

Operating responsibly is integral to the way we do business. It supports our sales growth strategy and is crucial to our long-term success.

We measure our performance against the progress we make in four key areas: being responsible with products, having a rewarding workplace, respecting natural resources and reinvesting in society.

These form the basis of our responsibility framework; they are the priorities for our business, our people and our stakeholders.

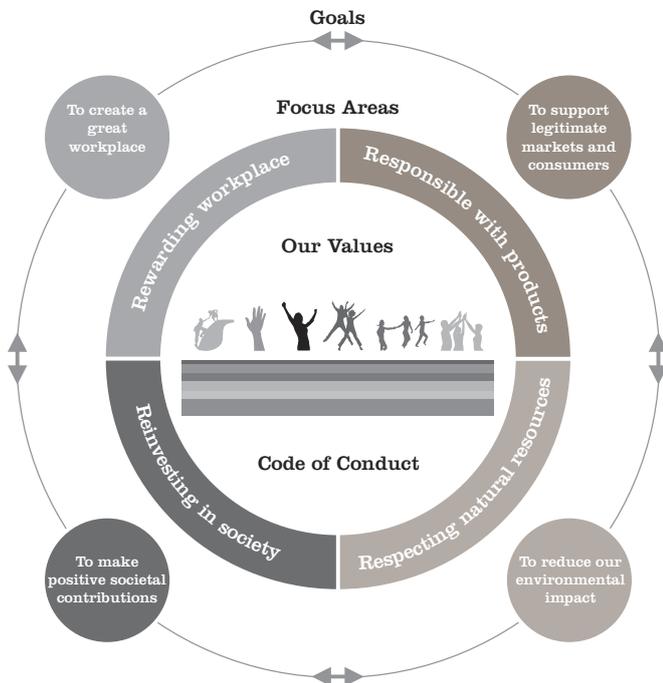
Our values embody the behaviours we expect from everyone who works for us and our Code of Conduct includes policies, internal controls and risk management processes that underpin our sales growth strategy.

Our values and Code of Conduct are embedded in the business and support our responsibility framework.

Over the next few pages you can find out more about the achievements we've made in each area. More detailed information on our 2014 performance and objectives for 2015 can be found in the Responsibility section of our corporate website www.imperial-tobacco.com/cr

We're proud of the focus our people give to our responsibility agenda and continue to be encouraged by the positive feedback we receive externally.

We scored 94 per cent in the Business in the Community Corporate Responsibility Index and 74 per cent in the RobecoSAM assessment for the Dow Jones Sustainability Index.



Responsible with Products

Millions of people around the world choose to enjoy our products every day. We recognise there are societal concerns about the health risks of smoking and ensure that our products are manufactured, marketed and sold responsibly.

High Product Standards

Consumers and other stakeholders rightly expect us to adhere to high product standards. We rigorously test and analyse our products to ensure we continue to build our knowledge and understanding. This enables us to fulfil our duty of care to consumers and meet legal requirements for scientific disclosures and submissions.

During the year, we've been particularly focused on the testing and scientific analysis of e-vapour products. Our non-tobacco business Fontem Ventures launched its first e-vapour product in 2014 and continues to evaluate plans for other product launches in 2015.

Marketing Products Responsibly

Legislation that governs the way tobacco should be advertised and marketed to the public is in place in most markets. We also have our own stringent International Marketing Standards (IMS) which are published in full on our corporate website.

All Imperial Tobacco Group companies and employees, and the agencies we work with around the world, must adhere to our IMS and local legislation at all times. During the year, we appointed a single global marketing agency which has further enhanced the consistency of our marketing.

Fighting Illicit Trade

The illegal market in tobacco undermines society's efforts to ensure that tobacco products are marketed responsibly. As well as depriving governments of valuable tax revenues, illicit trade has other adverse impacts: children can more easily obtain tobacco, adult consumers are exposed to products that have no quality controls, and retailers and tobacco companies lose legitimate sales.

We advocate a partnership approach to fighting illicit trade and seek to work with governments and customs and law enforcement agencies to combat the problem of tobacco smuggling and counterfeiting.

We have 23 Memoranda of Understanding (MoU) with authorities around the world and continue to invest in our long-term anti-illicit trade partnership agreement with the European Commission and Member States. During the year, we renewed our MoU with authorities in Belgium and signed a new MoU agreement with Mali.

We highlight the dangers of illicit trade through our regulatory engagement. Extreme regulation that requires standardising tobacco products makes them easier to counterfeit and increases illicit trade. Cigarettes have been sold in generic plain packaging in Australia since December 2012. Illicit trade has increased since then and there has been no material impact on consumption or the level of youth smoking.

Working with Retailers

We continue to build strong relationships with retail partners around the world to support our sales strategy and responsibility framework.

We actively encourage retailers to sell responsibly. Tobacco products are for adults and should never be sold to children. We reinforce this through our support for initiatives aimed at preventing tobacco sales to children, including schemes that highlight the minimum age at the point of sale.

Rewarding Workplace

We strive to provide a safe and pleasant working environment that inspires employees to do their best. We want to see skills and talent flourish and are proud of the diversity and collaborative spirit of our workforce.

A Diverse Workforce

We employ 34,000 people in more than 60 countries around the world. Our people come from many different backgrounds and cultures, enriching the vibrancy of our business.

Around 39 per cent of our workforce is female, with some 13,190 women employed. At a senior leadership level, 22 per cent of the Operating Executive and 30 per cent of the Board are female, as of 30 September 2014.

The importance of diversity, equality and non-discrimination is highlighted in our Code of Conduct, now available in 24 languages, and underpinned by our values. This is reinforced through offering equal opportunities and giving fair consideration to applications for employment, career development and promotion, without having regard to an employee's gender, race, religion, age or disability. Our values capture the essence of what it's like to be part of Imperial Tobacco; the combination of the 'We' values and the 'I' values reflect the individual and collective behaviours we expect from our people.

Our efforts to provide the best possible working environment and opportunities for our people have been recognised with a number of Best Employer awards in markets such as Spain, Italy, Russia, Poland and Madagascar.

Engaging and Developing our People

Our global engagement survey gives employees the opportunity to have their say and provides us with valuable feedback that is used to develop local and global action plans.

The 2013 survey generated an excellent 89 per cent response rate and showed a slight increase in overall engagement levels. This is encouraging, particularly against a background of change in the business.

The sense of pride that we instil in being part of Imperial Tobacco and our commitment to corporate responsibility were highlighted as particular strengths of the business. Areas where employees said we can do even better included further improving the way we manage and develop our people, and this has been a key focus in the year.

Partnering with Ashridge Business School, we've launched world-class development programmes that are tailored for employees at different levels of the business. We've also invested more in learning initiatives and enhanced the tools available to support annual performance and development reviews.

Employee Value Proposition

During the year, we worked with 250 employees across multiple markets to develop and launch our Employee Value Proposition (EVP) 'Bring it on'.

'Bring it on' encapsulates who we are and what we stand for, an EVP that connects employees around the world and is a powerful tool for attracting dynamic new talent into the business.

Employee Health, Safety and Wellbeing

The safety of our people is of paramount importance and we are pleased to report a further 15 per cent decrease in our lost time accident frequency rate in the year. We were saddened that two contractors suffered fatal falls in Kiev and Senegal and have assisted authorities with their investigations. We have also undertaken our own local and Group investigations and implemented additional safety measures.

We made further progress in installing world-class management systems aligned to the international occupational health and safety management standard OHSAS 18001 across our manufacturing operations. Five additional sites in Chad, the Philippines, Ivory Coast and Morocco were certified as having reached this standard during the year.

We were delighted with the response from our employees to the Global Corporate Challenge, a 16-week initiative that encourages people to form teams and complete activities that are equivalent to 10,000 steps a day. Around 1,200 companies worldwide signed up to the challenge. More than 7,400 of our employees took part and their remarkable efforts resulted in Imperial Tobacco finishing fourth in the overall global rankings.

Reinvesting in Society

We are proud to be part of many different communities around the world and have developed strong partnerships with a wide range of stakeholders in the communities we serve.

Human Rights

We have a role to play in addressing human rights issues. We have influence with our suppliers and we use this to improve conditions in our supply chain.

This respect for human rights is reflected in our Code of Conduct and Supplier Standards which we use to exert influence in our business and our supply chain. We have a focus on anti-discrimination and harassment, a healthy and safe working environment, responsible procurement, supplier partnerships and environmental responsibilities.

We're a business committed to doing things the right way and that means acting with respect, fairness and integrity at all times. The governance of countries may vary but our respect for human rights extends throughout our operations. It is implicit in our employment practices and within the high standards we expect from suppliers and other business partners.

Supplier Standards

Working with our supply chain stakeholders to address important issues such as leaf sustainability and child labour is a priority.

Our leaf and non-tobacco material suppliers must adhere to our Code of Conduct as well as meet the high standards we set for employment practices, health and safety, quality and environment.

All our leaf suppliers are required to participate in our Social Responsibility in Tobacco Production (SRiTP) programme, which encourages continual performance improvement in key areas including employment, health and safety, environmental management and good agricultural practices.

We work with external consultants to evaluate performance, provide training and share good practice and we were pleased to see our overall leaf supplier performance against the SRiTP criteria increase from 71 per cent to 75 per cent in the year.

Farmer Livelihoods and Child Labour

Child labour is a risk in agricultural supply chains and we continue to support the Eliminating Child Labour in Tobacco (ECLT) Foundation in tackling this problem. Working with the Foundation, we help communities understand child labour issues and seek better access to education and health services for children.

Our own projects aim to improve the livelihoods of farmers in Malawi, Tanzania, Zambia, Madagascar and Laos. This helps secure future tobacco supplies and is essential for providing farmers with a better income and higher standards of living, reducing poverty and the reliance on child labour.

Supporting Communities

We fund a number of projects that are connected to the communities in which we operate. We particularly focus on supporting the most disadvantaged communities around our factories, offices and tobacco sourcing activities.

Our Altadis Foundation supports initiatives to improve livelihoods in areas where we have operational sites. The Foundation supported a number of projects in the year including providing safe drinking water and improving sanitation for communities near one of our cigar factories in the La Romana province of the Dominican Republic.

Our Leaf Partnership Committee supports tobacco farming communities and during the year we funded initiatives aimed at enhancing the livelihoods of farmers including improving tobacco curing and labour efficiency in Malawi, Tanzania, Zambia and Laos.

More and more employees are volunteering to get involved in projects linked to our responsibility framework. In 2014 the projects they supported included: refurbishing accommodation for disadvantaged young people in Macedonia, cleaning waterways in the Philippines, tree planting in Poland and building ovens to support a community cooking business in a village in Burkina Faso.

Respecting Natural Resources

We respect natural resources and are committed to further reducing our environmental impact, minimising waste and improving energy efficiency.

We measure progress by comparing our performance with our 2009 base year, using independently verified 2013 data.

Climate Change and Energy

We are well on track to reduce our carbon footprint and energy usage by 20 per cent by 2020, having already reduced our energy consumption by 10 per cent.

A number of energy efficiency initiatives have contributed to our success, including our use of guaranteed energy-saving contracts. Four more of our largest manufacturing sites have signed up to these contracts.

We're original members of the Carbon Disclosure Project (CDP), which works with organisations to measure and reduce their emissions and climate change impacts. We continue to make improvements in this area, achieving an 84 per cent score from the CDP in 2014.

Resource Efficiency

Getting the most out of the materials and natural resources we use is good for our business and good for the environment. Our mantra is: reduce, re-use and recycle.

In manufacturing we are increasing the use of environmental management systems that are independently certified to the environmental management standard ISO 14001, with 89 per cent of our factories now certified to this standard.

Our unverified performance indicators for waste and waste to landfill show a very small increase this year. This reflects portfolio, marketing and operational footprint changes we made as part of our business transition agenda.

We have steadily reduced waste and waste to landfill in recent years and remain focused on further building on this positive trend. We also continue working with suppliers to help them minimise waste and reduce their environmental impact.

Reforestation Programmes

We're actively involved in protecting forests. Tobacco growing may use wood either as a fuel for curing tobacco or as construction material for barns. Last year we enhanced our approach to forestry preservation by launching a major tree-growing programme with our suppliers that aims to achieve wood sustainability in Africa by 2020.

Tree planting has continued and we are also introducing measures to improve wood fuel efficiency and reduce wood consumption.

Water Management

We remain committed to building on our strong track record of reducing water consumption. Unverified data indicates a slight increase in water usage for this year. This minimal increase relates to a 1.7 per cent increase in water consumption across our global operations and, although disappointing, does not cause us undue concern.

In our factories we apply environmental management systems under the international standard ISO 14001 to reduce water use and manage waste water. Each location has its own local water management targets.

We're pleased with improvements we're seeing in farming communities in Central America, where we're working with our suppliers to train farmers on good agricultural practices, with a particular focus on maximising opportunities for water conservation and protection.

Environmental Reporting

We report on greenhouse gas emissions resulting from our tobacco operations which fall within our consolidated financial statements using the operational control reporting method. We report scope 1 (direct) and scope 2 (indirect) emissions for which we are responsible using a methodology based on the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (revised edition). Any deviations from this standard are described below. We have considered the seven main greenhouse gases and report in CO₂ equivalent. Our relative emissions are expressed against net tobacco revenue, which is consistent with the standardised CDP reporting format and facilitates meaningful comparison with other businesses that report both their emissions and financial fundamentals.

Our scope 1 emissions include: emissions from stationary fuel combustion at our sites; emissions from mobile fuel combustion in our fleet of company vehicles; leakage of refrigerant gases; and process emissions from the Dry Ice Expanded Tobacco process at our expansion plants. Our scope 2 emissions include the indirect emissions resulting from the use of purchased electricity, heat and steam at our sites.

We include all main sources of emissions including all manufacturing sites over which we have operational control, our expansion plants in Cadiz and Reidsville, and our main offices (Bristol, Hamburg, Paris, Madrid and Casablanca). Operations not included, as deemed immaterial or beyond our current reporting capabilities, relate to greenhouse gases other than the seven Kyoto gases, the JR 800 Cigar retail outlets in the USA, small sales offices (being those offices not listed above which contribute less than 0.05 per cent of our total scope 1 and 2 emissions), our Habanos joint venture and our Cambodian distribution operation.

Scope 1 emissions arising from mobile fuel combustion in our fleet of company vehicles for the latest financial year are unverified estimates based on data from the previous financial year. All other emissions for the latest financial year are unverified estimated data based on the first six months of the latest financial year and the final six months of the previous financial year. Verified data is reported 12 months in arrears to allow for internal checking, validation and external assurance.

We provide additional information on Logista, which is managed remotely due to commercial sensitivities and does not report wholly into Group data. This year, for the first time, Logista has provided verified data for their absolute emissions within Scopes 1, 2 and 3 for FY13.

FY13

	Scope 1	Scope 2	Scope 3
CO ₂ equivalent emissions (Tonnes)	37,709	7,732	156,586

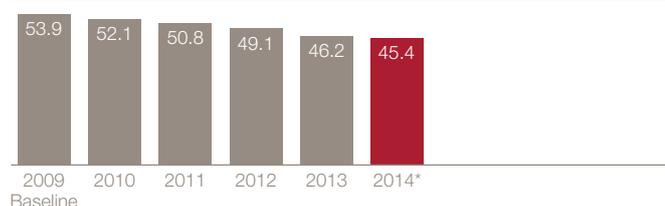
Logista's scope 1 emissions relate to the stationary and mobile fuel combustion and emissions from landfill waste. Refrigerant gases for Logista are not included due to current reporting capabilities. Scope 2 emissions include the indirect emissions resulting from the use of purchased electricity, heat and steam at Logista's sites. Scope 3 emissions are primarily associated with third-party hauliers.

Logista's unverified relative CO₂ equivalent emissions within Scopes 1 and 2 amount to 53.46 tonnes per million pounds of FY13 distribution fees (our non-GAAP revenue measure for Logista). More detail is available at www.logista.com

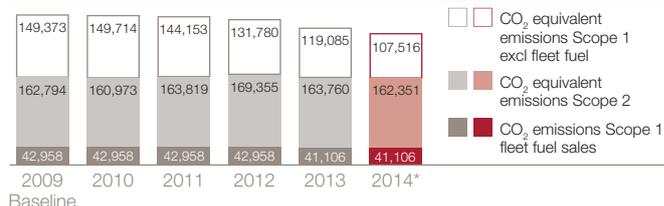
We continue to work on improving our Group reporting boundaries and the timeliness of data. More information on our environmental reporting approach can be found in the Responsibility section of our website.

Responsibility Performance Indicators

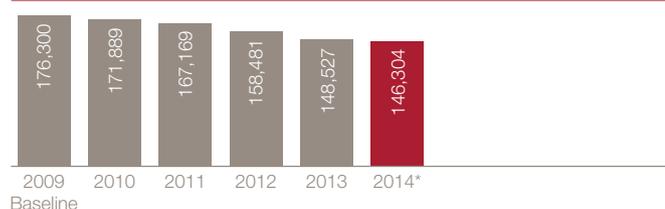
CO₂ Equivalent Emissions (Tonnes/£ million)¹



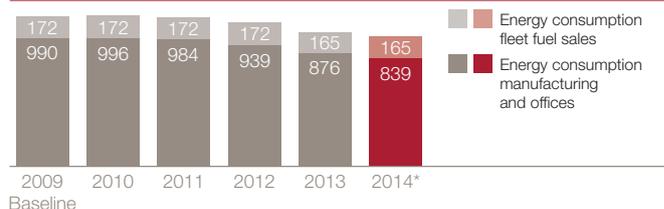
Absolute CO₂ Equivalent Emissions (Tonnes)¹



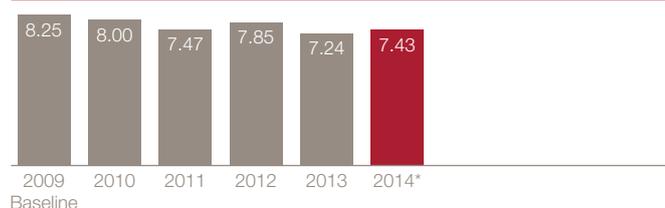
Energy Consumption (kWh/£ million)¹



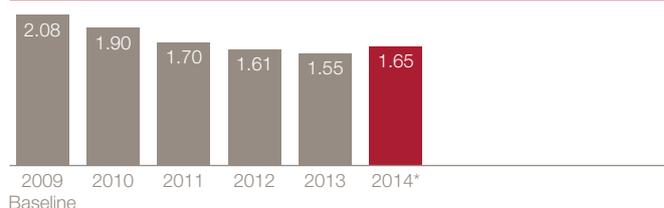
Absolute Energy Consumption (GWh)¹



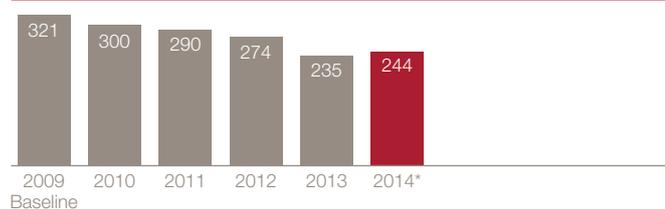
Waste (Tonnes/£ million)¹



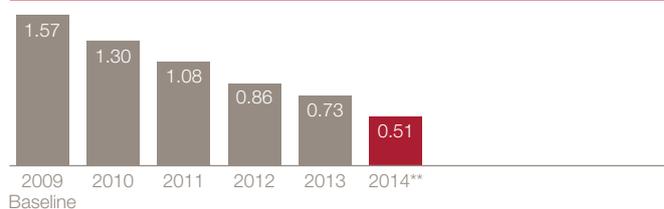
Waste to Landfill (Tonnes/£ million)¹



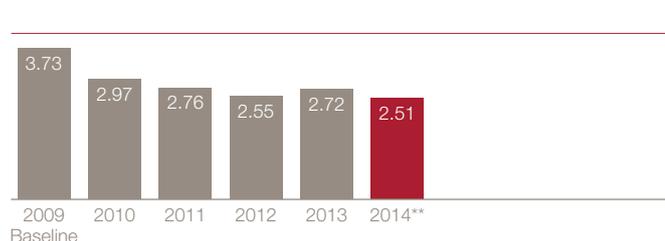
Water Consumption (m³/£ million)¹



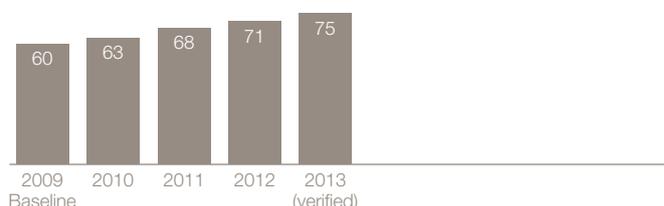
Lost Time Accident Frequency Rate (per 200,000 hours)²



Sickness Absence Rate (% of days worked)²



Social Responsibility in Tobacco Production Progress: Total Weighted Mean (%)³



1 Environmental data is reported 12 months in arrears to allow for data collection and verification. The monetary value '£ million' is for tobacco net revenue (or logistics distribution fees, where appropriate). FY13 data has been assured by PwC; see website for more information.
 * Unverified FY14 data is estimated based on data from the last six months of FY13 and the first six months of FY14. Verified data for FY14 will be published next year.
 2 Verified accident and absence data is reported 12 months in arrears to allow for data collection and verification. Sickness absence includes non-work related and work related absence. FY13 data has been assured by PwC; see website for more information.
 ** Provisional unverified FY14 data is provided. Verified data for FY14 will be published next year.
 3 All our tobacco suppliers participated in the SRITP programme in 2013, which provides specific guidance for improvement against a variety of criteria. See our website for more information. Data for 2013 has been verified. We report 12 months in arrears to allow for the reporting and analysis of data.



Key data reported in the Annual Report and Accounts for the year to 30 September 2014 has been independently assured under the limited assurance requirements of the ISAE3000 standard by PwC. They have also been engaged to look at our alignment with AA1000AS (2008) principles of inclusiveness, materiality and responsiveness. Some of the selected data covered by this assurance is clearly highlighted within the Corporate Responsibility section of the Annual Report and all of the selected data is included in the Corporate Responsibility section of the website www.imperial-tobacco.com/cr where their limited assurance statement can be found. PwC has provided Imperial Tobacco with CR assurance services from FY10. Earlier data was assured by another provider.