

# HOW WE MEASURE 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 strategy evolves in the coming year, these measures could potentially change to reflect our new strategic priorities.

2020	£8.0bn	2020	254.4p	2020	£5.2bn
2019	£8.0bn	2019	272.3p*	2019	£5.2bn*
2018	£7.7bn	2018	272.2p	2018	£5.0bn

## TOBACCO & NGP NET REVENUE (£BN)<sup>1</sup>

### Performance

Tobacco & NGP net revenue was down 0.1 per cent at actual exchange rates but grew by 0.8 per cent on a constant currency basis. Tobacco net revenue increased by 1.8 per cent and NGP revenue was down by 27.0 per cent at constant currency.

### Definition

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

## ADJUSTED EARNINGS PER SHARE<sup>1</sup> (PENCE)

### Performance

Adjusted earnings per share was down 5.6 per cent on a constant currency basis. Reported earnings per share was up 49.4 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.

\* 2019 EPS restated to exclude other income.

## ASSET BRANDS NET REVENUE (£BN)

### Performance

Asset Brands net revenue increased by 1.0 per cent on a constant currency basis. Asset Brands account for 64.8 per cent of our total revenue, up 10 basis points on last year.

### Definition

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

\* Asset Brand net revenue restated to incorporate revised brand definitions.

2020	41.2%	2020	137.7p	2020	13.2%
2019	44.1%	2019	206.6p	2019	14.4%
2018	46.0%	2018	187.8p	2018	14.2%

## TOBACCO & NGP OPERATING MARGIN (%)

### Performance

Margins have declined with NGP write-downs, further NGP losses, COVID-19 related costs and increased regulatory costs.

### Definition

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

## DIVIDEND PER SHARE (PENCE)

### Performance

As announced in May 2020, we rebased our dividend by one-third to accelerate debt repayment. We retain a progressive dividend policy, growing annually from the rebased level.

### 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 (%)

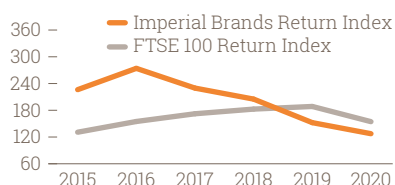
### Performance

Return on invested capital reduced in the year impacted by lower tobacco and NGP profitability.

### 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 113 for more information.  
2. 2020 data has been independently assured by EY. Our Reporting Criteria Document contains detail on definition and scope of all non-financial KPIs. See [www.imperialbrandsplc.com/sustainability](http://www.imperialbrandsplc.com/sustainability) for more information.



### TOTAL SHAREHOLDER RETURN<sup>1</sup>

#### Performance

This was another challenging year in which total shareholder returns declined 25 per cent, with a lower share price and reduced dividend.

#### 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 RATE<sup>1</sup> (%)

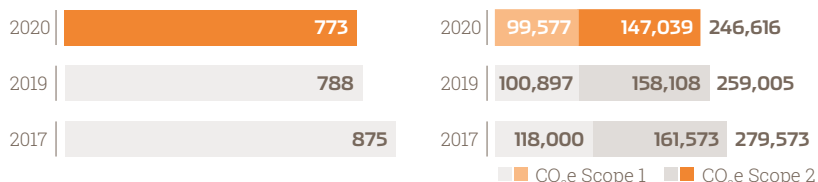
#### Performance

Reported 2020 cash conversion of 127 per cent benefited from temporary upside due to the timing of duty payments. Strong underlying cash conversion of 107 per cent was driven by working capital improvements.

#### 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<sup>2</sup>



### ENERGY CONSUMPTION (GWH)<sup>3</sup>

#### Performance

We have seen a 12 per cent decrease in energy consumption from our 2017 baseline year. Our target is to reduce energy consumption by 25 per cent by 2030. Our 2020 relative energy consumption is 96,625 kWh/£million.

#### Definition

We measure relative indicators against 'emillion' 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.



### WASTE (TONNES)<sup>3</sup>

#### Performance

We have seen an 18 per cent decrease in waste from our 2017 baseline 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.

### ABSOLUTE CO<sub>2</sub> EQUIVALENT EMISSIONS (TONNES)<sup>3</sup>

#### Performance

We have seen a 12 per cent decrease in total Scope 1 and 2 emissions from our 2017 baseline year. Our target is to reduce CO<sub>2</sub>e emissions by 25 per cent by 2030. We have also set a Scope 3 target to minimise our carbon impact beyond our direct operations.

#### 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 CO<sub>2</sub> equivalent (CO<sub>2</sub>e).



### LOST TIME ACCIDENT FREQUENCY RATE (PER 200,000 HOURS)<sup>4</sup>

#### Performance

Our continued focus on health, safety and risk management has resulted in a 20 per cent decline in our lost time accident 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.

3. Our 2020 environmental data follows the reporting period Q4 financial year 2019 to Q3 financial year 2020. This is to allow for data collection, validation and external assurance. Our reporting scope and definitions are detailed in the Reporting Criteria Document published on our website.

4. Our health and safety data is for the full 2020 financial year. Our reporting scope and definitions are detailed in the Reporting Criteria Document published on our website.