GOVERNANCE

STRUCTURE AND CONTENT OF THE GOVERNANCE REPORT

Governance at a Glance	112
Chair's Introduction	114
Board Leadership	116
Section 172	126
Board Statements	128
People and Governance Committee	129
Audit Committee	134
Remuneration Report	142
Directors' Report	164
Directors' statement	168

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*	3
American	2
German	1
French	1
Italian*	1
Swiss	1
Nigerian	1
Austrian	1

* 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 S172 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

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.imperialbrandsplc.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.

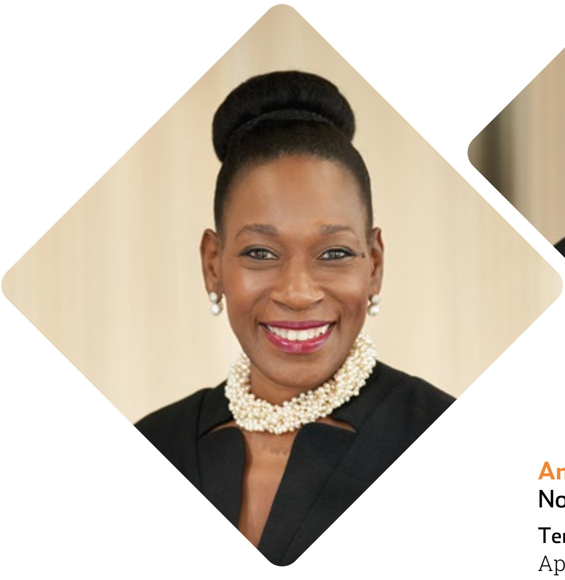
Nationality
French

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 Ⓐ Ⓟ

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 Ⓐ Ⓟ

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 Ⓐ Ⓟ

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 P R

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 Altagamma, the Italian luxury goods association.

Jon Stanton
Non-Executive Director A P R

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
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. See pages 16 to 23 for an overview of our strategic pillars.	The Board reviewed financial, operational and safety performance during the year, including full-year delivery against plan and options for shareholder distributions. 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. See pages 84 to 99 for the Operating and Financial Reviews.
Stakeholders: employees, consumers, suppliers, customers, investors, regulators	**Stakeholders:** employees, consumers, suppliers, customers, investors, regulators
S172(1) factors: a, b, c, d, e, f	**S172(1) factors: a, b, c, d, e, f**

See page 126 for definitions of S172 factors.

People	Governance
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. 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. Andrew Gilchrist's appointment to the Board was announced in February 2023, with the appointment taking effect from 1 March 2023. For further information, please see the People and Governance Committee report at pages 129 to 133.	Under the leadership of the Chair and the People and Governance Committee, an externally-facilitated evaluation of the Board was conducted in 2023. 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. For further information on the Board evaluation, please see page 133.
Stakeholders: employees, investors, regulators	**Stakeholders:** employees, investors
S172(1) factors: a, b, c, d, e, f	**S172(1) factors: a, b, c, d, e, f**

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)	• FY22 Performance • GCO	• 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)	• Performance • Strategic progress • Global Supply Chain • NGP • AGM	• 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)	• Europe regional review • Cluster review • German market engagement • Risk	• 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)	• Performance • US regional review • Digital Transformation • Future strategic planning	• 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)	• AAACE regional review	• 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)	• Performance • Corporate Affairs	• 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)	• Performance • Business plan • Capital allocation • Risk	• 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	• "Meet the Board" session • Office drinks • Dinner with local management • Factory tour
May 2023 UK	• Dinner with cross-business talent
June 2023 Morocco	• "Meet the Board" session • Employee reception • Dinner with local and regional management
September 2023 UK	• "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

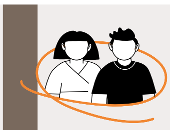
Examples of decisions taken by the Board and how stakeholder views and inputs, as well as s. 172(1) factors , have been considered in its decision-making are shown on the following pages.

Key stakeholders

- Consumers
- Customers
- Governments and regulators
- Colleagues
- Suppliers
- Investors

BOARD DECISION-MAKING AND STAKEHOLDER CONSIDERATIONS

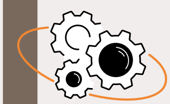
Board meetings provide the opportunity for the Directors to discharge their duties under Section 172, considering stakeholders as part of their deliberations and decision-making.



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.

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.

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.

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

STRUCTURE AND CONTENT OF THE PEOPLE AND GOVERNANCE COMMITTEE REPORT

People and Governance Committee Chair's overview	129
Role of the People and Governance Committee	129
About the People and Governance Committee	130
People and Governance Committee activities in 2022/23	130
Board diversity	130
Senior management gender balance	131
Board appointments and independence	131
Board evaluation	133

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.

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.

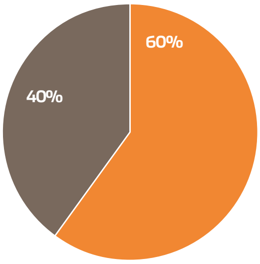
The Board currently has two Directors who identify as being from an ethnic minority background, meeting the Parker Review's current recommendation of at least one Director. Two members of our Executive Leadership Team identify as being from an ethnic minority background.

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.

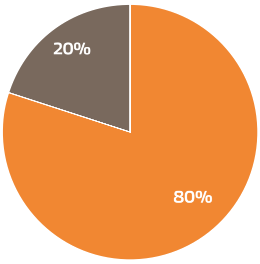
See pages 67 to 69 for more information about our DEI agenda.

Board gender balance as at 30 September 2023



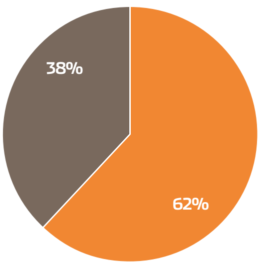
Male	60%
Female	40%

Board ethnicity as at 30 September 2023



Non-ethnic minority background	80%
Ethnic minority background	20%

Senior management[1] and direct reports gender balance as at 30 September 2023



Male	62%
Female	38%

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	• 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.	• 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.	• 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:

Planning	Briefing	Evaluation	Reporting	Review	Actions
People and Governance Committee agrees evaluation provider, following detailed consideration.	IBE reflects on feedback from 2021 review to inform thinking on key focus areas for the evaluation. IBE discusses evaluation process with Chair.	IBE defines the scope of the review, attends Board and Committee meetings and interviews individual directors and non-Board contributors.	IBE benchmarks against best practice standards of corporate governance and other boards. Discusses draft reports with Chair, Committee Chairs and Senior Independent Director (SID).	Final evaluation reports discussed by the Board and its Committees, with Chair giving individual feedback to each Director and the SID facilitating the Board's feedback to the Chair.	Board and Committees agree actions to take forward. Actions then implemented and monitored over the year.

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

STRUCTURE AND CONTENT OF THE AUDIT COMMITTEE REPORT

Audit Committee Chair's overview	134
Role of the Audit Committee	135
About the Audit Committee	135
Audit Committee's activities in 2022/23	136
Key matters considered	137
Governance, risk management and internal control	140
Internal audit	140
External audit	140
Directors' statement	141

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

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

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	• 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	• 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	• 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	• Group Treasury update, including risk management • Tax review including strategy confirmation • Logista review
Governance, risk and control	• 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
Use of alternative performance measures 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.	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.	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.
	No restructuring costs associated with the 2021 strategic review were recognised in FY23, as previously agreed by the Committee.	No action required.
	Production changes at the Company's Kyiv factory were considered as an adjusting item and discussed by the Audit Committee.	Its treatment in this way was consistent with that of sector peers and considered appropriate.
	The Audit Committee discussed with management and EY the fair value adjustment and impairment of other financial assets.	Approved.
Segmental reporting 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.	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. 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.	The FY23 full year figures are presented on the same revised basis, also including a restatement of the comparatives, and were similarly reviewed.

Focus area and why it is significant	How we as an Audit Committee addressed this area	Outcomes
Goodwill and intangible asset impairment reviews **(See note 11 to the financial statements for further information)** Goodwill and intangible assets form a major part of the Group's balance sheet, and their current valuations must be supported by future prospects.	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. In addition, CGUGs were reviewed in connection with the Group reorganisation of the Central and Eastern Europe cluster into the newly constituted AAACE division. The Audit Committee also considered detailed reporting from, and held discussions with, the external auditor.	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. 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.
Taxation (See notes 7 and 22 to the financial statements for further information) 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. 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.	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. 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.	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. 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.
Litigation matters and competition investigations 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.	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.	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.

Focus area and why it is significant	How we as an Audit Committee addressed this area	Outcomes
Going concern and viability statement 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.	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. 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.	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. 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.
Revenue recognition 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.	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.	The Audit Committee is satisfied that the Group's policy was operating effectively. No breaches were found during the year.
Fair, balanced and understandable 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.	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. 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.	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.

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.imperialbrandsplc.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:

Annual Statement	142
Remuneration at a glance	146
Directors' Remuneration Policy	147
Pay arrangements for FY24	153
Annual Report on Remuneration	154
Remuneration earned for FY23	154
Determination of 2023 Annual Bonus	155
Executive share ownership and Directors' interests	157
Comparison with employees' remuneration	159
CEO pay ratio	160
Remuneration Committee membership and duties	162

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 CO_2 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 CO_2 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

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				◆

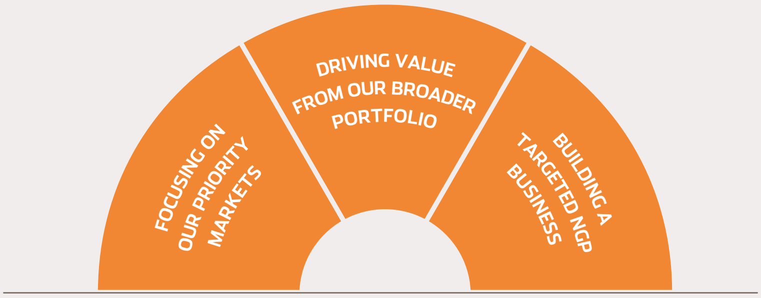
REMUNERATION AT A GLANCE

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 performance[1]

Annual Bonus:
- Adjusted operating profit (40%)
- Adjusted operating cash conversion (15%)
- Market share growth (15%)
- Strategic/individual (20%)
- Consumer health – NGP (10%)

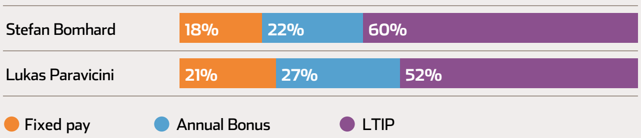
LTIP:
- Adjusted EPS growth (40%)
- Return on invested capital (15%)
- Cumulative free cash flow (15%)
- Relative TSR (20%)
- Climate change (10%)

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



(£,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
Salary Attract and retain high-performing individuals, reflecting market value of the role and the Executive Director's skills, experience and performance.	**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. **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.
Pension Provision of market-competitive pension aligned to workforce.	**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. **Maximum opportunity** The maximum pension contribution or allowance for Executive Directors will be aligned with the workforce (currently 14% of salary).
Benefits Competitive benefits taking into account market value of role and benefits across the workforce.	**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. **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.

Element & purpose	Operation & opportunity
Annual Bonus plan Incentivise delivery of Group strategic objectives and enhance performance.	**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. 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. 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. 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. These awards are forfeitable if the Executive Director resigns voluntarily or is dismissed for cause. 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. Malus and clawback provisions are in place. The deferred shares are not subject to performance conditions. **Maximum opportunity** 200% of base salary.
Long-Term Incentive Plan Incentivise long-term Group performance in line with the Group's strategic objectives. Align Executive Directors' interests with those of shareholders.	**Operation** Awards normally have a performance period of three financial years. 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. Malus and clawback provisions are in place. 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. **Maximum opportunity** Chief Executive Officer: 350% of base salary. Other Executive Directors: 250% of base salary. LTIP awards may include additional shares (or, exceptionally, cash) equivalent to the value of the dividend roll-up, and which may assume dividend reinvestment.
All-employee arrangements Provision of market-competitive arrangements aligned to workforce.	**Operation** Executive Directors may participate in any all-employee arrangements established and operated by the Company, on the same basis as other Group employees. The Company currently operates a Sharesave Plan for the benefit of its worldwide employees, and in which Executive Directors are eligible to participate. **Maximum opportunity** In accordance with the limits applicable to the relevant all-employee arrangements.
Shareholding guideline Align Executive Directors' interests with long-term interests of shareholders.	**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. Progress towards the shareholding guidelines is monitored on an annual basis and the Remuneration Committee will consider any necessary sanctions required for non-compliance. **Maximum opportunity** No maximum holding but requirement to build to a minimum value broadly equivalent to 300% of gross base salary.

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.

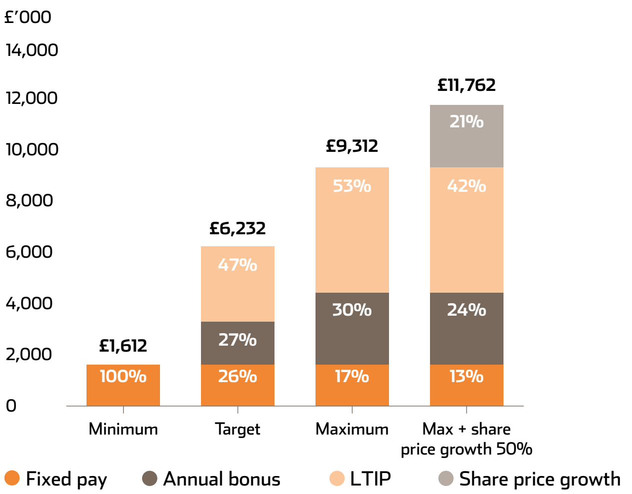
All managers are eligible to participate in an Annual Bonus plan with similar metrics to those used for the Executive Directors.

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.

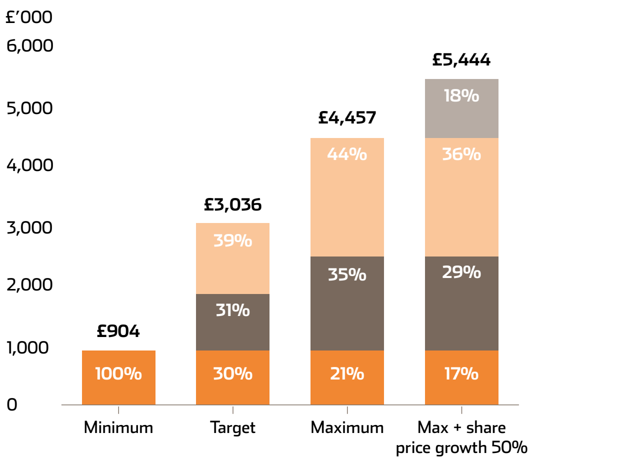
Retirement benefit, typically in the form of a pension, is provided based on local market practice. Other benefits provided reflect local market practice and legislation.

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
Fees Attract and retain high performing individuals.	**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. **Maximum opportunity** No prescribed maximum annual increase. Aggregate annual fees limited by Articles of Association (currently £2.0 million).
Benefits Reimbursement of business-related expenses.	**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. **Maximum opportunity** Grossed-up costs.

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.

	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

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%.

Annual Bonus
Maximum opportunity is 200% of base salary.

50% deferred into an award of shares for three years, which is forfeitable if the Executive Director resigns voluntarily or is dismissed for cause. Malus and clawback provisions will apply.

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%.

No change to maximum opportunity

Measures and weightings:

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%

Underlying targets are commercially sensitive and will be fully disclosed in next year's Annual Report.

LTIP
Maximum award size: CEO: 350% of base salary, CFO 250% of base salary.

Awards have a performance period of three financial years starting at the beginning of the financial year in which the award is made.

Malus and clawback provisions are in place.

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.

Should the Company be acquired the performance period would end on the date of acquisition. Any outstanding awards would vest on a time-prorated basis subject to the achievement of the applicable performance criteria.

No change to maximum opportunity.

Measures, weightings and targets:

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%

Cut in would deliver a 25% pay out of maximum.

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
Stefan Bomhard	**2023**	**1,340**	**16**	**188**	**1,544**	**1,919**	**5,138**	**–**	**7,057**	**8,601**
	2022	1,301	17	182	1,500	2,185	1,747	–	3,932	5,432
Lukas Paravicini	**2023**	**752**	**4**	**105**	**861**	**1,062**	**2,099**	**–**	**3,161**	**4,022**
	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.

	Fees £'000		Taxable benefits[1]		Total	
Non-Executive Directors	**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
Stefan Bomhard	• Build a targeted NGP business (5%)	• 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.
	• Lead transformation program (5%)	• 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	• Continued Company transformation (5%)	• 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.
	• Drive shareholder value (5%)	• Global IT and UNIFY capes 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:

	Total Annual Bonus £'000	
Executive Directors	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:

		Minimum performance (25% vesting)	Maximum performance (100% vesting)
Measure	Weight	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)

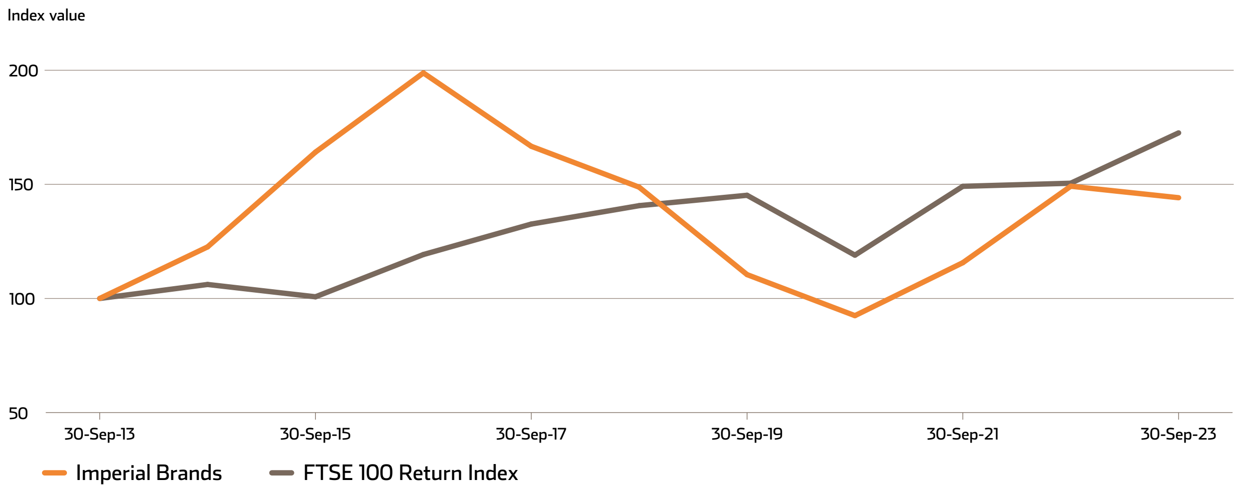
	Shares held at start of year[1]	Shares held at end of year[1,2]	Increase in shares held during year	Value of shares held at start of year[3] £'000	Value of shares held at end of year[4] £'000	Difference in value £'000	Shareholding required (% salary)	Current shareholding (% salary/fees)	Requirement met[5,6]
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

1. 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.
2. Or date of leaving if earlier.
3. Based on a share price of £18.55, being the closing price on 30 September 2022.
4. Based on a share price of £16.67, being the closing price on 30 September 2023.
5. Stefan Bomhard joined the Board on 1 July 2020 and has five years to build to his shareholding requirement.
6. 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

1. 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%.
2. 51% was the formulaic out-turn; however, the Remuneration Committee used its discretion and reduced this to 31%.
3. Relates to vesting of Long-Term Incentive Plan (excluding Recruitment Award).
4. 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

1. 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.
2. Excludes employer's social security costs.
3. 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 withheld[1]	Total votes cast 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

Sue Clark
Chair of the Remuneration Committee