAS 19 obligation	(8)	-	(8)	-	-	-
Exchange movements	64	(47)	17	(151)	101	(50)
Total other			9			(50)
At 30 September	(3,370)	2,977	(393)	(3,609)	3,541	(68)

NOTES TO THE FINANCIAL STATEMENTS *continued*

Retirement benefit scheme costs charged to operating profit

£ million	2023	2022
Defined benefit expense in operating profit	30	69
Defined contribution expense in operating profit	16	16
Total retirement benefit scheme cost in operating profit	46	85

Split as follows in the consolidated income statement:

£ million	2023	2022
Cost of sales	15	25
Distribution, advertising and selling costs	20	39
Administrative and other expenses	11	21
Total retirement benefit scheme costs in operating profit	46	85

Assets and liabilities recognised in the consolidated balance sheet

£ million	2023	2022
Retirement benefit assets	414	826
Retirement benefit liabilities	(807)	(894)
Net retirement benefit liability	(393)	(68)

Key figures and assumptions used for major plans

£ million unless otherwise indicated	2023			2022		
	ITPF	RCP	ITG Scheme	ITPF	RCP	ITG Scheme
Defined benefit obligation (DBO)	2,142	496	311	2,229	538	365
Fair value of scheme assets	(2,481)	-	(337)	(2,958)	-	(405)
Net defined benefit (asset)/liability	(339)	496	(26)	(729)	538	(40)
Current service cost	6	8	2	15	15	3
Employer contributions	-	23	-	50	-	-
Principal actuarial assumptions used (% per annum)						
Discount rate	5.6	4.2	5.7	5.3	3.7	5.4
Future salary increases	n/a	3.5	n/a	3.7	3.7	n/a
Future pension increases	3.4	2.4	n/a	3.7	2.5	n/a
Inflation	3.4	2.4	2.3	3.7	2.5	2.3

	2023					
	ITPF		RCP		ITG Scheme	
	Male	Female	Male	Female	Male	Female
Life expectancy at age 65 years:						
Member currently aged 65	21.2	22.5	20.8	24.2	19.7	21.7
Member currently aged 50	21.9	23.8	22.8	25.8	20.8	22.8

	2022					
	ITPF		RCP		ITG Scheme	
	Male	Female	Male	Female	Male	Female
Life expectancy at age 65 years:						
Member currently aged 65	21.1	22.4	20.5	23.9	19.7	21.7
Member currently aged 50	21.8	23.7	22.6	25.6	20.9	22.9

Assumptions regarding future mortality experience are set based on advice that uses published statistics and experience in each territory. In particular for the ITPF, SAPS S3 (2022: SAPS S3) tables are used with various adjustments for different groups of members, reflecting observed experience. The largest group of members uses the SAPS S3 All Pensioner Male Amounts Middle table with a 105% multiplier. An allowance for improvements in longevity is made using the 2021 (2022: 2021) CMI improvement rates with a long-term trend of 1.25% per annum.

Sensitivity analysis for key assumptions at the end of the year

Sensitivity analysis is illustrative only and is provided to demonstrate the degree of sensitivity of results to key assumptions. Generally, estimates are made by re-performing calculations with one assumption modified and all others held constant.

% increase in DBO	2023			2022		
	ITPF	RCP	ITG Scheme	ITPF	RCP	ITG Scheme
Discount rate: 0.5% decrease	5.6	8.1	4.5	6.1	9.5	4.9
Rate of inflation: 0.5% decrease	(4.2)	(5.7)	n/a	(4.9)	(6.3)	n/a
One year increase in longevity for a member currently age 65, corresponding changes at other ages	3.5	4.2	4.4	3.7	4.7	4.6

The sensitivity to the inflation assumption change includes corresponding changes to the future salary increases and future pension increases assumptions, but is assumed to be independent of any change to discount rate.

We estimate that a 0.5% decrease in the discount rate at the start of the year would have increased the consolidated income statement pension expense by approximately £12 million (2022: £22 million).

An approximate split of the major categories of ITPF scheme assets is as follows:

£ million unless otherwise indicated	2023		2022	
	Fair value	Percentage of ITPF scheme assets	Fair value	Percentage of ITPF scheme assets
Bonds – index linked government / LDI funds	351	14.1	409	14.0
Bonds – corporate and other	–	–	34	1.0
Property including ground leases	488	19.7	604	20.0
Secured finance and private debt funds	620	25.0	827	28.0
Insurance contract (buy-in policy)	1,044	42.1	1,058	36.0
Other – including cash and short-term loan drawings	(22)	(0.9)	26	1.0
	2,481	100.0	2,958	100.0

The primary investment objective is to invest the ITPF's assets in an appropriate and secure manner such that members' benefit entitlements can be paid as they fall due.

The majority of the assets are non-quoted. The ITPF holds £nil of self-invested assets (2022: £nil).

An approximate split of the major categories of ITG Scheme assets is as follows:

£ million unless otherwise indicated	2023		2022	
	Fair value	Percentage of ITG Scheme assets	Fair value	Percentage of ITG Scheme assets
Bonds – government, corporate and other	203	60.2	129	31.9
Other – including derivatives, commodities and cash	134	39.8	276	68.1
	337	100.0	405	100.0

The majority of the assets are non-quoted.

NOTES TO THE FINANCIAL STATEMENTS *continued*

24. PROVISIONS

£ million	2023			Total
	Restructuring	Employment related claims	Other	
At 1 October 2022	286	59	81	426
Additional provisions charged to the consolidated income statement	-	106	40	146
Amounts used	(100)	(9)	(18)	(127)
Unused amounts reversed	-	(12)	(8)	(20)
Exchange movements	(6)	-	(5)	(11)
At 30 September 2023	180	144	90	414

Analysed as:

£ million	2023	2022
Current	148	203
Non-current	266	223
	414	426

Restructuring provisions relate mainly to our 2021 Strategic review programme and other programmes (see note 5).

The restructuring provision is split between 2021 Strategic review programme of £88 million (2022: £155 million) and other programmes of £92 million (2022: £131 million).

Employment related claims provisions include £31 million (2022: £37 million) relating to local employment requirements including holiday pay and £28 million (2022: £21 million) of distribution requirements relating to employment and duty. An amount of £85 million (2022: £nil) has been provided for employment related claims arising from a number of legacy legal disputes. Although the company continues to appeal a number of these claims, in the current year the Group has resolved to engage with certain counterparties where a valid claim has been established. There are uncertainties relating to the estimation and quantification of this provision and amounts may change in the future, but any provisions are expected to be utilised within the next 2 years.

Other provisions include £38 million (2022: £46 million) relating to various local tax or duty requirements, £9 million (2022: £21 million) of market exit provisions and £30 million for factory closure provisions (2022: £nil).

The provisions are spread throughout the Group and payment will be dependent on local statutory requirements.

Most of the other provisions will also be utilised within the next two years, though certain employee related provisions may be required to be held for a period of up to 10 years.

25. SHARE CAPITAL

	2023		2022	
	Ordinary shares 10p each		Ordinary shares 10p each	
	Number	£ million	Number	£ million
Authorised, issued and fully paid:				
1 October	1,020,697,237	103	1,020,697,237	103
Shares cancelled	(52,107,043)	(6)	-	-
30 September	968,590,194	97	1,020,697,237	103

During the period a share buy back scheme was initiated and 52,107,043 10p shares were repurchased for a cost of £1,000 million.

Upon completion of the purchase, these shares were cancelled and transferred to the capital redemption reserve. The stamp duty costs were £5 million and the fees charged for the share repurchase were £1 million.

On 6 March 2014, 31,942,881 shares held in treasury were cancelled creating the capital redemption reserve, and between September 2017 and December 2017, 4,973,916 shares were cancelled increasing this reserve.

26. SHARE SCHEMES

The Group operates four types of share-based incentive programmes, designed to incentivise staff and to encourage them to build a stake in the Group.

Share matching scheme

Awards are made to eligible employees who are invited to invest a proportion of their eligible bonus in shares for a period of three years, after which matching shares are awarded on a 1:1 ratio, plus dividend equivalents.

Long term incentive plan (LTIP)

Awards of shares under the LTIP are made to the Executive Directors and senior executives at the discretion of the Remuneration Committee. They vest three years after grant and are subject to performance criteria. Dividend equivalents accrue on vested shares.

Sharesave plan

Options are granted to eligible employees who participate in a designated savings scheme for a three year period. Historically they were also granted for a five year period.

Discretionary share awards plan (DSAP)

Under the DSAP, one-off conditional awards are made to individuals to recognise exceptional contributions within the business. Awards, which are not subject to performance conditions and under which vested shares do not attract dividend roll-up, will normally vest on the third anniversary of the date of grant subject to the participant's continued employment. The limit of an award under the DSAP is capped at 25% of the participant's salary at the date of grant. Shares used to settle awards under the DSAP will be market purchased.

Further details of the schemes including additional criteria applying to Directors and some senior executives are set out in the Directors' Remuneration Report.

Analysis of charge to the consolidated income statement

£ million	2023	2022
Share Matching Scheme	2	2
Long Term Incentive Plan	27	25
Sharesave Plan	1	1
Discretionary Share Awards Plan	1	1
	31	29

The awards are predominantly equity settled. The balance sheet liability in respect of cash settled schemes at 30 September 2023 was £3.4 million (2022: £3.6 million).

Reconciliation of movements in awards/options

Thousands of shares unless otherwise indicated					2023
	Share matching scheme awards	LTIP awards	Sharesave options	DSAP awards	Sharesave weighted average exercise price £
Outstanding at 1 October 2022	486	8,120	1,934	120	13.21
Granted	161	3,853	862	67	13.24
Lapsed/cancelled	(18)	(2,402)	(90)	(11)	12.63
Exercised	(176)	(1,069)	(1,020)	(3)	12.38
Outstanding at 30 September 2023	453	8,502	1,686	173	13.72
Exercisable at 30 September 2023	-	-	264	-	12.37

Thousands of shares unless otherwise indicated					2022
	Share matching awards	LTIP awards	Sharesave options	DSAP awards	Sharesave weighted average exercise price £
Outstanding at 1 October 2021	482	7,412	2,053	60	13.89
Granted	192	2,658	274	106	14.56
Lapsed/cancelled	(23)	(873)	(321)	(5)	18.11
Exercised	(165)	(1,077)	(72)	(41)	16.14
Outstanding at 30 September 2022	486	8,120	1,934	120	13.21
Exercisable at 30 September 2022	-	-	151	-	17.45

The weighted average Imperial Brands PLC share price at the date of exercise of awards and options was £18.28 (2022: £16.83). The weighted average fair value of Sharesave options granted during the year was £3.26 (2022: £3.30).

NOTES TO THE FINANCIAL STATEMENTS *continued*

Summary of awards/options outstanding at 30 September 2023

Thousands of shares unless otherwise indicated	Number of awards/options outstanding	Vesting period remaining in months	Exercise price of options outstanding £
Share Matching Scheme			
2021	181	5	n/a
2022	139	17	n/a
2023	133	29	n/a
Total awards outstanding	453		
Long Term Incentive Plan			
2021	2,369	5	n/a
2022	2,896	17	n/a
2023	3,237	29	n/a
Total awards outstanding	8,502		
Sharesave Plan			
2020	264	-	17.45
2021	315	10	13.09
2022	254	22	14.56
2023	855	34	14.29
Total options outstanding	1,688		
Discretionary Share Awards Plan			
2021	5	10	n/a
2022	101	15	n/a
2023	67	30	n/a
Total options outstanding	173		

The vesting period is the period between the grant of awards or options and the earliest date on which they are exercisable. The vesting period remaining and the exercise price of options outstanding are weighted averages. Participants in the Sharesave Plan have six months from the maturity date to exercise their options. Participants in the LTIP generally have seven years from the end of the vesting period to exercise their options. The exercise price of the options is fixed over the life of each option.

Pricing

For the purposes of valuing options to calculate the share-based payment charge, the Black-Scholes option pricing model has been used for the Share Matching Scheme, Sharesave Plan, Discretionary Share Awards Plan and one Long Term Incentive Plan with no market conditions. A summary of the assumptions used in the Black-Scholes model for 2023 and 2022 is as follows:

	2023		
	Share Matching Scheme	Sharesave	DSAP
Risk-free interest rate %	4.0	4.4	4.1
Volatility (based on 3 or 5 year history)%	33.1	27.7	33.2
Expected lives of options granted years	3.0	3.0	3.0
Dividend yield %	8.2	8.2	8.2
Fair value £	16.04	3.30	14.72
Share price used to determine exercise price £	20.53	17.88	18.84
Exercise price £	n/a	14.29	n/a

	2022		
	Share Matching Scheme	Sharesave	DSAP
Risk-free interest rate %	2.0	1.2–2.2	2.0–2.2
Volatility (based on 3 or 5 year history)%	35.5	35.3–35.5	35.5
Expected lives of options granted years	3.0	3.0	3.0
Dividend yield %	9.2	9.2	9.2
Fair value £	10.35	3.21–3.31	10.35–10.67
Share price used to determine exercise price £	13.65	17.83–18.39	13.65–14.08
Exercise price £	n/a	14.56	n/a

Market conditions were incorporated into the Monte Carlo method used in determining the fair value of LTIP awards at grant date. Assumptions in 2023 and 2022 are given in the following table:

%	2023	2022
Future Imperial Brands share price volatility	23.3	29.6
Future Imperial Brands dividend yield	–	–
Share price volatility of the tobacco and alcohol comparator group	15.9–63.5	17.0–83.7
Correlation between Imperial Tobacco and the alcohol and tobacco comparator group	21.4	24.4

Employee share ownership trusts

The Imperial Tobacco Group PLC Employee and Executive Benefit Trust and the Imperial Tobacco Group PLC 2001 Employee Benefit Trust (the Trusts) have been established to acquire ordinary shares in the Company to satisfy rights to shares arising on the exercise and vesting of options and awards. The purchase of shares by the Trusts has been financed by a gift of £19.2 million and an interest free loan of £147.5 million. In addition the Group has gifted treasury shares to the Trusts. None of the Trusts' shares has been allocated to employees or Executive Directors as at 30 September 2023. All finance costs and administration expenses connected with the Trusts are charged to the consolidated income statement as they accrue. The Trusts have waived their rights to dividends and the shares held by the Trusts are excluded from the calculation of basic earnings per share.

Shares held by employee share ownership trusts

Millions of shares	2023	2022
At 1 October	3.7	0.9
Gift of shares from Treasury	–	4.0
Distribution of shares held by Employee Share Ownership Trusts	(2.1)	(1.2)
At 30 September	1.6	3.7

The shares in the Trusts are accounted for on a first in first out basis and comprise nil shares acquired in the open market (2022: nil) and 1.6 million (2022: 3.7 million) treasury shares gifted to the Trusts by the Group. No (2022: 4 million) shares were gifted to the Trusts in the financial year 2023.

27. TREASURY SHARES

Subject to authorisation by special resolution, the Group may purchase its own shares in accordance with the Companies Act. Any shares which have been bought back may be held as treasury shares or, if not so held, must be cancelled immediately upon completion of the purchase, thereby reducing the amount of Group's issued share capital. Shares held in treasury do not qualify for dividends. Shares purchased under the share buyback programme initiated on 7 October 2022 will be cancelled immediately on completion of the purchase. There were no movements in treasury shares during the year to 30 September 2023 (2022: reduced by 4.0 million shares).

£ million unless otherwise indicated	2023		2022	
	Millions of shares (number)	Value £	Millions of shares (number)	Value £
At 1 October	70.3	2,183	74.3	2,183
Gifted to Employee Share Ownership Trusts	–	–	(4.0)	–
At 30 September	70.3	2,183	70.3	2,183
Percentage of issued share capital	7.3	n/a	6.9	n/a

28. COMMITMENTS

Capital commitments

£ million	2023	2022
Contracted but not provided for:		
Property, plant and equipment and software	97	95

NOTES TO THE FINANCIAL STATEMENTS *continued***29. CONTINGENT LIABILITIES**

The following summary includes updates to matters that have developed since the 2022 Annual Report and Accounts.

USA state settlement agreements

In November 1998, the major United States cigarette manufacturers, including Reynolds and Philip Morris, entered into the Master Settlement Agreement ("MSA") with 52 US states and territories and possessions. These cigarette manufacturers previously settled four other cases, brought by Mississippi, Florida, Texas and Minnesota, by separate agreements with each state (collectively with the MSA, the "State Settlement Agreements", with Mississippi, Florida, Texas and Minnesota known collectively as the "Previously Settled States"). ITG Brands (ITGB) is a party to the MSA and to the Mississippi, Minnesota, and Texas State Settlement Agreements.

In connection with its 12 June 2015 acquisition of four cigarette brands (Winston, Salem, Kool and Maverick, referred to as the "Acquired Brands") from Reynolds and Lorillard, ITGB has been involved in litigation and other disputes with the Previously Settled States, Philip Morris, and Reynolds in their state courts.

Delaware

ITGB is involved in litigation with Reynolds in the Delaware court that has jurisdiction over disputes under the Asset Purchase Agreement (APA) for the Acquired Brands. The current case in progress involves Reynolds' claim to indemnify for Florida settlement payments. The issue in this case is whether ITGB has satisfied its obligations to use "reasonable best efforts" to join the settlement with Florida under the APA and whether regardless of that "reasonable best efforts" requirement whether ITGB is required to indemnify Reynolds for amounts the Florida Court may require Reynolds to pay.

On 30 September 2022, the trial court granted summary judgment to Reynolds and denied summary judgment to ITGB. It held that the Florida court's determination that ITGB did not assume payments under the Florida settlement unless it agreed to do so was not binding on the Delaware courts under principles of issue preclusion. It further held that as a matter of law the contract provisions were unambiguous and no evidence was required, and that ITGB had assumed and was required to indemnify Reynolds for Florida settlement payments. The Court did not determine the amount of Reynolds' damages but left that question open for further proceedings. The parties submitted an agreed schedule to the court to address the issue of damages.

On 23 February 2023 the initial motions on the amount of indemnity due were argued and supplemental briefing requested by the court was completed on 9 June 2023, with the Court having 90 days to issue its decision. On 2 October 2023 the Court issued an order on damages. The court rejected ITGB's claim that no damages could be assessed but declined to decide the amount of damages and other issues until after a trial. The trial is expected to take place in the first quarter of 2024.

Reynolds' claim for indemnification in Delaware is limited at most to the amounts it has been required to pay under the Florida determination described above, plus interest and attorney's fees. ITGB continues to deny that indemnity is appropriate and intends to appeal that determination. ITGB further contends that Reynolds' damages should be substantially reduced by the amount by which Reynolds' settlement payments have been reduced through operation of the "profit adjustment" by reason of ITGB not becoming a party to the Florida settlement as well as by reason of Reynolds' and third-parties' conduct.

Amounts at issue range to US\$ 250 million through 2022, plus future payments of US\$ 19 million to US\$ 32 million annually going forward, alleged accrued interest of up to US\$ 23 million and attorney's fees of up to US\$ 7 million through 2022. Based on the current facts and circumstances it is currently unclear as to what level of damages will become payable in this case. Due to the inability to determine a reliable estimate of the amount involved, no provision has been recognised pending the outcome of the trial at which the level of damages will be decided.

MSA previously settled states reduction

The MSA contains a downward adjustment, called the Previously Settled States Reduction, which reduces aggregate payments made by Philip Morris, Reynolds, and ITGB by a specified percentage each year. The State of California, later joined by the remainder of the MSA states and by Philip Morris, challenged the application of that Reduction to ITGB for every year from 2016 forward, claiming that it cannot apply to ITGB since it is not making settlement payments to Florida, Minnesota, or Texas under their settlements. The Independent Auditor to the MSA, which initially addresses disputes related to payments, has rejected that challenge every year. It is possible that one of the parties making the challenge may seek to arbitrate the claim under the MSA. The PSS Reduction provides annual MSA payment reductions of circa US\$ 65 million.

Overall summary of liability position associated with USA state settlement agreements

The Group's legal advice is that it has a strong position on pending claims related to the Acquired Brands and the Group therefore considers that no provision is required for these matters.

Product liability investigations

The Group is currently involved in a number of legal cases in which claimants are seeking damages for alleged smoking and health related effects. In the opinion of the Group's lawyers, the Group has meritorious defences to these actions, all of which are being vigorously contested. Although it is not possible to predict the outcome of the pending litigation, the Directors believe that the pending actions will not have a material adverse effect upon the results of the operations, cash flow or financial condition of the Group. This assessment of the probability of economic outflows at the year-end is a judgement which has been taken by management. Consequently, the Group has not provided for any amounts in respect of these cases in the financial statements. There have been no material updates to matters in any product liability investigations in the period since the 2023 Annual Report and Accounts.

Competition authority investigations

Spain

On 12 April 2019 the Spanish National Commission on Markets and Competition (CNMC) announced penalties against Philip Morris Spain, Altadis, JT International Iberia and Logista. Altadis and Logista received fines of €11.4 million and €20.9 million, respectively, from the CNMC. According to the decision, Altadis and Logista are alleged to have infringed competition law by participating in an exchange of sales volume data between 2008 and February 2017. The CNMC considers that this conduct had the effect of restricting competition in the Spanish tobacco market. Both companies believe that the arguments made by the CNMC that define this conduct as anti-competitive are flawed. In June 2019, both Altadis and Logista commenced appeals to the CNMC's decision, and the fines imposed in the Spanish High Court where they believe they will be successful, a decision supported by external legal counsel. In September 2019 Altadis and, separately, Logista arranged bank guarantees for the full amount of the fines with the result that payment of the fines had been suspended pending the outcome of the appeals. Therefore, provision for these amounts is not considered appropriate.

Both in the Altadis and Logista appeals, the parties have concluded their submissions to the Court and a judgment is awaited. The judgment of the Court of First Instance is currently pending, and it is possible it might be served in 2024.

In parallel to the main proceedings against the CNMC decision, on 28 February 2023, the Supreme Court annulled the unannounced inspection carried out by the CNMC officials on Altadis' premises in February 2017 for lack of consent by Altadis. Therefore, all the documents and evidence seized by the CNMC during Altadis' inspection have to be returned to the company and should be struck out from the CNMC decision. It remains to be seen what the impact of this Court decision will be on the main proceedings.

Other litigation

US Helms-Burton litigation

Imperial Brands Plc has been named as a defendant in a civil action in federal court in Miami, Florida under Title III of the Cuban Liberty and Democratic Solidarity Act of 1996 ("Helms-Burton") filed on 6 August 2020. Title III provides United States nationals with a cause of action and a claim for treble damages against persons who have "trafficked" in property expropriated by the Cuban government. Treble damages are automatically available under Helms-Burton. Although the filed claim is for unquantified damages, we understand the claim could potentially reach approximately US\$ 365 million, based on the claimants' claim to own 90% of the property, which they value at US\$ 135 million (and then treble). The claim is based on allegations that Imperial, through Corporación Habanos S.A. (a joint venture between one of Imperial's now former subsidiaries and the Cuban government), has "trafficked" in a factory in Havana, Cuba that the Cuban government confiscated from the claimants' ancestor in the early 1960s, by using the factory to manufacture, market, sell, and distribute Habanos cigars.

At the time the claim was filed against Imperial and up until the conclusion of the Brexit "transition period" on 31 December 2020, Imperial was subject to an EU law known as the EU Blocking Statute (Regulation (EC) No. 2271/96), which conflicts with Helms-Burton, protected Imperial against the impact of Title III, and impacted how Imperial might respond to the threatened litigation. The EU Blocking Statute has been transposed into domestic law with only minimal changes. Accordingly, on 10 January 2021, Imperial submitted an application to the UK Department for International Trade for authorisation from the Secretary of State for International Trade to defend the action or, at a minimum, to file and litigate a motion to dismiss the action.

On 8 February 2021, the United Kingdom Secretary of State for International Trade authorised Imperial to file and litigate a motion to dismiss the action. A hearing on the motion to dismiss took place on 26 July 2022 before a magistrate judge. On 2 November 2022 the magistrate judge recommended that the action be dismissed, without prejudice to re-filing in a proper venue.

On 31 March 2023 the district judge issued an order addressing the magistrate's recommended ruling and adopting the recommended ruling in part. In respect of Habanos, the motion to dismiss was granted, without objection from the claimants, on the basis that the federal court in Florida was an "improper venue" (wrong court). Habanos was therefore dismissed from the case, without prejudice to the claimants' right to sue it in a proper venue. As to Imperial and the other defendants, the district judge remanded the motion to dismiss back to the same magistrate for a further review and analysis and a report and recommendation on whether the ruling regarding Habanos should result in dismissal of all defendants. The magistrate is also permitted to address "other issues if warranted", including Imperial's other arguments for dismissal.

The hearing with the magistrate on further arguments on the motion to dismiss took place on 28 September 2023. The recommended ruling from the magistrate is now expected by the end of November 2023. The magistrate's recommendation will not be binding on the parties, who will be permitted to file objections to the recommendation with the district judge. No provision has been made for potential liabilities related to this claim.

UK

In June 2020, the Group responded to a claimant law firm's allegation of human rights issues in the Malawian tobacco supply chain, which included allegations relating to child and forced labour. In December 2020, a claim was filed in the United Kingdom High Court against Imperial Brands plc, Imperial Tobacco Limited and four of its subsidiaries (the Imperial Defendants) and two entities in the British American Tobacco (BAT) group by a group of tobacco farm workers. The Imperial Defendants have acknowledged service and confirmed to the claimants that they intend to defend the claim in full. The Imperial Defendants have not yet been required to file their defence.

A procedural hearing scheduled for November/December 2021 was adjourned. The deadline for Imperial and BAT to file a defence was postponed pending other case management actions and will be determined at a subsequent case management hearing after the completion of a matching exercise (which will seek to establish whether the claimants worked for farmers who grew tobacco purchased by either Defendant group). The claim is unquantified and given the early stage of the litigation a provision would not be appropriate.

NOTES TO THE FINANCIAL STATEMENTS *continued*

30. NET DEBT

The movements in cash and cash equivalents, borrowings, and derivative financial instruments in the year were as follows:

£ million	Current borrowings	Lease liabilities	Non-current borrowings	Derivative financial instruments	Liabilities from financing activities	Cash and cash equivalents	Total
At 1 October 2022	(1,011)	(248)	(8,996)	(87)	(10,342)	1,850	(8,492)
Reallocation of current borrowings from non-current borrowings	(1,536)	-	1,536	-	-	-	-
Cash flow	891	92	(835)	64	212	(349)	(137)
Change in accrued interest	2	(10)	(24)	1	(31)	-	(31)
Change in fair values	-	-	-	139	139	-	139
New leases, terminations and modifications	-	(106)	-	-	(106)	-	(106)
Acquisitions	-	(84)	-	-	(84)	-	(84)
Exchange movements	155	7	437	(170)	429	(156)	273
At 30 September 2023	(1,499)	(349)	(7,882)	(53)	(9,783)	1,345	(8,438)

£ million	Current borrowings	Lease liabilities	Non-current borrowings	Derivative financial instruments	Liabilities from financing activities	Cash and cash equivalents	Total
At 1 October 2021	(1,107)	(251)	(8,715)	(587)	(10,660)	1,287	(9,373)
Reallocation of current borrowings from non-current borrowings	(1,392)	-	1,392	-	-	-	-
Cash flow	1,595	68	(829)	(94)	740	515	1,255
Change in accrued interest	58	(6)	(16)	(7)	29	-	29
Change in fair values	-	-	-	270	270	-	270
New leases, terminations and modifications	-	(54)	-	-	(54)	-	(54)
Exchange movements	(165)	(5)	(828)	331	(667)	48	(619)
At 30 September 2022	(1,011)	(248)	(8,996)	(87)	(10,342)	1,850	(8,492)

Average reported net debt during the year was £10,072 million (2022: £9,822 million).

Analysis by denomination currency

£ million	2023				Total
	GBP	EUR	USD	Other	
Cash and cash equivalents	177	405	324	439	1,345
Total borrowings	(1,631)	(3,417)	(4,319)	(14)	(9,381)
	(1,454)	(3,012)	(3,995)	425	(8,036)
Effect of cross-currency swaps	122	(9,028)	328	425	(8,153)
Lease liabilities	(43)	(247)	(26)	(33)	(349)
Derivative financial instruments					64
Net debt					(8,438)

£ million	2022				Total
	GBP	EUR	USD	Other	
Cash and cash equivalents	257	216	971	406	1,850
Total borrowings	(1,631)	(3,261)	(5,096)	(19)	(10,007)
	(1,374)	(3,045)	(4,125)	387	(8,157)
Effect of cross-currency swaps	1561	(3,637)	2,056	-	(20)
Lease liabilities	187	(6,682)	(2,069)	387	(8,177)
Derivative financial instruments	(45)	(148)	(20)	(35)	(248)
Net debt					(8,492)

31. RECONCILIATION OF CASH FLOW TO MOVEMENT IN NET DEBT

£ million	2023	2022
(Decrease)/increase in cash and cash equivalents	(349)	515
Cash flows relating to derivative financial instruments	64	(94)
Repayment of lease liabilities	92	68
Increase in borrowings	(1,462)	(1,710)
Repayment of borrowings	1,518	2,476
Change in net debt resulting from cash flows	(137)	1,255
Other non-cash movements including revaluation of derivative financial instruments	108	299
Lease liabilities	(190)	(54)
Exchange movements	273	(619)
Movement in net debt during the year	54	881
Opening net debt	(8,492)	(9,373)
Closing net debt	(8,438)	(8,492)

The increase in borrowings and repayment of borrowings reflect the cash flow movements relating to borrowings outstanding at the start and at the end of each financial year; cash flows relating to short term borrowings drawn down and repaid within the year are not included in this analysis.

32. NON-CONTROLLING INTERESTS

Material non-controlling interests

Detailed below is the summarised financial information of Logista, being a subsidiary where the non-controlling interest of 49.99% is considered material to the Group.

Summarised balance sheet

at 30 September

Euro million	2023	2022
Current assets	6,246	6,094
Current liabilities	(6,983)	(6,763)
Current net liabilities	(737)	(669)
Non-current assets	1,816	1,599
Non-current liabilities	(482)	(365)
Non-current net assets	1,334	1,234
Net assets	597	565

Summarised statement of comprehensive income

for the year ended 30 September

Euro million	2023	2022
Revenue	12,428	11,464
Profit for the year	274	199
Other comprehensive income	3	7
Total comprehensive income	277	206

Summarised cash flow statement

for the year ended 30 September

Euro million	2023	2022 (restated)
Cash flows from operating activities	308	642
Cash flows from investing activities	(83)	(389)
Cash flows from financing activities	(250)	(206)
Net (decrease)/increase in cash and cash equivalents	(25)	47

NOTES TO THE FINANCIAL STATEMENTS *continued*

33. POST BALANCE SHEET EVENTS

Share Buybacks

On 5 October 2023 Imperial Brands PLC ("the Company") announced the start of an ongoing share buyback programme, to initially repurchase up to £1.1 billion of shares in the period from 6 October 2023 to 30 September 2024.

34. RELATED UNDERTAKINGS

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, partnerships, associates, and joint ventures, the principal activity, the full registered address and the effective percentage of equity owned by Imperial Brands PLC, as at 30 September 2023, are provided in the entity financial statements of Imperial Brands PLC. There are no material related parties other than Group companies.

ALTERNATIVE PERFORMANCE MEASURES

Use of alternative performance measures

Management believes that non-GAAP or alternative performance measures provide an important comparison of business performance and reflect the way in which the business is controlled. The alternative performance measures seek to remove the distorting effects of a number of significant gains or losses arising from transactions which are not directly related to the ongoing underlying performance of the business and may be non-recurring events or not directly within the control of management.

Accordingly, alternative performance measures exclude, where applicable, amortisation and impairment of acquired intangibles, profit/loss on disposal of subsidiaries, Russia, Ukraine and associated markets, restructuring costs, business acquisition and disposal costs, fair value adjustment and impairment of other financial assets, charges related to legal provisions, structural changes to defined benefit pension schemes, fair value and exchange gains and losses on financial instruments, post-employment benefits net financing cost, and related tax effects and tax matters. Other significant gains or losses which are not representative of the underlying business may also be treated as adjusting items where there is appropriate justification. The alternative performance measures in this report are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies. The alternative performance measures that are used by the Group are defined and reconciled back to the associated IFRS metrics as detailed below.

Summary of key adjusting items

The items excluded from adjusted performance results are those which are one-off in nature or items which arose due to acquisitions and are not influenced by the day to day operations of the Group, and the movements in the fair value of financial instruments which are marked to market and not naturally offset. Adjusted net finance costs also excludes all post-employment benefit net finance cost since pension assets and liabilities and redundancy and social plan provisions do not form part of adjusted net debt. This allows comparison of the Group's cost of debt with adjusted net debt. The adjusted performance measures are used by management to assess the Group's financial performance and aid comparability of results year on year.

Consolidated income statement adjusting items

The following tables summarise the key items recognised within the consolidated income statement that have been treated as adjusting items:

Adjusting items recognised within administrative and other expenses

£ million	Notes	2023	2022
Russia, Ukraine and associated markets		(4)	(399)
Amortisation and impairment of acquired intangibles		(347)	(349)
Restructuring costs	5	-	(197)
Fair value adjustment and impairment of other financial assets		(36)	(37)
Loss on disposal of subsidiaries		(1)	(29)
Acquisition and disposal costs		-	(5)
Excise tax provision		-	9
Charges related to legal provisions		(85)	-
Structural changes to defined benefit pension schemes		(12)	(4)
Total adjusting administrative and other expenses		(485)	(1,011)
Total non-adjusting administrative and other expenses		(455)	(323)
Administrative and other expenses		(940)	(1,334)

Russia, Ukraine and associated markets

In the current year the £4 million adjusted net charge relates to £18 million of costs relating to Ukraine partially offset by £14 million release of other market exit provisions. The Ukraine costs relates to factory repairs and the redeployment of the production facility to service only the domestic market. The release of the market exit provisions primarily relates to potential tax liabilities with insufficient certainty over the quantum of future charges.

In the comparative period, the portion of the loss on exit of the Russian and associated markets adjusted out of operating profit was £399 million comprising a loss on transfer of Russian operations of £364 million and impairment of assets and exit costs of the associated markets of £35 million.

Amortisation and impairment of acquired intangibles

Acquired intangibles are amortised over their estimated useful economic lives where these are considered to be finite. Acquired intangibles considered to have an indefinite life are not amortised. Any negative goodwill arising is recognised immediately in the income statement. The Group exclude from our adjusted performance measures the amortisation and impairment of acquired intangibles, other than software and internally generated intangibles, and the deferred tax associated with amortisation of acquired intangibles. Gains and losses on the sale of intellectual property are removed from adjusted operating profit.

It is recognised that there may be some correlation between the amortisation charges derived from the acquisition value of acquired intangibles, and the subsequent future profit streams arising from sales of associated branded products. However, the amortisation of intangibles is not directly related to the operating performance of the business. Conversely, the level of profitability of branded products is directly influenced by day to day commercial actions, with variations in the level of profit derived from branded product sales acting as a clear indicator of performance. Given this, the Group's view is that amortisation and impairment charges do not clearly correlate to the ongoing variations in the commercial results of the business and are therefore excluded to allow a clearer view of the underlying performance of the organisation. The deferred tax arising on intangibles which are either being amortised or are fully amortised is excluded on the basis that amortisation of intangibles is not directly related to the operating performance of the business. The related current cash tax benefit is retained in the adjusted measure to reflect the ongoing tax benefit to the Group.

Total amortisation and impairment for the year is £392 million (2022: £394 million) of which £347 million (2022: £349 million) relates to acquired intangibles and is adjusting and £45 million (2022: £45 million) relates to internally generated intangibles and is non adjusting. In the year to 30 September 2023 adjusting items all relate to amortisation. £339 million (2022: £323 million) is attributable to Tobacco & NGP and £8 million (2022: £26 million) is attributable to distribution.

Restructuring costs

Significant one-off costs incurred in integrating acquired businesses and in major rationalisation and optimisation initiatives together with their related tax effects are excluded from our adjusted earnings measures. These include restructuring costs incurred as part of fundamental multi-year transformational change projects but do not include costs related to ongoing cost reduction activity. These costs are all Board approved, and include impairment of property, plant and equipment which are surplus to requirements due to restructuring activity. These costs are required in order to address structural issues associated with operating within the Tobacco sector that have required action to both modernise and right-size the organisation, ultimately delivering an operating model suitable for the future of the business. The Group's view is that as these costs are both significant and one-off in nature, excluding them allows a clearer presentation of the underlying costs of the business.

No new restructuring programmes were initiated in the current financial year and no charges arose relating to historic restructuring programmes. As a consequence, no restructuring charge adjustments were made in the calculation of any alternative performance metrics within the current financial year.

Fair value adjustment and impairment of other financial assets

As the movement in the fair value of loan receivables associated with the investment in Auxly Cannabis Group Inc. has the potential to be significant and does not show a fair representation of the day-to-day operational performance of the asset, it is treated as an adjusting item. The fair value adjustment also includes changes in the carrying value of certain financial assets held by ITG Brands.

Loss on disposal of subsidiaries / acquisition and disposal costs

Adjusted performance measures exclude costs and profits or losses associated with major acquisitions and disposals as they do not relate to the day-to-day operational performance of the Group. Acquisition and disposal costs, and profits or losses on disposal of subsidiaries can be significant in size and are one-off in nature. Exclusion of these items allows a clearer presentation of the day-to-day underlying income and costs of the business. Where applicable and not reported separately, this includes changes in contingent or deferred consideration.

Charges related to legal provisions

The adjusting item relates to legal provisions that the Group has provided for (see note 24). These are potential liabilities arising from a number of legacy legal disputes across the Group that have been in the courts for several years and which the Group have considered as being unrelated to ongoing business performance and therefore adjusted. The final settlement and agreement of these cases still remain uncertain but future outflows are still expected.

Structural changes to defined benefit pension schemes

These are non-recurring pension scheme restructuring costs. They comprise £8m of net costs related to the closure of the UK defined benefit retirement scheme to future accrual and £4m settlement charge on the full closure of the New Zealand defined benefit scheme.

In 2022, there was a charge relating to the restructuring of the Irish defined benefit pension scheme of £4 million.

Adjusting items recognised within share of profit/(loss) of investments accounted for using the equity method

£ million	2023	2022
Impairment of intangible assets held by Global Horizon joint venture	-	(24)
Other profits from investments accounted for using the equity method	7	9
Share of profits/(losses) of investments accounted for using the equity method	7	(15)

Adjusting items recognised within tax

£ million	2023	2022
Deferred tax on amortisation of acquired intangibles	(4)	15
Tax on net foreign exchange and fair value gains and losses on financial instruments	89	(183)
Tax on post-employment benefits net financing cost	-	-
Tax on restructuring costs	-	49
Tax on disposal of subsidiaries	-	8
Tax on charges relating to legal provisions	26	-
Tax on structural changes to defined benefit pension schemes	3	-
Tax on fair value adjustment and impairment of other financial assets	5	-
Tax on interest settlements	2	-
Recognition of deferred tax assets	212	-
Provision for state aid tax recoverable	-	(101)
Uncertain tax positions	(207)	63
Deferred tax on unremitted earnings	-	26
Tax on unrecognised losses	-	(8)
Other non-adjusting taxation charges	(781)	(755)
Reported tax	(665)	(886)

Tax adjustments related to other pre-tax adjusting items

The adjusted tax charge has been calculated to include the tax effects of a number of pre-tax adjusting items including the amortisation of acquired intangibles, net foreign exchange gains and losses, fair value movements on financial instruments, restructuring costs and post-employment benefits net financing cost. The tax effect of the result of the disposal of subsidiaries has also been adjusted.

Significant one-off tax charges or credits

The adjusted tax charge also excludes significant one-off tax charges or credits arising from:

- prior period tax items (including re-measurement of deferred tax balances on a change in tax rates); or
- a provision for uncertain tax items not arising in the normal course of business; or
- newly enacted taxes in the year; or
- tax items that are closely related to previously recognised tax matters, and are excluded from our adjusted tax charge to aid comparability and understanding of the Group's performance.

The recognition and utilisation of deferred tax assets relating to tax losses and tax credits not historically generated in the normal course of business are excluded on the same basis.

Uncertain tax positions

Significant one-off tax charges or credits arising from a provision for uncertain tax items not arising in the normal course of business are excluded from the adjusted tax charge.

Recognition of deferred tax assets

Significant one-off tax charges or credits arising from prior period items, and arising due to a change of facts and circumstances in the current year, are excluded from the adjusted tax charge. The recognition of deferred tax assets relating to the uplifted value of intangibles in the Group's Dutch business are excluded from the adjusted tax charge on this basis.

Provision for state aid tax recoverable

Significant one-off tax charges or credits arising from prior period items are excluded from the adjusted tax charge. The provision against the state aid tax recoverable is excluded from the adjusted tax charge on this basis.

Deferred tax on unremitted earnings

Significant one-off tax charges or credits arising from prior period items are excluded from the adjusted tax charge. The tax effect of the release of a provision for deferred tax on unremitted earnings is excluded from the adjusted tax charge on this basis.

Tax on unrecognised losses

The recognition and utilisation of deferred tax assets relating to losses not historically generated in the normal course of business are excluded from the adjusted tax charge.

DEFINITIONS AND RECONCILIATIONS OF ALTERNATIVE PERFORMANCE MEASURES

A) Net revenue Tobacco & NGP and net revenue excluding Russia

Tobacco & Next Generation Products (NGP) net revenue comprises associated revenue less duty and similar items, excluding peripheral products. Management considers this an important measure in assessing the performance of Tobacco & NGP operations.

The Group recognises revenue on sales to Logista, a Group company, within its reported Tobacco & NGP revenue figure. As the revenue calculation includes sales made to Logista from other Group companies but excludes Logista's external sales, this metric differs from revenue calculated under IFRS accounting standards. For the purposes of alternative performance measures on net revenue the Group treats Logista as an arm's length distributor on the basis that contractual rights are in line with other Third Party suppliers to Logista. Variations in the amount of inventory held by Logista results in a different level of revenue compared to that which is included within the income statement. For tobacco product sales, inventory level variations are normally not significant. For the purpose of showing comparable year-on-year metrics the Group have included a net revenue excluding Russia measure excluding the results of the Russia business in the comparative figures, following the disposal of that operation in April 2022.

Reconciliation from Tobacco & NGP revenue to Tobacco & NGP net revenue and net revenue excluding Russia

£ million	2023			2022		
	Tobacco	NGP	Total	Tobacco	NGP	Total
Revenue	22,114	299	22,413	23,232	224	23,456
Duty and similar items	(14,364)	(34)	(14,398)	(15,628)	(16)	(15,644)
Sale of peripheral products	(3)	-	(3)	(19)	-	(19)
Net Revenue	7,747	265	8,012	7,585	208	7,793
Russia net revenue	-	-	-	(56)	-	(56)
Net revenue excluding Russia	7,747	265	8,012	7,529	208	7,737

B) Distribution gross profit

Distribution gross profit comprises the Distribution segment revenue less the cost of distributed products. Management considers this an important measure in assessing the performance of Distribution operations. Distribution gross profit was previously described as Distribution net revenue. There has been no change in calculation of this metric.

Reconciliation from distribution revenue to distribution gross profit

£ million	2023	2022
Revenue – Distribution	10,819	9,756
Cost of sales – Distribution	(9,353)	(8,710)
Distribution gross profit	1,466	1,046

C) Adjusted operating profit and adjusted operating profit excluding Russia

Adjusted operating profit is calculated as operating profit amended for a number of adjustments; the principal changes are detailed below. This measure is separately calculated and disclosed for Tobacco, NGP and Distribution where appropriate. For the purpose of showing comparable year-on-year metrics we have included an adjusted operating profit measure excluding the results of the Russia business in the comparative figures, following the disposal of that operation in April 2022. For the year ending 30 September 2023 the previously combined adjusted operating profit metric for Tobacco and NGP has been split into its two component parts.

Reconciliation from profit before tax to adjusted operating profit and adjusted operating profit excluding Russia

£ million	2023	2022
Profit before tax	3,111	2,551
Net finance costs	298	117
Share of (profit)/loss of investments accounted for using the equity method	(7)	15
Operating profit	3,402	2,683
Russia, Ukraine and associated markets	4	399
Amortisation and impairment of acquired intangibles	347	349
Restructuring costs	-	197
Fair value adjustment and impairment of other financial assets	36	37
Loss on disposal of subsidiaries	1	29
Acquisition and disposal costs	-	5
Excise tax provision	-	(9)
Charges related to legal provisions	85	-
Structural changes to defined benefit pension schemes	12	4
Total adjustments	485	1,011
Adjusted operating profit	3,887	3,694
Russia operating profit	-	5
Adjusted operating profit excluding Russia	3,887	3,689

Reconciliation from tobacco & NGP operating profit to adjusted operating profit

£ million	2023			2022		
	Tobacco	NGP	Total	Tobacco	NGP	Total
Operating profit/(loss)	3,262	(156)	3,106	2,599	(127)	2,472
Russian, Ukraine and associated markets	4	-	4	399	-	399
Amortisation and impairment of acquired intangibles	334	5	339	320	3	323
Restructuring costs	-	-	-	197	-	197
Loss on disposal of subsidiaries	1	-	1	13	-	13
Fair value adjustment and impairment of other financial assets	20	16	36	-	37	37
Acquisition and disposal costs	-	-	-	5	-	5
Excise tax provision	-	-	-	(9)	-	(9)
Charges related to legal provisions	85	-	85	-	-	-
Structural changes to defined benefit pension schemes	12	-	12	4	-	4
Adjusted operating profit/(loss)	3,718	(135)	3,583	3,528	(87)	3,441
Russia operating profit	-	-	-	5	-	-
Adjusted operating profit/(loss) excluding Russia	3,718	(135)	3,583	3,523	(87)	3,436

Reconciliation from distribution operating profit to distribution adjusted operating profit

£ million	2023	2022
Distribution operating profit	298	212
Loss on disposal of subsidiaries	-	16
Amortisation of acquired intangibles	8	26
Distribution adjusted operating profit	306	254

See note 11 for details on amortisation and impairment, note 10 for details of acquisition and disposal costs, and note 5 for details of restructuring costs.

D) Adjusted operating profit margin

Adjusted operating profit margin is adjusted operating profit divided by net revenue expressed as a percentage. This measure is separately calculated and disclosed for the Tobacco & NGP and Distribution businesses where appropriate. There is no reconciliation required for this metric.

E) Adjusted net finance costs

Adjusted net finance costs excludes the movements in the fair value of financial instruments which are marked to market and not naturally offset. This measure also excludes all post-employment benefit net finance costs since pension assets and liabilities and redundancy and social plan provisions do not form part of adjusted net debt. This allows comparison of the Group's cost of debt with adjusted net debt.

IFRS 9 requires that all derivative financial instruments are recognised in the consolidated balance sheet at fair value, with changes in the fair value being recognised in the consolidated income statement unless the instrument satisfies the hedge accounting rules under IFRS and the Group chooses to designate the derivative financial instrument as a hedge.

The Group hedges underlying exposures in an efficient, commercial and structured manner. However, the strict hedging requirements of IFRS 9 may lead to some commercially effective hedge positions not qualifying for hedge accounting. As a result, and as permitted under IFRS 9, the Group has decided not to apply cash flow or fair value hedge accounting for its derivative financial instruments. However, the Group does apply net investment hedging, designating certain borrowings and derivatives as hedges of the net investment in the Group's foreign operations, as permitted by IFRS 9, in order to reduce income statement volatility.

The Group excludes fair value gains and losses on derivative financial instruments and exchange gains and losses on borrowings from adjusted net finance costs. Fair value gains and losses on the interest element of derivative financial instruments are excluded as there is no direct natural offset between the movements on derivatives and the interest charge on debt in any one period, as the derivatives and debt instruments may be contracted over different periods, although they will reverse over time or are matched in future periods by interest charges. The fair value gains on derivatives are excluded as they can introduce volatility in the finance charge for any given period.

Fair value gains and losses on the currency element of derivative financial instruments and exchange gains and losses on borrowings are excluded as the relevant foreign exchange gains and losses on the instruments in a net investment hedging relationship are accumulated as a separate component of other comprehensive income in accordance with the Group's policy on foreign currency.

Fair value movements arising from the revaluation of contingent consideration liabilities are adjusted out where they represent one-off acquisition costs that are not linked to the current period underlying performance of the business. Fair value adjustments on loans receivable measured at fair value are excluded as they arise due to counterparty credit risk changes that are not directly related to the underlying commercial performance of the business.

The net interest on defined benefit assets or liabilities, together with the unwind of discount on redundancy, social plans and other long-term provisions are reported within net finance costs. These items together with their related tax effects are excluded from our adjusted earnings measures, as they primarily represent charges associated with historic employee benefit commitments, rather than the ongoing current period costs of operating the business.

Reconciliation from reported net finance costs to adjusted net finance costs

£ million	2023	2022
Reported net finance costs	298	117
Fair value gains on derivative financial instruments	707	1,483
Fair value losses on derivative financial instruments	(568)	(1,213)
Exchange gains/(losses) on financing activities	10	(69)
Net fair value and exchange gains on financial instruments	149	201
Interest income on net defined benefit assets	178	107
Interest cost on net defined benefit liabilities	(165)	(99)
Post-employment benefits net financing income	13	8
Tax settlement interest cost	(50)	-
Adjusted net finance costs	410	326
Comprising:		
Interest income on bank deposits	(12)	(9)
Interest cost on lease liabilities	10	6
Interest cost on bank and other loans	412	329
Adjusted net finance costs	410	326

F) Adjusted tax charge

The adjusted tax charge is calculated by amending the reported tax charge for significant one-off tax charges or credits arising from:

- prior period tax items (including re-measurement of deferred tax balances on a change in tax rates); or
- a provision for uncertain tax items not arising in the normal course of business; or
- newly enacted taxes in the year; or
- tax items that are closely related to previously recognised tax matters, and are excluded from our adjusted tax charge to aid comparability and understanding of the Group's performance.

The recognition and utilisation of deferred tax assets relating to losses not historically generated in the normal course of business are excluded on the same basis.

The adjusted tax rate is calculated as the adjusted tax charge divided by the adjusted profit before tax.

Reconciliation from reported tax to adjusted tax

£ million	2023	2022
Reported tax	655	886
Deferred tax on amortisation of acquired intangibles	(4)	15
Tax on net foreign exchange and fair value gains and losses on financial instruments	89	(183)
Tax on post-employment benefits net financing cost	-	-
Tax on restructuring costs	-	49
Tax on disposal of subsidiaries	-	8
Tax on charges relating to legal provisions	26	-
Tax on structural changes to defined benefit pension schemes	3	-
Tax on fair value adjustment and impairment of other financial assets	5	-
Tax on interest settlements	2	-
Recognition of deferred tax assets	212	-
Provision for state aid recoverable	-	(101)
Uncertain tax positions	(207)	63
Deferred tax on unremitted earnings	-	26
Tax on unrecognised losses	-	(8)
Adjusted tax charge	781	755

G) Adjusted earnings per share and adjusted earnings per share excluding Russia

Adjusted earnings is calculated by amending the reported basic earnings for all of the adjustments recognised in the calculation of the adjusted operating profit, adjusted finance costs and adjusted tax charge metrics as detailed above. Adjusted earnings per share is calculated by dividing adjusted earnings by the weighted average number of shares. For the purpose of showing comparable year-on-year metrics we have included an adjusted earnings per share measure excluding Russia which excludes the results of the Russia business in the comparative figures following the disposal of that operation in April 2022.

Reconciliation from reported to adjusted earnings and earnings per share

	2023		2022	
	Earnings per share (pence)	Earnings	Earnings per share (pence)	Earnings
£ million unless otherwise indicated				
Reported basic	252.4	2,328	165.9	1,570
Russia, Ukraine and associated markets	0.4	4	42.2	399
Amortisation and impairment of acquired intangibles	38.0	351	35.4	334
Restructuring costs	-	-	15.6	148
Fair value adjustment and impairment of other financial assets	3.4	31	3.9	37
Loss on disposal of subsidiaries	0.1	1	2.2	21
Acquisition and disposal costs	-	-	0.5	5
Excise tax provision	-	-	(1.0)	(9)
Charges related to legal provisions	6.4	59	-	-
Structural changes to defined benefit pension schemes	1.0	9	0.4	4
Brand impairment in equity accounted joint venture	-	-	2.5	24
Net fair value and exchange movements on financial instruments	(25.8)	(238)	(1.9)	(18)
Post-employment benefits net financing cost	(1.4)	(13)	(0.8)	(8)
Tax settlement interest costs	5.2	48	-	-
Recognition of deferred tax assets	(23.0)	(212)	-	-
Provision for state aid recoverable	-	-	10.7	101
Uncertain tax positions	22.4	207	(6.7)	(63)
Deferred tax on unremitted earnings	-	-	(2.7)	(26)
Tax on unrecognised losses	-	-	0.8	8
Adjustments above attributable to non-controlling interests	(0.3)	(3)	(1.8)	(18)
Adjusted	278.8	2,572	265.2	2,509
Adjusted diluted	277.1	2,572	263.3	2,509
Russia earnings per share	-	-	0.4	4
Adjusted excluding Russia	278.8	2,572	264.8	2,505
Adjusted diluted excluding Russia	277.1	2,572	262.9	2,505

H) Return on invested capital (ROIC)

Return on invested capital measures the effectiveness of capital allocation and is calculated by dividing adjusted operating profit after tax by the annual average of: intangible assets, property, plant and equipment, net assets held for sale, inventories, trade and other receivables and trade payables and other current liabilities.

The annual average is defined as the average of the opening and closing balance sheet values.

	2023	2022	2021
£ million unless otherwise stated			
Reported operating profit	3,402	2,683	3,146
Adjusting items (see section C)	485	1,011	427
Adjusted operating profit	3,887	3,694	3,573
Equivalent tax charge	(871)	(827)	(807)
Net adjusted operating profit after tax	3,016	2,867	2,766
Working capital	(2,567)	(2,823)	(2,523)
Intangibles	16,944	17,777	16,674
Property, plant and equipment	1,617	1,659	1,715
Invested capital	15,994	16,613	15,866
Average annual invested capital	16,304	16,240	16,741
Return on invested capital (%)	18.5	17.7	16.5

I) Constant currency

Constant currency removes the effect of exchange rate movements on the translation of the results of our overseas operations. The Group translates current year results at prior year foreign exchange rates. An analysis of all key metrics can be found in the Group Financial Review on pages 92-99.

J) Adjusted net debt

Management monitors the Group's borrowing levels using adjusted net debt which excludes interest accruals, lease commitments and the fair value of derivative financial instruments providing commercial hedges of interest rate risk. The adjusted net debt metric is used in monitoring performance against various debt management obligations including covenant compliance.

Adjusted net debt calculation

£ million	2023	2022
Reported net debt	(8,438)	(8,492)
Accrued interest	125	105
Lease liabilities	349	248
Fair value of interest rate derivatives	(62)	85
Adjusted net debt	(8,026)	(8,054)

Average adjusted net debt during the year was £9,574 million (2022: £9,198 million).

K) Adjusted net debt to earnings before interest, taxation, depreciation and amortisation (EBITDA) multiple

This is defined as adjusted net debt divided by adjusted EBITDA. Adjusted net debt is measured at balance sheet foreign exchange rates, with a full reconciliation shown in table J above. Adjusted EBITDA is calculated as adjusted operating profit plus amortisation, depreciation and impairments. The reconciliation from adjusted operating profit to adjusted EBITDA is shown below.

£ million	2023	2022 (restated)
Adjusted operating profit (see section C above)	3,887	3,694
Depreciation, amortisation and impairments	270	244
Adjusted EBITDA	4,157	3,938

Note the comparative figure has been restated as it previously included a reconciliation from operating profit to EBITDA. This has been changed to a reconciliation from adjusted operating profit to adjusted EBITDA.

L) Adjusted operating cash conversion

Adjusted operating cash conversion is calculated as cash flow from operations pre-restructuring and before interest and tax payments less net capital expenditure relating to property, plant and equipment, software and intellectual property rights as a percentage of adjusted operating profit.

Adjusted operating cash conversion calculation

£ million unless otherwise stated	2023	2022
Net cash flows generated from operating activities	3,129	3,186
Tax	590	681
Net capital expenditure	(254)	(177)
Restructuring	98	91
Cash flow post capital expenditure pre interest and tax	3,563	3,781
Adjusted operating profit	3,887	3,694
Adjusted operating cash conversion	92%	102%

M) Free cash flow

Free cash flow is adjusted operating profit adjusted for certain cash and non-cash items. The principal adjustments are depreciation, working capital movements, net capex, restructuring cash flows, tax cash flows, cash interest and minority interest dividends.

Net cash flows generated from operating activities to free cash flow

£ million	2023	2022
Net cash flows generated from operating activities	3,129	3,186
Net capital expenditure	(254)	(177)
Cash interest	(407)	(358)
Minority interest dividends	(104)	(89)
Free cash flow	2,364	2,562

GLOSSARY

Financial terms

Adjusted closing net debt	Adjusted closing net debt is measured at balance sheet foreign exchange rates, with a full reconciliation shown within section J of the supplementary information.
Adjusted earnings per share	This is an alternative performance measure which is defined within section G of the supplementary information.
Adjusted earnings per share excluding Russia	This is an alternative performance measure which is defined within section G of the supplementary information.
Adjusted EBITDA	Adjusted EBITDA is calculated as adjusted operating profit plus amortisation, depreciation and impairments.
Adjusted net debt	This is an alternative performance measure which is defined within section J of the supplementary information.
Adjusted net debt to EBITDA multiple	This is an alternative performance measure. Adjusted net debt is defined within section J of the supplementary information. EBITDA is defined within section K of the supplementary information.
Adjusted net finance costs	This is an alternative performance measure which is defined within section E of the supplementary information.
Adjusted (Non-GAAP)	Non-GAAP measures provide a useful comparison of performance from one period to the next.
Adjusted operating cash conversion	This is an alternative performance measure which is defined within section L of the supplementary information.
Adjusted operating profit	This is an alternative performance measure which is defined within section C of the supplementary information.
Adjusted operating profit excluding Russia	This is an alternative performance measure which is defined within section C of the supplementary information.
Adjusted operating profit margin	Adjusted operating profit margin is calculated as adjusted operating profit divided by net revenue.
Adjusted tax charge	This is an alternative performance measure which is defined within section F of the supplementary information.
Aggregate priority market share	Aggregate weighted market volume share, based on our five priority markets (USA, Germany, UK, Spain and Australia). Market volume share is calculated based on a 12-month moving annual total (MAT) volume share position from October to September. The market volume size used in the weighting calculation is based on a constant prior year end actual market size.
All in cost of debt	Adjusted net finance costs divided by the average net debt in the year.
Cash conversion	Cash conversion is calculated as cash flow from operations pre-restructuring and before interest and tax payments less net capital expenditure relating to property, plant and equipment, software and intellectual property rights as a percentage of adjusted operating profit.
Constant currency	Removes the effect of exchange rate movements on the translation of the results of our overseas operations. The Group translate current year results at prior year foreign exchange rates.
Dividend per share	Dividend per share represents the total annual dividends, being the sum of the paid interim dividend and the proposed final dividend for the financial year.
EBITDA	Earnings before interest, taxation, depreciation and amortisation.
GAAP	Generally accepted accounting principles.
Market share	Market share data is presented as a 12-month moving average weighted across the markets in which we operate.
Net debt to EBITDA	Adjusted closing net debt divided by adjusted EBITDA.
Net revenue excluding Russia	This is an alternative performance measure which is defined within section A of the supplementary information.
Reported (GAAP)	Reported (GAAP) complies with UK-adopted International Accounting Standards and the relevant legislation.
Return on invested capital	This is an alternative performance measure which is defined within section H of the supplementary information.
Stick equivalent volumes	Stick equivalent volumes reflect our combined cigarette, fine cut tobacco, cigar and snus volumes but exclude any NGP volume such as heated tobacco, modern oral nicotine and vapour.
Tobacco & NGP Net revenue/ Distribution gross profit	This is an alternative performance measure which is defined within sections A and B of the supplementary information.
Total shareholder return	Total shareholder return is the total investment gain to shareholders resulting from the movement in the share price and assuming dividends are immediately reinvested in shares.

Other

AAACE	Africa, Asia and Australasia and Central & Eastern Europe.
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CO2E	Carbon Dioxide Equivalent
CSRD	The Corporate Sustainability Reporting Directive
DEI	Diversity, Equity and Inclusion
Distribution	Logistics Segment
ECLT	Eliminating Child Labour in Tobacco Growing Foundation
EFRAG	European Financial Reporting Advisory Group
ELT	Executive Leadership Team
EPR	Extended Producer Responsibility Scheme
ERG	Employee Resource Groups
ESG	Environmental, Social and Governance
ESRS	European Sustainability Reporting Standards
EU	European Union
EVP	Electronic Vape Products
EY	Ernst & Young LLP
FCT	Fine Cut Tobacco
FDA	US Food and Drug Administration
FMC	Factory Made Cigarettes
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
GWh / KWh	Gigawatt-Hour / Kilowatt-Hour
HRIA	Human Rights Impact Assessment
HT	Heated Tobacco
HTP	Heated Tobacco Products
ILO	International Labour Organisation
IOSH	Institution of Occupational Safety and Health
IPM	Integrated Pest Management
ISAE	International Standard for Assurance Engagements
ISO	International Organization for Standardization
IVMS	In Vehicle Monitoring System
KPI	Key Performance Indicators
LCWG	Leaf Compliance Working Group
Leaf CARE	Leaf Compliance and Response Program
LGBTQ+	Lesbian, Gay, Bisexual, Transgender, Queer or Questioning, Intersex, Asexual, and More
LTA	Lost Time Accident
LTIP	Long Term Incentive Plans
MMC	Mass Market Cigars
MOND	Modern Oral Nicotine Delivery
MPI	Manufacturer's Price Increase
MSCI	Company Name
NGOs	Non-Government Organisation
NGP	Next Generation Products
NGP	Next Generation Products
NTM	Non-Tobacco Materials
NTM	Non Tobacco Materials

GLOSSARY *continued*

Other	
OHSE	Occupational Health Safety and Environment
OND	Oral Nicotine Delivery Category
PDCA	Plan Do Check Act
PG&S	Purchased Goods and Services
PPE	Personal Protective Equipment
Priority markets	Top 5 combustible markets USA, Germany, UK, Spain and Australia
PSHG	Product Stewardship and Health Group
RECs	Renewable Energy Certificates
SASB	Sustainable Accounting Standards Board
SBTi	Science Based Target Initiatives
SCIA	Supply Chain Impact Assessments
SDGs	Sustainable Development Goals
SE	Stick Equivalent (SE) volumes reflect our combined cigarette, fine cut tobacco, cigar and snus volumes
SECR	Streamlined Energy and Carbon Reporting
SER	Supplier Engagement Rating
STP	Sustainable Tobacco Programme
T&Cs	Terms and Conditions
TCFD	Task Force on Climate-Related Financial Disclosures
Tobacco & NGP	Tobacco & Next Generation Products
UK	United Kingdom
UN SDGs	United Nations Sustainable Development Goals
WDI	Workforce Disclosure Initiative

IMPERIAL BRANDS PLC BALANCE SHEET

at 30 September 2023

£ million	Notes	2023	2022
Fixed assets			
Investments	iii	7,968	7,968
Current assets			
Debtors	iv	2,597	4,744
Creditors: amounts falling due within one year	v	(74)	(39)
Net current assets		2,523	4,705
Net assets		10,491	12,673
Capital and reserves			
Called up share capital	vi	97	103
Capital redemption reserve		10	4
Share premium account		5,833	5,833
Retained earnings – brought forward		6,733	5,047
Retained earnings – profit for the year		136	3,006
Retained earnings – dividends paid		(1,312)	(1,320)
Retained earnings – repurchase of shares		(1,006)	-
Total shareholders' funds		10,491	12,673

As permitted by section 408(3) of the Companies Act 2006, the profit and loss account of the Company is not presented. The profit attributable to shareholders, dealt with in the financial statements of the Company, is £136 million (2022: £3,006 million).

The financial statements on pages 247 to 262 were approved by the Board of Directors on 13 November 2023 and signed on its behalf by:



Lukas Paravicini
Director

IMPERIAL BRANDS PLC STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2023

£ million	Share capital	Share premium and capital redemption	Retained earnings	Total equity
At 1 October 2022	103	5,837	6,733	12,673
Profit for the year	-	-	136	136
Total comprehensive income	-	-	136	136
Transactions with owners				
Repurchase of shares	(6)	6	(1,006)	(1,006)
Dividends paid	-	-	(1,312)	(1,312)
At 30 September 2023	97	5,843	4,551	10,491
At 1 October 2021	103	5,837	5,047	10,987
Profit for the year	-	-	3,006	3,006
Total comprehensive income	-	-	3,006	3,006
Transactions with owners				
Repurchase of shares	-	-	-	-
Dividends paid	-	-	(1,320)	(1,320)
At 30 September 2022	103	5,837	6,733	12,673

Total distributable reserves were £4,537 million (2022: £6,720 million).

NOTES TO THE FINANCIAL STATEMENTS OF IMPERIAL BRANDS PLC

I. ACCOUNTING POLICIES

Basis of preparation and statement of compliance with FRS 101

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed in note 2 of the Group financial statements for the year ended 30 September 2023.

Imperial Brands PLC (the Company) is the ultimate parent company within the Imperial Brands group (the Group). The Company is a public company limited by shares, incorporated in England and Wales and its principal activity continued to be that of holding investments. The Company's registered number is 3236483 and its registered address is 121 Winterstoke Road, Bristol, BS3 2LL. The Company does not have any employees. The Directors of the Group manage the Group's risks at a Group level, rather than at an individual entity level. These risks are detailed in note 2 of the Group's financial statements (see pages 187-189).

These financial statements were prepared in accordance with the Companies Act 2006 as applicable to Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), and applicable accounting standards.

The financial statements have been prepared on the historical cost basis, and as a going concern. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

As permitted by section 408(3) of the Companies Act 2006, no separate profit and loss account has been presented for the Company.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available in the preparation of the financial statements, as detailed below:

- Paragraph 38 of IAS 1 'Presentation of financial statements' – comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
- The following paragraphs of IAS 1 'Presentation of financial statements':
 - (ii) 10(d) – statement of cash flows;
 - (iii) 10(f) – a statement of financial position as at the beginning of the preceding period when an entity applied an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements;
 - (iv) 16 – statement of compliance with all IFRS;
 - (v) 38A – requirement for minimum of two primary statements, including cash flow statements;
 - (vi) 38B-D – additional comparative information;
 - (vii) 40A-D – requirements for a third statement of financial position;
 - (viii) 111 – cash flow information; and
 - (ix) 134-136 – capital management disclosures;
- IAS 7 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting Policies, changes in accounting estimates and errors' – requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective;
- Paragraph 17 of IAS 24 'Related party disclosures' – key management compensation;
- The requirements in IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group;
- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment';
- IFRS 7 'Financial Instruments: Disclosures'; and
- Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' – disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities.

The principal accounting policies, which have been applied consistently are set out below. The Directors do not consider there to be any critical accounting estimates or judgements in respect of the Company, see note 2 Accounting Estimates and Judgements of the consolidated financial statements for further detail.

Investments

Investments held as fixed assets comprise the Company's investment in subsidiaries and are shown at historic purchase cost less any provision for impairment. An annual review of Investments is performed for indicators of impairment. If indicators of impairment are identified investments are tested for impairment to ensure that the carrying value of the investment is supported by their recoverable amount.

Dividends

Final dividends are recognised as a liability in the period in which the dividends are approved by shareholders, whereas interim dividends are recognised in the period in which the dividends are paid. Dividends receivable are recognised as an asset when they are approved.

Financial instruments

Receivables held under a hold to collect business model are stated at amortised cost.

The calculation of impairment provisions is subject to an expected credit loss model, involving a prediction of future credit losses based on past loss patterns. The revised approach involves the recognition of provisions relating to potential future impairments, in addition to impairments that have already occurred. The expected credit loss approach involves modelling of historic loss rates, and consideration of the level of future credit risk. Expected loss rates are then applied to the gross receivables balance to calculate the impairment provision.

Cash and cash equivalents include cash in hand and deposits held on call, together with other short-term highly liquid investments.

Treasury shares

When the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity until the shares are reissued or disposed of. When such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, increases shareholders' funds. When such shares are cancelled they are transferred to the capital redemption reserve.

Income taxes

Judgement is involved in determining whether the Company is subject to a tax liability or not in line with tax law. Where liabilities exist, estimation is often required to determine the potential future tax payments. The Company recognises provisions for tax based on estimates of the taxes that are likely to become due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

New accounting standards

The following amendments to the accounting standards, issued by the IASB or International Financial Reporting Standards Interpretations Committee (IFRS IC) and endorsed for use in the UK, have been adopted by the Company from 1 October 2022 with no impact on the Company's results, financial position or disclosures:

- Amendments to IAS 12 International Tax Reform – Pillar Two model rules. (The Company has applied the mandatory exception under IAS 12 in relation to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.)

II. DIVIDENDS

Distributions to ordinary equity holders

£ million	2023	2022	2021
Paid interim of 43.18 pence per share (2022: 42.54 pence, 2021: 42.12 pence)			
• Paid June 2021	-	-	199
• Paid September 2021	-	-	199
• Paid December 2021	-	-	458
• Paid June 2022	-	202	-
• Paid September 2022	-	202	-
• Paid December 2022	-	464	-
• Paid June 2023	196	-	-
• Paid September 2023	195	-	-
Interim dividend paid	391	868	856
Proposed third interim of 51.82 pence per share (2022: 49.31 pence, 2021: 48.48 pence)	-	-	-
• To be paid December 2023	466	-	-
Interim dividend proposed	466	-	-
Proposed final of 51.82 pence per share (2022: 49.32 pence, 2021: 48.48 pence)	-	-	-
• Paid March 2022	-	-	458
• Paid March 2023	-	457	-
• To be paid March 2024	465	-	-
Final dividend	465	457	458
Total ordinary share dividends of 146.82 pence per share (2022: 141.17 pence, 2021: 139.08 pence)	1,322	1,325	1,314

NOTES TO THE FINANCIAL STATEMENTS OF IMPERIAL BRANDS PLC *continued*

The proposed third interim dividend for the year ended 30 September 2023 of 51.82 pence per share amounts to a proposed dividend of £466 million, which will be paid in December 2023.

The proposed final dividend for the year ended 30 September 2023 of 51.82 pence per share amounts to a proposed dividend payment of £465 million in March 2024 based on the number of shares ranking for dividend at 30 September 2023, and is subject to shareholder approval. If approved, the total dividend paid in respect of 2023 will be £1,322 million (2022: £1,325 million). The dividend paid during 2023 is £1,312 million (2022: £1,320 million).

III. INVESTMENTS

Cost of shares in imperial tobacco holdings (2007) limited

£ million	2023	2022
At 1 October	7,968	7,968
At 30 September	7,968	7,968

The Directors confirm that the carrying value of the investment is supported by its underlying net assets.

A list of the subsidiaries of the Company is shown on pages 252-262.

IV. DEBTORS

£ million	2023	2022
Amounts owed from Group undertakings	2,597	4,744

Amounts owed from Group undertakings are unsecured, interest bearing, have no fixed date for repayment and are repayable on demand.

V. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

£ million	2023	2022
Amounts owed by Group undertakings	34	35
Bank overdrafts	2	2
Other creditors	38	2
	74	39

Amounts owed by Group undertakings are unsecured, interest bearing, have no fixed date for repayment and are repayable on demand.

VI. CALLED UP SHARE CAPITAL

	2023		2022	
	Number	£ million	Number	£ million
Authorised, issued and fully paid:				
1 October	1,020,697,237	103	1,020,697,237	103
Shares cancelled	(52,107,043)	(6)	-	-
30 September	968,590,194	97	1,020,697,237	103

During the period a share buy back scheme was initiated and 52,107,043 10p shares were repurchased for a cost of £1,000 million. Upon completion of the purchase, these shares were cancelled and transferred to the capital redemption reserve. The stamp duty costs were £5 million and the fees charged for the share repurchase were £1 million.

On 6 March 2014, 31,942,881 shares held in treasury were cancelled creating the capital redemption reserve, and between September 2017 and December 2017, 4,973,916 shares were cancelled increasing this reserve.

VII. RESERVES

Treasury shares

Subject to authorisation by special resolution, the Group may purchase its own shares in accordance with the Companies Act. Any shares which have been bought back may be held as treasury shares or, if not so held, must be cancelled immediately upon completion of the purchase, thereby reducing the amount of Group's issued share capital. Shares held in treasury do not qualify for dividends. Shares purchased under the share buyback programme initiated on 7 October 2022 will be cancelled immediately on completion of the purchase. There were no movements in treasury shares during the year to 30 September 2023 (2022: reduced by 4.0 million shares).

£ million unless otherwise indicated	2023		2022	
	Millions of shares (number)	Value £	Millions of shares (number)	Value £
At 1 October	70.3	2,183	74.3	2,183
Gifted to Employee Share Ownership Trusts	-	-	(4.0)	-
At 30 September	70.3	2,183	70.3	2,183
Percentage of issued share capital	7.8	n/a	6.9	n/a

VIII. GUARANTEES

The Company provides guarantees to the following subsidiaries under section 479A of the Companies Act 2006, whereby the subsidiaries, incorporated in the UK, are exempt from the requirements of the Act relating to the audit of individual accounts for the financial year ending 30 September 2023:

- Imperial Tobacco Holdings (2007) Limited
- Imperial Tobacco Ventures Limited
- Rizla UK Limited
- Imperial Tobacco Overseas (Polska) Limited
- La Flor de Copan UK Limited
- Tabacalera de Garcia UK Limited
- Imperial Brands Ventures Limited
- Nerudia Consulting Limited
- Imperial Brands Ventures Finance Limited
- Imperial Brands Ventures Holdings (1) Limited
- Imperial Brands Ventures Holdings (2) Limited

The Company has guaranteed various committed and uncommitted borrowings facilities and liabilities of certain UK and overseas undertakings. As at 30 September 2023, the amount guaranteed is £14,138 million (2022: £14,151 million).

Many of the committed revolving credit facilities remain undrawn as at 30 September 2023 but the maximum potential exposure under each facility has been included due to the ongoing commitment, only drawn utilised balances have been included for facilities that are uncommitted in nature.

The Company has also provided a parent guarantee to the Imperial Tobacco Pension Trustees Ltd (including their £300 million revolving credit facility), the main UK pension scheme.

The Directors have assessed the fair value of the above guarantees and do not consider them to be material. They have therefore not been recognised on the balance sheet.

IX. RELATED PARTY DISCLOSURES

Details of Directors' emoluments and interests are provided within the Directors' Remuneration Report. The Directors Remuneration Report, on pages 142-163 includes details on salary, benefits, pension and share plans. These disclosures form part of the financial statements.

RELATED UNDERTAKINGS

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, partnerships, associates, and joint ventures, the principal activity, the country of incorporation and the effective percentage of equity owned, as at 30 September 2023 are disclosed below. With the exception of Imperial Tobacco Holdings (2007) Limited, which is wholly owned by the Company, none of the shares in the subsidiaries is held directly by the Company.

NOTES TO THE FINANCIAL STATEMENTS OF IMPERIAL BRANDS PLC *continued***SUBSIDIARIES: REGISTERED IN ENGLAND AND WALES, WHOLLY OWNED**

Name	Principal activity and registered address
Altadis NewCo Limited	Dormant 121 Winterstoke Road, Bristol, BS3 2LL, England
Attendfriend Limited	Dormant 121 Winterstoke Road, Bristol, BS3 2LL, England
British Tobacco Company Limited	Dormant 121 Winterstoke Road, Bristol, BS3 2LL, England
Congar International UK Limited	Dormant 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Brands Enterprise Finance Limited	Provision of treasury services to other Group companies 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Brands Finance PLC	Provision of treasury services to other Group companies 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Brands Ventures Finance Limited (v)	Provision of finance to other Group companies 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Brands Ventures Holdings Limited	Holding investments in subsidiary companies 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Brands Ventures Holdings (1) Limited	Holding investments in subsidiary companies 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Brands Ventures Holdings (2) Limited (xi)	Holding investments in subsidiary companies 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Brands Ventures Limited	Holding investments in subsidiary companies 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Investments Limited	Dormant 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Tobacco Altadis Limited	Dormant 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Tobacco Capital Assets (1)	Dormant 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Tobacco Capital Assets (2)	Provision of finance to other Group companies 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Tobacco Capital Assets (3)	Dormant 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Tobacco Capital Assets (4)	Dormant 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Tobacco Group Limited	Dormant 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Tobacco Holdings (1) Limited (iv)	Holding investments in subsidiary companies 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Tobacco Holdings (2007) Limited (iv)	Holding investments in subsidiary companies 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Tobacco Holdings Limited	Holding investments in subsidiary companies 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Tobacco Initiatives	Dormant 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Tobacco Lacroix Limited	Dormant 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Tobacco Limited	Manufacture, marketing and sale of tobacco products in the UK 121 Winterstoke Road, Bristol BS3 2LL England
Imperial Tobacco Overseas (Polska) Limited	Holding investments in subsidiary companies 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Tobacco Overseas Holdings (1) Limited (viii)	Holding investments in subsidiary companies 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Tobacco Overseas Holdings (2) Limited	Holding investments in subsidiary companies 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Tobacco Overseas Holdings (3) Limited	Dormant 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Tobacco Overseas Holdings (4) Limited	Holding investments in subsidiary companies 121 Winterstoke Road, Bristol, BS3 2LL, England

Name	Principal activity and registered address
Imperial Tobacco Overseas Holdings Limited	Holding investments in subsidiary companies 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Tobacco Overseas Limited (x)	Holding investments in subsidiary companies 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Tobacco Pension Trustees (Burlington House) Limited	Dormant 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Tobacco Pension Trustees Limited (iv)	Dormant 121 Winterstoke Road, Bristol, BS3 2LL, England
Imperial Tobacco Ventures Limited	Holding investments in subsidiary companies 121 Winterstoke Road, Bristol, BS3 2LL, England
ITG Brands Limited	Holding investments in subsidiary companies 121 Winterstoke Road, Bristol, BS3 2LL, England
Joseph & Henry Wilson Limited	licensing rights for the manufacture and sale of tobacco products 121 Winterstoke Road, Bristol BS3 2LL England
Nerudia Limited	Research and development of e-vapour products Wellington House, Physics Road, Speke, Liverpool, L24 9HP, England
Nerudia Consulting Limited	Research and development of e-vapour products Wellington House, Physics Road, Speke, Liverpool, L24 9HP, England
La Flor de Copan UK Limited	Holding investments in subsidiary companies 121 Winterstoke Road, Bristol, BS3 2LL, England
Park Lane Tobacco Company Limited	Dormant 121 Winterstoke Road, Bristol, BS3 2LL, England
Rizla UK Limited	Entity ceased trading 121 Winterstoke Road, Bristol, BS3 2LL, England
Tabacalera de Garcia UK Limited	Holding investments in subsidiary companies 121 Winterstoke Road, Bristol, BS3 2LL, England

SUBSIDIARIES: INCORPORATED OVERSEAS, WHOLLY OWNED

Name	Country of incorporation	Principal activity and registered address
1213509 B.C. Limited	Canada	Holding investments in subsidiary companies Suite 1700, Park Place, 666 Burrard Street, Vancouver, BC. V6C 2X8, Canada
Altadis Canarias SAU (ii)	Spain	Marketing and sale of tobacco products in the Canary Islands C/Comandante Azcarraga 5, Madrid, 28016, Spain
Altadis Holdings USA Inc	United States of America	Holding investments in subsidiary companies 714 Green Valley Road Greensboro, NC27408 USA
Altadis Middle East FZCO	United Arab Emirates	Sales and marketing of tobacco products in the Middle East P.O. Box. No. 261718, Jebel Ali Free Zone, Dubai, 261718, United Arab Emirates
Altadis Ocean Indien SAS	France (La Reunion Island)	Sales and distribution of tobacco products in la Reunion Island ZI n° 2 – BP 256 – 97457 Saint Pierre Cedex, La Reunion
Altadis S.A.U.	Spain	Manufacture, sales and distribution of tobacco products in Spain C/Comandante Azcarraga 5, Madrid 28016, Spain
Altadis Shade Company LLC	United States of America	Manufacture and sale of tobacco products in the USA 217 Shaker Road, Somers, CT, 06071, USA
Athena IP Vermögensverwaltungs GmbH	Germany	Davidoff cigarette trademark owner Behringstrasse 122 A, 22763, Hamburg
Cacique, SA – Comércio, Importação e Exportação	Brazil	Dormant Rua Marechal Deodoro, 690 – Centro Arapiraca, Alagoas, Brazil
Commonwealth Brands Inc	United States of America	Manufacture and sale of tobacco products in the USA 714 Green Vally Road Greensboro, NC27408 USA
Congar International Corp (Delaware)	United States of America	Manufacturing and distribution of mass market cigars Road 14, Km. 72.2, Ave. Antonio R. Barcelo, Cayey, DE, PR 00736, USA
Connecticut Shade Corporation	United States of America	Holding investments in subsidiary companies 714 Green Vally Road Greensboro, NC27408 USA
Consolidated Cigar Holdings Inc (vii)	United States of America	Holding investments in subsidiary companies 714 Green Vally Road Greensboro, NC27408 USA
Coralma International SAS	France	Holding investments in subsidiary companies 122 Avenue Charles de Gaulle, Neuilly sur Seine, 92200, France
Dunkerquoise des Blends SAS	France	Tobacco processing 122 Avenue Charles de Gaulle, Neuilly sur Seine, 92200, France

NOTES TO THE FINANCIAL STATEMENTS OF IMPERIAL BRANDS PLC *continued*

Name	Country of incorporation	Principal activity and registered address
Ets L Lacroix Fils NV/SA	Belgium	Manufacture and sale of tobacco products in Belgium Sint-Bavostraat 66, 2610 Wilrijk, Belgium
Fontem (Beijing) Technology Solutions Limited (i)	People's Republic of China	Research and development Room 201, Floor 2, Building 6, Yuan Dong science and technology park, 6 Hepingli North Street, Dong Cheng District, Beijing, 100013, China
Fontem Canada Limited (vii)	Canada	Import and distribution of tobacco and tobacco related products in Canada C/O BDO Canada LLP, 6940 Mumford Road, Suite 510, Halifax, NS, B3L 0B8, Canada
Fontem US LLC	United States of America	Sales and marketing of tobacco products in the US 714 Green Valley Road Greensboro, NC27408 USA
Fontem Ventures B.V.	The Netherlands	Holding investments in subsidiary companies Radarweg 60, Amsterdam, 1043 NT, The Netherlands
Huotraco International Limited	Cambodia	Production and marketing of tobacco products No 299, Preah Ang Duong Street, Sangkat Wat Phnom, Khan Daunh Penh, Phnom Penh, Cambodia
Imperial Brands Bulgaria EOOD (i)	Bulgaria	Manufacture and sale of tobacco products in Bulgaria 15 Henrh Ibsen str, Floor 4, Office 4, Sofia, 1407, Bulgaria
Imperial Brands CR s.r.o.	Czech Republic	Sales and marketing of tobacco products in the Czech Republic Karla Engliše 3201/6, 15 00, Praha 5
Imperial Brands Finance Netherlands B.V.	The Netherlands	Provision of finance to other Group companies Slachtedijk 28a, 8501 ZA, Joure, Netherlands
Imperial Brands Finland Oy	Finland	Sales and marketing of tobacco products in Finland Auriga Business Center, Juhana Herttuan Puistokatu 21, 20100 Turku
Imperial Brands Global Duty Free & Export S.L.	Spain	Sale and export of duty-free tobacco products C/Comandaute Azcarraga 5, Madrid 28016, Spain
Imperial Brands Hellas S.A.	Greece	Sales and marketing of tobacco products in Greece 300 Klithenous Str, 15344 Gerakas, Attikis, Athens, Greece
Imperial Brands Holdings International B.V.	The Netherlands	Provision of finance to other Group companies Slachtedijk 28a, 8501 ZA, Joure, Netherlands
Imperial Brands Italia S.r.l.	Italy	Sales and marketing of tobacco products in Italy Via Luca Passi 22, Roma, 00166, Italy
Imperial Brands Japan G.K (v)	Japan	Sales and marketing of tobacco products in Japan Shiodome Shibarikyu Building 21, 1-2-3 Kaigan Minato-ku, Tokyo, Japan
Imperial Brands La Romana	Dominican Republic	Manufacture of cigars in the Dominican Republic Industrial Free Zone #1, La Romana, Dominican Republic
Imperial Brands Luxembourg sarl	Luxembourg	Sale of tobacco products in Luxembourg 56 Rue Charles Martel, L-2134, Luxembourg
Imperial Brands Malta Limited	Malta	Provision of finance to other Group companies Office 3, AX Business Centre, Ground Floor, Triq id-Difiza Civili Mosta, MST 1741, Malta
Imperial Brands Norway A.S.	Norway	Sales and marketing of tobacco products in Norway Ryensvingen 2-4, 0680, Oslo, Norway
Imperial Brands Portugal, Sociedade Unipessoal Lda	Portugal	Advertising and support management 144, 7 DT, Avenida da Liberdade, Lisbon, Portugal
Imperial Brands Services Polska spolka z.o.o	Poland	Central Manufacturing and Central Supply Chain Jankowice, Przemyslowa 1, 62-080 Tarnowo Padgorne, Poland
Imperial Brands Ventures LLC	United States of America	Holding investments in subsidiary companies 251 Little Falls Drive, Wilmington, DE 19808 USA
Imperial Finance Ireland Limited	Ireland	Provision of finance to other Group companies 21 Beckett Way, Park West, Nangor Road, Dublin, 12, Ireland
Imperial Finance Malta Ltd	Malta	Provision of finance to other Group companies Office 3, AX Business Centre, Ground Floor, Triq id-Difiza Civili Mosta, MST 1741, Malta
Imperial Nominees Limited (ii)	New Zealand	Trustee Company Level 24, 157 Lambton Quay, Wellington Central, Wellington 6011, New Zealand

Name	Country of incorporation	Principal activity and registered address
Imperial Tobacco (Asia) Pte. Ltd	Singapore	Trading of tobacco-related products 80 Robinson Road, #02-00, 068898, Singapore
Imperial Tobacco Australia Limited	Australia	Sales and marketing of tobacco products in Australia John Player Special House, Level 4, 4-8 Inglewood Place, Norwest, NSW 2153, Australia
Imperial Tobacco Austria Marketing Service GmbH	Austria	Marketing of tobacco products in Austria Zieglergasse 6, A-1070 Vienna, Austria
Imperial Tobacco BH doo (i)	Bosnia-Herzegovina	Marketing and distribution of tobacco products in Bosnia Adema Buce, Sarajevo, 71000, Bosnia & Herzegovina
Imperial Tobacco Distribution Romania srl	Romania	Marketing and distribution of tobacco products in Romania Nicolae Canea Street no. 140-160, EOS Business Park, 1st Floor North, 2nd District, Bucharest, Romania
Imperial Tobacco EFKA Management GmbH	Germany	Manufacture of tobacco products in Germany Behringstrasse 122 A, 22763, Hamburg
Imperial Tobacco España, S.L.U.	Spain	Holding investments in subsidiary companies C/Comandante Azcarraga 5, Madrid 28016, Spain
Imperial Tobacco Estonia OÜ	Estonia	Dormant Veskiposti 2, 10138 Tallinn, Tallinn, Estonia
Imperial Tobacco Holdings (Netherlands) B.V.	The Netherlands	Provision of finance to other Group companies Slachtedijk 28a, 8501 ZA, Joure, Netherlands
Imperial Tobacco Holdings International B.V.	The Netherlands	Provision of finance to other Group companies Slachtedijk 28a, 8501 ZA, Joure, Netherlands
Imperial Tobacco Intellectual Property Limited	Ireland	Ownership of trademarks 21, Beckett Way, Park West, Nangor Road, Dublin, 12, Ireland
Imperial Tobacco International GmbH	Germany	Export and marketing of tobacco products Behringstrasse 122 A, 22763, Hamburg
Imperial Tobacco Ireland Unlimited Company (v)	Ireland	Dormant 6th Floor, 2 Grand Canal Square, Dublin 2, Ireland
Imperial Tobacco Italy S.r.l.	Italy	Holding investments in subsidiary companies Via Luca Passi 22, Roma, 00166, Italy
Imperial Tobacco Kyrgyzstan LLC (i)	Kyrgyzstan	Marketing and distribution of tobacco products in Kyrgyzstan 115, Ibraimov Street, 10th Floor, Business Center 'Asyl-Tash', Bishkek, 720021, Kyrgyzstan
Imperial Tobacco La Romana S.A.S.	France	Manufacture of cigars in the Dominican Republic 320, Rue Saint-Honore, Paris, 75001, France
Imperial Tobacco Magyarország Dohányforgalmazó Kft (Imperial Tobacco Hungary)	Hungary	Sales and marketing of tobacco products in Hungary Váci út 141, 1138, Budapest, Hungary
Imperial Tobacco Management Luxembourg sarl	Luxembourg	Holding investments in subsidiary companies 56 Rue Charles Martel, L-2134, Luxembourg
Imperial Tobacco Marketing Sdn Bhd	Malaysia	Trading of tobacco products (in liquidation) 12th Floor Menara Symphony, No 5 Jalan Prof, Khoo Kay Kim, Seksyey, 46200 Petaling Jaya, Selangor, Malaysia
Imperial Tobacco New Zealand Limited	New Zealand	Manufacture and sale of tobacco products in New Zealand Level 24, 157 Lambton Quay, Wellington Central, Wellington 6011, New Zealand
Imperial Tobacco Polska Manufacturing SA	Poland	Manufacture of tobacco products in Poland Ul. Tytoniowa 2/6, Radom, 26-600, Poland
Imperial Tobacco Polska S.A.	Poland	Manufacture and sale of tobacco products in Poland Jankowice, ul. Przemyslowa 1, Pl-62-080, Tarnowo-Podgome, Poland
Imperial Tobacco Production Ukraine (i)	Ukraine	Manufacture of tobacco products in Ukraine ul. Akademika Zabolotnogo, 35, 03026, Kiev, Ukraine
Imperial Tobacco SCG doo Beograd (i)	Serbia	Marketing and distribution of tobacco products in Serbia Milutina Milankovica 11a, Novi Beograd, Serbia
Imperial Tobacco Sigara ve Tutunculuck Sanayi Ve Ticaret A.S.	Turkey	Manufacture of tobacco products in Turkey Kecilikoy OSB, Mah Ahmet Tutuncuoglu Cad. No.11, 45030 Yunusemre, Manisa, Turkey
Imperial Tobacco Slovakia A.S.	Slovak Republic	Sales and marketing of tobacco products in the Slovak Republic 7A Galvaniho, 824 53 Bratislava, Slovakia

NOTES TO THE FINANCIAL STATEMENTS OF IMPERIAL BRANDS PLC *continued*

Name	Country of incorporation	Principal activity and registered address
Imperial Tobacco Taiwan Co Limited	Taiwan	Sales and marketing of tobacco products in Taiwan 6F1-2 No.2 Sec. 3, Minsheng E road, Zhongshen District, Taipei, Taiwan, Province of China
Imperial Tobacco Taiwan Manufacturing Company Limited	Taiwan	Manufacture of tobacco products in Taiwan No 8 Cyunyi Road, Jhunan, MiaoLi County 350, Taiwan Province of China
Imperial Tobacco Tutun Urunleri Satis Ve Pazarlama A.S.	Turkey	Sales and marketing of tobacco products in Turkey Kecilikoy OSB, Mah Ahmet Tutuncuoglu Cad. No.11, 45030 Yunusemre, Manisa, Turkey
Imperial Tobacco Ukraine (i)	Ukraine	Sales and marketing of tobacco products in Ukraine ul. Akademika Zabolotnogo, 35, 03026, Kiev, Ukraine
Imperial Tobacco US Holdings BV	The Netherlands	Holding investments in subsidiary companies 121, Winterstoke Road, Bristol, BS3 2LL
Imperial Tobacco West Africa SAS (i)	Cote D'Ivoire	Holding investments in subsidiary companies Cocody-Nord, Quartier Gendarmerie, TF 5937, 01 B.P. 724 Abidjan
Imperial Tobacco Zagreb doo (i)	Croatia	Dormant (in liquidation) Julija Kniefera 7, HR-100, Croatia
IMPTOB South Africa (Pty) Limited	South Africa	Provision of services to other Group companies 5 Sandwood Hills, Dunkirk Estate, Zimbali, South Africa
ITG Brands Holdco LLC	United States of America	Holding investments in subsidiary companies 714, Green Valley Road, Greensboro, NC 27408, USA
ITG Brands LLC	United States of America	Marketing and distribution of tobacco products in the USA 714, Green Valley Road, Greensboro, NC 27408, USA
ITG Cigars Inc		United States of America
ITG Holdings USA Inc (ix)	United States of America	Holding investments in subsidiary companies 714 Green Valley Road Greensboro, NC27408 USA
ITL Pacific (HK) Limited	Hong Kong	Manufacture and sale of tobacco and tobacco related products Room 3905-06, 39th Floor, Hopewell Centre, 183 Queens Road East, Wanchai, Hong Kong
Imperial Ventures Malta Limited	Malta	Provision of finance to other Group companies Office 3, AX Business Centre, Ground Floor, Triq id-Difiza Civili Mosta, MST 1741, Malta
JAW-Invest Oy	Finland	Trademark owner Auriga Business Center, Juhana Herttuan puistokatu 21, 20100 Turku, Finland
John Player & Sons Limited	Ireland	Sales and marketing of tobacco products in the Republic of Ireland 21, Beckett Way, Park West, Nangor Road, Dublin, 12, Ireland
John Player Ireland Pension Trustee Limited	Ireland	Trustee company (Strike off Listed) 21, Beckett Way, Park West, Nangor Road, Dublin, 12, Ireland
JSNM SARL	France	Trademark owner 122 Avenue Charles de Gaulle, Neuilly sur Seine, 92200, France
MYBLU Spain S.L.	Spain	Marketing and sale of e-vapour products in Spain CR. Robledo de Chavela, S/N. San Lorenzo del Escorial, Madrid, 28200, Spain
Millennium Tobacco Unlimited Company	Ireland	Provision of finance to other Group companies 21, Beckett Way, Park West, Nangor Road, Dublin, 12, Ireland
Newglade International Unlimited Company	Ireland	Dormant 6th Floor, 2 Grand Canal Square, Dublin 2, Ireland
Petone Vapes Limited	New Zealand	Non-trading Russell McVeagh, Level 24, 157 Lambton Quay, Wellington Central, Wellington, 6011, New Zealand
Philippine Bobbin Corporation	Philippines	Manufacture of tobacco related products Cavite Economic Zone, Phase II, Rosario, Cavite, Philippines
Real Club de Golf la Herrería S.A.	Spain	Management of golf course CR. Robledo de Chavela, S/N. San Lorenzo del Escorial, Madrid, 28200, Spain
Reemtsma Cigarettenfabriken GmbH	Germany	Manufacture and sale of tobacco products in Germany Behringstrasse 122 A, 22763 Hamburg, Germany
Skruf Snus AB	Sweden	Manufacture, marketing, sales of tobacco products in Sweden PO Box 3068, Stockholm, SE-103 61, Sweden

Name	Country of incorporation	Principal activity and registered address
Société Centrafricaine de Cigarettes SA (i)	Central African Republic	Manufacture and distribution of cigarettes in Central African Republic Rue David Dacko, BP 1446, Bangui, Central African Republic
Société Centrafricaine de Distribution Sarl (i)	Central African Republic	Dormant Avenue Boganda Pk4, Bangui, Central African Republic
Société du Mont Nimba Sarl (i)	Guinee Conakry	In Liquidation BP 3391, Conakry, Guinea
Société Nationale d'Exploitation Industrielle des Tabacs et Allumettes S.A.S.	France	Manufacture and sale of tobacco products in France, and export of tobacco products 200-216 rue Raymond Losserand, Paris, 75014, France
Société pour le Développement du Tabac en Afrique S.A.S.	France	Purchasing company 122 Avenue Charles de Gaulle, Neuilly sur Seine, 92200, France
System Designed to Africa Sarl	Morocco	Distribution of tobacco products Km 17, Route national de Rabat, Ain Harrouda, Morocco
Tabacalera de Garcia Limited	Bermuda	Holding investments in subsidiary companies Claredon House, 2 Church Street, Hamilton, HM 11 Bermuda
Tahiti Tabacs SASU	France, Papeete (Tahiti)	Distribution of tobacco products in Denmark and Greenland PK 4, 300 Côté mer, 98701 Arue, BP 20692 Papeete, French Polynesia
Tobaccor S.A.S. (v)	France	Holding investments in subsidiary companies 122 Avenue Charles de Gaulle, Neuilly sur Seine, 92200, France
Tobačna 3DVA, trgovsko podjetje, d.o.o.	Slovenia	Retail of products in Slovenia Cesta 24., junija 90, SI 1231 Ljubljana – Črnuče, Slovenia
Tobačna Grosist d.o.o.	Slovenia	Marketing and distribution in Slovenia Cesta 24., junija 90, SI 1231 Ljubljana – Črnuče, Slovenia
Tobačna Ljubljana d.o.o. (v)	Slovenia	Sales and marketing tobacco products in Slovenia Cesta 24., junija 90, SI 1231 Ljubljana – Črnuče, Slovenia
Van Nelle Tabak Nederland B.V. (x)	The Netherlands	Manufacture and sale of tobacco products in the Netherlands Slachtedijk 28a, 8501 ZA, Joure, Netherlands
Van Nelle Tobacco International Holdings B.V.	The Netherlands	Sale of tobacco and tobacco related products Slachtedijk 28a, 8501 ZA, Joure, Netherlands
Von Erl. Gmbh (i)	Austria	Sale of e-vapour products in the US and Europe Hegelgasse 13/26, 1010 Vienna, Austria

NOTES TO THE FINANCIAL STATEMENTS OF IMPERIAL BRANDS PLC *continued*

SUBSIDIARIES: INCORPORATED OVERSEAS, PARTLY OWNED

Name	Country of incorporation	Principal activity and registered address	Percentage owned
Be To Be Pharma, S.L.U	Spain	Distribution of pharmaceuticals C/ Trigo, 39 – Polígono Industrial Polvoranca, Leganés, Madrid, 28914, Spain	50.0
Carbo Collbatalle, S.L.U.	Spain	Transportation of food at a controlled temperature Zona Franca, Sector E, Calle L, No 6-8. 08040 Barcelona, Spain	50.0
CDIL – Companhia de Distribuicao Integral Logista Portugal, SA.	Portugal	Marketing and sale of tobacco and other products, and payment services in Portugal Edificio Logista, Rua do Vale da Fote Coberta, 153 E 167, 2890-182, Alcochete, Portugal	50.0
Compagnie Agricole et Industrielle des Tabacs Africains S.A.S.	France	Management company 143 bd Romain Rolland, Cedex 14, Paris, 75685, France	99.9
Compagnie Réunionnaise des Tabacs S.A.S.	France, St Pierre (La Reunion Island)	Manufacture of cigarettes ZI n° 2 – BP 256 – 97457 Saint Pierre Cedex, La Reunion	98.9
Compañía de Distribución Integral de Publicaciones Logista S.L.U. (iv)	Spain	Distribution of published materials and other products Avenida de Europa No.2, Edificio Alcor Plaza/Ala Este Planta 4a – Modulo 3, Alcorcor, Madrid, 28922, Spain	50.0
Compañía de Distribución Integral Logista Holdings, S.A. (iii)	Spain	Holding investments in subsidiary companies C/ Trigo, 39 – Polígono Industrial Polvoranca, Leganés, Madrid, 28914, Spain	50.0
Compañía de Distribución Integral Logista Polska, sp. Z o.o.	Poland	Distribution of tobacco products in Poland Avenida Jerozolimskie 96 – 7ª Planta, Edificio Equator II 133/131, 02-304 Warsaw, Poland	50.0
Compañía de Distribución Integral Logista S.A.U.	Spain	Distribution of tobacco products in Spain C/ Trigo, 39 – Polígono Industrial Polvoranca, Leganés, Madrid, 28914, Spain	50.0
Distribuidora Valenciana de Ediciones S.A.U.	Spain	Distribution of published materials and other products in Valencia Pedrapiquers 5, Polígono Industrial Vara de Quart, Valencia, 46014, Spain	50.0
Dronas 2002, S.L.U.	Spain	Industrial parcel and express delivery service Energía, 25-29; Polígono Industrial Nordeste, Sant Andreu de la Barca, Barcelona, 08740, Spain	50.0
Gamma Farmaceutici S.r.l	Italy	The Logistic, storage and distribution throughout the Italian territory of pharmaceutical, cosmetics and sanitary products Via della Mola Saracena snc, 00065, Fiano Romano, Rome, Italy	50.0
Imperial Tobacco TKS a.d. (i)	Macedonia	Manufacture, marketing and distribution of tobacco products in Macedonia ul 11, Oktomvri 125, P O Box 37, 1000 Skopje, Macedonia	99.1
Imperial Tobacco TKS a.d. – Dege Kosove	Kosovo	Manufacture, marketing and distribution of tobacco products in Kosovo Rrafshi i Kosoves, Nr. 80 (Magjistralsa M2: Prishtine-Shkup, km i 2-te Vetermik) Prishtine, Republic of Kosovo	99.1
Imprimerie Industrielle Ivoirienne SA (i)	Cote D'Ivoire	Printing company Zone Industrielle du Banco, Lots No 147-149-150, 01 BP 4124, Yopougon/Abdjan, Cote d'Ivoire	78.8
La Mancha 2000, S.A., Sociedad Unipersonal	Spain	Distribution services Trigo 39, Poligno Industrial Polvoranca – 28914 Leganes, Madrid, Spain	50.0
Logesta Deutschland GmbH, Sociedad Unipersonal	Germany	Long haul transportation in Germany Pilotystrasse, 4, 80538 München, Germany	50.0
Logista France Holding S.A.	France	Holding investments in subsidiary companies Inmeuble Le Bristol, 27 Avenue des Murs du Parc, 94300 Vincennes, France	50.0
Logista France S.A.S.	France	Holding investments in subsidiary companies Inmeuble Le Bristol, 27 Avenue des Murs du Parc, 94300 Vincennes, France	50.0
Logesta Freight France Sarl	France	Long haul transportation in France Inmeuble Le Bristol, 27 Avenue des Murs du Parc, 94300 Vincennes, France	50.0
Logesta Lusa LDA	Portugal	Long haul transportation in Portugal Edificio Logista, Rua do Vale da Fonte Coberta, 153 E 167, 2890-182, Alcochete, Portugal	50.0
Logista Freight Italia S.R.L	Italy	Long haul transportation in Italy Via Valadier, 37 – 00193 Roma, Italy	50.0

Name	Country of incorporation	Principal activity and registered address	Percentage owned
Logista Freight Polska S.r.l.	Poland	Long haul transportation in Poland Av. Jerozolimskie 96 – 7 ^a Planta Edificio Equator II, Varsovia, Poland	50.0
Logista Freight, S.A.U	Spain	Long haul transportation services in Spain C/ Trigo, 39 – Polígono Industrial Polvoranca, Leganés, Madrid, 28914, Spain	50.0
Logista Italia Spa	Italy	Long haul transportation in Italy Via Valadier, 37 – 00193 Roma, Italy	50.0
Logista Payments, SL	Spain	Provision of financial services C/ Trigo, 39 – Polígono Industrial Polvoranca, Leganés, Madrid, 28914, Spain	50.0
Logista Pharma S.A.U.	Spain	Distribution of pharmaceuticals C/ Trigo Núm. 39 – Polígono Industrial Polvoranca, Leganés, Madrid, 28914, Spain	50.0
Logista Pharma Canarias, S.A.U.	Spain	Pharmaceutical products logistics in Canary Islands C/ Entrerios Nave 3, Las Palmas de Gran Canaria, 35600, Spain	50.0
Logista Promotion et Transport S.A.S.	France	Marketing and distribution of tobacco products in France Immeuble Le Bristol, 27 Avenue des Murs du Parc, 94300 Vincennes, France	50.0
Logista Regional de Publicaciones, S.A.U.	Spain	Marketing, distribution and sale to points of sale in Spain. Avenida de Europa No.2, Edificio Alcor Plaza/Ala Este Planta 4a – Modulo 3, Alcorcor, Madrid, 28922, Spain	50.0
Logista Retail France S.A.S.	France	Long haul transportation in France Immeuble Le Bristol, 27 Avenue des Murs du Parc, 94300 Vincennes, France	50.0
Logista Retail Italia S.P.A	Italy	Wholesale to tobacconists in Italy Via Valadier, 37 – 00193 Roma, Italy	50.0
Logista Retail S.A.U	Spain	Sale of tobacco products in Spain C/ Trigo, 39 – Polígono Industrial Polvoranca, Leganés, Madrid, 28914, Spain	50.0
Logista Strator, SLU	Spain	Distribution of POS software C/ Trigo, 39 – Polígono Industrial Polvoranca, Leganés, Madrid, 28914, Spain	50.0
Logista Transport Europe B.V.	The Netherlands	Holding Company Wijkermeerstaat 31. 2131 HB, Hoofddorp, The Netherlands	50.0
Logista, Transportes, Transitários e Pharma, Lda.	Portugal	Industrial parcel delivery and pharmaceutical distribution in Portugal Edificio Logista, Rua do Vale da Fonte Coberta, 153 E 167, 2890-182 Alcochete, Portugal	50.0
MABUCIG Industries SA	Burkina Faso	Manufacture of cigarettes in Burkina Faso No 55, Rue 19.14, , B.P. 94, Kodení, – Bobo Dioulasso, Burkina Faso	72.7
MABUCIG SA (Manufacture Burkinabe de Cigarette)	Burkina Faso	Manufacture of cigarettes in Burkina Faso Zone Industrielle de Bobo-Dioulasso, Secteur No 19, Rue 19.14 No adressage 55, B.P. 94 – Bobo Dioulasso, Burkina Faso	72.7
Macotab SAS (Manufacture Corse des Tabacs)	France, Bastia	Manufacture and sales of cigarettes Route Nationale 193, Furiani, 20600, France	99.9
Manufacture de Cigarettes du Tchad SA	Tchad	Manufacture and distribution of cigarettes in Chad 0502 rue 1039, Arrondissement 1, N'DJamena, Chad	95.0
Midsid – Sociedade Portuguesa de Distribuição, S.A.U	Portugal	Wholesale of tobacco and other products Edificio Logista, Pracetta do Vale Da Fonte, Coberta 153/167, Freguesia de Alcochete, Portugal	50.0
MTOA SA (i)	Senegal	Manufacture and sales of cigarettes in Senegal Km 2-5 Bld du Centenaire de la commune de Dakar, Dakar, Senegal	98.3
Publicaciones y Libros SA	Spain	Publishing company Avenida de Europa No.2, Edificio Alcor Plaza/Ala Este Planta 4a – Modulo 3, Alcorcor, Madrid, 28922, Spain	50.0
Reemtsma Kyrgyzstan OJSC (i)	Kyrgyzstan	In liquidation 115, Ibraimov Str., 10th Floor, Business Center "Asyl-Tash", Bishkek, Kyrgyzstan	99.7
S3T Pte Ltd (i)	Singapore	Holding investments in subsidiary companies 80 Robinson Road, #02-00, 068898, Singapore	51.0
SACIMEM SA (i)	Madagascar	Manufacture of cigarettes in Madagascar 110 Antsirabe – Madagascar, Route d'Ambositra, BP 128, Madagascar	65.4
SITAB Industries SA (i)	Cote D'Ivoire	Manufacture of cigarettes in Cote D'Ivoire Rue de l'Industrie – Lot No 19, 01 – BP 607, Bouake, Cote d'Ivoire	75.9

NOTES TO THE FINANCIAL STATEMENTS OF IMPERIAL BRANDS PLC *continued*

Name	Country of incorporation	Principal activity and registered address	Percentage owned
SITAR Holding SAS	France (La Reunion Island)	Holding investments in subsidiary companies Z.I n2, B.P. 256, 97457 Saint Pierre, Ile de la Reunion, France	99.0
Société Africaine d'Impression Industrielle SA (i)	Senegal	Manufacture and distribution of cigarettes in Senegal route de Bel Air – Km 2200, Dakar, Senegal	99.8
Société des Cigarettes Gabonaises SA (i)	Gabon	In liquidation 2381 bld Léon MBA, BP 2175, Libreville, Gabon	87.8
Société Industrielle et Agricole du Tabac Tropical SA (i)	Congo	Manufacture and distribution of cigarettes in Congo Avenue de la Pointe Hollandaise, Mpila, BP 50, Brazzaville, Congo	89.7
Société Ivoirienne des Tabacs SA (i) (iii)	Cote D'Ivoire	Manufacture and distribution of cigarettes in Côte d'Ivoire Cocody-Nord, Quartier Gendarmerie, TF 5937, 01 B.P. 724 Abidjan	74.9
Société Marocaine des Tabacs SA	Morocco	Manufacture and distribution of cigarettes in Morocco 87 Rue Hamed El Figuigui, Casablanca, 20500, Morocco	99.9
SOCTAM SA (i)	Madagascar	Manufacture and distribution of cigarettes in Mali 15 Rue Geoges V, Mahajanga, Madagascar	50.5
SOTCHADIS SAS	Chad	Non-trading 502 Rue 1039, BP 852, N'Djamena, Chad	95.0
Transportes J. Carbo Guijuelo, S.L.U.	Spain	Transportation of food at a controlled temperature Calle De la Sierra Ventosa, Parcela 38, Pologono Industrial Agroalimentario de Guijuelo. 37000, Salamanca	50.0

ASSOCIATES: INCORPORATED OVERSEAS

Name	Country of incorporation	Principal activity and registered address	Percentage owned
24 Hours B.V	The Netherlands	Courier express sector Wijkmeesterstraat 31, 2131 HB, Hoofddorp, The Netherlands	35.01
Albacetrans, S.L.U	Spain	Freight forwarding company Poligono Industrial Campollano, Avenida Sexta, 0.02007 Albacete, Spain	36.6
Alcome S.A.S.	France	Waste management 88 avenue des Ternes, Paris, 75017, France	24.0
Azur Finances SA	Cameroon	Holding investments in subsidiary companies B.P 1105, Douala, Cameroon	20.0
Compañía Española de Tabaco en Rama SA (Cetarsa) (i)	Spain	Production and sale of raw tobacco Avenida de las Angustias, 20, 10300 Navalmodal de la Mata, Cáceres, Spain	20.8
Distribuidora de Ediciones SADE, S.A	Spain	Distribution of published materials and other products in Spain Calle B, esquina calle 4, s/n. Sector B, Poligono Industrial Zona Franca, 08040 Barcelona, Spain	35.0
Distribuidora de Publicaciones del Sur, S.A.	Spain	Distribution of published materials and other products Poligno Industrial Pineda, Carretera De Cadiz A, Dos Hermanas KM.547, Nave B, Sevilla, 41014, Spain	25.0
Distribución de Publicaciones Siglo XXI, Guadalajara	Spain	Distribution of published materials and other products in Spain Francisco Medina y Mendoza, 2, 19171 Cabanillas del Campo, Guadalajara, Spain	40.0
Entreprises des Tabacs en Guinée (i)	Guinée Conakry	Dormant B.P 3391, Conakry, Guinea	34.0
German-Ex B.V.	The Netherlands	Courier express sector Wijkmeesterstraat 31, 2131 HB, Hoofddorp, The Netherlands	35.0
Herinvemol, S.L.	Spain	Freight forwarding company Carretera De Madrid, KM. 276. 30500 Molina De Segura (Murcia), Spain	36.6
Innoreste, S.L.U	Spain	Freight forwarding company Carretera De Madrid-Cartegena, KM. 376. 30500 Molina de Segura (Murcia), Spain	36.6
Lao Tobacco Limited	Laos	Manufacture and distribution of cigarettes in Laos KM 8, Thadeua Road, P O Box 181, Vientiane, Lao People's Democratic Republic	43.7
Logista Libros SL	Spain	Distribution of books Avda. Castilla La Mancha, 2 – Naves 3-4 del Polígono Industrial La Quinta, Cabanillas del Campo, Guadalajara, Spain	25.0
Mosca China Logistics Ltd	China	Freight forwarding company 603, no.32, Hong Kong Road, Nanfang district, Qingdao city	30.0
Mosca Italia, Srl	Italy	Transport activities Via Luigi Canepa 13, 16165, Genova, Italy	36.6
Mosca Maritimo Baleares, S.L.	Spain	Freight forwarding company Carretera De Madrid, S/N. 30500 Molina de Segura (Murcia), Spain	36.6

Name	Country of incorporation	Principal activity and registered address	Percentage owned
Mosca Maritimo, S.L.U.	Spain	Freight forwarding company Carretera De Madrid, S/N. 30500 Molina de Segura (Murcia), Spain	36.6
Mosca Portugal, Lda	Portugal	Freight forwarding company Santa Iria, Na Avenida Casal SA Serra No 9, Portugal	36.6
Ordimur, S.L.U.	Spain	Freight forwarding company Calle Argentina, Margen Izquierda, Poligono Industrial La Serreta, 30500 Molina de Segura, Murcia, Spain	36.6
Promotion et Distribution a Madagascar (i)	Madagascar	Distribution of cigarettes in Madagascar Tour ZITAL Ankorondrano, Antananarivo, Madagascar	33.4
SITABAC S.A	Cameroon	Manufacture and distribution of tobacco products in Cameroon 113 Rue Kitchener, 1067 Bonanjo, Douala, Cameroon	34.5
Sociedad Anonima Distribuidora De Ediciones	Spain	Publications distribution Calle B, esquina calle 4, s/n. Sector B, Polígono Industrial Zona Franca, 08040 Barcelona, Spain	35.0
Société Internationale des Tabacs Malgaches (i)	Madagascar	Leaf processing BP 270, 401 Mahajanga, Madagascar	47.9
Société Nationale des Tabacs et Allumettes du Mali SA (i)	Mali	Manufacture and distribution of cigarettes in Mali Route Sotuba – Z.I., BP 59, Bamako, Mali	28.0
Speedlink Worldwide Express B.V.	The Netherlands	Courier express sector Wijkermeerstraat 31, 2131 HB, Hoofddorp, The Netherlands	35.0
Transportes El Mosca Murcia, S.A.U.	Spain	Freight forwarding company Carretera Madrid-Cartagena, KM. 376.30500, Molina de Segura (Murcia), Spain	36.6
Transportes El Mosca, S.A.U.	Spain	Freight forwarding company Carretera Madrid-Cartagena, KM. 376.30500, Molina de Segura (Murcia), Spain	36.6

JOINT VENTURES: INCORPORATED OVERSEAS

Name	Country of incorporation	Principal activity and registered address	Percentage owned
Global Horizon Ventures Limited	Hong Kong	Sales and marketing of cigarettes in Asia Room 3907-08, 39th Floor, Hopewell Centre, 183 Queens Road East, Wanchai, Hong Kong	50.0
Intertab SA (i)	Switzerland	Holding investments in subsidiary companies Société Fiduciaire Suisse-Coopers & Lybrand S.A., Route de la Glâne 107, Villars-sur-Glâne, 1752, Switzerland	50.0
West Tobacco Pte Ltd (i)	Singapore	Dormant 1 Harbourfront Avenue #14-07, Keppel Bay Tower, 098632 Singapore	50.0

NOTES TO THE FINANCIAL STATEMENTS OF IMPERIAL BRANDS PLC *continued***PARTNERSHIPS**

The Group also owns the following partnerships:

Name	Country	Principal activity, registered address and principal place of business
Fabrica de Tabacos La Flor de Copan S de R.L. de CV	Honduras	Holding investments in subsidiary companies Registered address and principal place of business: Apartado Postal 209, Colonia Mejia-García, Santa Rosa de Copán, Honduras
Imperial Tobacco (Efka) GmbH & Co. KG	Germany	Manufacture of tubs in Germany Registered address and principal place of business: Behrinstrasse 122 A., Hamburg, 22763, Germany
Imperial Tobacco Kazakhstan LLP (i)	Kazakhstan	Marketing and distribution of tobacco products in Kazakhstan Registered address and principal place of business: 3rd Floor, Prime Business Park, 100/2 Nursultan Nazarbayev Avenue, Medeuskiy District, Almaty, 050000, Kazakhstan
ITG Brands Holdpartner LP	United States of America	Marketing and sale of tobacco products in United States of America Registered address and principal place of business: 714 Green Valley Road, Greensboro, NC27408, United States of America

The subsidiaries listed were held throughout the year and the consolidated Group financial statements include all the subsidiary undertakings identified. All dormant UK entities have taken the exemption available to not have an audit of their financial statements.

Unless otherwise stated the entities are unlisted, have 1 type of ordinary share capital and a reporting period ending on 30 September each year.

- (i) December year end
- (ii) March year end
- (iii) Listed entity
- (iv) Holding of one type of ordinary share only (where more than one type of share is authorised/in issue). Only applicable to partly owned entities. Percentage ownership is shown in the tables above.
- (v) Holding of two types of ordinary share (where more than one type of ordinary share is authorised/in issue). Only applicable to 100% owned subsidiaries.
- (vi) Holding of preference shares only
- (vii) Holding of ordinary and preference shares
- (viii) Holding of ordinary and redeemable shares
- (ix) Holding of ordinary and deferred shares
- (x) Holding of two types of ordinary share and redeemable shares

The percentage of issued share capital held by the immediate parent and the effective voting rights of the Group are the same except for Imperial Tobacco Italia Srl where the entire share capital, and therefore 100% of the voting rights, are held by a number of Group companies.

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR AND DIVIDENDS

Half year results are expected to be announced in May 2024 and the Full year results in November 2024.

The Annual General Meeting of the Company will be held on Wednesday 31 January 2024 at 9.30am at the Bristol Marriott Royal Hotel, College Green Bristol, BS1 5TA. The Notice of Meeting and explanatory notes about the resolutions to be proposed are set out in the circular enclosed with this Report.

Dividends are generally paid at the end of March, June, September and December. Payment of the 2023 final dividend, if approved, will be on 28 March 2024 to shareholders on the Register of Members at the close of business on 16 February 2024. The associated ex-dividend date will be 15 February 2024.

SHARE DEALING SERVICE

Our Registrars offer Shareview Dealing, a service which allows you to buy or sell Imperial Brands PLC ordinary shares if you are a UK resident. You can deal on the internet or by phone. Log on to www.shareview.co.uk/dealing or call them on 03456 037 037 between

8am and 4.30pm Monday to Friday for more information about this service. If you wish to sell your Imperial Brands PLC ordinary shares, you will need your shareholder reference number, which you can find on your share certificate.

INDIVIDUAL SAVINGS ACCOUNT

Investors in Imperial Brands PLC ordinary shares may take advantage of a low-cost Individual Savings Account (ISA) and Investment Account where they can hold their Imperial Brands PLC ordinary shares electronically. The ISA and Investment Account are operated by Equiniti Financial Services Limited.

For further information please go to www.shareview.co.uk/dealing or call Equiniti on 0345 0700 720.

DIVIDEND REINVESTMENT PLAN

Imperial Brands PLC has set up a dividend reinvestment plan (DRIP) to enable shareholders to use their cash dividend to buy further Imperial Brands PLC ordinary shares in the market. Further information can be obtained from Equiniti on 0371 384 2037 (+44 371 384 2037 if calling from outside the UK) or online at www.shareview.co.uk.

AMERICAN DEPOSITARY RECEIPT FACILITY

Imperial Brands PLC ordinary shares are traded on the OTCQX International Premier platform in the form of American Depositary Shares (ADSs) using the symbol 'IMBBY'. The ADS facility is administered by J.P. Morgan Chase, N.A. and enquiries should be directed to them at the address shown below.

WEBSITE

Information on Imperial Brands PLC is available on our website: www.imperialbrandspc.com.

Equiniti also offers a range of shareholder information online. You can access information on your holdings, indicative share prices and dividend details and find practical help on transferring shares or updating your details at: www.shareview.co.uk.

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+44 (0)371 384 2255* text phone for shareholders with hearing difficulties

* Lines are open 8.30am to 5.30pm, Monday to Friday excluding public holidays in England and Wales.

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EQ Shareowner Services
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St. Paul, MN 55164-0504

Toll-free number inside USA:
+1-800-990-1135*

From outside the USA:
+1 651-453-2128*

Online:

Visit: www.shareowneronline.com, then scroll down to 'Contact Us' information.

For more contacts visit:

<https://adr.com/contact/jpmorgan>

* Lines are open Monday to Friday 7am to 7pm (Central Time US).

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CAUTIONARY STATEMENT

Certain statements in this report constitute or may constitute forward-looking statements. Any statement in this report that is not a statement of historical fact including, without limitation, those regarding the Company's future expectations, operations, financial performance, financial condition and business is or may be a forward-looking statement. Such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those projected or implied in any forward-looking statement. These risks and uncertainties include, among other

factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this report. As a result, you are cautioned not to place any reliance on such forward-looking statements. The forward-looking statements reflect knowledge and information available at the date of this report and the Company undertakes no obligation to update its view of such risks and uncertainties or to update the forward-looking statements contained herein. Nothing in this report should be construed as a profit forecast or profit estimate and no statement in this report should be

interpreted to mean that the future earnings per share of the Company for current or future financial years will necessarily match or exceed the historical or published earnings per share of the Company. This report has been prepared for, and only for the members of the Company, as a body, and no other persons. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this report is shown or into whose hands it may come, and any such responsibility or liability is expressly disclaimed.



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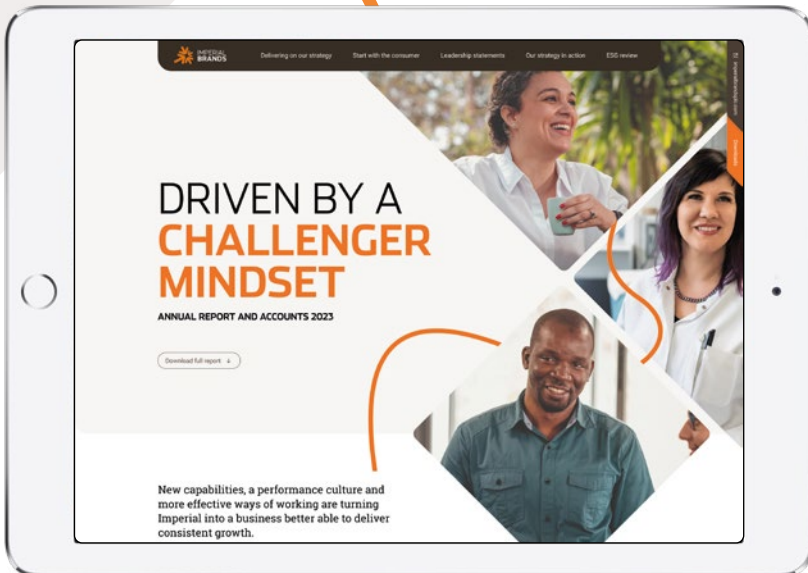
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