

We are proud of the diverse nature of our international workforce and the benefits this brings to our business. The gender pay gap we have in the UK is as a result of low representation of women in senior leadership roles within our Global Head Office and we are committed to addressing this.

We take steps to foster an inclusive working environment where every employee can flourish, feels valued and can fulfil their potential. Dominic Brisby, Director of our Americas, Africa, Asia and Australia Division is our Diversity & Inclusion Ambassador. He is also a member of the Operating Executive, the Group's most senior leadership team. With the support of Group HR, he is ensuring Diversity & Inclusion has a voice at the highest level of the business

Improving our Approach and Strengthening Capabilities

Since we launched our global Diversity of Thinking programme in 2017, we have focused on raising awareness of this topic and reviewing and updating policies to support our approach. We have already changed the way we think about talent development and are creating a more diverse pool of future business leaders.

For example, last year we launched a new global initiative, The Emerging Potential Programme, to accelerate the development of rising talent in the organisation. The programme supports individuals as they develop the core capabilities they need to contribute to our success. Our first cohort represented a truly diverse global group of employees from all areas of the business, evenly split by gender and with an equal number of people aged under and over 30. Joerg Biebernich, Director of our Europe Division and also a member of the Operating Executive, sponsored the programme, which was a great success and will be repeated again this year.

We have also continued to strengthen our capabilities by bringing in external skills in the field of Diversity & Inclusion and appointing a Global Diversity Manager. This additional expertise is enabling us to more rapidly develop and implement our diversity agenda.

More Women in Senior Roles

As a business, we have a gender imbalance at senior levels, which we are addressing. In our 2018 Annual Report we committed to meet the Hampton-Alexander Review's target of having women in a third of all posts at Board, Operating Executive and Imperial Leadership Team (our 70 most senior leaders) levels by 2023.

Making our business more diverse and inclusive is not only the right thing to do, it helps us win commercially. By better representing the consumers we serve and fostering a culture where everyone's contribution counts, we will be better placed to deliver against our strategy and our purpose: to create something better for the world's smokers. To make a difference to our gender pay gap, as well as gender parity across the organisation, we are taking a holistic approach. While gender is the focus for this report, we are also embracing all aspects of diversity, including social mobility, age, ethnicity and sexual orientation (LGBTQ).

UNDERSTANDING OUR GENDER PAY GAP

Pay and Bonus Gap

Difference between men and women

	2017		2018	
	Mean	Median	Mean	Median
Hourly Pay	20.9%	15.2%	26.3%	13.9%
Annual Bonus	56.1%	33.7%	52.4%	40.0%

The table above shows our mean and median gender pay gap and difference in bonus for employees of our UK business, Imperial Tobacco Limited (Imperial Tobacco) as of the snapshot dates: 5 April 2017 and 5 April 2018.

Our three Executive Board Directors (Chief Executive Alison Cooper, Chief Financial Officer Oliver Tant and Chief Development Officer Matthew Phillips) are excluded from the figures as they are employed by parent company Imperial Brands PLC, rather than by Imperial Tobacco. If they were included, the difference in mean hourly pay drops to 24.0% and the difference in mean annual bonus drops to 26.5%.

Percentage Receiving a Bonus



These figures are based on a population of 898 UK employees, which includes our Global Head Office (426 employees), UK Sales Operation (379 employees) and Nottingham Customer Service Centre (93 employees).

While our median pay gap has decreased by 1.3% since 2017, our mean pay gap has increased by 5.4%. This was driven by ongoing reorganisation in support of our strategy, which has included a significant reorganisation in our UK Sales Operation, resulting in an overall 20% reduction in our UK employee population. Without the impact of re-organising our UK Sales Operation, the 2018 mean pay gap would have seen a slight improvement from 20.9% to 20.6%. All our permanent UK employees are eligible for an annual bonus.

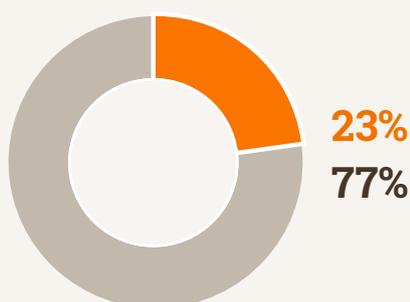
Percentage of Female Employees (UK)

	2017	2018	Improvement
Senior Leaders	12.0%	15.3%	+3.3%
Management	32.1%	34.8%	+2.7%
Employees	38.3%	41.1%	+2.8%
Total	34.2%	36.2%	+2.0%

Female representation in our UK workforce rose from 34.2% to 36.2% in 2018, an increase which was reflected across all employee levels. There has been an increase in the number of women in senior roles following the actions we have taken but these gains are not reflected in our overall pay gap due to similar or greater increases in the number of women in lower paid roles.

Gender Split by Hourly Pay Quartile

Quartile 1 (Highest paid)

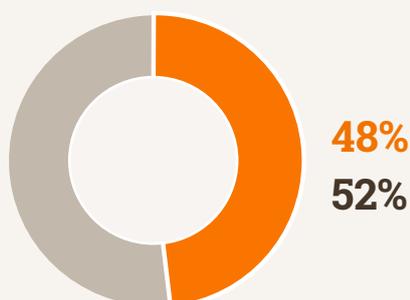


Quartile 2

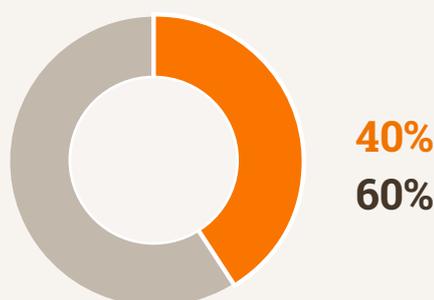


● Female
● Male

Quartile 3



Quartile 4 (Lowest paid)



These graphs illustrate the gender distribution at Imperial Tobacco across our four equally sized pay quartiles of our 898 UK employees, each with around 225 employees.

Taking Action to Further Address our Gender Pay Gap

We continually look at ways of encouraging women to join our business and progress their careers.

As part of creating the right environment for careers to flourish we are taking a number of actions including an ongoing review of job roles, policies and procedures. A priority here is to look again at our flexible working policy to see how it can best support employees to be successful in both their professional and personal life. Ultimately, we aim to have more Key Performance Indicators in core areas that will enable us to more effectively plan, track and evaluate our collective impact on Diversity & Inclusion.

We will also be doing more to educate and engage our people, including by rolling out Diversity & Inclusion workshops for the Imperial Leadership Team, the 70 most senior leaders in the business. These workshops are designed to further empower senior leaders to be able to speak openly and authentically about the importance of Diversity & Inclusion.

Once this training is complete our senior leaders will run a series of engagement events with employees across our international footprint, ensuring that an ongoing two-way conversation on Diversity & Inclusion is cascaded throughout the business.

In addition, we are developing a new internal e-learning module to raise awareness on Diversity & Inclusion which will be mandatory for all employees to complete.

Our commitment to build a truly diverse and inclusive workplace underpins our drive to empower our people to achieve the extraordinary. We want to make sure everyone regardless of gender, ethnicity, sexual orientation, age, social mobility or any other form of diversity, feels able to express themselves freely and is able to enjoy a long and rewarding career with us.

As stated at the beginning of this report, our UK gender pay gap is due to low representation of women at a senior leadership level. We are committed to addressing this and will continue to draw from the recommendations of the Government's Equalities Office in shaping and implementing our plans.



GERT SCHRIJVER
Group HR Director