

MEASURING PERFORMANCE

We use these key performance indicators and the metrics in the Operating Review to assess the progress we are making in delivering our strategy. As the business continues to grow, these measures are likely to change to reflect our evolving strategic priorities.

TOBACCO & NGP NET REVENUE¹ (£BN)

2019	8.0
2018	7.7
2017	7.8

PERFORMANCE

Tobacco & NGP net revenue was up 2.2 per cent on a constant currency basis. Tobacco net revenue increased by 1.1 per cent and NGP revenue was up by 48.0 per cent.

DEFINITION

Tobacco & NGP net revenue comprises tobacco and NGP revenue less duty and similar items, excluding peripheral products.

ADJUSTED EARNINGS PER SHARE¹ (PENCE)

2019	273.3
2018	272.2
2017	267.0

PERFORMANCE

Adjusted earnings per share was down 1.6 per cent on a constant currency basis. Reported earnings per share declined by 26.2 per cent. This is explained in the Financial Review.

DEFINITION

Adjusted earnings per share represents adjusted profit after tax attributable to the equity holders of the Company divided by the weighted average number of shares in issue during the period, excluding shares held to satisfy employee share plans and shares purchased by the Company and held as treasury shares.

ASSET BRANDS NET REVENUE (£BN)

2019	5.3
2018	5.0
2017	4.9

PERFORMANCE

Asset Brands net revenue increased by 4.4 per cent on a constant currency basis. Asset Brands account for 65.9 per cent of our total revenue, up 120 basis points on last year.

DEFINITION

Asset Brands net revenue is revenue from our most important tobacco brands and blu less duty and similar items, excluding peripheral products.

TOBACCO & NGP OPERATING MARGIN (%)

2019	44.1
2018	46.0
2017	46.3

PERFORMANCE

We have delivered consistently high operating margins despite increasing investment in the business. Excluding our NGP operations, our tobacco operating margin increased by 60 basis points.

DEFINITION

Tobacco & NGP operating margin is adjusted operating profit divided by tobacco and NGP net revenue expressed as a percentage.

DIVIDEND PER SHARE (PENCE)

2019	206.6
2018	187.8
2017	170.7

PERFORMANCE

Dividend per share grew by 10 per cent. From next year dividend growth will be progressive, increasing annually from its current level taking into account underlying business performance.

DEFINITION

Dividend per share represents the total annual dividends, being the sum of the paid interim dividend and the proposed final dividend for the financial year.

RETURN ON INVESTED CAPITAL (%)

2019	14.4
2018	14.2
2017	14.3

PERFORMANCE

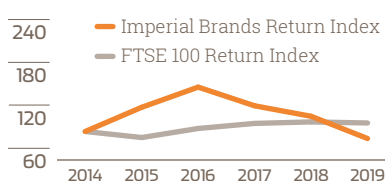
Return on invested capital remained strong, underlining our continued focus on capital discipline and our capital-light approach to NGP.

DEFINITION

Return on invested capital measures the effectiveness of capital allocation and is calculated by dividing adjusted net operating profit after tax by invested capital. Invested capital is adjusted total equity and reported net debt.

1. KPIs used as bonus and LTIP performance criteria for Executive Directors. See Remuneration Report on page 66 for more information.

TOTAL SHAREHOLDER RETURN¹



PERFORMANCE

This was a challenging year for the Company in which we underperformed the FTSE 100 by 24 per cent.

DEFINITION

Total shareholder return is the total investment gain to shareholders resulting from the movement in the share price and assuming dividends are immediately reinvested in shares.

CASH CONVERSION RATE¹ (%)

2019	95
2018	97
2017	96

PERFORMANCE

Strong cash generation and effective working capital management delivered cash conversion of 95 per cent.

DEFINITION

Cash conversion is calculated as cash flow from operations pre-restructuring and before interest and tax payments less net capital expenditure relating to property, plant and equipment, software and intellectual property rights as a percentage of adjusted operating profit.

NON-FINANCIAL KPIs

ENERGY CONSUMPTION (GWH)^{1, 2}

2019	815
2018	842
2017	873

PERFORMANCE

Our absolute energy consumption reduced by 7 per cent compared to the 2017 base year. Our 2019 relative energy consumption is 101,913 kWh/£million.

DEFINITION

We measure relative indicators against '£million' tobacco and NGP net revenue. Energy consumption covers the energy used in our offices, manufacturing sites and by our sales fleet vehicles. The energy we use originates from a variety of sources including fossil fuels and renewable sources.

ABSOLUTE CO₂ EQUIVALENT EMISSIONS (TONNES)^{1, 2}

2019	108,241	150,348	258,589
2018	110,899	154,737	265,636
2017	118,198	153,663	271,861

■ CO₂e Scope 1
 ■ CO₂e Scope 2

PERFORMANCE

During the year we set a new science-based target for carbon reduction. Our total Scope 1 and 2 emissions reduced by 5 per cent compared to the 2017 base year.

DEFINITION

We report on greenhouse gas emissions resulting from the operations that fall within our consolidated financial statements, using the operational control reporting approach. We report on the seven main greenhouse gases and report in terms of tonnes of CO₂ equivalent (CO₂e).

WASTE (TONNES)^{1, 2}

2019	41,089
2018	43,388
2017	49,141

PERFORMANCE

We have decreased waste by 16 per cent compared to the 2017 base year. We seek to minimise the waste and waste to landfill associated with our production processes through a combined approach of reduce, reuse and recycle.

DEFINITION

This includes waste from manufacturing sites and main offices, excluding Logista and Sales and Marketing entities. It does not include any material which is re-used.

LOST TIME ACCIDENT FREQUENCY RATE (PER 200,000 HOURS)^{1, 3}

2019	0.40
2018	0.46
2017	0.36

PERFORMANCE

Initiatives aimed at reducing slips, trips and falls and improving standards in our sales operations delivered a lower Lost Time Accident frequency rate. This has resulted in a 13 per cent decrease in the LTA rate compared to last year.

DEFINITION

A Lost Time Accident is an 'on-the-job' accident that results in an employee being unable to return to work for a minimum of one full day.

- 2019 data has been independently assured by PwC. Our Reporting Criteria document contains detail on definition and scope of all non-financial KPIs. See www.imperialbrandspc.com/sustainability for more information.
- Our 2019 environmental data follows the reporting period Q4 financial year 2018 to Q3 financial year 2019. This is to allow for data collection, validation and external assurance. 2019 fleet fuel data is for the full 2019 financial year.
- Our health and safety data is for the full 2019 financial year.