

**GTNF 2021 Keynote speech**  
**Stefan Bomhard, Chief Executive, Imperial Brands**

Good morning to all of you here in London, and hello to everyone watching online.

After the challenges – and the necessary restrictions – of the past year and a half, it's great to be here in person today to speak with you.

Thank you to the GTNF Trust for giving me this opportunity – and also for delivering this forum.

As a community committed to forging a healthier future for the tobacco and nicotine sector, we are reuniting amid a period of rapid change.

Across many industries, the Covid pandemic has not just been a disruptive force.

It has also driven novel government interventions and accelerated existing consumer trends, spurring business innovation.

This is true too in our own world. In the past year we seen controversial policy experiments, such as the South African move towards tobacco prohibition.

At the same time, in many parts of the world, as the pandemic prompted people to think more carefully about their wellness, there has been a growing interest in the healthier alternatives to combustibles.

And we have seen the industry continue to build on its track record of delivering innovative new solutions.

Today, over the next quarter of an hour, I would like to take a step back and offer some personal views on the three things that most matter to me as CEO of Imperial Brands:

One, the longer-term transformation of our industry, and how collectively we can best make a reality of the healthier future to which we all aspire.

Two, the highly distinct role that Imperial Brands wants to play in that future.

And three, how we are refreshing and rebooting Imperial to ensure we achieve our full potential.

After my prepared remarks I would be happy to take any questions you may have.

I joined Imperial as Chief Executive Officer just over a year ago from Inchcape, an auto distributor with a footprint in six continents and revenues of seven billion pounds.

This gave me a privileged opportunity to play a role in driving the extraordinary transformation sweeping that industry.

Until very recently, the motor trade was characterised by incremental change.

Manufacturers were focused on improving the efficiency and performance of the internal combustion engine – a 160-year-old technology.

Then in the past few years, as climate change has become a climate crisis, we have been seeing a shift towards electric vehicles – a shift which is challenging the business models of incumbent industry players.

The transformation has been driven by two forces: Top-down regulation, such as the UK government's ban on new petrol and diesel cars from 2030, and rising consumer demand for a greener way to get around.

At Inchcape, I became concerned that this well-intentioned government intervention would only be effective if it was complemented by faster private-sector innovation.

Some motorists told me they would be reluctant to ditch their petrol or diesel cars until electric vehicles became a better substitute in terms of performance, range and purchase cost.

Here, I think there is an important read-across for the tobacco industry's "combustion engine" – the cigarette.

Across the world, we are starting to reach the outer limits of what state intervention can do to persuade the world's one billion adult smokers to make healthier choices.

We support proportionate, sensible regulation which protects and empowers consumers.

But, as regulation edges towards forms of prohibition, the positive benefits become outweighed by negative unintended consequences.

These include the continued rise of the illicit trade and the failure in some countries to unlock the potential health benefits of next-generation alternatives to cigarettes.

This means that the onus - now more than ever - is firmly on us, the industry, to step up and provide increasingly healthier choices which also better satisfy the preferences of the consumer.

And there is an important point for all us here: we will only continue to make progress if smokers are appreciated as active citizens, informed consumers and diverse individuals.

That means there is no single route to a better, healthier future. This is about one billion very different journeys.

This brings me on to my second theme: the role Imperial wants to play in the future of this industry.

Let me say very clearly, the opportunity to help transition tobacco towards a healthier business model was a key reason why I chose to join this sector.

At Imperial, I can see a path to a material improvement in health outcomes and delivering a better experience for consumers, while continuing to meet the needs of the varied stakeholders who rely upon us.

Our long-term success in combustibles has been underpinned by a challenger mindset.

Over the past 25 years, we expanded from our home here in the UK to successfully challenge larger, established players in markets across the globe.

In doing so we provided an important service – choice for our retailers, choice for our consumers.

And, on the whole, governments recognized the positive value of working with a challenger company which also took seriously its regulatory responsibilities.

What you might call the “impishness” of Imperial was one of things that attracted me to the business.

Before Inchcape, I worked with other challenger businesses in the consumer sector, such as Bacardi and Burger King.

During that time I saw how – with the right capabilities and mindset – small, nimble players can flourish, even in the presence of deep-pocketed market leaders.

As we outlined in our strategy launched earlier this year, Imperial remains 100 per cent committed to the combustible market.

Here, we are doubling down on a handful of key markets where we believe we have a right to win.

Part of being a successful challenger is about making the hard choices about which battles to fight.

And this more disciplined, focused approach was a key theme of our new strategy.

Winning in combustibles is not inconsistent with the goal of harm reduction.

In fact, a successful core business is an essential pre-requisite for Imperial playing a material role in building a healthier industry.

To reduce harm at scale, we need to harness our long-standing strengths in manufacturing, distribution and retailing.

Also, it is only by having a successful combustible business that we maintain the permission of our stakeholders to make the patient investments that are required for long-term, socially responsible success in next generation products.

I turn now to my third theme: how we are adapting Imperial to face the future.

As I indicated, we already have many of the capabilities we need to win in the next-generation markets – strong distribution, a deep understanding of the needs of the adult smoker, and a long-term, responsible approach to doing business.

However, winning in our fast-changing world requires additional capabilities, which we are working at pace to build.

The most important of these is developing a more sophisticated approach to consumer insights.

In order truly to understand and support those “one billion individual journeys” that I mentioned earlier, we need to be more rigorous and data driven, and adopt the best and newest techniques from other consumer goods sectors.

And we need to be better at converting these insights into innovative and well-tailored products and delivering at scale.

To this end I recently appointed Andy Dasgupta as our first ever Chief Consumer Officer.

Andy joined us with an impressive track record in diverse consumer categories, and he’s now busy building a team which I am confident will make a huge positive difference.

The opportunity to participate in Imperial’s exciting transformation has persuaded many other high-calibre executives to join us over the past year.

And these new joiners are collaborating extremely well with our talented existing leaders and teams.

It is this blend of new capabilities and core strengths that will provide the foundation of Imperial’s future success.

At the same time, we are developing a new mindset within the organisation which is more connected, innovative and inclusive.

Solving the challenges of the future is going to require our people to collaborate in new ways.

And we are about to embark on an ambitious programme to help our colleagues understand and embrace how they can best play a practical role in driving our transformation.

Our business also needs to be open and innovative in the way it collaborates with external partners.

Part of being a nimble challenger is about embracing the fact that you cannot own every part of the value chain.

Our future success will flow from the quality of the relationships we build with our partners – through creating a vibrant ecosystem.

And I am pleased to see that some of our valued partners are represented at this conference.

That spirit of collaboration also extends to policy makers, regulators and the wider global community of people committed to building a healthier future.

I recognise that – in addition to harm reduction – this industry has other important challenges.

These include: supporting better lives for farming communities, transitioning to a lower carbon business model and reducing waste.

The path to a healthier future will, no doubt, have twists and turns.

And I am very happy to discuss any of these issues in the Q&A.

From alcohol to automobiles, I have enjoyed an exciting career in varied, fast-moving industries – each one facing major structural change.

A year at Imperial has reinforced my first impression that, right now, there is no more dynamic sector than tobacco and nicotine.

This is a unique opportunity – for Imperial and for all of us at this forum – to deliver better choices for our consumers, and to make a positive social difference which will be felt for generations to come.

Thank you.