Operating Review

We target long-term share and profit growth in Growth Markets and prioritise sustainable profit performance, while actively managing our strong share positions in Returns Markets. This approach drives better resource allocation and greater collaboration between markets, providing a strong platform for generating higher-quality growth.

Footprint and Portfolio Overview

Growth Markets include selected markets in the EU, Eastern Europe, Asia, the Middle East and the USA. We typically have shares below 15 per cent in these markets. Returns Markets are split into North and South and include Australia and markets in the EU, Eastern Europe and Africa, where we tend to have large shares above 15 per cent.

Our portfolio priorities are focused on driving the performance of our Growth Brands and Specialist Brands. These are the most important brands in our portfolio and together they account for 54 per cent of our tobacco net revenue. The remainder are Portfolio Brands, local and regional brands that fulfil a variety of roles. Some add to our revenue momentum, while others will create more value by being migrated into Growth Brands.

Growth Brands

	Full Year Result		Change		
	2014	2013	Actual	Constant Currency[1]	Underlying[1]
Market share (%)	5.7	5.4	+30bps		
Net revenue (£m)	2,737	2,729	–	+4%	+9%
Percentage of Group volumes	44.5	40.7	+380bps		+460bps
Percentage of tobacco net revenue	41.6	38.9	+270bps	+220bps	+280bps

1 See Performance Measures table on page 1.

Growth Brands generate a significant amount of our volume and revenue. They are high-quality assets and our aim is to increase the contribution they make over time in order to strengthen the sustainability of the business.

Growth Brands outperformed the market in the year with underlying volumes growing 7 per cent, against a backdrop of market volume declines in our geographic footprint of 4 per cent. We grew the share of Growth Brands from 5.4 per cent to 5.7 per cent and increased underlying net revenue by 9 per cent.

Growth Brands accounted for 44.5 per cent of our total volumes, up from 40.7 per cent last year, and 41.6 per cent of tobacco net revenues, up from 38.9 per cent last year.

Specialist Brands

	Full Year Result		Change		
	2014	2013	Actual	Constant Currency[1]	Underlying[1]
Net revenue (£m)	811	866	-6%	-2%	+2%
Percentage of tobacco net revenue	12.3	12.4	-10bps	-10bps	–

1 See Performance Measures table on page 1.

Specialist Brands appeal to specific consumer groups across the tobacco spectrum. We increased Specialist Brands net revenues by 2 per cent on an underlying basis. These brands account for 12.3 per cent of our overall tobacco net revenue.

Growth Markets

	Full Year Result		Change		
	2014	2013	Actual	Constant Currency[1]	Underlying[1]
Market share (%)	5.8	5.7	+10bps		
Tobacco net revenue (£m)	2,113	2,254	-6%	–	+7%
Adjusted operating profit (£m)	597	668	-11%	-2%	
Growth Brands % tobacco net revenue	38.3	36.8	+150bps	+90bps	+330bps
Growth Brand volume (bn SE)	53	53	–		+11%

Market share excludes China; 1 See Performance Measures table on page 1.

We're building good momentum across our Growth Markets. Against a backdrop of industry volume declines of 4 per cent in our Growth Markets, we improved underlying net revenue by 7 per cent. Our Growth Brands performed well in a broad spread of Growth Markets and our share was up slightly to 5.8 per cent.

Country	Performance
Italy	We continued to perform well in a highly competitive environment, driving the performance of JPS to further increase our cigarette share.
Greece	We improved our cigarette share with Gauloises Blondes and Davidoff and focused on strengthening our fine cut tobacco position with gV.
Sweden and Norway	An excellent performance from Skruf was behind another set of strong results from our snus business, with share, volume, revenue and profit all increasing.
Turkey	Our market share dipped and profit declined due to significant price competition. We launched West queen size and Davidoff superslims to capitalise on the rapid growth of these formats. We also continued to make ground in the growing crushball segment with West Duo.
Iraq	The worsening political and security situation had a major impact on industry volumes. This, combined with our stock optimisation programme, significantly affected our performance.
Saudi Arabia	We grew our cigarette share in a growing market with contributions from Davidoff, Gauloises Blondes and West.
Egypt	We entered this 80 billion cigarette market in the year and have focused on establishing our presence with Davidoff and Gauloises Blondes.
Japan	We continued to build our position in Japan with a focus on West and customer engagement initiatives.
Taiwan	West was the driver behind our cigarette market share and volume gains, supported by Davidoff. We also added to our portfolio with the launch of Parker & Simpson.
Vietnam	Bastos performed well in a challenging environment of increasing regulation and significant growth in illicit trade.
Cambodia	We grew volumes, share, revenue and profit following another strong performance from Fine.
Russia	Our stock optimisation programme has strengthened our position in a market that poses challenging conditions as a result of adverse excise and regulatory changes. We have targeted key growth segments with a number of portfolio initiatives, including queen size formats, big boxes and charcoal filters, which has stabilised our cigarette share.
Kazakhstan	We achieved excellent cigarette volume and market share growth with West and Parker & Simpson.
USA	We increased profit and grew our cigarette share in key states with USA Gold, which is now available in Glide Tec packs.

Returns Markets

	Full Year Result		Change		
	2014	2013	Actual	Constant Currency[1]	Underlying[1]
Market share (%)	26.7	27.3	-60bps		
Net revenue per '000 SE (£)	23.1	23.4	-1%	+3%	+4%
Adjusted operating profit (£m)	2,253	2,335	-4%	+1%	
Growth Brands % tobacco net revenue	43.2	40.0	+320bps	+280bps	+270bps

1 See Performance Measures table on page 1.

Industry volumes declined by 3 per cent in Returns Markets. The impact of a weak operating environment in Returns South was offset by results in Returns North, such that adjusted operating profit across our Returns Markets increased by 1 per cent. Our aggregate market share was down, largely reflecting the weighting of higher than average market size declines in the UK and Morocco where we have higher share than in other Returns Markets.

We grew net revenue per thousand stick equivalents by 4 per cent. We also increased the revenue contribution from our Growth Brands; these brands generated 43.2 per cent of tobacco net revenue in Returns Markets, 320 basis points higher than last year.

Returns Markets North

	Full Year Result		Change		
	2014	2013	Actual	Constant Currency[1]	Underlying[1]
Market share (%)	**24.8**	25.5	-70bps		
Net revenue per '000 SE (£)	**27.0**	27.0	–	+5%	+6%
Adjusted operating profit (£m)	**1,511**	1,543	-2%	+2%	
Growth Brands % tobacco net revenue	**46.7**	43.9	+280bps	+210bps	+220bps

1 See Performance Measures table on page 1.

We achieved robust results in Returns Markets North, increasing net revenue per thousand stick equivalents by 6 per cent and adjusted operating profit by 2 per cent. Growth Brands delivered 46.7 per cent of tobacco net revenue, up from 43.9 per cent. Our market share was 24.8 per cent, impacted by industry volume declines in the UK.

Country	Performance
UK	We maintained our leadership position against a backdrop of weak industry volumes. We grew volumes of JPS, strengthened the Lambert & Butler brand franchise with a new value variant and made fine cut tobacco gains with Player's Gold Leaf.
Germany	We delivered a strong financial performance, increasing revenue and profit. Our fine cut tobacco share was down and growth from JPS and Davidoff kept our cigarette share broadly stable.
Benelux	Competitor pressures in the Netherlands affected our overall cigarette and fine cut tobacco shares but good performances elsewhere delivered further profit growth.
Australia	We grew volumes, revenue and profit and increased both our cigarette and fine cut tobacco shares with JPS.
New Zealand	We enhanced our cigarette and fine cut tobacco shares with growth from JPS and West.
Azerbaijan	Our cigarette share was down slightly but we grew revenue and profit and increased volumes of Parker & Simpson.
Ukraine	We performed well in a turbulent environment, significantly improving revenue and profit, although our share dipped slightly. Parker & Simpson gained ground following its launch in the year and West volumes were up.

Returns Markets South

	Full Year Result		Change		
	2014	2013	Actual	Constant Currency[1]	Underlying[1]
Market share (%)	**29.4**	29.9	-50bps		
Net revenue per '000 SE (£)	**18.6**	19.3	-4%	–	+1%
Adjusted operating profit (£m)	**742**	792	-6%	-2%	
Growth Brands % tobacco net revenue	**37.3**	33.7	+360bps	+350bps	+310bps

1 See Performance Measures table on page 1.

Our focus on improving the quality of our growth was reflected in the further development of our Growth Brands, which accounted for 37.3 per cent of tobacco net revenue in Returns South, up from 33.7 per cent last year. However, the weak operating environment in France, Spain and Morocco undermined our overall financial performance.

Country	Performance
Spain	Industry volume declines slowed but the market remained challenging. We grew our blonde cigarette share and strengthened our portfolio by migrating local brand Brooklyn into West.
France	Our cigarette share declined in an environment of weak industry volumes. We made gains in the growing make your own segment with Gauloises Blondes and News and added to our cigarette portfolio with the launch of Gauloises Generation.
Portugal	We achieved excellent results with JPS, increasing volumes and both our cigarette and fine cut tobacco share.
Czech Republic	We increased volumes and profit and grew our cigarette share. Our fine cut tobacco share was down but we improved our position with the launch of Parker & Simpson.
Austria	We stabilised our cigarette share and launched a Gauloises variant with biodegradable filter and an additive-free tobacco blend, to capitalise on growth in the additive-free segment.
Algeria	Our good performance was driven by Gauloises Blondes and West, with both brands gaining volume and share.
Ivory Coast	We have a strong market leading position and made further gains with Fine.
Senegal	We made further good progress, increasing our cigarette volume and market share.
Morocco	There were further steep industry volume declines and our cigarette share was down. We focused on strengthening our portfolio with launches of MQS cigarettes, a modern variant of our local brand Marquise, and the market's first fine cut tobacco products through Gauloises and Marquise. These initiatives improved our second half performance.

Oliver Tant Chief Financial Officer

Effective cost and cash management supports our sales growth strategy. We use our substantial cash flows to create returns for shareholders, pay down debt and reinvest to support growth. By focusing on cash generation and working capital we are embedding a stronger capital discipline in the business.

When managing the performance of our business we focus on non-GAAP measures, which we refer to as adjusted measures. We believe they provide a useful comparison of performance from one period to the next. These adjusted measures are supplementary to, and should not be regarded as a substitute for, GAAP measures, which we refer to as reported measures. The basis of our adjusted measures is explained in our accounting policies accompanying our financial statements, and reconciliations between reported and adjusted measures are included in the appropriate notes to our financial statements. Percentage growth figures for adjusted results are given on a constant currency basis, where the effects of exchange rate movements on the translation of the results of our overseas operations are removed.

A Year of Significant Progress

We made significant progress in the period, implementing a stock optimisation programme, managing our cost base and controlling our cash flows, aligned with our strategy. The stock programme, which is now completed, reduced trade inventories in some of our major markets, affecting our volumes by around 9 billion stick equivalents. Results were also affected by market size declines. Strong price/mix and cost control initiatives mitigated some of these impacts.

Underlying revenue and volume results remove the impact of the stock programme and give a clearer picture of how well we performed. Total adjusted operating profit was stable at £3 billion. Underlying tobacco net revenue was up by 2 per cent. The proportion of net revenue from our Growth Brands increased, improving the quality of our revenue and strengthening our sustainability.

Results in Growth Markets benefited from non-recurring credits of around £40 million in respect of MSA costs following settlement of a number of historic issues in the USA. Returns Markets South results benefited from a one-off credit of £52 million due to the amendment of entitlements to free cigarettes for pensioners in Spain. These benefits helped offset the impact of the stock optimisation programme.

Group Results – Constant Currency Analysis

£ million unless otherwise indicated	Year ended 30 September 2013	Foreign Exchange	Constant currency growth	Year ended 30 September 2014	Change	Constant currency change[1]
Tobacco net revenue	7,007	(355)	(76)	6,576	-6%	-1%
Growth Markets net revenue	2,254	(152)	11	2,113	-6%	–
Returns Markets North net revenue	2,929	(142)	14	2,801	-4%	–
Returns Markets South net revenue	1,824	(61)	(101)	1,662	-9%	-6%
Tobacco adjusted operating profit	3,003	(153)	–	2,850	-5%	–
Growth Markets adjusted operating profit	668	(57)	(14)	597	-11%	-2%
Returns Markets North adjusted operating profit	1,543	(63)	31	1,511	-2%	+2%
Returns Markets South adjusted operating profit	792	(33)	(17)	742	-6%	-2%
Logistics distribution fees	850	(22)	20	848	–	+2%
Logistics adjusted operating profit	176	(4)	(6)	166	-6%	-3%
Adjusted operating profit	3,180	(157)	3	3,026	-5%	–
Adjusted net finance costs	(532)	13	3	(516)	+3%	+1%
Adjusted EPS	210.7p	(11.7)p	4.4p	203.4p	-3%	+2%

1 See Performance Measures table on page 1.

Group Earnings Performance

	Adjusted		Reported	
£ million unless otherwise indicated	2014	2013	2014	2013
Operating profit				
Tobacco	2,850	3,003	1,970	1,888
Logistics	166	176	84	69
Eliminations	10	1	10	1
Group operating profit	3,026	3,180	2,064	1,958
Net finance costs	(516)	(532)	(544)	(739)
Profit before taxation	2,510	2,648	1,520	1,219
Taxation	(530)	(572)	(69)	(290)
Profit for the year	1,980	2,076	1,451	929
Earnings per ordinary share (pence)	203.4	210.7	148.5	92.9

Reconciliation of Adjusted Performance Measures

£ million unless otherwise indicated	Operating profit 2014	Operating profit 2013	Net finance costs 2014	Net finance costs 2013	Earnings per share (pence) 2014	Earnings per share (pence) 2013
Reported	2,064	1,958	(544)	(739)[R]	148.5	96.2[R]
Acquisition costs	13	–	–	–	1.4	–
Amortisation of acquired intangibles	644	372	–	–	35.8	30.8
Impairment of acquired intangibles	–	580	–	–	–	48.6
Fair value (gains)/losses on derivative financial instruments	–	–	(12)	156	(2.5)	15.1
Post-employment benefits net financing costs	–	–	40	51[R]	2.8	3.7[R]
Restructuring costs	305	270	–	–	23.1	19.6
Tax losses	–	–	–	–	(5.3)	–
Items above attributable to non-controlling interests	–	–	–	–	(0.4)	–
Adjusted	3,026	3,180	(516)	(532)	203.4	210.7

R Restated on adoption of IAS 19 (Revised).

Logista delivered an encouraging performance in a challenging environment. Logistics distribution fees were up 2 per cent at £848 million and adjusted operating profit was £166 million compared with £176 million last year, largely due to one-off items.

Adjusted net finance costs were a little lower at £516 million (2013: £532 million), as average debt reduced and our cost of debt improved slightly. Reported net finance costs were £544 million (2013: £739 million), reflecting net fair value and exchange gains on financial instruments of £12 million (2013: losses of £156 million) and post-employment benefits net financing costs of £40 million (2013: £51 million).

After tax at an effective adjusted rate of 21.1 per cent (2013: 21.6 per cent), adjusted earnings per share grew by 2 per cent to 203.4 pence. The reported effective tax rate for 2014 was 4.6 per cent, unusually low primarily due to the remeasurement of certain deferred tax balances, in particular deferred tax on intangible assets and other items which are excluded from our adjusted measures.

Reported earnings per share were 148.5 pence (2013: 92.9 pence) reflecting non-cash amortisation of £644 million (2013: £372 million) which has increased following revisions to the estimated period of time over which we will amortise certain intangible assets, and restructuring costs of £305 million (2013: £270 million), mainly in respect of our continuing cost optimisation programme.

Our cost optimisation programme will deliver savings of £300 million per annum from September 2018. More than £60 million was realised in 2014 through a range of initiatives focused on reducing complexity in the business, driving operational efficiencies and securing further global procurement benefits.

Cash Flows and Financing

We increased cash conversion to 91 per cent, up from 86 per cent last year.

In July a partial IPO of Logista resulted in the sale of approximately 30 per cent of Logista for a consideration of £395 million net of fees (€518 million). Retaining a majority shareholder position ensures we continue to benefit from the strong cash flows that Logista generates.

The proceeds helped reduce our reported net debt by £1 billion. This significant reduction was also driven by foreign exchange rates and a focus on more effectively managing working capital, which further reinforces our drive to embed stronger capital discipline in the business. Eliminating accrued interest and the fair value of derivatives providing commercial cash flow hedges, our adjusted net debt was £8.1 billion (2013: £9.1 billion), also improved by almost £1 billion over the year.

The denomination of our closing adjusted net debt was split approximately 75 per cent euro, 14 per cent sterling and 11 per cent US dollar. As at 30 September 2014 we had committed financing facilities in place of around £17 billion (including acquisition facilities of around £4.4 billion available in relation to the proposed US asset purchase). Some 45 per cent was bank facilities, 2 per cent was commercial paper and 53 per cent was raised through capital markets.

Our all-in cost of debt was 4.9 per cent (2013: 5.1 per cent) and our interest cover was 5.9 times (2013: 6.0 times). We remain fully compliant with all our banking covenants and remain committed to retaining our investment grade ratings.

Share Buyback and Dividends

During the year, we spent £341 million acquiring 14.2 million shares under our buyback programme. We suspended the programme in July following the announcement of our intention to purchase certain assets in the USA.

The Board has proposed a final dividend of 89.3 pence per share, bringing the total dividend for the year to 128.1 pence per share, up 10 per cent and in line with our published dividend policy. If approved, the proposed final dividend will be paid on 17 February 2015, with an ex-dividend date of 15 January 2015.

With effect from our 2015 financial year, we will pay a quarterly dividend in order to give shareholders a more regular cash return. The first two quarterly dividends will be announced with our half year results in May 2015 and paid in June and September. The third and fourth quarter dividends will be announced with the full year results in November 2015 and paid in December and, subject to AGM approval, in March 2016.

Liquidity and Going Concern

The Group's policy is to ensure that we always have sufficient capital markets funding and committed bank facilities in place to meet foreseeable peak borrowing requirements.

In reviewing the Group's committed funding and liquidity positions, the Board considered various sensitivity analyses when assessing the forecast funding and headroom requirements of the Group in the context of the maturity profile of the Group's facilities. The Group plans its financing in a structured and proactive manner and remains confident that sources of financing will be available when required.

In relation to the proposed acquisition of certain brands and assets as a result of the acquisition of Lorillard by Reynolds American, we have entered into committed bank facilities of £7.7 billion, comprising term loan and revolving credit facilities.

Based on its review, the Board is of the opinion that the Group as a whole and Imperial Tobacco Group PLC have adequate resources to meet their operational needs for a period of 12 months from the date of this report and conclude that it is appropriate to prepare the financial statements on a going concern basis.

Oliver Tant
Chief Financial Officer

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.

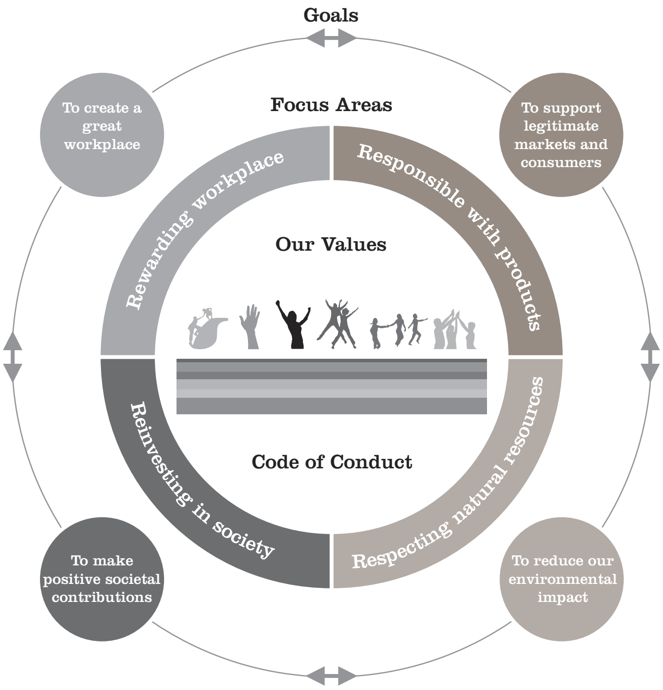
Our values embody the behaviours we expect from everyone who works for us and our Code of Conduct includes policies, internal controls and risk management processes that underpin our sales growth strategy.

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 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 CO_2 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

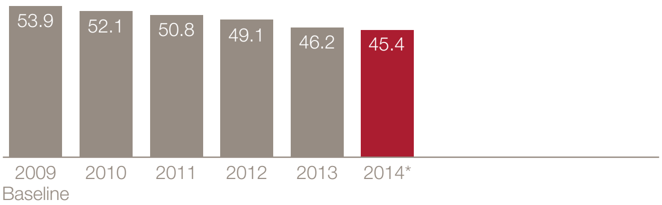
Logista's scope 1 emissions relate to the stationary and mobile fuel combustion and emissions from landfill waste. Refrigerant gases for Logista are not included due to current reporting capabilities. Scope 2 emissions include the indirect emissions resulting from the use of purchased electricity, heat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

Logista's unverified relative CO_2 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

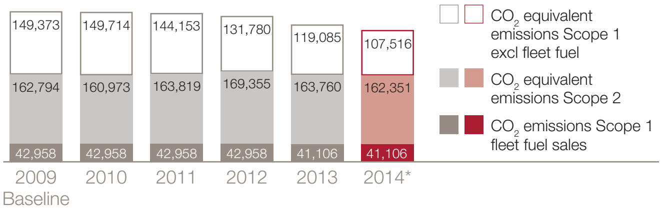
We continue to work on improving our Group reporting boundaries and the timeliness of data. More information on our environmental reporting approach can be found in the Responsibility section of our website.

Responsibility Performance Indicators

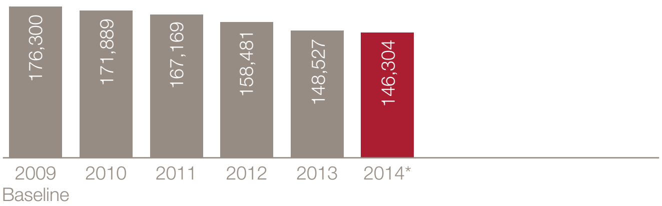
CO_2 Equivalent Emissions (Tonnes/£ million)[1]



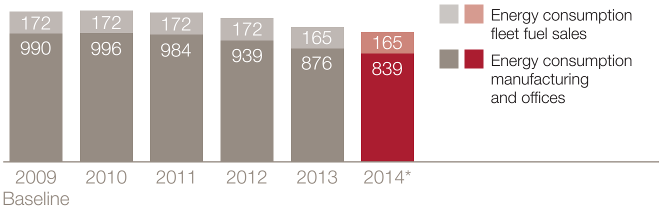
Absolute CO_2 Equivalent Emissions (Tonnes)[1]



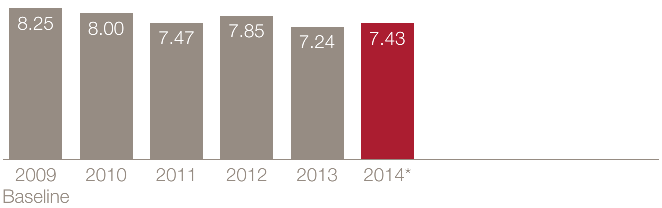
Energy Consumption (kWh/£ million)[1]



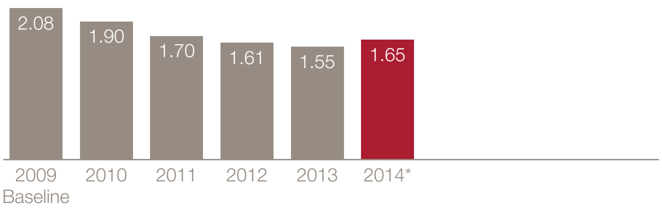
Absolute Energy Consumption (GWh)[1]



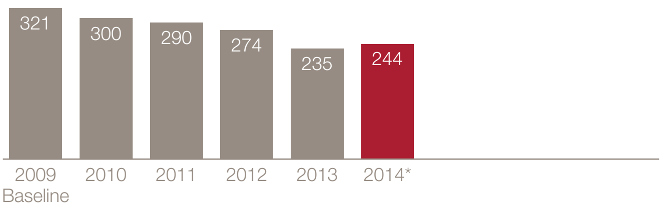
Waste (Tonnes/£ million)[1]



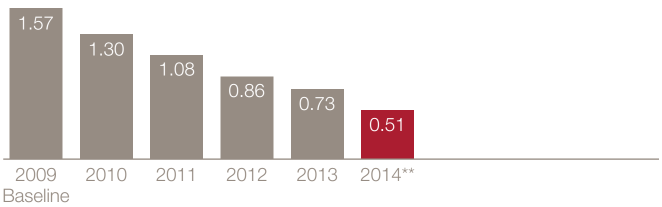
Waste to Landfill (Tonnes/£ million)[1]



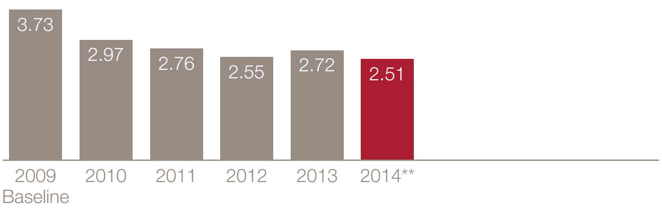
Water Consumption (m^3/£ million)[1]



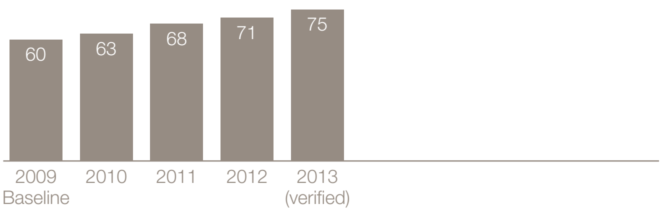
Lost Time Accident Frequency Rate (per 200,000 hours)[2]



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.

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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.

In this section we outline the risks we face across our business and our approach to managing them.

Our Approach

Our ability to achieve our strategic objectives and capitalise on growth opportunities requires effective management of the risks we face.

Our risk management system is designed to identify risks that could prevent the achievement of strategic objectives as early as possible, and to ensure that appropriate and agreed mitigation is in place. The approach seeks to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. Where risks do crystallise, we respond immediately to reduce the impact of that risk and to ensure that the causes and consequences have been evaluated and any wider implications assessed.

Our risk management approach provides a framework which allows for the identification and management of both Group risks and those risks specific to a location. In a business with a global market footprint as diverse as ours it is imperative to ensure that resource is directed at the most relevant risks and that our management is sufficiently supported to achieve positive outcomes.

A year end certification process is completed, under which management confirms that risk mitigation controls have operated effectively throughout the year and that entities have complied with our policies, including the Code of Conduct and anti-bribery requirements, as well as fraud prevention processes. As a separate exercise, all our senior managers are also required to certify that there have been no related party transactions within their areas of control.

Our people have the opportunity to make confidential disclosures about suspected impropriety or wrongdoing via an independent external service (Speaking Up), details of which have been translated into 36 languages and can be found in the Investors section of our website.

In accordance with the recommendations of the FRC's Guidance for Directors on Internal Control (formerly known as the Turnbull guidance), the Group's systems of internal control are designed and operated to support the identification, evaluation and management of risks affecting the Group. They facilitate the effective and efficient operation of our business, provide assurance regarding the integrity of our internal reporting and are designed to comply with relevant laws and regulations, across all areas of operations. These systems are subject to continuous review as circumstances change and new risks emerge.

Our risk management approach continues to develop, ensuring we continue to identify, manage and monitor the risks we face.

Risk Management

The Board and Audit Committee

The Board has ultimate responsibility for the Group's strategy and related risk appetite. In addition, the Board is accountable for reviewing the effectiveness of the systems and processes of risk management and internal control, with the Audit Committee assisting in the discharge of this responsibility.

The Audit Committee oversees the effectiveness of the Group's risk management system and internal controls and is assisted by the Group's Corporate Assurance department (which oversees the completion of the annual assessment of risk management and internal control). The Audit Committee reports to the Board on its activities and makes recommendations and escalates significant risks or issues to the Board as appropriate.

Ensuring that the Board has the right balance of skills and experience to develop our strategy and support its successful implementation, including support of, and insight into, the risk management approach, is the responsibility of the Nominations Committee. This committee provides the Board with the required support to identify and recruit the necessary talent to achieve the Group's objectives.

Achieving the Group's objectives in accordance with our Code of Conduct and business principles is supported by the Remuneration Committee which aligns appropriate senior management objectives and remuneration packages.

In order to assist the Board in its requirement to provide a fair and balanced view of business performance, and to assist with legal and regulatory compliance, oversight of the integrity of the communication of the Group's financial disclosures is provided by the Disclosure Committee. This is chaired by the Company Secretary and comprises senior management from across our business. It meets as required to consider major financial disclosures including the Group's key periodic external reports, including the consolidated and parent company financial statements.

While risk management and the identification of existing and emerging risks are the responsibility of all our people, the Board is supported in the assessment of key risks through work facilitated by the Group's Corporate Assurance department. The approach ensures a consistent top-down method in how we identify, assess and prioritise risks, as well as assessing our existing measures to manage and mitigate those risks.

The top-down approach that supports the Board is complemented by an annual bottom-up review by local management across the organisation which assesses our principal areas of risk and uncertainty across each part of the business. This assessment includes a review of both Group and local risks, along with an assessment of the mitigating controls in place to manage the risks. The separation of risks into Group and Local classifications enables appropriate focus at both senior and local management level, and assists us in the identification of emerging risks. The Group risks are individually owned by a member of the Operating Executive, and ongoing development of the risk management approach continues to improve consistent management of these risks across our global footprint.

The Operating Executive (OPEX)

The OPEX is ultimately responsible for the effective operational management and mitigation of the Group's key risks. The successful and effective implementation of Group strategies into our operational activities is the responsibility of the Operating Executive and its functional and divisional management teams. These management teams are responsible for ensuring that the Group's strategic goals are achieved in line with Group policies and standards, and that we conduct business in compliance with our Code of Conduct. This tone from the top extends to responsibility for the monitoring of operational and financial performance, the assessment and control of financial, business and operational risks and the maintenance and ongoing development of a robust control framework and environment in their areas of responsibility.

Operational Management

Across the business, operational management is responsible for the implementation and monitoring of the Group's processes and systems of control. This includes ensuring that our people have appropriate training and knowledge to perform their roles in accordance with the Group's policies and standards and defined lines of accountability and delegation of authority.

The Group's functional and divisional management structures enable a continuing process for the identification, evaluation and management of significant risks to the achievement of business objectives and support the controls in place.

Oversight

In addition to the oversight provided by our management structures the Group also benefits from the work carried out by subject matter experts it employs to manage specific technical or legal and regulatory risks. These teams form a key part of our "second line of defence" and are referred to as part of our "other assurance provider" network.

These departments design and implement appropriate control structures and monitoring in order to manage the relevant risks. They also act as centres of excellence, providing advice and assistance to the business to help facilitate local solutions where necessary. These "other assurance providers" liaise with our Director of Corporate Assurance to promote a consistent approach and knowledge sharing within the Group's developing "Total Assurance" model.

Our Group Finance department is responsible for the financial policies and standards adopted within the Group. It also manages our financial reporting processes to ensure the timely and accurate provision of information, which enables the Board to discharge its responsibilities, including the production of our half yearly and annual accounts.

Group Finance is supported by a network of finance managers throughout the Group who have the responsibility and accountability to provide information in keeping with our policies, procedures and internal best practices as documented in our Group Finance Manual.

Governance Framework

The Group's Corporate Assurance department oversees the Group's risk management process and includes our Group Internal Audit team.

Risk management and assurance activities are key elements of our overall governance framework which is based upon a three lines of defence model.

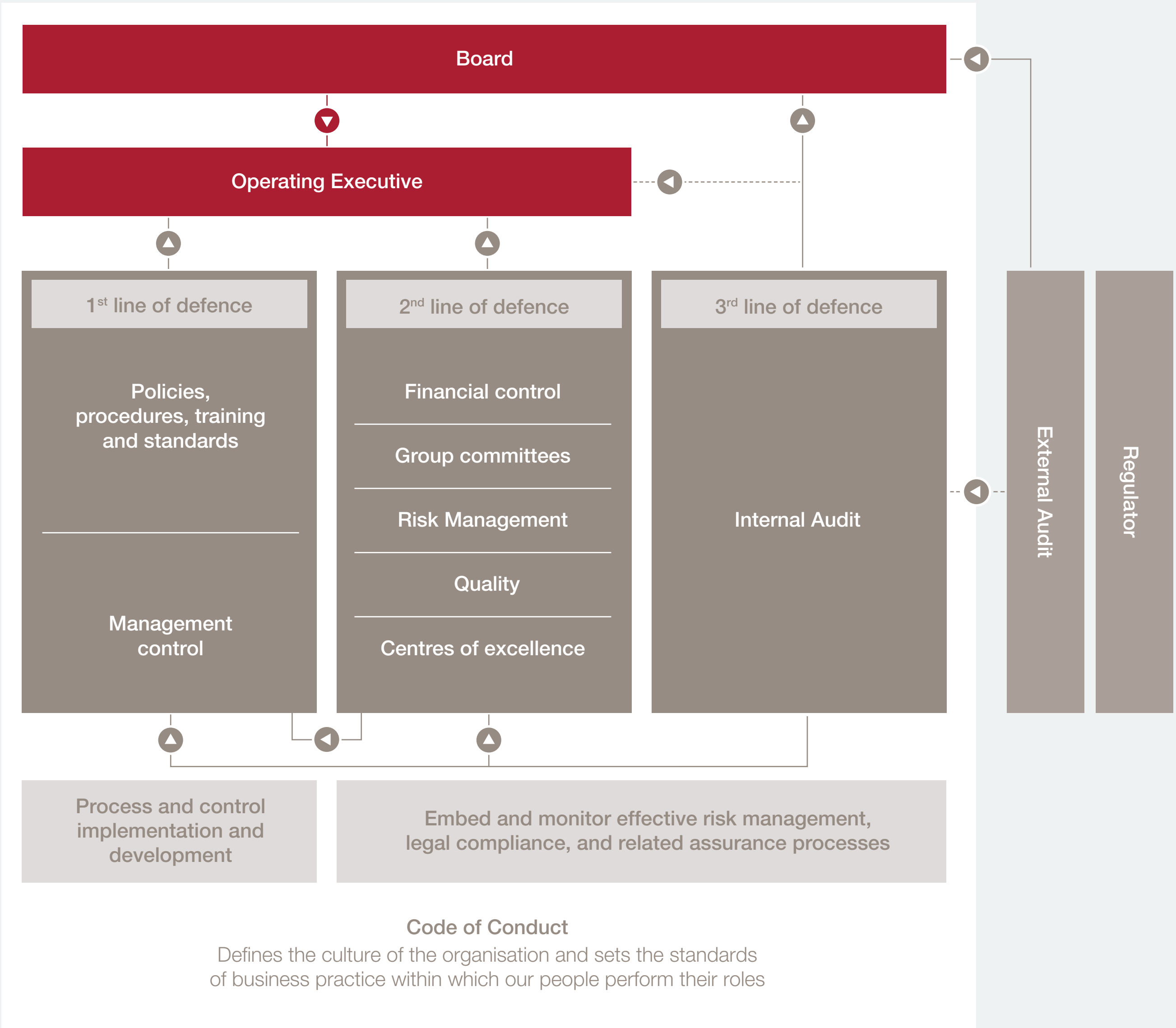
We operate an integrated approach, aligned to ensure that our operational management has the tools, knowledge, and support in order to manage risks as part of its business as usual business processes.

Key elements of our framework:

- our Company Secretary is responsible for maintaining and developing the Group's framework of governance, including our Code of Conduct, Group policies and Speaking Up (whistleblowing) process;
- operational management is provided with training and guidance that enables it to implement effective controls and to manage their business risks;
- centres of excellence and Group committees exist in order to provide expert technical advice and guidance in the development of policy and control relating to our legal and regulatory requirements. These centres of excellence provide assurance activities that ensure effective risk management is implemented through our business processes; and
- our Director of Corporate Assurance provides assurance that the controls to mitigate risks to an acceptable level are operating as they should, through both the risk management processes and internal audit work.

This includes co-ordination of the work of other assurance providers within the Group who are technical experts in their field of risk management such as OHSE and product quality.

ITG Governance Framework



Assurance

The Internal Audit department provides independent assessment on the robustness and effectiveness of the systems and processes of risk management and control across the Group. It achieves this through the completion of reviews which are approved by, and reported to, the Audit Committee.

This approach is aligned to the "three lines of defence" model, adopted as an effective structure for risk management.

Risk Management Overview

In the following section we highlight the principal risks we face and identify the mitigations that we have in place to manage the impact of these risks upon the business. Not all of these factors are within our direct control, and the list cannot be considered to be exhaustive, as other risks and uncertainties may emerge in a changing business environment.

As is common with most large organisations the Group is subject to general commercial risks; for example, cyber-security breaches, failure of our IT infrastructure, the cost of our raw materials, and the impact of competition.

Risk – Reduction in the size of the legitimate tobacco market

What affects us	What we do
Changes in regulation Regulatory restrictions exist in many of our markets which impact our consumers by influencing availability, demand and freedom to use our products. The introduction of excessive and disproportionate regulation, both present and future, could have an adverse effect on consumer choice, potentially impacting the demand for our products, as well as the cost of continuing to comply with such increasing regulation.	The Group's "rational regulator" strategy is designed to engage with key internal and external stakeholders to ensure that proposed regulatory change is proportionate and does not lead to excessive regulation. This engagement includes: – consulting with external experts to provide advice and guidance; – engagement, where possible, with regulators; – providing industry specific information to ensure that regulators have a more balanced fact base; – highlighting the unintended consequences of proposed regulatory change; and – making legal challenges against excessive regulation. We prioritise the Group's expertise and resources according to the relevant key regulatory issues. Cross-market liaison is promoted within the Group to ensure best practice and opportunities from markets already impacted are identified, understood, and applied.
Increases in excise duty Governments across the world perceive the use of tobacco excise rates to be a means of raising additional public funding and/or the satisfying of public/private tobacco control agendas.	We engage with local tax and customs authorities as well as politicians/legislators and media where appropriate to provide informed input to the unintended consequences of excise increases. The widening price differential between tobacco products in neighbouring countries increases both the availability and attractiveness to the consumer of purchasing non-domestic duty paid product. We take commercial steps to mitigate the impact of this issue through the monitoring and compilation of ongoing analysis to ensure strategic price and product offerings exist in the context of the excise duty structures in each market. Through our portfolio of products we are able to meet consumer preferences across different price points.
Illicit trade The consequence of excise and regulatory regimes is a widening gap between price of legitimate and illegitimate product. As a result the legitimate tobacco industry continues to be subject to the significant impact and increasing threat of illicit trade. The sale of counterfeit product and smuggled "illicit whites" in our markets act as a direct competitor to legitimate domestic duty paid, travel retail and duty free products, eroding our volumes and market shares.	We seek to work with governments and law enforcement agencies around the world on anti-illicit trade initiatives, and work alongside the European Commission's Anti-Fraud Office (OLAF) and law enforcement agencies both in the EU and elsewhere. In order to achieve this we employ specialist teams to provide effective support to the business and governments/law enforcement agencies, performing market analysis and intelligence to provide appropriate and targeted solutions to the combating of illicit trade. We maintain strong business conduct standards and controls, both for our business and our first-line customers in order to prevent our products being diverted.
Macro-economic conditions A material decline in the economic conditions affecting consumers, notably an impact upon disposable income, may change their consumption patterns, including an increased propensity to purchase illicit products.	We monitor and analyse consumption patterns and economic indicators in order to ensure that our current and future portfolio provides the consumer with a range of products across different price points. This analysis is a key input to our product development and pricing strategies.

Risk – Marketplace

What affects us	What we do
Marketplace The Group has a significant presence in mature European markets and thus any material decline in the economic circumstances of, and/or our performance in, our key European markets may affect our future profit development and have an adverse impact on the Group's revenue or profits. Should concerns regarding the future of the euro, or the exit of one or more Eurozone countries re-emerge, consumer spending patterns could be impacted. Such an event could also cause disruption to the business as a whole, including impact upon financing arrangements (both Group and Local), and could also have a short-term impact upon our Manufacturing and Supply Chain operations. As with all businesses our route to market could be affected by political instability, civil unrest, and sanctions, and could also have a detrimental effect on our Manufacturing and Supply Chain operations.	We continuously monitor our exposure and review our portfolio and our existing processes and policies to minimise our economic exposure and to preserve our ability to operate in a range of potential conditions that may exist should one or more of these future events occur. Our international footprint and comprehensive portfolio provides an increasingly balanced exposure to both EU and non-EU markets, with the core of our market concentration being in countries with a lower risk of political instability and civil unrest. The alignment of our market management structures to key strategic drivers enables a more consistent approach to the evaluation of risks and opportunities. Our global manufacturing and supply chain operations have crisis management and contingency plans in place which are regularly reviewed in line with the risks to their ongoing requirements.

Financing

What affects us	What we do
Funding and liquidity management We have a significant level of committed debt, financed in the debt capital markets and bank loan markets. We expect any future required refinancing of this debt upon maturity to be obtained from these markets and for us to be able to rely on funds being available from our bank counterparties when requested to be drawn. Approximately half of the Group's debt is currently at fixed levels of interest, and therefore the Group is exposed to movements in interest rates which could result in higher funding costs and cash outflows on the remainder. A fall in certain of our credit ratings could raise our cost of funding and affect our ability to raise debt with the breadth of funders we currently enjoy.	Our Group Treasury Committee (GTC) oversees the operation of Group Treasury in accordance with the terms of reference set out by the Board. The GTC sets out a framework for the treasury function to operate within. The framework covers, amongst other things, financing, liquidity and counterparty risk and is fully reviewed periodically. The GTC receives regular reporting on all matters covered by the framework. Cash flows, financing requirements and key rating agency metrics are regularly forecast and updated in line with business performance. This information is considered alongside conditions in debt capital and bank loan markets to ensure we are well placed to meet the future financing needs of the Group, and optimise its cost and availability.

Legal and regulatory compliance

What affects us	What we do
Failure to comply with legislation Failure to comply with local and international laws (including sanctions) may result in investigations. This may cause damage to our reputation and has the potential for financial and criminal penalties for both the Group and individuals.	We monitor closely developments in international sanctions and actively seek external advice to ensure that we remain compliant with them. The Group's policies and standards, including our Code of Conduct, mandate that all employees must comply with legislation relevant to a UK listed company and in the countries in which we operate. E-learning courses are provided to management and relevant employees to ensure understanding of key regulatory and compliance requirements. Additionally, senior management certify the compliance of their area of the business with the Code of Conduct as part of an annual certification process. Exceptions are reported and mitigating actions taken. Steering groups exist for key areas of legal compliance to provide expert advice in the development of policy, process, training and monitoring of compliance.

What affects us	What we do
Tobacco litigation	
Tobacco litigation claims are pending against the Group in a number of countries. More claims may be brought in the future, including claims for personal injury and the recovery of medical costs allegedly incurred in treating smokers. If any claim were to be successful, it might result in a significant liability for damages and might lead to further claims against us. Regardless of the outcome, the costs of defending such claims can be substantial and may not be fully recoverable.	To date, no tobacco litigation claim brought against the Group has been successful and/or resulted in the recovery of damages. We employ internal and external lawyers specialising in the defence of product liability litigation to provide advice and guidance on defence strategies and to direct and manage litigation risk and monitor potential claims around the Group.
Significant market positions	
Our significant market position in certain countries could result in investigations and adverse regulatory action by relevant competition authorities, including the potential for monetary fines and negative publicity.	The Group's policies and standards, including our Code of Conduct, mandate that all employees must comply with competition laws in the countries in which we operate. We provide training and guidance to relevant employees detailing the obligations and requirements of competition laws. We employ experienced internal and external lawyers specialising in competition laws to provide advice and guidance regarding interpretation and compliance with competition laws. In the event of any investigation (which may or may not result in actions being brought against us), we cooperate fully with the relevant authority making the investigation and will continue to do so.

Material strategic initiatives

What affects us	What we do
In order to achieve our strategic objectives, the Group may be required to undertake material initiatives, including acquisitions and change programmes. The Group operates within a regulatory environment that can require the implementation of material initiatives to address changing legal requirements.	The Group operates a formal project sign-off approach, ensuring an appropriate and transparent review and selection of project proposals aligned to the Group's strategic and operational objectives. To support the successful delivery of material initiatives within the organisation the Group has developed and implemented a standardised project management process that provides a robust framework to enable effective change management. This approach is adopted across the Group and provides a consistent and disciplined approach to the management of material initiatives, supported by the employment of project managers across the Group to ensure the right skills are available to successfully deliver such initiatives. The majority of the Group's material change programmes are coordinated under a single umbrella programme, ensuring alignment of deliverables, management of interdependencies, and limiting the impact of change upon our operational activities. The Operating Executive receives regular reporting on the progress of key projects. This provides a continuing assessment of deliverables in changing markets, and the evaluation of interdependencies across the business. Benefits achieved on key projects are appropriately certified before being reported externally. We also carry out post-implementation reviews to ensure appropriate feedback is captured to constantly improve our change management approach.