Remuneration Committee

David Haines Chairman

"Our remuneration policy supports our strategy and incentivises management to maximise opportunities for long-term sustainable growth."

Members

David Haines *Chairman*
Ken Burnett
Michael Herlihy
Karen Witts
Malcolm Wyman
Trevor Williams
Committee Secretary

Other regular attendees

Board Chairman[1]
Chief Executive[1]
Company Secretary
Group Human Resources Director[1]
Group Reward Director
New Bridge Street, the Committee's principal advisor[2]

1 Specifically excluded when their own remuneration or conditions of service are under discussion.
2 Appointed by the Committee.

Focus in 2015

- implementing the revised remuneration policy following shareholder approval comprising:
  - consolidating all long term awards into a single LTIP. The LTIP is a five year plan, having a three year performance period and an additional two year holding period for vested awards;
  - implementing mandatory deferral of bonus to require 50 per cent of bonus paid to be deferred into shares and released after three years; and
  - strengthening claw back and malus provisions
- review of Matthew Phillips' remuneration package in light of his significantly increased responsibilities
- consideration and review of performance conditions following the acquisition of assets in the USA

Focus for 2016

- no changes to the remuneration policy are proposed for 2016
- following the acquisition of assets in the USA, ongoing monitoring of performance conditions to ensure incentive pay-out levels appropriately reflect the intentions of the Committee and the remuneration policy at the time of grant
- review of reward strategy and positioning in light of the changed profile of the business following the USA acquisition

Remuneration Summary

The Committee's aim

Our remuneration policy incentivises management to deliver our strategy, building on its track record of delivering significant returns to our shareholders.

Our remuneration packages comprise

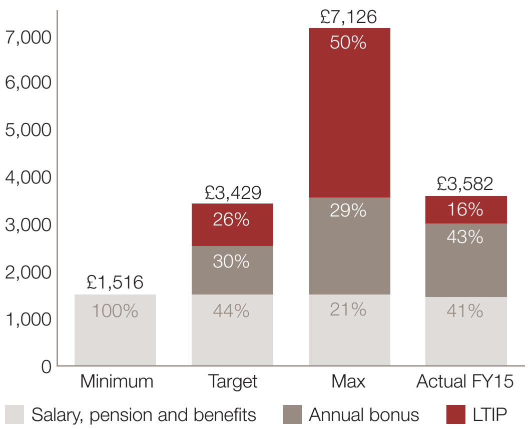
Fixed elements:	Variable elements:
– salary	– annual bonus
– pension	– long term incentive plan
– benefits	

See a summary of our remuneration policy on page 51.

Balance of elements

Packages are weighted towards performance related variable elements with targets aligned to the key performance indicators we use to measure the progress we make in delivering our strategy.

The potential reward opportunity for Alison Cooper, our Chief Executive in the current financial year, is:



See the full scenario analysis on page 53.

Summary of Total Remuneration for each Executive Director

£'000	Salary	Taxable benefits	Annual bonus	Share plans vesting	Share-save vesting	Pension benefits	Total
Executive Directors							
Alison Cooper	965	16	1,544	571	6	480	3,582
Oliver Tant	630	16	1,008	–	–	163	1,817
Matthew Phillips	478	23	705	169	4	296	1,675
	2,073	55	3,257	740	10	939	7,074

Read the full details in our Remuneration Report on page 56.

Dear Shareholder

To maintain alignment with the Group's long-term strategic priorities we have, over recent years, made a number of changes to our remuneration policy, including further increasing the focus of our executives' pay towards the long-term. We aim to ensure that executive remuneration is not excessive but is fair and competitive, and enables the Group to attract and retain the talented individuals needed to drive our large and complex business forward.

The changes we proposed to our remuneration policy last year, which included the consolidation of two long-term incentive arrangements, were approved by shareholders at our AGM on 28 January 2015 and I was pleased with the 94 per cent vote in support.

The 2014 UK Corporate Governance Code (the Code) places greater emphasis on ensuring that remuneration policies are designed to promote each company's long-term success. It also emphasises that arrangements should be in place to enable withholding or recovery of variable pay, when appropriate, and holding periods for deferred remuneration.

I am confident that the strong links between our performance targets and key performance indicators used to measure the progress in delivering our strategy, the deferral and holding periods we have introduced and the robust malus and clawback provisions within the annual bonus and LTIP fully meet the Code's enhanced provisions.

We are not proposing any changes to the policy for the year ahead and have, therefore, set out a short summary of our policy on page 51 with the full policy contained within our 2014 Annual Report and Accounts available on our website, http://ar14.imperial-tobacco.com

Whilst the external environment remained challenging, we continued to deliver against strategy; of particular note we drove our Growth Brands to outperform the market by 14.4 per cent enabling us to stabilise market share and exceed earnings expectations. Strong financial discipline also enabled us to increase cash conversion to 97 per cent. Delivery against strategy resulted in an annual bonus pay-out for Executive Directors of 80 per cent. This continued progress has yet to be reflected in the outcomes of the long-term plans; there will be only partial vesting of LTIP awards made in December 2012 and no vesting of SMS awards made in February 2013.

During the year we delivered a major acquisition of USA cigarette and e-cigarette brands from Reynolds American. This increases our share of the USA market to approximately 10 per cent and will be earnings accretive and delivers return on invested capital of approximately 10 per cent in the first year. In light of this change to the profile of the business, the Committee will commence a review of remuneration strategy and positioning in 2016, ensuring remuneration continues to support the creation of a stronger, more agile business and enhances our ability to generate sustainable shareholder returns.

Following the acquisition we realigned management responsibilities including appointing Matthew Phillips to the new role of Chief Development Officer. In this role he assumed responsibility for Group strategy, corporate development and our standalone Fontem Ventures business (including blu), whilst retaining his existing responsibilities for corporate, legal and regulatory affairs. Subsequent to informing our major shareholders, the Committee reviewed his remuneration (detailed on page 59).

In light of the positive impact of the acquisition on Group net revenue, the Committee will use its powers of discretion to increase net revenue targets for existing LTIPs as necessary to ensure the appropriateness of future vesting levels.

The Committee continues to review incentive measures annually. For financial year to 30 September 2016 it does not intend to amend the measures, as these continue to be aligned with our strategy and the interests of our investors, but targets for 2016 have been set based on the higher performance expectations of the enlarged business.

David Haines
Chairman of the Remuneration Committee

Governance

The role of the Remuneration Committee

The Board recognises that it is ultimately accountable for executive remuneration but has delegated this responsibility to the Committee.

The Committee's principal function is to support the Group's strategy by ensuring its delivery is incentivised by the remuneration policy. It also determines the specific remuneration package, including service contracts and pension arrangements, for each Executive Director and our most senior executives.

The Committee held three meetings during the financial year.

The Committee's responsibilities include:

- ensuring remuneration arrangements support our strategy, align with our values and drive performance;
- maintaining a competitive remuneration policy appropriate to the business environment of the countries in which we operate, thereby ensuring we can attract and retain high calibre individuals;
- aligning senior executives' remuneration with the interests of long-term shareholders whilst ensuring that remuneration is fair but not excessive;
- assessing the output from the Board evaluation process insofar as it relates to the Committee;
- making recommendations to the Board in respect of our Chairman's fees;
- setting targets for performance related elements;
- oversight of our overall policy for senior management remuneration and of our employee share plans; and
- ensuring appropriate independent advisors are appointed to provide advice and guidance to the Committee.

The Committee's full terms of reference provide further details of the role and responsibilities of the Committee and are available on our website.

All members of the Committee are independent Non-Executive Directors which we consider fundamental in ensuring Executive Directors' and senior executives' remuneration is set by people who are independent and have no personal financial interest, other than as shareholders, in the matters discussed.

To reinforce this independence, a standing item at each Committee meeting allows the members to meet without any Executive Director or other manager being present.

This Report has been prepared in accordance with the provisions of the Companies Act 2006 (the Act) and The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations). It also meets the requirements of the UK Listing Authority's Listing Rules and the Disclosure and Transparency Rules. In this Report we describe how the principles of good governance relating to directors' remuneration, as set out in the UK Corporate Governance Code 2014 (the Code), are applied in practice. The Committee confirms that throughout the financial year the Company has complied with these governance rules and best practice provisions.

The Regulations require our Auditors to report to shareholders on the audited information within this Report and to state whether, in their opinion, the relevant sections have been prepared in accordance with the Act. The Auditors' opinion is set out on page 68 and we have clearly marked the audited sections of the Report.

Summary Remuneration Policy for Executive Directors

There are no changes proposed to the policy approved by shareholders at our 2015 AGM, a summary of which is set out below. It does not replace or override the full approved policy, which is available on the Group's website http://ar14.imperial-tobacco.com/pdfs/imperial-tobacco-annual-report-2014-governance.pdf.

Element	Purpose and Link to Strategy	Operation	Maximum Opportunity
Salary	Attract and retain high performing individuals, reflecting market value of role and the Executive Director's skills, experience and performance.	Reviewed, but not necessarily increased, annually by the Committee taking into account each Executive Director's performance together with changes in role and responsibility, general increases for the UK wider management population and with reference to external market comparators. Salary increases, if any, are generally effective from 1 October.	No prescribed maximum annual increase.
Benefits	Competitive benefits taking into account market value of role and benefits offered to the wider UK management population.	Benefits include provision of company car, health insurance, life insurance and permanent health insurance which are provided directly or through the Company pension scheme. Opportunity to join the Sharesave Plan. Provision of relocation assistance upon appointment if/when applicable.	The level of benefit provision is fixed.
Annual Bonus Plan	Incentivise delivery of Group strategic objectives and enhance performance.	At least 60% of the annual bonus is linked to key financial metrics and no more than 15% will be linked to individual measures. Performance below the threshold results in zero payment. Payments rise from 0% to 100% of the maximum opportunity for levels of performance between the threshold and maximum targets. Half of any annual bonus is paid in deferred shares which must be held for a minimum of three years. The other half is paid in cash. Malus provisions apply before payment and claw back provisions are in place for the three years following payment of annual bonus.	200% of base salary or such lower sum as determined by the Committee.
Long-Term Incentive Plan	Incentivise long-term Group financial performance in line with the Group's strategy and long-term shareholder returns. Align Executive Directors' interests with those of long-term shareholders.	Awards have a performance period of three financial years starting at the beginning of the financial year in which the award is made and are based 20% on relative total shareholder return (TSR) vs a peer group and 80% on financial measures. In respect of each performance element, performance below the threshold target results in zero vesting. Vesting of each performance element starts at 25% and rises to 100% for levels of performance between the threshold and maximum targets. There is no opportunity to re-test. Claw back and malus provisions are in place. Dividends accrued on vested shares are paid at the time of vesting. Any awards which vest will be subject to a further two year holding requirement.	Chief Executive Officer: 350% of base salary. Other Executive Directors: 250% of base salary or such lower sum as determined by the Committee. Plus shares equivalent to the value of the dividend roll-up.
Pensions	Attract and retain high performing Executive Directors.	Pension provision for Executive Directors is provided in line with other employees through the Imperial Tobacco Pension Fund in the UK (the Fund). Executive Directors who joined the Fund prior to 1 October 2010 are members of the defined benefit section whereas Executive Directors joining the Fund on or after this date are offered membership of the defined contribution section. Members of the defined benefit section of the fund accrue pension at a rate between 1/47th and 1/60th of pensionable salary. Further detail is provided on page 58. Executives have the option to receive a cash supplement in lieu of membership of the Fund, or in lieu of accrual on pensionable salary above the Fund's earnings cap, or in lieu of future service accrual.	Current policy is for a defined contribution and cash supplement limit of 26% of salary. Existing members of the defined benefit section have a cash in lieu of pension accrual limit of 35% of salary.

Note: Legacy awards – In accordance with the Remuneration Policy, subject to the achievement of applicable performance conditions, Executive Directors remain eligible to receive payments, and existing awards may vest, in accordance with the terms of any such award (including the Share Matching Scheme) made prior to its implementation.

Committee discretions relating to variable pay schemes

The Committee operates each of the Company's incentive plans for which it has responsibility according to their respective rules and, where relevant, in accordance with the Listing Rules. The Committee has discretion, consistent with market practice, in respect of, but are not limited to:

- participants;
- the timing of grant of an award and/or payment;
- the size of an award (subject to the maxima set out in our policy);
- the performance measures and targets;
- the determination of vesting and confirmation that the calculation of performance is made in an appropriate manner, with due consideration of whether and, if so, how adjustments should be made (subject to the provision that any adjustments to targets set should result in the revised target being no less challenging than the original target);
- discretion required when dealing with a change of control and any adjustments required in special circumstances (eg rights issues, corporate restructuring events and special dividends); and
- determination of a good/bad leaver for plan purposes based on the rules of the plan and the appropriate treatment chosen.

In relation to the Annual Bonus, LTIP and legacy SMS awards, the Committee retains the ability to adjust the targets set if events occur which cause it to determine that the conditions are no longer appropriate and amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy than was intended. Adjustment may also be made for any changes to accounting policy over the performance period. Any use of discretion beyond the normal operation of the plan would be justified in the Annual Report on Remuneration and, if appropriate, be subject to consultation with the Company's major shareholders. The use of discretion in relation to the Company's Sharesave plan is as permitted under HMRC rules.

Performance Measure Selection

The measures used under the annual bonus plan are selected annually to reflect the Group's key strategic initiatives for the year and reflect both financial and non-financial objectives.

The Committee reviews the performance measures annually and considers the combination of measures in the LTIP, ie adjusted EPS, net revenue and relative TSR, remain the most appropriate measures of long-term performance for the Group. TSR aligns with the Company's focus on shareholder value creation and rewards management for out performance of sector peers. EPS provides strong line-of-sight for Executive Directors and supports the Group's long-term strategy. Net revenue supports the Company's focus on organic growth.

Performance measures are set to be stretching and achievable, taking into account the Company's strategic priorities and the economic environment.

Remuneration Policy for Other Employees

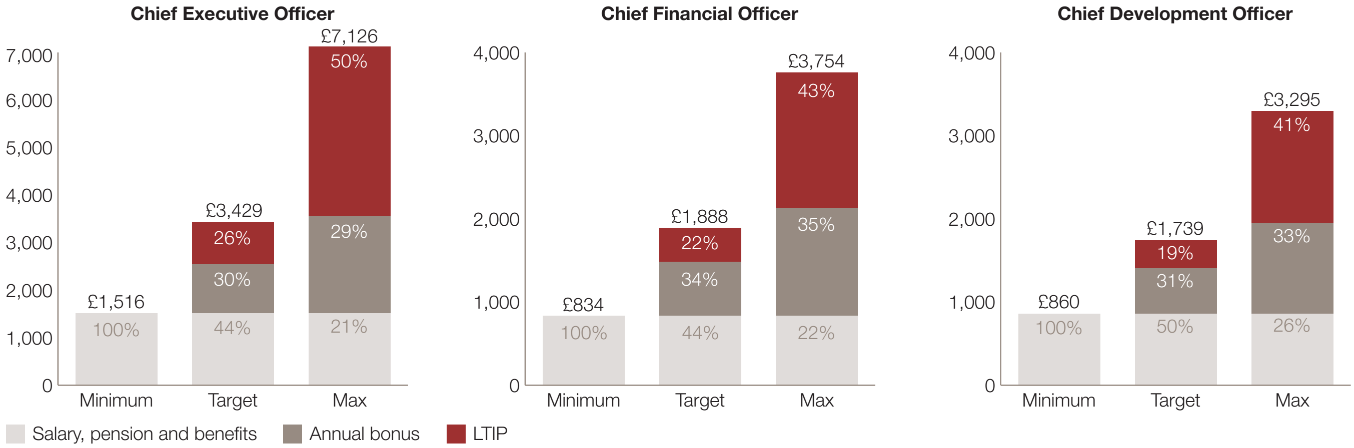
The Company's approach to annual salary reviews is consistent across the Group, with consideration given to the scope of the role, level of experience, responsibility, individual performance and pay levels in comparable companies.

All managers are eligible to participate in an annual bonus plan with similar metrics to those used for the Executive Directors. Other employees are eligible to participate in performance led annual bonus plans. Opportunities and specific performance conditions vary by organisational level with business area-specific metrics incorporated where appropriate.

Senior executives are eligible to participate in the LTIP (c.60 individuals) and the majority of members of the Corporate Management Group are eligible to participate in the SMS (c.1,100 individuals).

Total remuneration of the Executive Directors for a minimum, target and maximum performance is presented in the chart below.

Total remuneration by performance scenario for 2015/16 financial year (£'000)



The charts are indicative as share price movement and dividend accrual have been excluded. Assumptions made for each scenario are as follows:

- Minimum: fixed remuneration only (ie salary, benefits and pension).
- Target: fixed remuneration plus half of maximum annual bonus opportunity plus 25 per cent vesting of LTIP awards. Note that Imperial Tobacco does not have a stated 'target' for either its financial measures or incentive pay-outs.
- Maximum: fixed remuneration plus maximum annual bonus opportunity plus 100 per cent vesting of LTIP awards.

Executive Directors' Service Agreements and Loss of Office Payments

The Company's policy is that Executive Directors' service agreements normally continue until their agreed retirement date or such other date as the parties agree, are terminable on no more than one year's notice and contain no liquidated damages provisions nor any other entitlement to the payment of a predetermined amount on termination of employment in any circumstances. In addition, in some limited cases career counselling may be provided after the cessation of employment for a defined period. Under the terms of our Articles of Association, all Executive Directors are subject to annual re-election by shareholders.

Executive Directors' service agreements contain provisions for payment in lieu of notice in respect of base salary, pension contributions and 5 per cent of base salary in respect of other benefits but these are at the Committee's sole discretion. The Company is unequivocally against rewards for failure. The circumstances of any termination (including performance) and an individual's duty and opportunity to mitigate losses would be taken into account in every case; our policy is to stop or reduce compensatory payments to former Executive Directors to the extent that they receive remuneration from other employment during the compensation period and any such payments would be paid monthly in arrears.

For Executive Directors leaving employment for specified reasons (including death, redundancy, retirement, ill health and disability, the business or company in which they are employed ceasing to be part of the Group or on a change of control) annual bonus awards will be based on performance, adjusted for time served, and paid at the same time as for other employees. The Committee has discretion to adjust the timing and pro-rating to take account of any prevailing exceptional circumstances.

Under the rules of both the LTIP and the legacy SMS, outstanding awards vest if an Executive Director leaves for the specified reasons as detailed above. In these circumstances awards vest as the Committee determines having regard to the time the award has been held and the achievement of the performance criteria. Awards will vest either on termination of employment or, for awards granted under the policy approved by shareholders in 2014 or later, at the normal vesting date, as the Committee determines in its absolute discretion. If the termination of employment is not for one of the specified reasons and the Committee does not exercise its discretion to allow an award to vest, awards lapse entirely.

Executive Directors service agreements

Executive Directors	Date of contract	Expiry date	Compensation on termination following a change of control
Alison Cooper	1 July 2007	Terminable on 12 months' notice	No provisions
Oliver Tant	1 October 2013	Terminable on 12 months' notice	No provisions
Matthew Phillips	31 May 2012	Terminable on 12 months' notice	No provisions

Recruitment of Executive Directors

The remuneration package for a new Executive Director would be set in accordance with the terms of the approved remuneration policy in force at the time of appointment. The Committee may offer additional cash and/or share-based elements when it considers these to be in the best interests of the Company and, therefore, shareholders. Any such buyout awards would be based solely on remuneration lost when leaving the former employer and would reflect the delivery mechanism (ie cash, shares, options), time horizons and performance requirements attaching to that remuneration. Shareholders will be informed of any such awards at the time of appointment. The Committee may need to avail itself of the current Listing Rule 9.4.2 R if required in order to facilitate, in unusual circumstances, the recruitment or retention of the relevant individual. The Committee confirms that this provision would only be used to compensate for remuneration lost.

In the case of an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay-out according to its terms on grant. In addition, any other ongoing remuneration obligations existing prior to appointment may continue, provided that they are put to shareholders for approval at the first AGM following their appointment.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses, as appropriate and within the limits set by the Committee.

Shareholding Guidelines

Whilst placing significant weight on our annual performance, our policy aligns the interests of our shareholders and other stakeholders with those of management by incentivising the growth in the value of the business over the long-term. To support this alignment, we have share ownership guidelines as we believe Executive Directors and other senior managers should be encouraged to hold a substantial portion of their personal wealth in our shares.

Over a period of five years from appointment, Executive Directors are expected to build a holding in the Group's shares to a minimum value broadly equivalent to three times their respective base salary. Other senior management are expected to invest at a level equivalent to between once and twice base salary, dependent upon grade. Failure to meet the minimum shareholding requirement is taken into account when determining eligibility for LTIP awards.

Non-Executive Directors do not have a shareholding requirement but are required to invest a minimum percentage of their fees in shares which they are required to retain for the duration of their appointment.

Consultation with Employees

Although the Committee does not consult directly with employees on the remuneration policy, the Committee does consider the general basic salary increase, remuneration arrangements and employment conditions for the broader employee population when determining the remuneration policy for Executive Directors.

Differences in Remuneration Policy for Executive Directors Compared to Other Employees

The remuneration policy for Executive Directors is designed having regard to the remuneration policy for employees across the Group. However, there are some differences in the structure of the remuneration policy for the Executive Directors and other senior employees, which the Committee believes are necessary to reflect the different levels of responsibility. The key difference is the increased emphasis on long-term performance related pay for Executive Directors.

Consideration of Shareholder Views

The Committee considers shareholder feedback received in relation to the AGM each year at its first meeting following the AGM. This feedback, as well as any additional feedback received during any other meetings with shareholders, is considered as part of the Company's annual remuneration policy review.

The Committee notes that shareholders do not speak with a single voice, but we engage with our largest shareholders to ensure we understand the range of views which exist on remuneration issues. When any material changes are made to the remuneration policy the Committee chairman will inform major shareholders in advance, and will offer a meeting to discuss these.

Policy in Respect of External Board Appointments

We recognise that external non-executive directorships are beneficial for both the Executive Director concerned and the Company. Each serving Executive Director is restricted to one external non-executive directorship and may not serve as the chairman of a FTSE 100 company. At the discretion of the Board, Executive Directors are permitted to retain fees received in respect of any such non-executive directorship.

Alison Cooper is a Non-Executive Director of Inchcape PLC and was permitted to retain the £55,000 fee received from this position in the financial year.

Summary of Policy for Non-Executive Directors

Element	Purpose and Link to Strategy	Operation	Maximum Opportunity
Fees	Attract and retain high performing individuals. Portion of fees applied to purchase of shares to align interests with those of shareholders.	Reviewed, but not necessarily increased, annually by the Board (after recommendation by the Committee in respect of the Chairman). Fee increases, if applicable, are normally effective from 1 October. The Board and, where appropriate, the Committee considers pay data at comparator companies of similar scale. The Senior Independent Director and the chairmen of the Audit and Remuneration Committees receive additional fees. No eligibility for annual bonus, retirement benefits or to participate in the Group's employee share plans.	No prescribed maximum annual increase. Aggregate annual fees limited to £2.0 million by Articles of Association.
Benefits	Travel to the Company's registered office.	Travel to the Company's registered office is recognised as a taxable benefit.	Grossed-up costs of travel.

Non-Executive Directors' Letters of Appointment

The Chairman and Non-Executive Directors do not have service agreements but the terms of their appointment, including the time commitment expected, are recorded in letters of appointment which are available for viewing at our registered office during normal business hours and both prior to and at the AGM.

In line with our annual review policy, the Chairman's and Non-Executive Directors' terms of appointment were reviewed and confirmed by the Board on 27 January 2015. There are no provisions regarding notice periods in their letters of appointment which state that the Chairman and Non-Executive Directors will only receive payment until the date their appointment ends and, therefore, no compensation is payable on termination. Under the terms of our Articles of Association, all Non-Executive Directors are subject to annual re-election by shareholders.

Annual report on remuneration – How the Committee implemented the Remuneration Policy for Financial Year Ended 30 September 2015

Linking Remuneration with Strategy.

We focus on delivering high quality sustainable sales growth whilst effectively managing our costs and cash flows. Ensuring that our sales growth drivers and key enablers are supported and their delivery incentivised by our remuneration policy is key to maximising long-term returns to shareholders.

Alignment with our Strategy	Sustainable growth is at the heart of our strategy. This is supported by the inclusion of the drivers of growth within our variable remuneration – both the annual bonus and LTIP. Stretching performance targets incentivise the delivery of sales and the creation of shareholder value. Managing our costs and cash flows are the other elements of our strategic focus. Profitability, mainly in the form of earnings per share, forms a major part of the measurement in both the annual bonus and LTIP whilst cash conversion forms a measure for the annual bonus.
Alignment with our Shareholders	To align their interest with shareholders, employees at all levels are encouraged to have an interest in the Company's shares through both direct shareholdings (supported by shareholding requirements for senior executives) and through our share plans, with the value of the Corporate Management Group's overall remuneration being heavily influenced by the performance of our share price.
Attracting and Retaining the Right People	Our Remuneration Policy is designed to ensure a high quality pool of talented employees at all levels who are engaged and incentivised to deliver our strategy through clear links between reward and performance, without encouraging them to take undue risks. We believe it is important to ensure that management is competitively rewarded in relation to peers and the other opportunities available to them whilst ensuring we neither pay more than necessary nor reward failure. Our policy is, therefore, significantly weighted towards performance based elements.

Implementing Executive Policy and Practice

In implementing the Company's Remuneration Policy (as summarised on page 51 and detailed on pages 48 to 53 of the Company's Annual Report and Accounts 2014 available on our website), the Committee recognises that striking the right balance in finding a fair outcome in setting a competitive level of total remuneration is a matter of judgement. In forming this judgement, the Committee considers pay data at comparator companies of similar scale and operating in a similar sector. Comparisons with other companies, however, do not determine what remuneration the Company offers but, at most, serve to define a "playing field" within which an individual's rewards need to be positioned. In determining that positioning, the primary factors taken into account are the scale of the challenges intrinsic to that individual's role, their ability, experience and performance.

We align the interests of long-term shareholders and employees at all levels by, wherever possible, giving our employees the annual opportunity to build a shareholding in the Company through our employee share plans, with over 30 per cent of eligible employees participating in one or more plans.

Single Total Figure of Remuneration for each Director (Audited)

£'000	2015 Salary and fees	2014 Salary and fees	2015 Taxable benefits[1]	2014 Taxable benefits	2015 Annual bonus[2]	2014 Annual bonus	2015 Share plans vesting[3]	2014 Share plans vesting[3]	2015 Share-save vesting[4]	2014 Share-save vesting	2015 Pension benefits[5]	2014 Pension benefits	2015 Total	2014 Total
Executive Directors														
Alison Cooper	965	920	16	16	1,544	1,270	571	165	6	–	480	293	3,582	2,664
Oliver Tant	630	575	16	16	1,008	595	–	–	–	–	163	150	1,817	1,336
Matthew Phillips	478	435	23	22	705	375	169	28	4	–	296	134	1,675	994
	2,073	1,930	55	54	3,257	2,240	740	193	10	–	939	577	7,074	4,994
Non-Executive Directors														
Mark Williamson[6]	450	338	4	3	–	–	–	–	–	–	–	–	454	341
Ken Burnett	75	73	29	28	–	–	–	–	–	–	–	–	104	101
David Haines[7]	100	86	5	11	–	–	–	–	–	–	–	–	105	97
Michael Herlihy[7]	100	96	4	3	–	–	–	–	–	–	–	–	104	99
Karen Witts[8]	75	47	3	1	–	–	–	–	–	–	–	–	78	48
Malcolm Wyman[7]	100	98	9	5	–	–	–	–	–	–	–	–	109	103
	900	738	54	51	–	–	–	–	–	–	–	–	954	789

1 Taxable benefits principally include an allowance (£15,000 in respect of Alison Cooper and Oliver Tant) in lieu of or the provision of a company car (£21,376 in respect of Matthew Phillips), fuel and health insurance. Benefits in kind for the Non-Executive Directors relate to the reimbursement of travelling expenses to meetings held at the Company's registered office.

2 Annual bonus earned for performance over the financial year ending 30 September 2015. In line with policy half of the net value is deferred in shares for three years; no further performance conditions apply.

3 Share plans vesting represent the value of SMS and LTIP awards where the performance period ends in the year and are based on a share price of £32.647 being the three months average to 30 September 2015. The 2014 estimated figure has been restated to reflect actual share price at the date of vesting.

4 Gains made on exercise are calculated as the difference between the option price and the market price on the date of exercise. These sharesave options were the only options exercised in the year; 440 shares in respect of Alison Cooper and 264 shares in respect of Matthew Phillips.

5 Further details are contained in the Executive Directors' pension section on page 58.

6 Mark Williamson succeeded Iain Napier as Chairman on 5 February 2014.

7 Includes payment in respect of Senior Independent Director fee of £25,000 per annum and chairmanship of Board Committees at an annual rate of £25,000 in respect of the Remuneration Committee and £25,000 in respect of the Audit Committee.

8 Karen Witts was appointed to the Board on 6 February 2014.

All expense payments made to Directors were made on the basis of reimbursement of expenses incurred grossed up for tax where expenses represent a taxable benefit. No payments were made by way of taxable expenses allowances. No Directors waived their fees. No payments were made to former directors nor were any payment made for loss of office during the year.

Additional Notes to the Single Total Figure of Remuneration (Audited)

This section sets out supporting information for the single total figure columns relating to annual bonus, share plans and pension benefits. In particular, it details the extent to which performance conditions have been satisfied for the annual bonus and for each share plan, namely the SMS and LTIP.

Determination of 2015 Annual Bonus

Management delivered a good performance in the year to 30 September 2015, strengthening our brands and market footprint and increasing cash conversion. As a result, we are a stronger business and continued to deliver a 10 per cent increase in annual dividend.

The annual bonus payment, determined with reference to performance over the financial year ending 30 September 2015, is 80 per cent of maximum opportunity (2014: 69 per cent). The Committee believes this to be an appropriate reflection of the performance and progress made through the year.

Performance against individual measures is set out below.

Performance target	Assessment	Maximum percentage of bonus	Actual percentage of bonus
Adjusted EPS growth (constant currency) KPI	Performance is measured based on EPS growth at constant currency. Increases in top line revenues together with a strong focus on cost and cash opportunities provided growth in EPS of 8.2 per cent against a maximum target of 6.8 per cent.	35	35
Cash conversion KPI	Performance is measured as cash flow as a percentage of adjusted operating profit. Instilling a more cost conscious culture, efficiently managing our cost base and our commitment to capital discipline enabled Cash Conversion of 97 per cent against a maximum target of 92 per cent.	25	25
Volume growth in Growth Brands KPI	Performance is measured based on volume growth of our growth brands relative to the market. Consistent focus on developing our Growth Brands, through investments, migrations and choices in market has enabled us to further optimise our brand portfolio and build the strength of our key brand assets. Growth Brand volumes increased by 14.4 per cent relative to the market against a maximum target of 18 per cent relative growth.	15	11
Non-financial	Non-financial measures consisted of an aggregate market share target. We showed strong results across a broad spread of markets, with resilience in Returns markets and positive performance across Growth markets. However, the threshold target was not met.	15	0
Individual objectives		10	9
Achievement of bonus for 2015		100	80

KPI Key performance indicator used to measure the progress we make in delivering our strategy – see how we measure our performance on page 12.

No element of the annual bonus is guaranteed. Annual bonuses for Executive Directors and certain key executives are subject to malus provisions before payment and claw back during the three years following the end of the financial year in which they are earned. Claw back may be applied in the event of gross misconduct by the employee or misstatement of results where this had the effect of increasing the level of bonus that would otherwise have been paid.

Share Matching Scheme

SMS awards were made to Alison Cooper and Matthew Phillips in February 2013 which will vest in February 2016 based on an EPS performance condition measured over the three financial years to 30 September 2015 as set out below.

	Performance target	Actual performance	Threshold vesting of award	Maximum level of vesting	Actual percentage vesting
Adjusted EPS KPI	3% – 6% average annual growth over UK inflation	(0.5%)	50%	100%	0

Long Term Incentive Plan

LTIP awards were made to Alison Cooper and Matthew Phillips in December 2012 which will vest in December 2015 based on performance conditions, measured over the three years, as set out below.

	Performance target	Actual performance	Threshold vesting of award	Maximum percentage of award	Actual percentage of award
Adjusted EPS KPI	3% – 10% average annual growth over UK inflation	(0.5%)	6.25	50	0
TSR against comparator group[1]	Threshold exceeds bottom 6 companies Maximum exceeds bottom 9 companies	6 companies exceeded	7.5	25	7.5
TSR against FTSE 100 KPI	Threshold exceeds 50% of companies Maximum when 75% of companies exceeded	62% of companies exceeded	7.5	25	16.25
Achievement of LTIP for 2015				100	23.75

1 The companies comprising the comparator group are:

Anheuser-Busch NV InBev	Altria Group Inc.	British American Tobacco PLC	Carlsberg A/S
Diageo PLC	Heineken NV	Imperial Tobacco Group PLC	Japan Tobacco Inc.
Philip Morris International Inc.	Pernod Ricard SA	Reynolds American	SABMiller PLC

KPI Key performance indicator used to measure the progress we make in delivering our strategy – see how we measure our performance on page 12.

The TSR calculations, performed independently by Alithos Limited, use the share prices of each comparator group company, averaged over a period of three months, to determine the initial and closing prices. Dividend payments are recognised on the date shares are declared ex dividend. The Committee considers this method gives a fairer and less volatile result as improved performance has to be sustained for several weeks before it effectively impacts on the TSR calculations. PwC performs agreed upon procedures in respect of the EPS performance conditions for both the SMS and LTIP performance assessments.

Sharesave Plan

We believe that our Sharesave Plan is a valuable way of aligning the interests of a wide group of employees with those of our long-term shareholders. Annually we offer as many employees as practicable, together with our Executive Directors, the opportunity to join the Sharesave Plan. Options over shares are offered at a discount of up to 20 per cent of the closing mid-market price of our shares on the day prior to invitation. The Sharesave Plan allows participants to save up to £250 per month over a period of three years, and in the UK only three or, for grants in 2013 and earlier, five years, and then exercise their option over shares. In common with most plans of this type, no performance conditions are applied. In the financial year ending 30 September 2015, Alison Cooper and Matthew Phillips had Sharesave plans vesting (2014: nil) and details are included in the single figure table on page 56.

Total Pension Entitlements (Audited)

The Executive Directors who served during the financial year are all members of the Imperial Tobacco Pension Fund (the Fund), which is the principal retirement benefit scheme operated by the Group in the UK.

Members who joined before 1 October 2010 are included in the defined benefit section of the Fund. For members who joined prior to 1 April 2002 the Fund is largely non-contributory with a normal retirement age of 60. New members of the Fund after 30 September 2010 accrue pension benefits in the Fund on a defined contribution basis, in the defined contribution section of the Fund.

Alison Cooper and Matthew Phillips are in receipt of a salary supplement. Prior to 6 April 2006 their pension benefits were limited by the effect of HMRC's earnings cap. Although this cap was removed as from 6 April 2006, the Fund did not disapply it in respect of past pensionable service but maintained its own earnings cap going forward. For service from 6 April 2006 onwards and for pensionable salary in excess of the Fund's earnings cap, the standard Fund benefit is a pension at the lower accrual rate of 1/60th with a 50 per cent spouse's pension, and member contributions of 5 per cent of this top slice of salary are payable. As an alternative to extra pension accrual on this top slice of salary through an unfunded unapproved retirement benefit scheme (UURBS), Alison Cooper and Matthew Phillips each receive a salary supplement of 12 per cent of this amount.

Oliver Tant is also in receipt of a salary supplement equal to 12 per cent of his basic salary. In addition, under the rules of the defined contribution section of the Fund, Oliver Tant has opted to limit total contributions (Member and Company) to the Fund to a level which should not result in him incurring an Annual Allowance charge. As a result, any additional Company contribution which would have been due to be paid to the Fund, had Oliver Tant not opted to cap contributions, is paid to him as a salary supplement and is included in the figures in the table on page 59.

In each case these salary supplements have been calculated by the independent actuaries to reflect the value of the benefits of which they are in lieu and are discounted for early payment and for employer's national insurance contributions. The supplements are non-compensatory and non-pensionable.

Matthew Phillips elected to use the Fund's scheme pays facility to settle his Annual Allowance charge for the 2011/12, 2012/13 and 2013/14 tax years. His accrued pension was reduced by £11,428.63 a year (including revaluation) to offset these Annual Allowance charge payments. This reduction to pension is reflected in the accrued pension figure as at 30 September 2015 (it is also reflected in the value of the benefits as at 30 September 2015).

The following table provides the information required by Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations) and gives details for each Executive Director of:

- the annual accrued pension payable on retirement calculated as if he/she had left service at the year-end (any potential UURBS entitlement is included);
- the normal retirement ages;
- the value of the pension benefits at the start and end of the year, as calculated in accordance with the Regulations;
- the value of the pension benefits earned over the year, excluding any director's contributions and any increases for inflation, calculated in accordance with the Regulations; and
- any payments in lieu of retirement benefits.

None of the Executive Directors has made additional voluntary contributions.

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Executive Directors' Pension Disclosures (Audited)

£'000	Age at 30/09/2015	Pensionable service at 30/09/2015	Accrued pension 01/10/2014	Accrued pension 30/9/2015	Single Figure numbers: Payment in lieu of retirement benefits (ie pension supplement) £'000	Single Figure numbers: Value x 20 over year (net of director's contributions) £'000	Single Figure numbers: Total pension benefits £'000	Extra information to be disclosed under 2013 Directors Remuneration Regulations: Normal retirement age	Extra information: Value x 20 at start of year £'000	Extra information: Value x 20 at end of year £'000
Alison Cooper	49	16	168	192	91	386	480	60	3,360	3,840
Matthew Phillips	44	15	86	98	32	264	296	60	1,720	1,960
Oliver Tant[1]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1 Oliver Tant is a member of the defined contribution section of the Imperial Tobacco Pension Fund. He received a pension contribution into the defined contribution section of £40,000 (made up of £363 Company contribution plus £39,637 in respect of a salary sacrifice by Mr Tant in lieu of his personal contribution). In addition a salary supplement of £75,600, representing 12 per cent of Mr Tant's basic salary, was paid to him together with an additional supplement of £87,836 in lieu of Company pension contributions which were not made to the Imperial Tobacco Pension Fund in order to maintain Mr Tant's total contributions within the Annual Allowance for pensions savings).

Management Changes on Completion of Acquisition of USA Assets

In June 2015 we completed the acquisition of a number of cigarette and e-cigarette brands and assets in the USA. This acquisition transforms our position in the USA and increases our opportunity for leadership and international expansion in e-cigarettes through blu. Following completion of the acquisition we made a number of key management changes to ensure we had the right management structure in place to lead the enlarged Group including the appointment of Matthew Phillips to the role of Chief Development Officer. As well as retaining his responsibilities for group legal, corporate affairs, communications, market regulation and countering illicit trade, Matthew became responsible for corporate and strategic development and for the enlarged Fontem Ventures, including blu. In this new role, he will provide a focus on the Group's ongoing international development.

The Remuneration Committee changed Matthew's remuneration to reflect this new role and significantly increased responsibilities, with a base salary of £525,000 and a bonus and LTIP opportunity of 200 per cent and 250 per cent respectively. This provides a remuneration opportunity, subject to performance, that is at the median when compared to similar roles in comparable organisations.

Statement of Change in Pay of Chief Executive Compared With Other Employees

	Chief Executive: to 30 September 2015	Chief Executive: Percentage change (2015 vs 2014)	All Employees[1]: Percentage change (2015 vs 2014)
Salary	£965,000	4.9	3.3
Benefits	£16,000	0	0
Bonus	£1,544,000	21.6	5.0

1 Based on members of our Corporate Management Group.

Relative Importance of Spend on Pay

The table below shows the expenditure and percentage change in overall spend on employee remuneration and dividend plus share buybacks.

£million unless otherwise stated	2015	2014	Percentage change
Overall expenditure on pay[1]	811	899[R]	(9.8)
Dividend paid in the year	1,259	1,149	9.6
Share buyback[2]	0	341	N/A

1 Excludes employers' social security costs.
2 Share buybacks were stopped in July 2014.
R Restated on adoption of IFRS 11: joint arrangements.

Share Interests and Incentives (Audited)

All Executive Directors who served in the financial year currently meet the Company's shareholding policy by either holding shares in excess of their requirement or being within five years of appointment. Current shareholdings are summarised in the following table:

	Shares held		Options held					
	Owned outright	Vested but subject to holding period	Unvested and subject to performance conditions	Unvested and subject to continued employment	Vested but not exercised	Shareholding required (% salary)	Current shareholding (% salary)[1]	Requirement met[2]
Executive Directors								
Alison Cooper	161,708	7,150	339,783	354	–	300	565	Yes
Oliver Tant	829	389	88,275	441	–	300	7	In role for less than five years
Matthew Phillips	43,765	105	103,179	407	–	300	277	In role for less than five years
Non-Executive Directors								
Mark Williamson	9,237	–	–	–	–	–	–	N/A
Ken Burnett	2,772	–	–	–	–	–	–	N/A
David Haines	843	–	–	–	–	–	–	N/A
Michael Herlihy	4,956	–	–	–	–	–	–	N/A
Karen Witts	312	–	–	–	–	–	–	N/A
Malcolm Wyman	3,767	–	–	–	–	–	–	N/A

1 Based on a share price of £34.13 being the closing price on 30 September 2015.
2 Non-Executive Directors do not have a shareholding requirement but are required to invest a minimum percentage of their fees in Imperial Tobacco Group PLC shares which they are required to retain for the duration of their appointment.

Variable Award Grants Made During the Year (Audited)

Following shareholder approval of the revised Remuneration Policy, no further awards to Executive Directors under the SMS will be made and the historic award levels have been consolidated into the Group's LTIP.

To allow for the changes to be considered by shareholders the award which would normally have been granted in November 2014 was delayed and granted during February 2015. It is intended that future LTIP awards will be made in February each year in order for any change in policy to be considered by shareholders immediately prior to grant.

The resulting number of LTIP shares and the associated performance conditions are set out below.

	Number of nil cost options	Face value[1]	Amount of base salary	End of performance period	Threshold vesting	Weighting (of award)	Performance condition[2, 3]
Alison Cooper	111,652	£3,377,500	350%	30 September 2017	25%	50%	3 year adjusted EPS growth
					25%	30%	3 year net revenue growth
					25%	20%	TSR relative to bespoke comparator group
Oliver Tant	52,066	£1,575,000	250%	30 September 2017	25%	50%	3 year adjusted EPS growth
					25%	30%	3 year net revenue growth
					25%	20%	TSR relative to bespoke comparator group
Matthew Phillips	31,586	£955,500	210%	30 September 2017	25%	50%	3 year adjusted EPS growth
					25%	30%	3 year net revenue growth
					25%	20%	TSR relative to bespoke comparator group

1 Valued using the share price at the date of grant (15 February 2015) being £30.25 per share.
2 Vesting occurs as per the vesting schedule below.
3 Key performance indicators used to measure the progress we make in delivering our strategy – see how we measure our performance on page 12.

Performance Criterion – EPS Element

This criterion is used for 50 per cent of the LTIP award. Vesting of awards on this element would occur as per the following vesting schedule.

Compound annual adjusted EPS growth	Shares vesting (as a percentage of element)
Less than 3% per annum	nil
3% per annum	25%
3% to 8% per annum	Between 25% and 100% (pro rata)
8% per annum or higher	100%

Performance Criterion – Net Revenue Growth Element

The net revenue growth criterion is used for 30 per cent of the LTIP award. Vesting of awards on this element would occur as per the following vesting schedule.

Compound annual growth in net revenue	Shares vesting (as a percentage of element)
Less than 1% per annum	nil
1% per annum	25%
1% to 4% per annum	Between 25% and 100% (pro rata)
4% per annum or higher	100%

Performance Criterion – TSR Element

The performance criterion for the TSR element is based on a single comparator group of companies across a broadly defined consumer goods sector and is applied to 20 per cent of the LTIP award.

The companies within the comparator group are currently:

Anheuser-Busch InBev NV	Altria Group Inc	Associated British Foods PLC	AstraZeneca PLC	British American Tobacco PLC
Burberry Group PLC	BT Group PLC	Capita PLC	Carlsberg A/S	Carnival PLC
Compass Group PLC	Diageo PLC	Experian Finance PLC	GlaxoSmithkline PLC	Heineken NV
International Consolidated Airlines Group SA	InterContinental Hotels Group PLC	ITV PLC	Japan Tobacco Inc.	Kingfisher PLC
Marks & Spencer Group PLC	Next PLC	Pearson PLC	Philip Morris International Inc	Pernod Ricard SA
Reckitt Benckiser Group PLC	Reed Elsevier PLC	Rexam PLC	Reynolds American	Rolls-Royce PLC
SAB Miller PLC	J Sainsbury PLC	Smith & Nephew PLC	Shire PLC	Tate & Lyle PLC
Tesco PLC	Unilever PLC	Vodafone Group PLC	Whitbread PLC	WM Morrison Supermarkets PLC

Vesting of awards on this element would occur as per the vesting schedule below:

Relative TSR performance	Shares vesting (as percentage of element)
Below median of peer group	nil
At median of peer group	25%
Between median and upper quartile	Between 25% and 100% (pro rata)
Above upper quartile	100%

Under the rules of the LTIP, should the Company be acquired the performance period would end on the date of acquisition. Any outstanding awards would vest on a time pro rata basis subject to the achievement of the applicable performance criteria.

Remuneration decisions taken in 2014/15

Salary

The Committee sets base salaries having regard to individual and Company performance, changes to the individual's role and market data for each position based on several comparator groups which reflect the Company's size, sector and global reach. Consideration is given to the effect any amendment to an individual's base salary would have on their total remuneration package. Base salary is the only element of the package used to determine pensionable earnings.

An above inflation increase has been awarded to Alison Cooper reflecting the Group's strong performance in the year. As previously communicated, on her appointment Alison's salary was set significantly below market levels with the intention to increase it over time; the increase is consistent with this approach.

An increase of 3 per cent, in line with other UK management, is awarded to the other Executive Directors.

There was no increase in Non-Executive Directors' fees, with the exception of the Chairman whose fee was brought closer to market levels through an increase from £450,000 to £500,000. This being the first increase in Chairman's fees since 1 October 2011.

	Salary 2014/15	Salary 2015/16	Percentage Change
Alison Cooper	£965,000	£1,020,000	5.7
Oliver Tant	£630,000	£649,000	3.0
Matthew Phillips	£525,000[1]	£541,000	3.0

1 Salary following significant increase in responsibilities. Matthew Phillips's base salary for his previous role was £455,000.

Annual Bonus

Our shareholders and other stakeholders place significant weight on our annual performance. We, therefore, think it is appropriate to have a major element of Executive Directors' remuneration targeted at incentivising delivery of the Group's annual objectives and enhancing performance against key financial and non-financial targets.

Following Matthew Phillips' appointment as Chief Development Officer, his maximum bonus opportunity was increased to 200 per cent.

	Revised maximum percentage of salary	Former maximum percentage of salary
Alison Cooper	200	200
Oliver Tant	200	200
Matthew Phillips	200	175

Fifty per cent of net bonus paid will be in the form of the Group's shares deferred for a three year period; the remaining fifty per cent will be paid in cash.

For the next financial year the performance measures have been set out in the table below.

	Performance target	Maximum of bonus
Adjusted EPS growth	Commercially confidential	35%
Cash conversion	Commercially confidential	25%
Volume growth in Growth Brands	Out-performance of market growth	15%
Non-financial	Market share targets	15%
Individual objectives	Commercially confidential	10%

At this point, the above performance targets are considered commercially confidential but, to the extent that any bonuses are paid, further details will be provided retrospectively in the 2016 Annual Report. The Committee is not of the view that such targets will necessarily always be confidential but will review this on a year-by-year basis.

Share Plan Awards

Following Matthew Phillips' appointment as Chief Development Officer, his maximum LTIP opportunity was increased to 250 per cent.

	Revised maximum opportunity – percentage of salary	Former maximum opportunity – percentage of salary
Alison Cooper	350	350
Oliver Tant	250	250
Matthew Phillips	250	210

The awards will be subject to performance criteria as summarised below.

Performance criteria	Weighting in LTIP
Adjusted EPS growth	50%
TSR	20%
Net revenue growth	30%

When setting the performance criteria the Committee takes account of the Group's long-term plans and analysts' forecasts.

Performance Criterion – EPS Element

This criterion is used for 50 per cent of the LTIP awards. Vesting of awards on this element would occur in accordance with a vesting schedule agreed by the Committee on an annual basis. The proposed vesting schedule for the awards to be granted in February 2016 is set out below. The EPS target for this award has been exceptionally increased to reflect the positive impact of the USA acquisition on EPS growth in 2016.

Compound annual adjusted EPS growth	Shares vesting (as a percentage of element)
Less than 5% per annum	nil
5% per annum	25%
5% to 10% per annum	Between 25% and 100% (pro rata)
10% per annum or higher	100%

Performance Criterion – TSR Element

The performance criterion for the TSR element will be based on a single comparator group including 40 companies across a broadly defined consumer goods sector and will be applied to 20 per cent of the LTIP.

The companies within the comparator group are:

Anheuser-Busch InBev NV	Altria Group Inc	Associated British Foods PLC	AstraZeneca PLC	British American Tobacco PLC
Burberry Group PLC	BT Group PLC	Capita PLC	Carlsberg A/S	Carnival PLC
Compass Group PLC	Diageo PLC	Experian Finance PLC	GlaxoSmithkline PLC	Heineken NV
International Consolidated Airlines Group SA	InterContinental Hotels Group PLC	ITV PLC	Japan Tobacco Inc.	Kingfisher PLC
Lorillard Inc	Marks & Spencer Group PLC	Next PLC	Pearson PLC	Philip Morris International Inc
Pernod Ricard SA	Reckitt Benckiser Group PLC	Reed Elsevier PLC	Reynolds American	Rolls-Royce PLC
SAB Miller PLC	J Sainsbury PLC	Smith & Nephew PLC	Shire PLC	Tate & Lyle PLC
Tesco PLC	Unilever PLC	Vodafone Group PLC	Whitbread PLC	WM Morrison Supermarkets PLC

Vesting of awards on this element would occur as per the vesting schedule below:

Relative TSR performance	Shares vesting (as percentage of element)
Below median of peer group	nil
At median of peer group	25%
Between median and upper quartile	Between 25% and 100% (pro rata)
Above upper quartile	100%

Performance Criterion – Net Revenue Growth Element

This criterion will be used for 30 per cent of the LTIP awards. Vesting of awards on this element would occur as per the vesting schedule below. This year the net revenue growth target for this award has been exceptionally increased to reflect the positive impact of the USA acquisition on net revenue growth in 2016.

Compound annual net revenue growth	Shares vesting (as a percentage of element)
Less than 3% per annum	nil
3% per annum	25%
3% to 6% per annum	Between 25% and 100% (pro rata)
6% per annum or higher	100%

Under the rules of the LTIP, should the Company be acquired the performance period would end on the date of acquisition. Any outstanding awards would vest on a time pro rata basis subject to the achievement of the applicable performance criteria.

Voting on the Remuneration Report at the 2015 AGM

At the 2015 AGM a small number of shareholders expressed concerns with various aspects of our remuneration. These concerns included the performance criteria used for our variable remuneration and above inflation increases in executive remuneration. Some shareholders also raised their expectation that incentive targets should be adjusted following the USA acquisition. Shareholder views were taken into account by the Committee when reviewing remuneration and adjusting and setting LTIP targets. The targets within our LTIPs have been adjusted in line with policy to ensure that they are no more materially difficult to achieve than originally intended.

Votes cast by proxy and at the meeting in respect of the Directors' remuneration were as follows:

Resolution	Votes for including discretionary votes	Percentage for	Votes against	Percentage against	Total votes cast excluding votes withheld	Votes withheld	Total votes cast including votes withheld
Directors' Remuneration Report	711,696,277	94.52	41,277,055	5.48	752,973,332	9,694,951	762,668,283
Directors' Remuneration Policy	704,892,593	93.57	48,447,661	6.43	753,340,254	9,328,030	762,668,284

Votes withheld are not included in the final figures as they are not recognised as a vote in law.

Advice Provided to the Committee

New Bridge Street (NBS) is retained, having been appointed following a tendering process, by the Committee as its principal, and only material, external advisor. NBS advises on all aspects of our remuneration policy and practice and reviews our structures against corporate governance best practice. NBS also presented a review of developments in UK corporate governance, remuneration developments and reporting regulations to keep Committee members up-to-date with new developments and evolving best practice.

NBS is a founder member of the Remuneration Consultants' Group and complies with its Code of Conduct which sets out guidelines to ensure that its advice is independent and free of undue influence. NBS' parent companies, Aon Hewitt Limited and Aon plc, provide other human resources and insurance services respectively to the Group. Having reviewed the structures in place to ensure the independence of NBS' advice to the Committee, it is satisfied that the other work provided by the wider Aon group does not impact on NBS' independence.

During the year NBS was paid fees of £152,000.

Other companies which provided advice to the Committee are as follows:

- Alithos Limited undertakes total shareholder return (TSR) calculations and provided advice on all TSR related matters. During the year it was paid fees of £19,500. Alithos Limited provided no other services to the Group;
- Allen & Overy LLP is available to provide legal advice to the Committee as and when required. It was not used for remuneration-related advice during the financial year. Allen & Overy LLP also provided other legal services to the Group;
- Pinsent Masons LLP provided legal advice in respect of the operation of the Group's employee share plans;
- PricewaterhouseCoopers LLP (PwC), our Auditors, perform agreed upon procedures on earnings per share (EPS) calculations used in relation to our employee share plans' performance criteria. During the financial year PwC was paid £1,800 in respect of services to the Committee; and
- Towers Watson provided market pay data to ensure the consistent application of our Remuneration Policy for executives. During the year it was paid fees of £54,000 for these services. Towers Watson also provided actuarial services to the Group.

All of these advisors were appointed by the Committee which remains satisfied that the provision of those other services in no way compromises their independence. They are all paid on the basis of actual work performed rather than on a fixed fee.

The Group Human Resources Director and the Group Reward Director also attended and provided internal support and advice on market and regulatory developments in remuneration practice and on our employee share plans. Their attendance ensured the Committee was kept fully abreast of pay policies throughout the Group, which it then takes into account when determining the remuneration of the Executive Directors and our most senior executives.

Other Information

Our middle market share price at the close of business on 30 September 2015, being the last trading day of the financial year, was £34.13 and the range of the middle market price during the year was £25.02 to £35.14.

Full details of the Directors' share interests are available for inspection in the Register of Directors' Interests at our registered office.

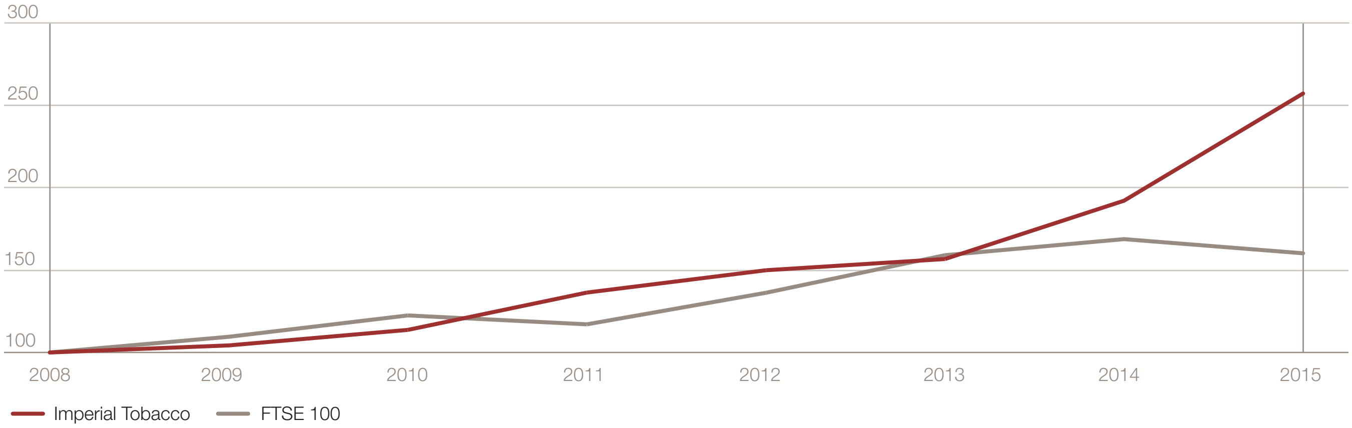
Award Dates

Our policy is to grant awards under all our employee share plans on predetermined dates based on an annual cycle.

Review of Past Performance

The chart below shows the value of £100 invested in the Company on 1 October 2008 compared with the value of £100 invested in the FTSE 100 Index for each of our financial year ends to 30 September 2015. We have chosen the FTSE 100 Index as it provides the most appropriate and widely recognised index for benchmarking our corporate performance over a seven year period.

Total Return Indices – Imperial Tobacco and FTSE 100



Change in Chief Executive Remuneration

	2015 Alison Cooper	2014 Alison Cooper	2013 Alison Cooper	2012 Alison Cooper[1]	2011 Alison Cooper[1]	2010 Alison Cooper[1]	2010 Gareth Davis[2,3]	2009 Gareth Davis
Total remuneration £'000	3,582	2,686	2,011	2,793	2,737	1,347	5,453	5,099
Annual Bonus as a percentage of maximum	80	69	34	51.2	33.1	84.7	84.7	85.2
Shares vesting as a percentage of maximum	15.8	5.8	nil	58.0	71.6	80.8	46.93	74.5

1 Total remuneration includes value of share plans vesting that were granted prior to appointment as Chief Executive.
2 Total remuneration includes value of share plans vesting on retirement.
3 Based on performance conditions applicable on date of retirement.

Operating Executive (excluding Executive Directors)

£'000	2015	2014
Base salary	2,221	2,143
Benefits	189	160
Pension salary supplement	261	218
Bonus	2,572	1,291
LTIP annual vesting[1]	402	90
SMS annual vesting[2]	nil	nil
	5,645	3,902

1 Value of LTIP shares vesting in the year based on the prevailing closing share price on the day of exercise.
2 Value of SMS shares vesting on maturity based on the prevailing closing share price on the day of vesting.

Note: aggregate remuneration paid to or receivable by Executive Directors, Non-Executive Directors and members of the Operating Executive for qualifying services in accordance with IAS 24, which includes National Insurance and similar charges, was £14,526,087 (2014: £11,073,194).

Key Management* Compensation for the Year Ended 30 September 2015 (Audited)

£'000	2015	2014
Short-term employee benefits	11,681	9,575
Post-employment benefits	1,182	1,186
Other long-term benefits	–	–
Termination benefits	–	–
Share-based payment (in accordance with IAS 24)	2,722	833
	15,585	11,594

* Key management includes Directors, members of the OPEX and the Company Secretary.

Employee Benefit Trusts

Our policy is to satisfy options and awards under our employee share plans from either market purchased ordinary shares or ordinary shares held in treasury, distributed through our employee benefit trusts: The Imperial Tobacco Group PLC Employee and Executive Benefit Trust (the Executive Trust) and the Imperial Tobacco Group PLC 2001 Employee Benefit Trust (the 2001 Trust) (together the Employee Benefit Trusts).

As at 30 September 2015, we held 78,909,137ordinary shares in treasury which can be used to satisfy options and awards under our employee share plans either directly or by gifting them to the Employee Benefit Trusts.

Options and awards may also be satisfied by the issue of new ordinary shares.

Details of the ordinary shares held by the Employee Benefit Trusts are as follows:

	Balance at 01/10/2014	Acquired during year	Distributed during year	Balance at 30/09/2015	Ordinary shares under award at 30/09/2015	Surplus/ (shortfall)
Executive Trust	698,894	nil	(23,431)	675,463	829,281	(153,818)
2001 Trust	3,458,219	nil	(968,327)	2,489,892	4,296,501	(1,806,609)

Share Plan Flow Rates

The Trust Deeds of the Employee Benefit Trusts and the rules of each of our employee share plans contain provisions limiting options and awards to 5 per cent of issued share capital in five years and 10 per cent in 10 years for all employee share plans, with an additional restriction to 5 per cent in 10 years for executive share plans. Currently, an aggregate total of 0.5 per cent of the Company's issued share capital (including shares held in treasury) is subject to options and awards under the Group's executive and all employee share plans.

Summary of Options and Awards Granted

Limit on awards	Cumulative options and awards granted as a percentage of issued share capital (including those held in treasury)	Options and awards granted during the year as a percentage of issued share capital (including those held in treasury)
10% in 10 years	1.8	0.2
5% in 5 years	0.8	0.2
5% in 10 years (executive plans)	1.3	0.1

For the Board

David Haines
Chairman of the Remuneration Committee

3 November 2015