



# FOCUSED ON VALUE CREATION

Stefan Bomhard joined Imperial as the Chief Executive on 1 July 2020. Stefan has significant experience across multiple consumer sectors and within large multinational organisations, particularly in brand building and consumer-led sales and marketing.



## 1. What attracted you to Imperial Brands?

Imperial is a great consumer business that, despite the best efforts of employees, has not lived up to its potential in recent times. So, the attraction for me is the opportunity to lead a revitalised team that over time can deliver stronger results and create long-term value.

*“I want us to become a successful consumer centric company that we can all be proud of.”*

The foundations for building a successful consumer centric company that we can all be proud of are very much here.

I believe in freedom of choice and respect the preferences of millions of adult smokers around the world who choose to enjoy combustible tobacco products. Although we have some classic tobacco brands, not all of them are performing as well as we'd like and we need to address that and make sure our core consumer offerings stay fresh and relevant.

I also want us to make a meaningful contribution to harm reduction and reduce the public health impact of smoking. This means, of course, that we need a significantly stronger NGP business. So, this is another key area for us to focus on. We need to take a more disciplined approach to capital investment to ensure that over time, NGP delivers attractive returns.

## 2. Why are you qualified for the role of CEO?

In terms of my qualifications for the role of CEO, I think I have the qualities needed to deliver the necessary performance improvements. I have accrued significant experience in the consumer and retail sector at companies such as Unilever, Cadbury, Burger King, Bacardi and Procter & Gamble.

More recently I was CEO at Inchcape for five years and during that time I reinvigorated the strategy and delivered transformational change and an improved performance.

I have always enjoyed being in businesses and sectors that are going through change, and that is certainly the case for Imperial and tobacco, which presents both challenges and opportunities.

I'm also attracted by the fact that Imperial is not the market leader. I have experience of working for companies that are the number two or number three players and I like the way that drives the need to work harder and smarter to identify your point of competitive difference.

So, my track record and experience are relevant to Imperial at this time of change. I also think it's significant that I am coming into the business with no background in tobacco or NGP. I am the first external CEO Imperial has appointed and that enables me to bring a new and fresh perspective, although it's clear that delivering the stronger performance we all want to see will take time.

### 3. How have you approached your first months in the business?

There were a number of priorities. First, stay focused on the great work the business has been doing to protect the health, safety and wellbeing of our people during the coronavirus pandemic.

Second, start to address the strategy and performance issues. As I've said, despite best efforts, the strategy and business model are clearly not delivering what our stakeholders expect and we need to tackle this. I have started by instilling greater discipline into the way the business operates, stemming the losses in NGP and embedding a more rigorous approach to tracking performance. The work we are doing on reviewing the strategy and business model is progressing well and I expect to be able to share the results in the first quarter of calendar year 2021.

Thirdly, I also prioritised engagement with employees, consumers and customers. Opportunities for actual market visits have obviously been limited due to COVID-19 but I have managed to meet retailers and consumers on the ground and have engaged physically or virtually with thousands of employees across all our main markets and functions. That was very enjoyable and informative and has really helped me build my knowledge and understanding of Imperial. All my stakeholder engagement is adding to the data and insights that are informing the strategic review.

### 4. You've also expanded the Executive Committee (ExCom) with a number of external appointments who are all new to tobacco. Was it important for you to appoint people from different sectors?

Yes, it's very important because we need new skills and fresh thinking for a changing industry. We have plenty of tobacco expertise in the management team, which of course is important. What we're doing now is adding to that by bringing in additional skills and capabilities that Imperial hasn't had at the top level of the business before and I have to say, it's proving really valuable in terms of shaping the new strategy.

Similarly, Thérèse has taken steps to strengthen the Board, appointing two new Non-Executive Directors who both bring a wealth of different international business experience.

### MY INITIAL KEY PRIORITIES



FOCUS ON EMPLOYEE HEALTH AND SAFETY



LEAD THE STRATEGIC REVIEW



STRENGTHEN PERFORMANCE MANAGEMENT



ENGAGE WITH KEY STAKEHOLDERS



VISIT AS MANY MARKETS AS POSSIBLE



GATHER DATA AND INSIGHTS



STRENGTHEN EXECUTIVE COMMITTEE

### 5. What are your initial impressions of Imperial?

At a headline level, it's mostly as I expected. We have a solid, resilient tobacco business with good brands but the performance has not been as good as it could have been, particularly in terms of the market share losses Imperial has incurred over recent years.

NGP has clearly underperformed and investment has not delivered the expected returns. As I've said, NGP absolutely has a role to play in Imperial's future but we will take a much more prudent approach, built around a tightly focused business model.

Although there is a lot we need to change, there are also areas of real excellence in the business that we must make sure we preserve. Our manufacturing and supply chain operations, for example, are truly competitive within our industry, and we have experienced minimal disruption across our factory footprint during the coronavirus pandemic.

**CEO Stefan Bomhard visits a tobacconist in Madrid.**

Our approach to customer engagement is also impressive. We have strong retail partnerships, which is critical given the role retailers can play in influencing consumer brand and product choices.

Finally, there's our people. I have been truly excited to see their energy, passion and overall willingness to embrace change. I appreciate all their support so far and the honesty they have shown. I feel confident that by working together we will deliver stronger and more consistent results over time.

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**6. How has COVID-19 impacted your operations?**

Imperial has shown resilience and the employees have done an exceptional job in keeping the business going and elsewhere in the report we quite rightly celebrate their extraordinary efforts.

Many of our people have worked from home for prolonged periods of time and we've ensured they've received all the support they need to create the right working environment.

Most of our factories stayed open and operational, which is another tremendous achievement, although of course the layout of the facilities and shift patterns had to change to enable us to adhere to local government health and safety guidelines. Also I'm pleased to say that we didn't furlough any employees, implement any pay cuts or make any redundancies as a result of COVID-19.

**7. Imperial's performance has had a considerable impact on the share price. What is your message to shareholders?**

I empathise with anyone who has invested in Imperial and has then seen the value of that investment decline so significantly. Many of our employees are shareholders and they have expressed their frustrations to me, as have some of our larger investors.



So, I very much understand the concerns and my message is this: we are going to address the performance of the business and once results start to strengthen, we will start to win back the trust and confidence of shareholders and other stakeholders, which is critical for rebuilding the valuation.

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**8. What do you see as the key challenges and opportunities in both tobacco and NGP?**

The challenges in tobacco are around managing declining volumes and increasing regulation, while growing returns. Imperial has a solid tobacco business with a good portfolio of brands and we have the opportunity to deliver better results over time. This will require improvements in our share performance, especially in our large markets, where we've suffered declines for a number of years, although we have started to see some improvements in recent months.

I've touched on the difficulties Imperial has had in NGP. As part of the strategic review, we are assessing our assets and capabilities in this space and the role they can play in meeting consumer needs for reduced risk products. In my view, no company has yet found the NGP solution that truly meets the expectations of adult smokers, so there is everything to play for.

**9. You say you're committed to harm reduction? What will that mean for your NGP operations?**

NGP has a role to play going forward and I want to be clear about that. The strategic review will define exactly what the new NGP business model looks like and as that is ongoing it would be premature to go into detail at this stage.

But, as I've said, we are now taking a different approach that is more disciplined and focused. In vapour, for example, we have historically had commercial plans that were far too ambitious, which resulted in significant NGP write-downs, which is not sustainable.

**10. What is your broader view on the Company's ESG (environmental, social and governance) responsibilities?**

The first point to make here is that ESG considerations are being factored into the strategic review.

I think we have a compelling and credible sustainability strategy, with clearly defined ESG priorities. This is important, given the controversial nature of our products and the level of stakeholder scrutiny we quite rightly receive.

As I've said, we need to do better in NGP to be able to deliver against our consumer health and harm reduction ambitions but if I look at the progress we're making in other areas, there's much to be pleased with.

On climate and energy, for instance, we have stretching long-term goals, with our carbon reduction targets validated and approved by the Science Based Targets initiative. We were also awarded an A rating by CDP for our commitment to addressing climate change and supplier engagement.

One area that has required attention is transparency around the way we measure performance. For some ESG issues, we have robust key performance indicators (KPIs) that we publicly report against, for others we have none. That will be changing this fiscal year.

The ESG Steering Committee has been working with the business to identify and agree appropriate KPIs for all our priority ESG issues. That work is complete and once these additional KPIs have been validated against the new strategy we will make them publicly available.

*“Regular stakeholder engagement is very important to me. I'm also passionate about delivery and firmly believe a commitment is a commitment.”*

**11. How would you describe your leadership style?**

I have a very open and honest style and I encourage others to behave in the same way. Teamwork is also very important to me. In my experience, employees working together and truly collaborating for the good of the company, always get the best results.

The CEO needs to lead the culture of the business and in my view, the best culture is underpinned by transparency and engagement. In my first 100 days I hosted 300 internal meetings, connecting with thousands of employees in the process, and this enabled me to get authentic insights into the issues we need to work together to address.

Early on, I spoke with some of our largest shareholders and, as I've said, I have also listened to the views of consumers and retailers. Regular stakeholder engagement is very important to me. I'm also passionate about delivery and firmly believe a commitment is a commitment. In other words, if we say we will deliver something, we will deliver it.

**12. Why are you so optimistic about the future of Imperial Brands?**

If I didn't think that over time we could turn things around and create a brighter future for our stakeholders, I wouldn't have taken the CEO role.

*“Imperial has many attractive qualities, including its people, brands and market positions.”*

Imperial has many attractive qualities, including its people, brands and market positions. These are the foundations of a successful business and I truly believe that over time, we can leverage these assets to drive a stronger performance.

The people in particular have really impressed me. The way employees have welcomed me to the business and their receptiveness to change and new ways of working have been great to see and only reinforces my confidence.

So, the potential is absolutely there. We are very focused on making the right strategic choices to strengthen results and the work we are doing on reviewing our strategy, business model and culture is progressing well.

It takes time to change a large organisation but I am excited about the future and convinced that with a clearer focus and better execution, we will deliver a new era of success that will create long-term value for stakeholders.



**STEFAN BOMHARD**

Chief Executive

## A STRENGTHENED EXECUTIVE COMMITTEE



**STEFAN BOMHARD**  
Chief Executive Officer

Stefan delivered successful transformational change during a five-year tenure as CEO of Inchcape. He has also held senior roles at Bacardi, Cadbury, Diageo, Unilever and Procter & Gamble.



**ALISON CLARKE**  
Chief People and Culture Officer

Alison is a highly experienced business leader. She was Chief Human Resource Officer at Inchcape and held a number of senior positions at Whitbread, Ford and United Utilities.



**OLIVER TANT\***  
Chief Financial Officer

Oliver held a number of senior positions in a 32-year career at KPMG, including Global Managing Director Financial Advisory and Private Equity Division and Head of UK Audit.



**MURRAY MCGOWAN**  
Group Strategy and Transformation Director

Murray has a strong background in strategy gleaned from strategic and operational leadership roles for Costa Coffee, Yum! Brands, Cadbury, The Restaurant Group and McKinsey & Company.



**JOERG BIEBERNICK**  
Division Director, Europe

Joerg's considerable consumer goods sector experience in Europe and the US includes senior roles at Kimberly Clark, Georgia Pacific and Procter & Gamble.



**WALTER PRINZ\*\***  
Group Manufacturing & Supply Chain Director

Walter joined Reemtsma in 1987 and has held a number of senior roles at Imperial including Research & Development Director and Director of Product Development and Purchasing.



**DOMINIC BRISBY**  
Division Director, Americas, Africa, Asia & Australasia

Dominic has held a number of senior positions since joining Imperial in 1999. He was appointed Division Director in 2013 and has been a member of the Executive Committee since 2014.

\* In August 2020, Oliver Tant announced that he planned to retire once a suitable successor had been found.

\*\* In October 2020, Walter Prinz announced that he would be retiring in the 2021 financial year. He will be succeeded by Javier Huerta, Executive Vice President Supply Chain for Foods and Refreshment at Unilever.