

Stewardship Forum 2019

Imperial Brands PLC

23 January 2019



Introduction & Overview

Mark Williamson
Chairman



Agenda for today



- Plenary: 30-40 mins
 - Board overview – Mark Williamson
 - Board composition, experience & diversity
 - Priorities & agenda
 - Sustainability
 - Remuneration highlights – Malcolm Wyman
 - Audit & risk highlights – Karen Witts
- Breakout sessions: Three smaller groups: 20 mins each (60 mins total)
- Wrap up

The Board



Mark Williamson



Chairman of the Board
Chairman Succession &
Nominations Committee

Alison Cooper



Chief Executive Officer

Oliver Tant



Chief Financial Officer

Matt Phillips



Chief Development Officer

Sue Clark



Non-Executive Director
N R

Therese Esperdy



Non-Executive Director
A N

Simon Langelier



Non-Executive Director
A N

Steven Stanbrook



Non-Executive Director
N R

Karen Witts



Non-Executive Director
Chairman of Audit Committee
N A R

Malcolm Wyman

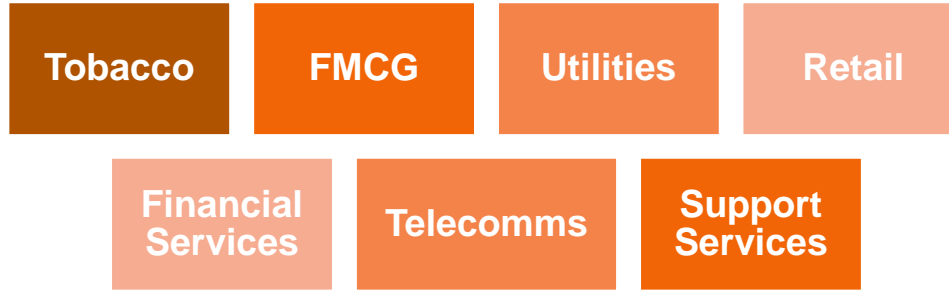


Senior Independent Director
Chairman of Remuneration Committee
N R

Board Experience & Diversity



Relevant sector experience

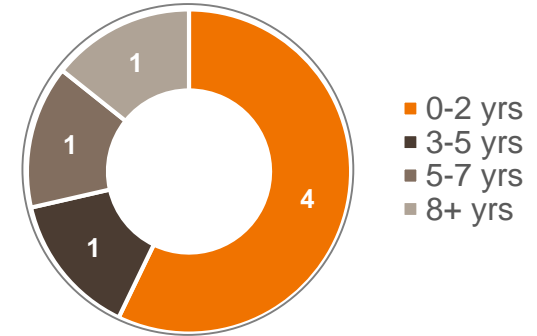


Broad range of skills & experience

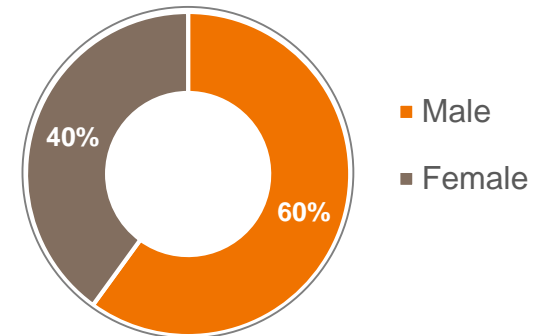
Strategic planning, international operations, sales & marketing, innovation, change management, corporate finance, M&A, regulated industries, professional services including audit and legal

Succession planning to optimise skills, experience and diversity

Tenure of Non-Exec Directors



Board Gender Balance



The Board

Strong mix of skills and experience



Mark Williamson



- Previously CFO of International Power plc.
- Former SID & Chairman of the Audit Committee of Alent plc.

Alison Cooper



Chief Executive Officer

Oliver Tant



Chief Financial Officer

Matt Phillips



Chief Development Officer

Sue Clark



- Former MD of SAB Miller Europe & Corporate Affairs Director of SAB Miller plc
- Experience in FMCG, transport and utilities

Therese Esperdy



- Previously Chairman of JPM Financial Institutions Group
- Co-Head of Asia-Pacific Corp. Investment Banking & Global Head of Debt Capital Markets

Simon Langelier



- 30-year career at PMI
- Significant international experience in tobacco
- President of NGP business
- Chairman of PharmaCielo Ltd

Steven Stanbrook



- 18 years at SC Johnson & Son most recently as Chief Operating Officer
- Previously CEO of Sara Lee Bakery and at CompuServe

Karen Witts



- CFO of Kingfisher plc
- Soon to be CFO of Compass Group plc
- Previously CFO AMEA region at Vodafone & CFO, BT Retail

Malcolm Wyman



- Former CFO of SAB Miller plc
- Former Non-Exec Director & Chairman of the Audit committee at Serco plc

Board Effectiveness Review



Key feedback areas

Boardroom Dynamics

- A well-functioning board, a conducive & open atmosphere to allow the right discussions, well-balanced agendas, good use of time
- Appetite to build on the positive momentum

Strategy

- Right emphasis on Group strategy, with full buy-in from the Board
- Deliver strategic objectives for Tobacco & NGP
- Acknowledgment that strategy is an ongoing process - FY19 focus on regular strategy reviews to ensure relevant and evolving implementation

Succession & Talent Development

- Improved exposure to senior management
- Succession planning is an ongoing process which requires consistent attention

Creating Something Better for the World's Smokers



Maximise Sustainable Shareholder Returns

Long-term Quality Growth

Tobacco Maximisation

- Focus on priority markets
- Building contribution from Growth & Specialist Brands
- Market Repeatable Model for growth

Next Generation Products

- Portfolio built around blu brand
- 4Bs adoption model for growth
- Dynamic innovation pipeline supports growth

Cost & cash

- Simplify operating model
- Lean manufacturing
- Control of overheads
- Maximise cash conversion
- Disciplined capital allocation

Enabling the Business to Grow & Create Value

Tobacco Sustainable Supply



Next Generation Products Reduced Harm



Behaving Responsibly People & Operations



High Standard of Governance

Board Priorities

Adapting to our changing environment to ensure sustainable shareholder returns



Focus in 2018

- Investment choices to enhance quality of earnings in tobacco business
- Strategic development of NGP including acquisition of Nerudia
- Capital re-allocation opportunities
- Investment in Oxford Cannabinoid Technologies

Looking Ahead to 2019

- Investing to accelerate NGP growth
- Continuing to focus on priority tobacco markets and asset brands
- Divestment programme
- Building capabilities & new skills to support our strategy

Board Agenda & Programme



2017

2018

Nov <i>Bristol</i>	Feb <i>Bristol</i>	March <i>Fontem Ventures, Amsterdam</i>	May <i>Bristol</i>	June <i>London</i>	Sept <i>Bristol</i>
FY18 Business Plan approval	Q1 Performance	Strategy in Action:	H1 Review:	Strategic planning:	Performance review
FY performance review: • Prelims & key messages • Report & Accounts, incl. FBU • Dividend approval	NGP Strategic Review: • Digital • Innovation pipeline • Heated tobacco • Competitor update	• NGP performance • Blu brand • EVP portfolio • US EVP deep-dive Capital allocation: • Strategy • Disposals review • US OTP disposal	• Performance • Interim results Strategy in action: • ITG Brands deep-dive	• Strategic guardrails • Key metrics • NGP – delivery breakthrough • Tobacco – maximising returns • Manufacturing • Operating model • Capabilities	Segmental reporting
People update	Investment in OCT	Litigation update	Dividend policy	Dividend policy review	FY19 draft Business Plan review:
Strategic Review: • Corporate dev projects • Nerudia acquisition	Capital allocation – disposal options	HO sale & leaseback	Risk appetite	Corporate dev review	• Financial overview • Risk • Operating model • Tobacco • NGP • Market deep-dives
Board evaluation actions	Operating model	Corporate Dev:	• Disposals workstreams • Other M&A	Corporate dev review	Corporate dev review
	Financing update: • Funding position • Rating agencies			Sell-down of Logista	HO sale & leaseback
	Annual investor audit			Risk appetite	Board evaluation
	AGM				Annual Board planner

Sustainability Strategy

Aligning to UN Sustainable Development Goals



- Maintaining sustainable agricultural practices to ensure a consistent, quality supply of tobacco
- Developing alternative products that are less harmful to health
- Behaving responsibly at all times and providing a safe and rewarding work environment for our employees.

Remuneration Committee

Malcolm Wyman

Chair of the Remuneration Committee

Senior Independent Director



Remuneration Committee

Rewarding Performance



Main objective

Support the Company's strategy and performance by ensuring the remuneration policy attracts, retains and incentivises the high calibre executives to ensure delivery

2018 Key matters considered

- Remuneration policy (feedback from consultation)
- Salary reviews
- Variable remuneration
 - Approval of FY17 outcomes
 - Setting of FY18 targets
- Market practice updates
- Consideration of FY19 salary and incentive structures

Members

Malcolm Wyman (Chair)
Sue Clark
David Haines (Chair to 3 July 2018)
Steven Stanbrook
Karen Witts

3 meetings per year

November, May, September

Remuneration Policy Implementation FY2019

Alignment with Strategy



		Quality growth from tobacco maximisation	Significant additive growth opportunity from NGP	New ways of working driving cost efficiencies	Capital discipline and strong cash generation	Growing responsibly →	Maximising shareholder returns
Annual bonus	Adjusted EPS growth (KPI)	●	●	●	●	●	●
	Cash conversion (KPI)	●	●		●		●
	Revenue growth in Tobacco (KPI)	●				●	●
	Revenue growth in NGP (KPI)		●			●	●
	Market share	●			●		●
LTP	Adjusted EPS growth (KPI)	●	●	●		●	●
	Revenue growth in Tobacco (KPI)	●				●	●
	Revenue growth in NGP (KPI)		●			●	●
	TSR against comparator group	●	●	●	●	●	●

Audit Committee

Karen Witts

Chair of the Audit Committee



Audit Committee

Protecting our Stakeholders



Main objective

Supports corporate governance through oversight of the Group's internal control systems, risk management processes, Internal Audit activities and external audit

2018 Key matters considered

- Goodwill and intangible impairment reviews
- Taxation
- Use of adjusted measures
- Treatment of restructuring costs
- Going concern and viability statement
- Revenue recognition
- Tobacco-related litigation
- SAP segregation of duties
- Segmental reporting

Members

Karen Witts (Chair)

Therese Esperdy

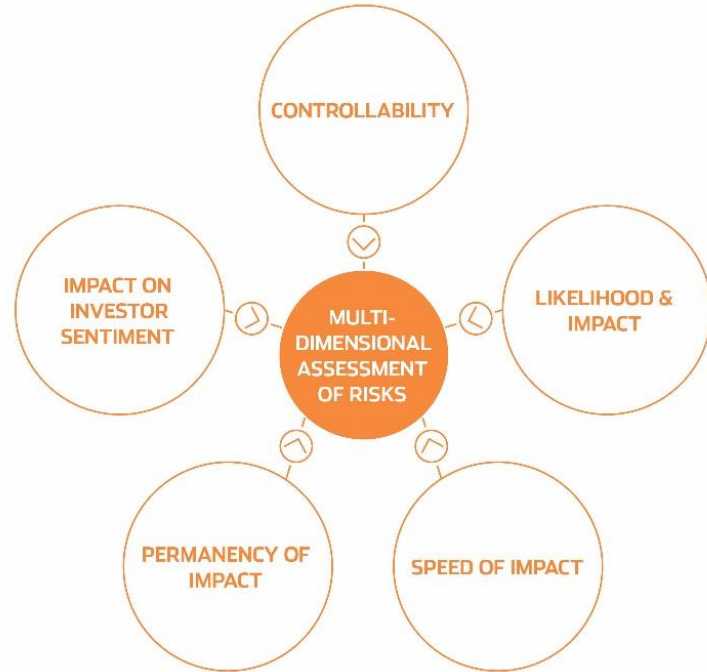
David Haines (to 3 July 2018)

Simon Langelier

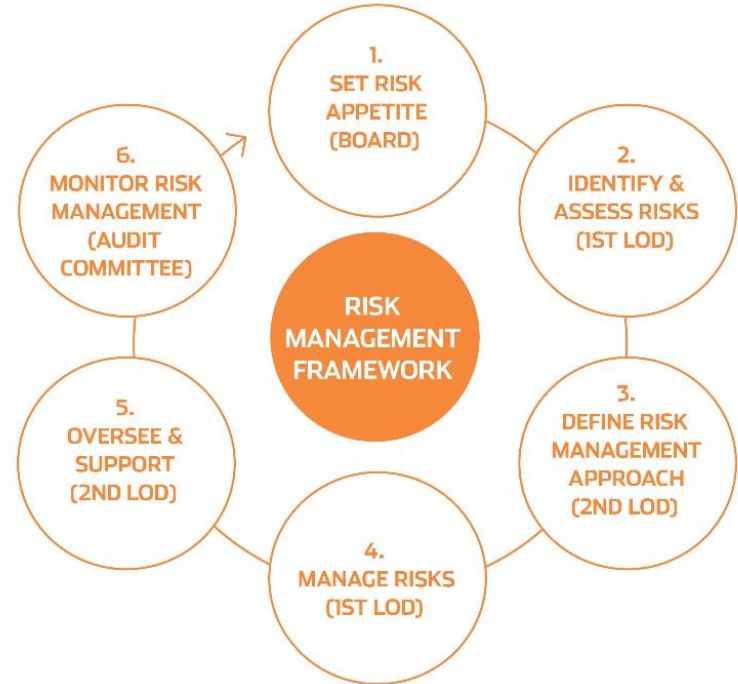
4 meetings per year

February, May, September, October

Risk assessment & evaluation



Continuous risk management process



Internal & External Audit Coverage



Internal Audit

- 70+ audits per annum
- Risk-based audit plan aligned to strategic priorities
- Covers; governance/compliance, commercial, continuity of supply, change management.
- Uses external co-source providers and internal guest auditors to enhance subject matter expertise
- Accountable to audit committee chair
- Independent effectiveness review – positive endorsement

External Audit

- Audit committee oversight
- Tender process underway for appointment of new auditor
- Aligned with expectations of the FRC and CMA & Brydon Review

Breakout Sessions

Imperial Brands PLC

January 2019

