

CELEBRATING OUR PEOPLE

Our people have done a tremendous job in keeping the business going and dealing with the unprecedented challenges posed by COVID-19. Our thanks to them all. We value and appreciate all their hard work and support.

COVID-19

We have 32,500 employees globally who have continued working with a relentless focus on health, safety and wellbeing. As we have repeatedly stated in previous annual reports, the welfare of our people is of paramount importance and this was a year when we truly put these words into action as we faced into the coronavirus crisis.

Early on we established a Group Coronavirus Steering Committee of senior leaders to oversee business continuity planning. The committee met daily at the peak of the crisis and regularly reported to the Executive Committee and the Board.

We maintained operational continuity throughout the crisis and did not furlough any employees, implement any pay cuts or make any redundancies as a result of COVID-19.

Across our markets, we scrupulously followed the advice of governments and public health bodies and continue to do so.

We operate 38 factories and it is a credit to our manufacturing colleagues that they managed to keep the vast majority operating throughout the crisis. To ensure appropriate infection controls and social distancing, we reconfigured factory layouts and introduced new shift patterns.

We are sad to report that two of our people died after becoming infected with the coronavirus. We ensured comprehensive support was provided to the families of both employees.



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KIM REED EXECUTIVE VICE PRESIDENT SALES ITG BRANDS

I have the privilege of leading the ITG Brands sales organisation, a total of 860 people, who cover 160,000 stores across the USA.

Traditionally, each sales rep regularly visits retail outlets but that wasn't possible once the country went into lockdown. At that time, the entire field force transitioned to work from home, but most retailers were still open for business and distribution was operating as normal.

We rapidly moved from a traditional retail sales model to a call-based model. Instead of making 10 visits a day, each rep was now making 25 phone calls a day.

This was a major transition, but we had the foresight to plan for it, not just in terms of adapting the model, but also ensuring the team had the technical support they needed to work effectively from home.

By May, restrictions began easing and we started returning reps back to the field on a phased basis, prioritising their health and safety, with everyone equipped with personal protective equipment.

Since the end of July, we've returned to a traditional model. I'm very pleased with the results we achieved this year, particularly in terms of the growth we delivered in cigarette and mass market cigars.

My thanks to this fantastic team for the way they responded to a very challenging situation.

Many employees worked from home for extended periods of time and we provided all the support they needed to create the right working environment. This included strengthening our IT infrastructure and accelerating the roll-out of software to facilitate team working.

We also adopted a flexible approach to home working, encouraging employees to find a routine that works best for them and their families. Our new WorkFlex policy was developed from the learnings of recent months and provides employees with a permanent range of flexible working options.

We recognise the impact COVID-19 has had in the areas where our people live and work and we temporarily revised our community support guidelines so that we could support a broader range of charities and organisations.

This enabled us to fund a number of community initiatives across our geographic footprint including, among many others, providing support for hospitals in Poland and the UK and supporting homeless charities in Germany.



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NURIA GOMEZ OHSE ADVISOR CANTABRIA FACTORY



Our Cantabria factory in northern Spain employs 220 people and produces around 900 million cigars a year for European consumers.

Spain was hit hard and fast by the impact of COVID-19 and was among the first countries to experience a state of emergency and enter lockdown in the middle of March.

Employees were understandably nervous and we swiftly developed a contingency plan with two objectives: to keep our people safe and to ensure we maintained continuity of supply.

Developing and successfully implementing the plan involved support from a range of stakeholders, including employees, their representatives and contractors.

I'm proud that the model we came up with has served as a guide for how other Imperial factories now operate around the world.

We adapted our behaviours and resources to succeed in a COVID-19 environment, maintaining performance and delivering against our commercial targets for the year.

This has been a huge achievement and I would like to thank everyone for their hard work and support.

We continue to stay focused on the wellbeing of our people and although there are obviously challenges ahead, we are confident that we will deliver another strong performance in the coming year.



CEO EMPLOYEE ENGAGEMENT

Stefan Bomhard's CEO onboarding programme included extensive employee engagement.

On his first day, Stefan introduced himself to the business via a global employee video, and on day three he had his first session with the top 60 leaders via a virtual town hall meeting.

This marked the start of a comprehensive series of town hall meetings that connected him with thousands of people from all parts of the organisation.

This activity was supported by a drumbeat of CEO communications that covered a variety of topics, including business and COVID-19 updates, announcements on senior management changes, feedback on market visits and most recently, reflections on his first 100 days.

Quantitative and qualitative feedback tells us that our people have hugely appreciated these regular touch points with Stefan. They have warmed to his personable and transparent style, as well as his focus on teamwork and delivering against commitments.

EMPLOYEE ENGAGEMENT

Regular engagement is crucial for motivating employees to work together to deliver our strategy.

Throughout the year we provided updates on our strategic priorities, performance and leadership changes through a broad range of communication channels including meetings, emails, videos, intranet, webinars, virtual town halls and employee publications.

As you would expect, we significantly stepped up communication at a Group and market level during the coronavirus crisis, so that employees understood how Imperial was responding to the situation. We also ensured they were made aware of the latest health and safety advice from governments and public health bodies.

We conducted a number of engagement surveys and the feedback told us that during the prolonged lockdown period, employees remained positive and had adjusted well to new ways of working. Inevitably, morale was higher in some parts of the business than others and we are taking action to address this.

Workforce Engagement Director Steven Stanbrook, a Non-Executive Director of the Board, has been actively involved in our engagement activities.

The Board regularly engages with employees through Board and committee meetings as well as site visits, although clearly opportunities for these have been limited this year. Steven's role is to strengthen the connection between employees and the Board, ensuring our people have a voice at the highest level of the business.

During the year, Steven engaged with a broad array of colleagues and took the lead in two Group-wide employee videos, one explaining his role and responsibilities as Workforce Engagement Director and another outlining the results of a global engagement survey that he launched earlier in the year.

As with other Board members, his plans were severely hampered by COVID-19 restrictions, including the cancellation of the annual European Works Council meeting at which he was due to speak. Please see the Governance section of this report for further information.

CREATING A NEW CULTURE

The Board recognises the role it has to play in assessing and monitoring our culture. As part of the strategic review Stefan and the Board are examining the culture of the organisation, taking into account employee feedback gathered through this year's engagement surveys and the CEO onboarding programme. Culture defines our ethics, behaviours and the way we work together. The right culture ensures we value and respect each other, and truly embrace diversity and equality.

Our ambition is to create a culture and capabilities that will strengthen performance and give Imperial competitive advantage.

With that in mind at the end of the financial year we welcomed Alison Clarke to Imperial in the newly created Executive Committee role of Chief People and Culture Officer. Alison has significant experience of HR and business transformation at a number of organisations, including Inchcape, Ford, Whitbread and United Utilities.

Alison and her team will be working with the business and the Board to define the people and culture strategies required to successfully underpin the new strategic direction.

THE IMPORTANCE OF DIVERSITY

We are proud of our international workforce but recognise there is more we can do to improve diversity in the business. We want our people to feel they are heard, valued, supported, motivated and empowered.

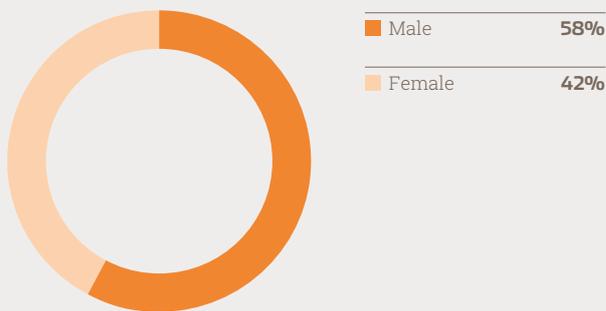
Our new Chair and CEO have committed to address this and have spoken with employees about the importance of Imperial continuing to stand firm against racism and all other forms of discrimination and injustice.

In recognition of the need to work harder at creating a diverse and inclusive culture – whether that be diversity of gender, race, age, disability, sexual orientation or beliefs – we have focused on preparing our largest ever diversity and inclusion survey, which will be administered by a specialist third party supplier early next year in the first quarter of our new financial year.

The results will provide us with independent benchmark data from which we can set the standards and actions needed to effectively address the issues raised.

During the year, we also established a global Diversity Network, which connects employees who have a passion for diversity, inclusion and belonging. The network has a particular focus on creating global and local initiatives that will support our efforts to improve diversity in the business.

DIVERSITY OF OUR BUSINESS



► Please read more on diversity on page 24

LEARNING AND DEVELOPMENT

We are committed to creating a culture where everyone is able to take control of their career development and access learning.

During the year, we launched iLearn, a global learning platform of internal content, with links to a number of our partner organisations, including LinkedIn Learning and Harvard.

Initial uptake was encouraging, with 3,891 employees completing 12,418 hours of learning during the first six months of the year. This increased during the COVID-19 lockdown. Popular learning modules accessed by our people during this time were Microsoft Teams, Working Flexibly and Leading Virtually.

At the end of the year, a total of 5,933 employees had completed 30,986 hours of learning.

Teams of people set up collaboration groups to help promote and share more specialised content to aid their knowledge and to also maintain regular social contact.

In addition, more than 800 employees took part in 10 'lockdown learning' live webinars and as restrictions eased, we organised online 'bounce back' sessions. Although we advised employees to continue working from home wherever possible, these sessions were aimed at encouraging our people to start thinking about returning to a 'new normal' work environment.

The variety of learning opportunities we are providing employees has been very well-received and was recognised as one of the top 10 most positive factors in our global engagement survey.

TALENT AND LEADERSHIP

Realising the potential of our most talented people is integral to our long-term success.

Through our Talent Deal initiative, we provide select employees with targeted development solutions designed to accelerate their career progression. In return, we expect these employees to proactively seek opportunities to stretch themselves and, in turn, drive business performance.

Our Emerging Potential Programme is a good example of this: a six-month virtual programme we have developed in collaboration with Harvard to help junior colleagues make their first steps into global leadership roles.

This year we launched our third cohort of the programme. Although completing the programme does not automatically guarantee immediate career progression, out of the more than 150 employees that have taken part, nearly half have gone on to secure a promotion or a significantly enhanced role.

We continue to invest in developing our global leadership population, ensuring all new leaders experience a consistent induction programme and are able to access a range of learning and development tools.

This includes our Dare to Lead and Inspire to Lead flagship programmes of workshops, digital learning, on the job exercises and peer support.

Based on our Leadership Expectations, these programmes have been adapted to be delivered virtually so that leaders can continue to develop without the need to travel or be in the same physical offices. In total, 320 leaders across 12 markets participated in Dare to Lead and Inspire to Lead during the year.