



**What does it
take to build
a responsible
business?**



We are building a responsible business through...

A well-balanced business

For an overview of our business today see overleaf



A strong strategic framework

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Management commitment

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A systematic approach



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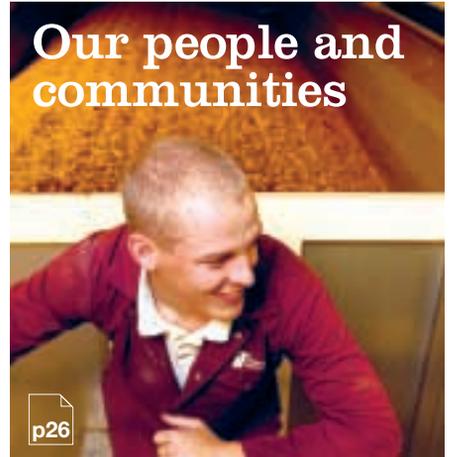
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"Five for Five"



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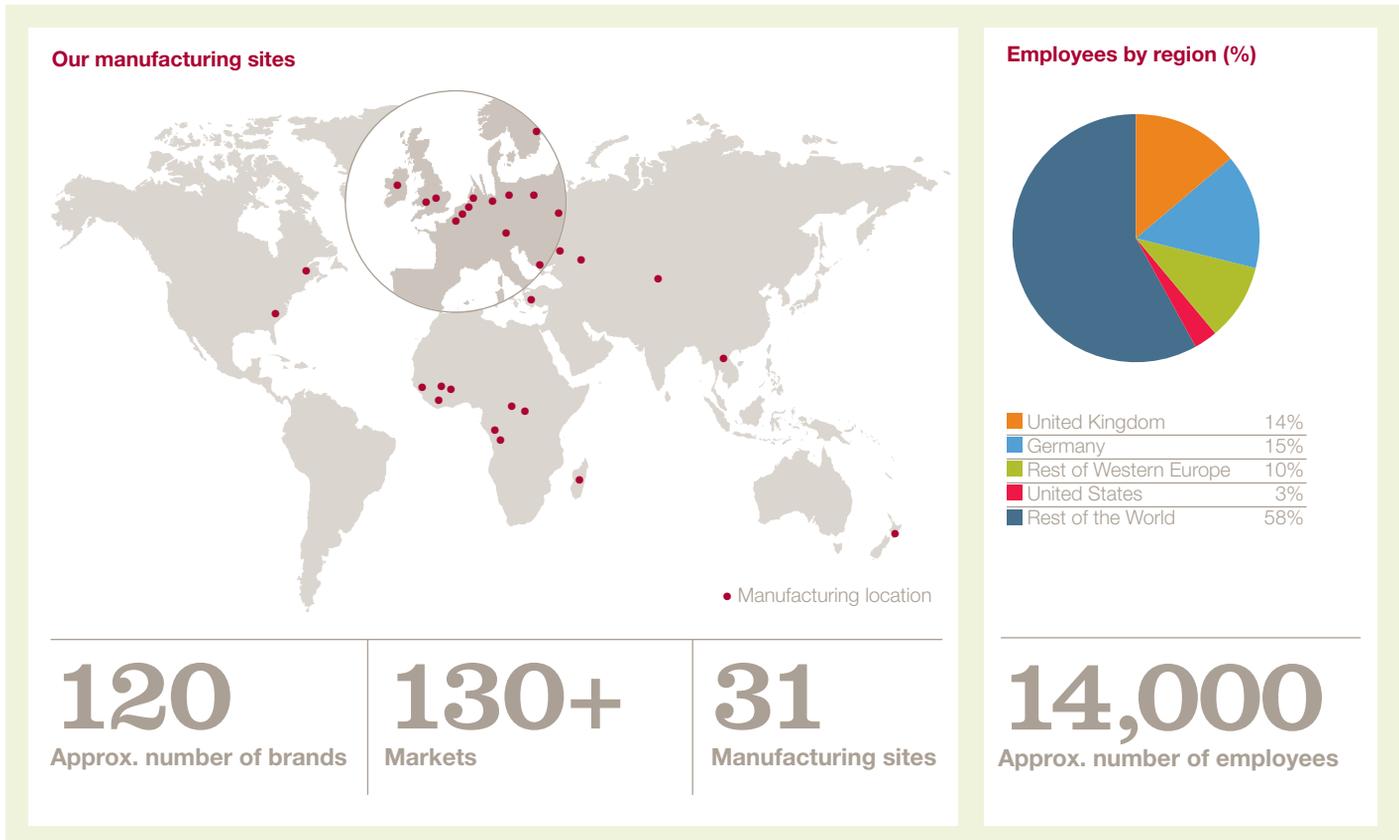
External engagement

- Governments and authorities
- ◇ Suppliers
- × Customers
- Employees
- Industry bodies
- ◇ NGOs
- × Multi-stakeholders
- Other

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A well-balanced business

Imperial Tobacco is the world's fourth largest international tobacco company which manufactures and sells a comprehensive range of cigarettes, tobaccos, rolling papers, filter tubes and cigars.



Our strategy, values and behaviours

Our strategy is:
‘To create sustainable shareholder value, by growing our operations both organically and through acquisition’

- > We work as one team for the good of the whole business
- > We are a responsible company, pursuing high standards in everything we do

- > We deliver high-quality products to ensure customer satisfaction
- > We put shareholders first among our stakeholders

Disclaimer

This Review contains certain forward-looking statements with respect to the operations, performance and financial condition of the Company and the Group as a whole. By their nature, these statements involve uncertainties since future events and circumstances can cause actual results to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Review and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Review should be construed as a profit forecast.

Without prejudice to the generality of the foregoing, this report may be deemed to include ‘forward-looking’ statements within the meaning of Section 27A of the US Securities Act of 1933 and Section 21E of the US Securities Exchange Act of 1934. This report should be read in conjunction with our periodic interim and annual reports and registration statements filed with the Securities and Exchange Commission, copies of which are available upon request from Imperial Tobacco Group PLC, PO Box 244, Upton Road, Bristol BS99 7UJ, UK.

2007 Corporate responsibility highlights

The table below summarises our key achievements in 2007, challenges in 2008 and some external opinions of our performance.

Achievements	External opinion	Challenges
<ul style="list-style-type: none"> > Fully or partially met all of the 36 targets set in 2005 > Energy consumption down* by 13% > Carbon dioxide emissions down* by 21% > Waste output down** by 9% > Waste to landfill down** by 47% > Water consumption down* by 15% > 21 factories have ISO 14001 (2 new certifications in 2007) > 20 factories have ISO 9001 (4 new certifications in 2007) > Non-financial reporting system collates data from >180 reporting entities > Distributed 14,500 copies of our 'Imperial Tobacco and CR' booklet to employees worldwide > Invested £1.7 million in community investment programmes 	<ul style="list-style-type: none"> > BITC top 100 'Companies That Count 2007' > BITC CR Index 2006 'Gold ranking' (91% up from 86% in 2005) > BITC Environmental Index 2006 'Platinum ranking' (95% up from 90% in 2005) > 73% in SAM Research for Dow Jones Sustainability Index 2006 (sector average 44%) > 70% in the 2007 Carbon Disclosure Project (beverage and tobacco sector average 63%) > Short-listed for Financial Times/Citi Private Bank Environmental Award 'Meeting the Carbon Challenge' > 2006 online Annual Report received Silver Award at the Mercury 2006 Excellence Awards > Website received Gold Award at the Mercury 2006 Excellence Awards > Level B+ disclosure against GRI G3 guidelines 	<ul style="list-style-type: none"> > Further improve occupational health and safety performance > Integration of significant acquisitions (leading to rebasing of performance measurements) > Extension of management systems (ISO 9001, ISO 14001, OHSAS 18001) > Extension of non-financial reporting data capture > Establishment of CR 'Beyond the foundation' phase: 5 areas of focus in 5 years

* Absolute values for financial year 2006 compared with 2001 base year

** Absolute values for waste for financial year 2006 compared with 2004 base year

Our financial performance 2007

<h1>£3,280m</h1> <p>Net revenue</p>	<h1>136.7p</h1> <p>Adjusted earnings per share</p>	<h1>£310m</h1> <p>Taxation (excluding duty)</p>
<h1>£1,475m</h1> <p>Adjusted profit from operations</p>	<h1>69.5p</h1> <p>Dividend per share</p>	<h1>£1.7m</h1> <p>Community investment spend</p>



For more information visit
www.imperial-tobacco.com/investors

IFC **A well-balanced business**

An outline of our business, our CR achievements and our challenges.

CR at Imperial Tobacco

2 A strong strategic framework

Message from Gareth Davis, Chief Executive.

4 Management commitment

Overview by Alison Cooper, Corporate Development Director.

5 A systematic approach

How our Group strategy, management commitment and governance structure underpin our approach to corporate responsibility.



2007 performance

10 Delivering against our priorities

Our performance during the financial year 2007, CR issues in relation to our product value chain and a selection of case studies from our global operations.

26 Our people and communities

Information and a selection of case studies that illustrate our commitment to our employees, what we have achieved together and how we are working with the communities around us.



The future

36 A clear vision for the future

Our new strategy for the next five years, which focuses on five key areas: carbon management; supplier standards; local accountability; portfolio management and policy evidence.



Factfile

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Summaries of our performance since 2005, our non-financial performance indicators and our OHS&E data.

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A summary of engagement activities in our markets and comments by independent experts.



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Information key



Cross-reference within report for more information



For more information visit www.imperial-tobacco.com/cr

About this Review

This Review supplements information in our Annual Report & Accounts 2007 which contains an overview of our CR activities. You may also wish to visit our website www.imperial-tobacco.com where you can find more detail on our management approach, as well as down-loadable fact sheets and previous CR Reviews. Use the 'Find out more' symbol as a signpost.

A strong strategic framework

'I am confident that our corporate behaviour matches our status.'



Gareth Davis
Chief Executive

Strategy, investment and governance

Since our listing on the London Stock Exchange in 1996, Imperial Tobacco has successfully invested for growth and recorded significant returns to our shareholders and other stakeholders. While we have invested £6.2 billion to date in acquiring other tobacco companies, excluding our £8.5 billion proposed offer for Altadis, we have also invested in our product and process development, product stewardship, manufacturing, environmental and sales and marketing infrastructures. We have invested in the continued development of the excellent people who work for us. We have created systematic approaches to performance management, talent spotting and competency-based training. We have also invested in international capability-building through our community investment activities, as evidenced by our commitments to the Social Responsibility in Tobacco Production initiative and to the Elimination of Child Labour in Tobacco Foundation. You can read more about these investments later in this Review.

The successful execution of our strategy has already placed Imperial Tobacco amongst the top 30 companies listed on the London Stock Exchange. I am confident that our corporate behaviour matches our status.

Corporate governance and responsible citizenship have developed rapidly in recent years. A range of strong regulatory frameworks now exists around the world that, although not necessarily compatible one with another, expresses the desire of governments for a sound business sector to contribute to social progress. In response, our own business systems have been reinforced to meet these requirements. Through our Group policies and business standards, we drive conformity across our operations world-wide.

A strong business sector is essential to create the wealth that societies need for their social development. Nations will not

CR strategy and aims



For more information visit www.imperial-tobacco.com/cr



achieve their social goals if they drive away profitable businesses through ill-judged regulation, endemic corruption or over-taxation. Globalisation means that countries must increasingly compete one with another to attract and retain good businesses within their economies that will benefit their societies, just as good businesses compete to benefit and retain their customers and consumers.

Governments earn a great deal from the manufacture and sale of tobacco products. The chart opposite illustrates that governments benefit financially far more from our success than do any of our other stakeholders. There is no better way to show that constructive dialogue on issues that impact our operations should be a priority for both tobacco companies and governments alike.

Our commitment

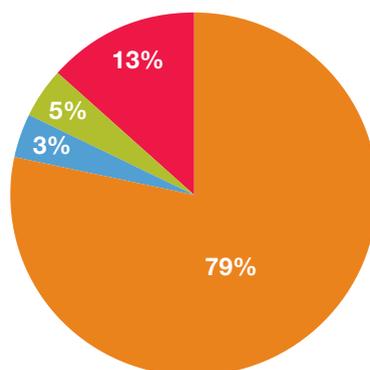
In 2001, we invested significantly in renewing and re-invigorating our corporate responsibility activities, setting about a phased programme to deliver the foundations of a responsible business for the twenty-first century.

These foundations are now in place, with our success reflected in our performance benchmarks. I am proud of the achievements that have been made by everyone who works for Imperial Tobacco and congratulate all those who have been involved to date. The creditable performance described in this Review reflects the hard work of our employees around the world who are committed to corporate responsibility. It is their enthusiasm that enables us to live up to the high standards we set for ourselves and the high expectations that external stakeholders have of us.

Finally, I thank Frank Rogerson, our former Corporate Affairs Director, for his contribution to building the firm foundations we have now established. Under Alison Cooper's stewardship, I am confident we will continue to deliver high standards in corporate responsibility across our business.

Gareth Davis
Chief Executive

Where our income is spent (financial year 2006)



	£bn
Government (duty, tax, VAT)	10.6
Employees	0.5
Financing the business (interest, dividends)	0.6
Operating the business (investing, product costs, other)	1.8

Note: Income is reported revenue plus sales taxes deducted in arriving at reported revenue.

How this Review is structured

Our 2007 Corporate Responsibility (CR) Review gives an overview of how we approach CR and of our activities since we last reported in December 2006. It describes our achievements against the objectives which were first published in our 2005 Review. We report on our performance by discussing corporate responsibility issues in relation to our product value chain and by using case studies from our global operations. We also provide information on our new 'Five-for-Five' strategy.

Performance data covers our financial year October 2006 to September 2007, unless stated otherwise, for those Group activities where we have majority ownership or operational control. Note that our acquisition during the financial year of Commonwealth Brands is presently excluded. Post-acquisition integration activity is underway. We also report on our performance in areas where we have appreciable influence with our suppliers and other business partners. We have given an explanation where it has been necessary to restate

historical environmental data reported in previous Reviews.

As in previous years, our Review has been verified by SGS United Kingdom Limited. This year we decided to increase the scope and depth of the assurance in line with the Global Reporting Initiative (GRI) G3. The result is summarised in their Assurance Statement.

Each year, we invite independent experts to comment on our public reporting and on our approach to CR. We are grateful to Dr Magnus MacFarlane, independent social consultant and research fellow at the universities of Oxford and Warwick, for his critique of this year's Review. He last reviewed our work in 2003. We are also pleased that Mr Mokhethi Moshoeshoe, President of CIVA Innovation Management and Director of Lesotho Financial Solutions, has agreed to provide additional comments to help inform our approach to sustainable development.

As always, we welcome your feedback via cr@uk.imptob.com

Management commitment

Welcome to the Imperial Tobacco Group Corporate Responsibility Review for 2007, which describes our commitment to and our progress in behaving responsibly and as a good corporate citizen.



Alison Cooper
Corporate Development Director

“The profile of corporate responsibility and its role at the heart of Imperial Tobacco’s long-term future will continue to be enhanced as part of the overall Corporate Development agenda.”

We have undertaken a thorough review of the strength, relevance and bearing of our work in corporate responsibility. As a result, the Board confirms that our strategy is right and has directed that our five priorities for the next five years will be:

- > better carbon management;
- > product portfolio balance;
- > supplier sustainability;
- > empowering our local management to better address issues of corporate responsibility; and
- > further increasing our transparency in how we adhere to our Group policies.

These priorities will shape our achievements in the years to come and will ensure the further embedding of corporate responsibility into our commercial decisions, our operations and our culture. The profile of corporate responsibility and its role at the heart of Imperial Tobacco’s long-term future will continue to be enhanced as part of the overall Corporate Development agenda.

I hope this Review and the additional information on our website allows you to judge how well we meet our commitments and fulfil our duties. Your feedback can be given by email to cr@uk.imptob.com

Alison Cooper
Corporate Development Director

I was appointed to the PLC Board of Directors in the new role of Corporate Development Director in July 2007. In this role, I have assumed responsibility for the Corporate Affairs function as well as for strategic planning and business development.

The focus of Corporate Development is to ensure the continued sustainable growth of Imperial Tobacco through the formulation of appropriate commercial and regulatory strategies and the execution of value-creating deals. Corporate responsibility is an essential underpinning for the sustainability of our business and is integral to Corporate Development.

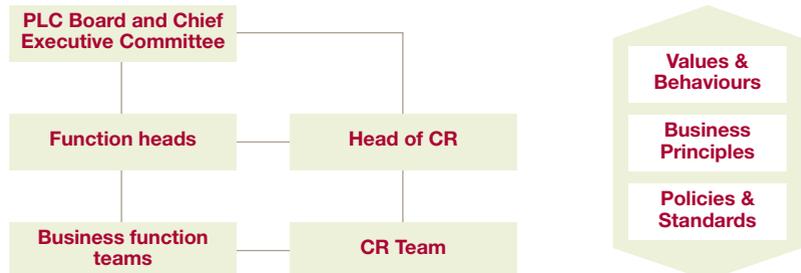
I have supported the development of our corporate responsibility activities as a member of the Chief Executive’s Committee and I am pleased with the progress we are reporting in this Corporate Responsibility Review.

The new UK Companies Act 2006 looks to directors to “promote the success of the Company for the benefit of its members as a whole” whilst highlighting the need to have regard for the wider impacts of its actions on employees and other stakeholders.

It is clear to me as I have seen our corporate responsibility activities and

reporting evolve significantly over the last few years that developments at Imperial Tobacco are in line with wider developments in governments’ and financial stakeholders’ views. In particular, the inclusion of further information on corporate responsibility in our Annual Report & Accounts has emphasised the mainstream nature of our commitment to it.

Approach to corporate responsibility



For more information visit www.imperial-tobacco.com/cr

A systematic approach

We place corporate responsibility firmly in the context of the sustainability, governance and good management of our business.

Governance and leadership

The Board of Imperial Tobacco Group PLC comprises a Non-Executive Chairman, seven Non-Executive Directors and five Executive Directors, with a clear separation of the roles of Chairman and Chief Executive to ensure an appropriate balance of power and authority.

Full details relating to the Board structure and our full Corporate Governance report are given in our 2007 Annual Report & Accounts, which is available online at www.imperial-tobacco.com

All Directors are equally accountable under the law for the proper stewardship of the Group's affairs, with the Non-Executive Directors having particular responsibility for ensuring strategies proposed for the development of the business are critically reviewed. This seeks to ensure they act in

the best long-term interest of shareholders and take account of the wider community of interests represented by employees, customers and suppliers. It also seeks to ensure that social, environmental and economic issues are fully integrated into the Group's risk assessment processes.

The Chief Executive's Committee (CEC) is responsible for implementing Group strategy and monitoring the detailed performance of all aspects of the business. The CEC comprises the Chief Executive, the Executive Directors, the Group Human Resources Director and the Company Secretary. We have chosen to manage CR through the mainstream management of the business, without a Board sub-committee, so that those who take decisions are also responsible for their implementation. Consequently, the CEC

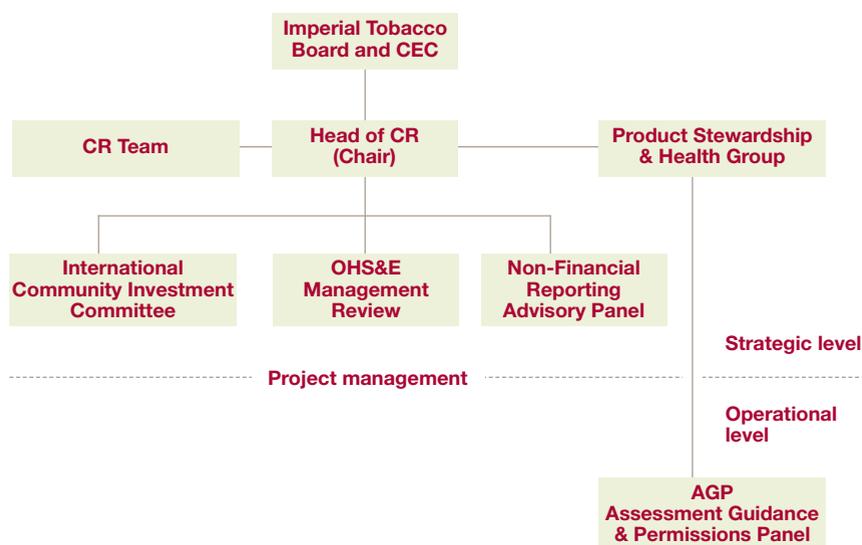
plays a key role in ensuring high standards of business ethics and in promoting our Group policies and CR strategy.

The Board and CEC are updated with progress in CR via presentations, briefing documents and our regular reporting mechanisms. During the 2007 financial year, this involved Board and CEC discussions on issues such as manufacturers' responsibilities, scientific developments, OHS&E, CR progress and non-financial reporting.

Conducting business with integrity

The boundaries and manner in which we conduct our business activities are set out in our Acceptable Business Practice policy, which is supported by the Standard for Business Conduct. The policy's intention is to prevent direct or indirect acts of

CR Governance



Central CR team and strategic advisory groups

Our Head of CR reports to the Corporate Development Director and manages a central team of occupational health, safety and environment (OHS&E), social responsibility and product stewardship specialists. The team leads the development and implementation of CR strategy and provides guidance, training, non-financial performance monitoring and reporting to support implementation throughout the business.

We have a number of networks of specialists, who deal with CR issues within their various areas of responsibility. CR issues are predominantly cross-functional and we have regular fora for their discussion. Several advisory groups and committees are chaired by the Head of CR. These are: the Product Stewardship and Health Group, the OHS&E Management Review, the Non-Financial Reporting Advisory Panel and the International Community Investment Committee.



For more information visit www.imperial-tobacco.com/cr

A systematic approach

corruption, bribery, anti-competitive behaviour, money laundering, fraud, deception, tax evasion and any other criminal conduct.

We have provided supplementary training for managers in competition law, manufacturers' responsibilities and our product supply process. More than 230 managers have so far attended the 17 workshops on manufacturers' responsibilities and around 200 managers have attended the 13 regional product supply workshops.

Employees and individuals associated with the Group are able to raise genuine and significant concerns about our business practice and conduct without fear of dismissal or victimisation. We provide a free confidential helpline via an independent specialist agency, Public Concern at Work www.pcaw.co.uk. Such concerns are investigated thoroughly and the identity of the person raising the concern remains confidential.

Our Public Interest Disclosure or whistle-blowing policy and related procedures have been translated from English into 13 languages and distributed to our local operations, with copies available on our intranet. During 2007, we took additional steps to ensure that local implementation of the policy had been carried out successfully.

Non-financial reporting (NFR)

We are committed to increased transparency and have described on our website and in our 2004 Review our NFR performance indicator framework and process for identifying CR issues that are 'potentially material' to our business performance. This framework was approved by the Board in 2005 and is maintained by the cross-functional NFR Advisory Panel.

During 2007, the panel formalised the NFR process and initiated a project to evaluate, in conjunction with key

stakeholders, the current indicators within the framework. The objective is to ensure the indicators continue to be appropriate and relevant to the needs of the business. The evaluation will also include benchmarking against the Global Reporting Initiative (GRI) indicators and other relevant benchmarks such as the Business in the Community and the Dow Jones Sustainability indices.

Towards the end of each financial year, and also at the half year, the NFR Advisory Panel, via the Head of CR, advises the CEC of performance in these issues. They then judge whether any have had a significant or 'material' effect on the business during the financial period. The CEC view is then considered at the full Board. Those CR issues that have material impact are included in the Business Review within our Annual Report & Accounts, along with other issues of significance. The Business Review includes a review of the Group's activities and future developments, to fulfil the requirements of the UK Statutory Business

CR-related policies and standards



Principles, policies and standards

Our Board of Directors remains committed to maintaining high standards of corporate governance which it sees as a cornerstone in managing the business affairs of the Group and a fundamental part of discharging its stewardship responsibilities. We have in place a set of governance structures and practices designed to ensure that our Company is run responsibly in the best interests of its shareholders and other stakeholders.

Our Group Vision and Values, Business Principles, policies and standards structure the way we manage our business activities. During 2007, we reviewed our Group policies to ensure they continue to reflect our governance and management needs and meet good practice and regulatory requirements.

We improved the accessibility of these documents on our intranet and included downloadable translations of our Business Principles in the main languages used by our managers. We also reaffirmed our Values and Principles in our new global induction programme and in our employee booklet 'Imperial Tobacco and Corporate Responsibility'.



For more information visit
www.imperial-tobacco.com/cr

CR issues

Over the past four years, we have adopted a phased approach, working to four priorities for our CR activities. These reflect our potentially material issues. Our progress is reported in this and our previous Reviews.

CR priorities	Headline responsibilities	Potentially material issues
Ensure robust processes for corporate responsibility	Corporate responsibility strategy fundamentals	<ul style="list-style-type: none"> > Policy development and implementation p5–9 > CR audit > Non-financial reporting > Business integrity > Stakeholder engagement
Strengthen product stewardship	Product stewardship and health	<ul style="list-style-type: none"> > Developing potentially reduced exposure products p12–13 > Product stewardship/assessment
Improve OHS&E management	Occupational health and safety	> Employee health and safety p28–30, p44
	Environmental impact	<ul style="list-style-type: none"> > Management systems (ISO14001) p13, p16–18, p45 > Environmental waste > Product and packaging waste > Energy use and climate change
Improve social performance	Employment practices	<ul style="list-style-type: none"> > General employment practices p26–28 > Equal opportunity and non-discrimination > Pay and benefits > Responsible downsizing
	Responsible sales and marketing	<ul style="list-style-type: none"> > International marketing practices p19–21, p23 > Youth smoking prevention > Combating smuggling and counterfeit
	Social accountability and supplier relationships	<ul style="list-style-type: none"> > Social responsibility in tobacco production p14–15, p18 > Non-tobacco suppliers
	Community investment	<ul style="list-style-type: none"> > Charitable donations p32–33 > Community investment



For more information visit www.imperial-tobacco.com/cr

Review, including the non-financial performance during the year, key performance indicators and a description of the principal risks and uncertainties facing the Group. This year, we concluded that none of our potentially material issues impacted materially during the year.

Our website remains the primary vehicle for detailed information on our approach to CR and how we meet our responsibilities. This is supplemented by our annual CR Review of progress, which is published on our website and may be downloaded. We also print and distribute a limited number of hard copies.

Stakeholder engagement

Much of the success of our business depends on our relationships with

stakeholders. We identified them and their key concerns in our first CR Review in 2003. Our key stakeholders are our investors, our employees, suppliers, customers, consumers and governments. Other stakeholders include the communities around our factories, our competitors, some non-governmental organisations and the media.

We continue to engage with stakeholders to understand their views, needs and concerns and use the outcome to inform our local decision-making. During the financial year, we undertook stakeholder engagement activities in 31 of our markets on issues ranging from smoking in public places to employee dialogue and community involvement. We have summarised our market activities on page 47

and have used various examples throughout the Review.

We have improved the central data collection aspect of our engagement activities and intend to incorporate market reports into our internet-based NFR system. This will allow us to analyse the information and compile recommendations to better inform our decision-making processes at Group level.

In 2007, we met with five SRI analysts, out of 15 polled, to discuss their opinions of our CR approach and reporting. Overall, we received positive feedback on our risk-based approach. Our 2006 CR Review, including the use of the product value chain to demonstrate our integrated approach, was well received. The analysts appreciated the enhanced Operating and Financial

Review in our Annual Report & Accounts. We received a number of specific recommendations and we have taken these views into account whilst compiling this Review. Others will be considered in future reporting. Similarly, we have taken into account feedback from other stakeholders.

We have a long history of co-operation with authorities in the markets in which we operate and we remain committed to working constructively with governments and regulatory bodies worldwide. We believe that sound, reasonable and practicable regulation, developed in consultation with the tobacco industry, is the most effective.

Our central Corporate Affairs function supports and guides an International Corporate Affairs Network (ICAN) of market practitioners.

We seek to work effectively with regulators and Competent Authorities through trade associations where appropriate. The Company's representatives will not discuss issues of a commercial or competitive nature with other members of any trade association to which it belongs. Where there is no commercial prejudice, we seek to work with industry colleagues as an

effective approach to ensuring that common industry interests are well represented.

We engage with governments and Competent Authorities on a number of topics in our efforts to assist informed decision-making. This may be through direct engagement or through industry associations such as the Confederation of European Community Cigarette Manufacturers (CECCM) and the European Smoking Tobacco Association (ESTA), or through bodies that represent the wider business community, such as the International Chamber of Commerce (ICC) and the Confederation of British Industry (CBI).

Topics discussed during the 2007 financial year included:

- > Agreements and memoranda of understanding in our efforts to combat smuggling and illicit trade
- > Taxation and other financial issues
- > Responsible sales and marketing
- > Health warnings
- > Smoking in public places
- > Ingredient disclosure formats for Competent Authorities
- > Tobacco constituents and smoke analysis.

We continue to monitor developments concerning the Framework Convention on Tobacco Control (FCTC). In May 2003, the World Health Organisation's (WHO) 192 member states endorsed the FCTC. The Convention entered into force on 27 February 2005 and is legally binding for all ratifying countries. The FCTC provides all ratifying countries with a framework within which national authorities may decide the most appropriate tobacco control regulation for their national circumstances. It contains wide-ranging provisions, with regard to advertising, ingredients, product testing, taxation and illicit trade.

CR timeline

	FY 2001	FY 2002
Growth	<ul style="list-style-type: none"> > Tobaccor acquisition > Dividend per share 28.8 pence 	<ul style="list-style-type: none"> > Reemtsma acquisition > Dividend per share 33 pence
Transparency	<ul style="list-style-type: none"> > First OHS&E Report > Publication of International Marketing Standard > Website ingredients disclosure 	<ul style="list-style-type: none"> > OHS&E Report 2002 > First website section on CR
Objectives	<ul style="list-style-type: none"> > OHS&E objectives and targets 	<ul style="list-style-type: none"> > 3-year CR objectives and targets
Processes	<ul style="list-style-type: none"> > Board commitment to structured CR approach > Commitment to ISO14001 	<ul style="list-style-type: none"> > Central CR Team formed > SRIIP established



Progress against benchmarks

We benchmark our CR activities against other companies using a number of external indices. The data we use in our submissions is taken from the verified information already published in our CR Reviews, in our statutory reports and on our website.

Although we do not use these indices to drive performance or to set our CR strategy, they are a useful indication of how we are positioned against other companies and how we may be perceived in general. It is clear from their component parts in which areas we underperform and outperform other participating companies.

Benchmarking has also been used to help improve our reporting approach.

In May 2007, Imperial Tobacco was named one of the top 100 'Companies That Count 2007' in the Business in the Community's (BITC) 2006 annual Corporate Responsibility Index. In our second year of participation in the Index, we improved our

performance from 86 per cent in the previous year to 91 per cent and were awarded a 'Gold' ranking. We also received a 'Platinum' ranking of 95 per cent for our performance in the environment index, demonstrating year-on-year improvement since 2001. Each participant is evaluated on its CR strategy, its integration of that strategy into the business, management of CR within the organisation and performance in a range of social and environmental impact areas.

We also participated in the assessment conducted by SAM Research for the Dow Jones Sustainability Index 2007 where our overall score was again 73 per cent

compared with a sector average of 44 per cent (66 per cent in 2006).

We were also delighted that we were short-listed for the first Financial Times/Citi Private Bank Environmental Award 'Meeting the Carbon Challenge'. We were selected amongst the top six international companies for the improvements we have made in carbon efficiency in Europe, Asia and Africa.

The results of our benchmarking demonstrate that we have made significant progress by concerted management action through continuous improvement which we believe is the best methodology for us.

Index	2001	2002	2003	2004	2005	2006	2007
SAM for Dow Jones		30%*	39%*	40%*	66%	73%	73%
BITC – CR				54%*	86%	91%	
BITC – Environment	49%	77%	79%	83%	90%	95%	

* Informal, off-line participation scores

FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
> Dividend per share 42 pence	> Dividend per share 50 pence	> Dividend per share 56 pence	> <i>Davidoff</i> trademark acquisition > Dividend per share 62 pence	> Commonwealth Brands acquisition > Dividend per share 69.5 pence
> First CR Review	> CR Review 2004	> CR Review 'Global Issues, Local Solutions'	> CR Review 'Progress in Responsibility' > More CR in Annual Report > New CR section on website	> CR Review 'What does it take to build a responsible business?'
		> 2-year CR objectives and targets		> Five-for-Five strategy
> Review of Group policies after Reemtsma acquisition	> Product Stewardship & Health Group formed > Regional community investment committees created	> Non-Financial Reporting Framework of potentially material issues developed	> Board confirm next 5-year strategy > New non-financial data capture and reporting system	> 'Beyond the Foundation' programmes agreed



For more information visit
www.imperial-tobacco.com/cr

Delivering against our priorities

We have invested in systems and processes that help us to ensure we carry out our business responsibly and meet the expectations that our stakeholders have of an international company.

Since our listing on the London Stock Exchange in 1996, we have invested £6.2 billion in acquiring companies. This excludes the offer of £8.5 billion to acquire Altadis. In just over ten years, this has transformed and internationalised our business.

We have invested in all parts of our product value chain to improve the efficiency and quality of our operations. Value is added at all steps, including through our employees and engagement with the people and communities around our factories, through

Our product value chain

Sales demand feedback loop

New developments in products and processing

This is the design and validation stage where products are created and specified in line with Group policies, market requirements and relevant legislation and regulation.

p12

Leaf buying and processing

Tobacco leaf procurement, shipping and storage are all fundamental to ensure a readily-available supply of unprocessed tobacco to the production units. Once available, the tobacco is processed in line with the requirements of the processing specification created in Step 1.

p14

Product manufacture

The processed tobacco is assembled with other specified components, such as cigarette filters, into the product. It includes the subsequent packing, labelling and packaging stages that make the finished product ready for shipping to market.

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Our people and communities

p26



our market activities and in our supply chain. We see investing in our people, to ensure we have high calibre management and a skilled workforce, as essential for the future sustainability of our business; as is investing in the communities and environment of which we are a part.

In this section we report on various aspects of this investment and on its impact on Imperial Tobacco and on our stakeholders during 2007.

Storage and distribution

Careful and efficient storage and distribution is necessary to ensure our products reach our business-to-business customer in good condition. We have product supply processes in place to ensure we only supply products to approved customers.

p19

Sales, marketing and brand management

The portfolio of products offered for sale in any market is managed to meet market requirements, maintain brand values and comply with local legislation and the Group's International Marketing and other standards.

p21

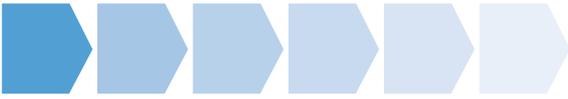
Consumer use

Our products must meet the requirements and expectations of adult consumers who choose to use them.

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Quality feedback loop





New developments in products and processing

The operating environment of tobacco companies is changing. Discerning consumers are demanding high-quality products at lower cost. The regulatory pressures on the industry demand more data on products. The moves towards smoke-free public places may change smokers' habits and may create markets for smokeless tobacco products. All of these spur innovation in product and process development.

Summary highlights

- > Presented and discussed with UK and German Competent Authorities our work on potentially reduced exposure products
- > Improved our product introduction process and developed an internet-based software solution for implementation during 2008, with access by an estimated 750 users worldwide
- > Implemented a new electronic Making Specification Environment to protect and control our product specifications
- > Introduced a new system to ensure tighter controls of our packaging including a standard process for approval of artwork and reproduction



For more information visit www.imperial-tobacco.com/cr

Product and brand development

Our research and development activities centre on our laboratories in Hamburg. Relevant departments in Sales & Marketing and Corporate Affairs work with Manufacturing to develop new brands for specific markets and to improve innovation processes. Checks on the compliance of potential new products with regulations in individual markets have averaged over 1,000 a month during the financial year.

We have reviewed our product introduction process (PIP) which covers major new product development, innovation relating to an existing product or simply a change of artwork or a brand promotion. During 2007, we started two major improvement projects to optimise the process and to develop and implement an internet-based software solution. The revised process and system will be implemented during 2008 and will be accessed by an estimated 750 users worldwide.

Our work on the development of so-

called potentially reduced exposure products (PREPS) continues. We presented and discussed data with the UK authorities in 2006 and the German authorities in 2007 and we continue to seek engagement with Competent Authorities. No government authority has adopted regulatory standards by which one cigarette could be regarded as safer than any other. It is our view that the relevant government authorities should define the objective criteria and predictive tests by which products can be judged to have potentially reduced risk. It remains unclear what regulatory regime or testing strategy will be used.

Product stewardship

In our previous CR Reviews, we have described how we achieve effective stewardship of our products. This includes how we gain detailed knowledge of our products, how we understand and respond to the science surrounding them, and how we assess their ingredients for their suitability and acceptability prior to manufacture.

Our views are based on the detailed work of scientific experts, generally academics of professorial status and practicing physicians. They review in detail scientific papers, provide reviews of developments and make presentations to the Company periodically.

We continue to fund scientific research programmes to improve our knowledge of the diseases associated with smoking. Currently, all of our funding in this area goes to academic institutions outside of the UK. Funding opportunities in the UK are severely restricted as a result of other funding bodies withholding grants from University departments that receive grants from the tobacco industry. This is a matter of regret as we believe the area continues to require the attention of independent, academic science. As a consequence, the first-hand knowledge and experience of scientists within the academic institutions in the UK of the complex issues associated with tobacco products – including product design, ingredients and smoke constituents – is in decline. In our view this is leading to more, prescriptive regulation based on inadequate science.

On 1 June 2007, the new Registration, Evaluation, Authorisation and Restriction of Chemicals Regulation (REACH) came into force throughout the EU. This requires suppliers of chemicals to pre-register usage in excess of one tonne by the end of November 2008. As a 'downstream user' of some qualifying chemicals, we have set up a cross-functional project team to ensure our responsibilities under the regulation are discharged properly.

We use ingredients, such as flavourings typically used in food, in some of our brands, to enhance their overall flavour characteristics and aroma. This gives each of our brands its own distinctive style in line with consumer preferences. We do not add anything to our products to make it more difficult for smokers to stop smoking, or to make our products more attractive to children than to adult smokers. Naturally-occurring substances, such as those used in some of our products, are exempt from REACH.

Product security and protection

We view investment in systems and processes as essential to improve the security of our products and to help protect our products against counterfeit. We have introduced further anti-counterfeit measures during the year.

We have implemented a new electronic Making Specification Environment to further protect and control our product specifications. We are extending the new system to cover all our types of product beginning with cigarettes. Access to the new system is secure and limited to ensure our product development personnel only access the specification they need to create or edit.

We have also introduced a new system to ensure tighter controls of our packaging including a standard process for approval of artwork and reproduction. The system is being rolled-out across our European sites, with plans for extending this across our full product portfolio over the next five years.

Environmental impacts

It is important that we consider the impact that our products and processes may have on the environment at the design stage.

Whilst ensuring the quality of our products, we have reduced our board grammages – a metric measure of paper weight – by careful modification and development of standard packaging machines. We have reduced the paper wrap bundle material that was used by the former Reemtsma businesses by 13 per cent, from 80 to 70 grams. In January 2007, we began to change the size of King Size packs in the UK to reduce the amount of board used by two per cent.

We continue to participate in packaging recovery and compliance schemes in all the countries where these apply. In the UK, we comply through Valpak, who audited our compliance procedures in 2006. Their findings stated that we had 'shown a very responsible and willing attitude in order to meet the requirements of the Regulations'; that 'the methodologies used should meet the level of accuracy required by the Regulations'; and that 'there are excellent procedures and a full audit trail available.'

Guar gum

The investment we have made in systems and expertise to understand our ingredients and suppliers ensured a rapid and controlled response to contamination alerts in suppliers' products.

Guar gum is used as an adhesive and thickening agent in many types of consumer product, including meat, dairy and delicatessen products. It is also used in some of our products.

In August 2007, the European Commission informed Competent Authorities in Member States of a possible contamination arising from a supplier based in India. Competent Authorities reacted differently but, in the UK the Food Standards Agency stated that "Based on the information available so far, there is no immediate health risk to consumers but as these chemicals – the contaminants – have the potential for a range of toxic effects, people should not be exposed unnecessarily".

Some customers of Imperial Tobacco products in Hungary and Germany sought assurances from us that contaminated guar gum had not been used in our products.

We alerted our EU colleagues to divert such enquiries to our Assessment Guidance and Permissions (AGP) Panel, who combine knowledge of all of our specifications, their contents and our

suppliers. The AGP quickly established that we do not use guar gum from the suppliers concerned directly in the products we offer for sale. However, the substance may have been used at low levels in the manufacture of other materials supplied to us. The AGP contacted specific upstream suppliers systematically for information – under the confidentiality agreements by which suppliers agree to give us trade secret information on their products – taking care not to overburden suppliers who may receive large numbers of enquiries at such times.

We also performed a quantitative risk assessment, which indicated that, if contaminated product had been used, the levels of contamination would be below recognised thresholds of concern.

Over the course of two business days, we were able to ascertain from our suppliers that none of them purchases guar gum from the companies concerned. We communicated this information to the relevant markets so that future enquiries from customers could be dealt with factually and rapidly.

1,000

average checks per month on the compliance of potential new products with regulations in individual markets



Leaf buying and processing

Tobacco is grown in around 90 countries worldwide and in many it is an economically-significant crop. The agricultural know-how and infrastructure development associated with tobacco growing helps to improve the quality of life of farming communities. It attracts educational, health and social facilities in otherwise relatively impoverished rural areas. Successful production of other crops and animal rearing is often more feasible when a high value crop, such as tobacco, is part of the farming system.

Summary highlights

- > 100% supplier participation in our Social Responsibility in Tobacco Production programme
- > 15 on-site reviews of suppliers' operations in 11 countries
- > Continuing commitment to and board membership of the Eliminating Child Labour in Tobacco Foundation



For more information visit www.imperial-tobacco.com/cr

We invest in international capability-building through our supply chain, through our tobacco leaf procurement activities and through the Social Responsibility in Tobacco Production (SRiTP) programme. We also provide support for the sustainable development of farming communities through other initiatives, such as the Eliminating Child Labour in Tobacco (ECLT) Foundation and the International Tobacco Growers' Association.

Common ground

We purchase the majority of our tobacco from specialist leaf suppliers, sourcing leaf from around 40 countries. Our purchasing trends are dictated by the requirements of our product blend needs and by world tobacco markets. Only in Madagascar and Laos do we have direct relationships with growers and this constitutes eight per cent of our supply.

Supply of tobacco is strongly linked to demand. Farmers may choose year-on-year to grow tobacco, depending on world tobacco prices, or to rotate tobacco growing with less profitable food crops. Tobacco manufacturers, leaf dealers and growers have a common interest in stable tobacco supply, which is both high quality and well priced.

The pattern of tobacco growing is changing in Africa, following changes in national politics and new countries becoming involved in growing. We are assisting tobacco growers to develop sustainable agricultural practices through our SRiTP programme and through assistance from our community investment activities. For example, we are funding the work of a developmental agronomist in the Niassa region of Mozambique to help with planned development rather than unplanned deforestation.

We take care in choosing quality raw materials to ensure that our products, as manufactured and supplied to consumers, are fit for their intended purpose and meet relevant materials and product specifications. We test for the presence of residues of plant protection products which may have been used in tobacco growing. We do not wish to use genetically-modified (GM) tobacco, as we believe that our consumers do not wish to purchase products that may contain GM materials. We take steps to ensure we do not purchase or use GM tobacco, including regular testing.

Social responsibility in tobacco production

Our tobacco leaf buyers build long-term relationships with leaf suppliers. This has helped lead to a 100 per cent participation in our SRiTP programme, which is now in its sixth year.

SRiTP consists of self-assessments, guidance, audits and improvement plans that allow us and our suppliers to evaluate and improve the social, economic and environmental standards in the tobacco supply chain. A series of road-maps cover CR policy and management, health and safety, socio-economic, agricultural and environmental impacts of growing and processing tobacco.

Rather than abandoning lower-performing suppliers, we take a continuous improvement approach which assists capability-building in developing countries. This has the potential to help tobacco farmers in some of the poorer regions to improve crop yield and become more sustainable, whilst reducing risks to themselves, their workers and to the environment.

In 2005, we introduced our suppliers to more stringent SRiTP guidelines and road-maps. These guidelines place more emphasis on biodiversity, the safety and

environmental aspects of site vehicles and integrated pest management. The road-map attainment levels were also tightened to help stimulate continuous improvement.

We have reported steady progress year-on-year in our CR Reviews. However, the change to new guidelines makes it inappropriate directly to compare 2005 and 2006 results with previous years.

During 2006, all of our tobacco suppliers participated in the programme, providing self-assessments and action plans for evaluation by our independent consultants, Leaf Tc, whose directors have considerable experience in the tobacco sector. As part of our rolling review programme, Leaf Tc carried out 15 on-site reviews of suppliers operations in 11 countries, representing approximately 20 per cent of our tobacco suppliers. They continue to focus activity on less-well performing suppliers in Africa. You can find more information about Leaf Tc at www.leaftc.com

Discussions with our leaf suppliers in Malawi and Mozambique in June 2007 demonstrated that they take SRiTP seriously and appreciate the consistent approach taken by cigarette manufacturers who participate in the programme. Suppliers in both countries described projects that go beyond SRiTP. These include the construction of schools and hospitals and the provision of agronomy support, such as the supply of trained oxen, together with implements to improve farmer yields and soil management and discourage seasonal burning of scrub. We are now developing a number of new projects that directly link to our tobacco-sourcing areas to alleviate poverty and to adapt to climate change.

Eliminating child labour

We are board members of the Eliminating Child Labour in Tobacco (ECLT) Foundation. The ECLT is a multi-stakeholder initiative established in 2000

SRiTP attainment:	2005	2006
Social policy	3.25	3.42
Tobacco processing	2.95	2.94
Integrated crop management	2.71	2.68
Socio-economic factors	3.28	3.26
All categories	2.92	2.92

Level 1	Poorly managed, high risk
Level 2	Reactive management responds to disaster but does not plan
Level 3	Good level of risk management but does not manage all risk systematically
Level 4	Proactive management to best international practice standards

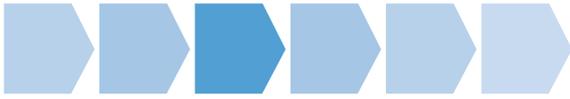
by organisations representing tobacco workers, growers and manufacturers with support from the International Labour Organisation (ILO). The Foundation's objective is to contribute to the elimination of the use of child labour in the tobacco-growing sector in order to provide children with an upbringing that gives them the best chance in all aspects of life. It supports education and poverty alleviation schemes as alternatives for childhood working. Project activities address the root causes of child labour, rather than simply seeking to remove children from the workplace.

In February 2007, the Director of the Foundation visited our Head Office in Bristol, UK and presented to an audience of corporate affairs and human resource specialists. She described how the ECLT plans to refocus its resources over the next couple of years towards Africa, since this tends to be where the highest instances of child labour occur. It will still retain the capacity to research and execute projects in other geographical areas.

Projects that we support through the Foundation are underway in Malawi, Uganda, Tanzania, Kyrgyzstan, the Philippines and Zambia, with projects developing in Mozambique. More information on the ECLT and these projects can be found at www.eclt.org

6

years of supplier engagement through our Social Responsibility in Tobacco Production programme



Product manufacture

Imperial Tobacco continues to invest in new manufacturing facilities, with a new factory build in Taiwan expected to be fully operational in 2008. This follows on from the building of our factory in Manisa, Turkey and the redevelopment of our joint venture facilities in Laos.

Summary highlights

- > Four more factories achieved the ISO 9001 quality management standard, making a total of 20 out of 31 factories
- > We have extended our product quality rating system to all our contract manufacturers
- > Two more factories achieved the ISO 14001 environmental management standards, bringing the total to 21 factories out of 31
- > Our non-tobacco materials supplier review includes questions on OHS&E, discrimination, child and forced labour, freedom of association, remuneration, working hours, bribery and corruption
- > Platinum ranking of 95 per cent in the BITC Environmental Index 2006



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We do not limit our investment to building new facilities. We are increasing investment in new machinery to support volume growth, particularly in Central and Eastern Europe, as well as new product developments and formats for cigarettes and other tobacco products. We have an ongoing machinery upgrade programme and are investing to improve the efficiency and productivity of our manufacturing processes.

Our intention is to have a continuous programme of manufacturing investment to support the sustainability of our business.

Quality, systems and processes

We are investing in improvement of manufacturing business processes and product quality. Our central manufacturing management system provides reference material for all of our manufacturing sites. The system provides a framework for delivering Group business objectives, improved performance, compliance and sustainability in a constantly-changing operating environment. In 2007, we

completed a review with key internal stakeholders, to improve our manufacturing documentation and to make it more user-friendly.

During the 2007 financial year, four of our manufacturing sites achieved the ISO 9001 quality management system standard for the first time, bringing the total to 20. We also have ISO 9001 certification for seven other operations, including sales and marketing and vending activities in the UK.

By integrating our management systems, we attempt to gain process synergies and to reduce the costs of internal and external auditing and certification. For example, during the 2007 financial year, we undertook a project to integrate the certification of product development into our central manufacturing system and successfully completed this in time for re-certification in August 2007.

We drive product-quality improvements using a product-quality rating system (PQRS), standardised test equipment and methodology, benchmarking of final products and quality-improvement plans.

Benchmarking through market surveys enables us to compare the quality of our products with those of our main competitors and to initiate product and process improvements where required. During 2007, we extended PQRS to all our contract manufacturers.

Environmental management

Product manufacturing presents the main direct environmental impact in our product value chain.

We are investing in our environmental management capability through our commitment to achieving the ISO 14001 environmental systems standard at all of our current manufacturing sites. During the 2007 financial year, two more factories achieved ISO 14001 certification, in Madagascar and Burkina Faso. This brings the total to 21 factories – 67 per cent of our manufacturing sites, representing over 80 per cent of our revenue. A further two factories have been recommended for certification. In 2007, certification was granted for our leaf-threshing facility in Madagascar and our printing operations in the Ivory Coast. We have three other operations certified to ISO 14001: our customer service centre and vending operations in the UK and our printing operation in Senegal.

This management system approach, supported by sharing of best practices, monitoring of local improvement plans and performance against Group objectives and targets, has enabled us to achieve continual improvement.

Environmental performance

Our environmental performance data, for the financial year to the end of September 2006, shows encouraging downward trends in energy and water consumption, carbon dioxide emissions, waste and waste to landfill. You will find detailed data and graphs on page 45.

We had no prosecutions for exceeding emissions to air, land or water during the financial year 2005 to 2006. There were, however, two statutory improvement notices issued for minor environmental management issues at two of our sites.

Unfortunately, we received 73 odour nuisance complaints at our Nottingham site in the 2006 financial year. We also received six minor complaints at other sites. Investigation at the Nottingham factory has shown that this was linked to a new tobacco processing line. During 2007, we installed improved odour abatement facilities and odour complaints fell to seven. We have committed to spending around £1.87 million for a comprehensive odour control system.

Environmental performance highlights

- > Energy consumption down by 13%*
- > Carbon dioxide emissions down by 21%*
- > Waste output down by 9%*
- > Waste to landfill down by 47%*
- > Water consumption down by 15%*
- > BiE index Platinum award level (95% up from 90% in 2005)
- > Short-listed for Financial Times/Citi Private Bank Environmental Award 'Meeting the Carbon Challenge'
- > 70% in the 2007 Carbon Disclosure Project (beverage and tobacco sector average 44%)

* Absolute values for financial year 2006 compared with 2001 base year, 2004 base year for waste

Climate change

We regard climate change mitigation as one of the cornerstones of our environmental work. The aim of our strategy is to reduce our direct impacts by improving energy efficiency and to reduce our indirect impacts by influencing our partners in the supply chain to do the same. Our own direct impact, described by the Greenhouse Gas Protocol as scope one emissions, is in our manufacturing activities.

We achieved the 20 per cent reduction target we set for carbon dioxide (CO₂) emissions by the end of our 2005 financial year, well before the 2010 deadline. Since then we have achieved a further reduction of one per cent through a combination of site rationalisation and various local initiatives in energy-efficiency, lower carbon fuel sources and green electricity contracts. Since 2001, we have avoided over 28,000 tonnes of CO₂ emissions – direct scope 1 and indirect scope 2 – compared with the situation if we had taken no active measures. Given current acquisition activity, we have decided to continue with the present targets for 2010 to avoid confusion in measuring achievement. We hope to recalculate baselines and

re-examine targets in time for the cascade of management objectives.

Our Nottingham factory in the UK is the only site required to participate in the EU Emissions Trading Scheme. Here, we have successfully beaten our carbon management target and traded the accrued carbon credits on the open market. In 2007, we joined a City Council initiative to help Nottingham to become a carbon neutral city.

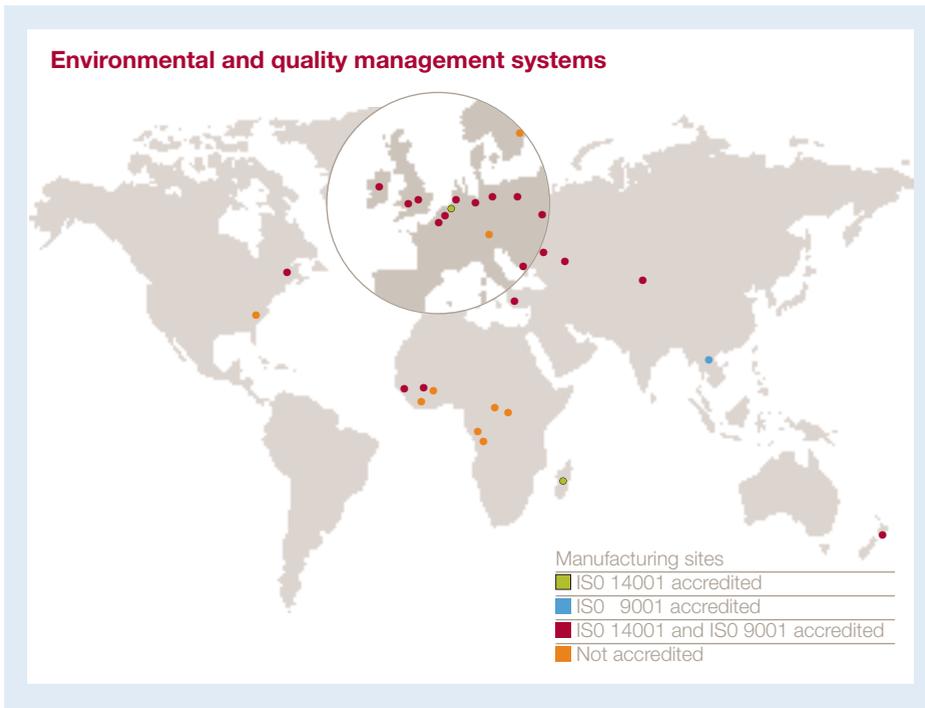
We have installed an innovative solar lighting system in Laos that forms part of a network of installations collectively managed to generate carbon credits. We have supplied farming networks in Laos with Acacia seedlings to grow biomass for tobacco curing in an effort to promote carbon-management thinking in our supply chains.

We have continued to fund forestry projects that protect ancient forests from deforestation. We have funded a local NGO in Madagascar to develop an affordable domestic oven that uses less charcoal than traditional ovens. Around 50 ovens are being sold every week and the demand is steadily rising. The domestic use of charcoal is an important factor in deforestation.

We have also developed further projects to fund the growing of fuel crops, including Jatropha trees for bio-fuel and additional woodlots in tobacco growing regions.

In June 2007, we made our fourth submission in response to the Carbon Disclosure Project (CDP) request for information on our climate change strategy. The CDP is a coordinating secretariat for a group of institutional investors representing over US \$41 trillion under management. You can read our submission, at www.cdproject.net

We have taken note of the UK and EU mandates on climate change and the latest reports including the Intergovernmental Panel on Climate Change (IPCC) and the Stern Review. We have set a new goal to reduce our impact further through a balanced approach to carbon management. We will continue to focus on areas such as energy conservation; lower carbon technologies; the purchase of green electricity; the development of on-site renewable energy; and carbon offset opportunities within our supply chain.



occupational health, safety and environment (OHS&E) and social policies in place and follow this up with a phased cycle of audits. So far one company has been removed from our list of approved suppliers as they were unable to meet our requirements.

During the financial year, we integrated a more rigorous NTM supplier review process into our existing ISO 9001 system. Our assessments include questions on OHS&E management systems, bribery and corruption and whistle-blowing. We added new criteria in line with our commitment to the International Labour Organisation's core conventions, including discrimination, child and forced labour, freedom of association, remuneration and working hours.

We also ask our suppliers if they have a procedure in place to evaluate and select their suppliers or subcontractors based on their ability to meet the requirements of the Group's policy, in an attempt to encourage better standards down the supply chain.

Waste management

Avoiding waste or converting it to a useful resource material is consistent with our low-cost manufacturing principles. We have transferred best practice from our EU facilities by successfully introducing composting of tobacco waste in the UK. We also have several smaller, local waste-minimisation initiatives to avoid creation of waste in our production processes. Occasionally, our capacity for waste recycling is limited by the local infrastructure of the countries where we operate. In these countries we will continue to try to influence the market for recycling and composting by segregating our waste streams wherever there is a demand.

Water management

Water is becoming a scarce resource in some of the regions where we operate, particularly in sub-Saharan Africa. Seasonal shortages are also challenging water-rich northern European countries with high population densities, such as the UK.

Water pollution control and conservation plans form part of our local environmental management systems and waste water is carefully managed to meet local consent limits where they apply. For example, during 2007, we undertook a water conservation initiative in our factory in Moundou, Chad. A water leakage was discovered during a due diligence audit. We made a significant investment to change the pumps and pipe-work in the factory.

Strategic purchasing

Our procurement specialists build strong relationships with selected suppliers of the non-tobacco materials that we need to conduct our business as a tobacco manufacturer. Non-tobacco materials (NTM) include printed items, cardboard, aluminium foil, poly-propylene film, acetate tow and filter rods, cigarette paper, plug wrap paper, tipping paper, adhesives.

We select our suppliers on cost and on their ability to meet our standards. We ask our first tier suppliers if they have

Storage and distribution

The rapid internationalisation of Imperial Tobacco since 1996 has emphasised the need for efficiency and cost-effectiveness in storage and distribution of our products. Security and quality of our materials and products are of paramount importance, from the source of raw materials through manufacture, warehousing and distribution.

Summary highlights

- > Implementation of an improved, centralised forecasting system for all our product categories and markets and roll-out of a Master Production Scheduling tool
- > Participation in the development of an industry standard for tracking and tracing of tobacco products
- > Agreements with 12 countries to counter smuggling of contraband and counterfeit tobacco products
- > Millions of smuggled and counterfeit cigarettes seized through our direct assistance to various authorities throughout the world



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We have invested in systems to optimise our internal supply chain. We are introducing a new planning tool to improve the efficiency of our production and supply network. This will also enable greater stock visibility and will contribute to reducing transport costs. We are also engaging with our business customers to assist our anti-illicit trade activities.

Internal logistics

The logistical issues in supplying the right product at the right time, from over 30 Imperial Tobacco production facilities to over 130 markets across the globe, requires sophisticated planning, storage and distribution capabilities. We have made considerable investment in new, improved systems and processes for centralised supply chain planning, whilst retaining demand planning at country level.

During 2007, we finalised the implementation of an improved, centralised forecasting system for all our product categories and markets. We continued to roll-out a Master Production Scheduling tool in parallel, using the above forecasts. Our aim is to optimise inventories of our raw materials, manufacturing work-in-progress and finished product stock holding, targeting stock and waste of finished products.

The new system was trialed in our Polish factory and its related markets in late

2005. Here we saw improvements in phased forecasting over an extended period, enabling accurate stock estimations and reducing operational planning procedures to a minimum.

Tracking and tracing

We continue to work with relevant stakeholders to ensure tight and effective control of raw materials, work in progress and finished goods. During 2007, we carried out a detailed assessment of a number of tracking and tracing systems designed to fulfil the legal requirements of the new UK supply chain legislation. The systems were designed to increase the visibility of product flows, to monitor stock levels and goods movements, to track quantities of product received by customers against quantities shipped and to simplify a product recall process. We have developed a detailed investment plan for approval of phase one of the project by the end of the financial year.

We are participating in the development of an industry standard to fulfil the requirements of the UK supply chain legislation. The standard will also address the WHO-FCTC protocol on illicit trade, which also recommends the development of a practical tracking and tracing regime.

Anti-illicit trade

Imperial Tobacco is totally opposed to illicit trade and is committed to working with governments and customs and excise authorities around the world to tackle tobacco smuggling and counterfeit activities. Smuggling benefits no one but the criminals involved, creating a market that is uncontrolled, untaxed and unaccountable and which also threatens the livelihoods of independent tobacco retailers.

Our policy is to supply our products on a commercial basis only to approved customers and markets. In October 2006, we updated our product supply compliance (PSC) process in order to meet new UK supply legislation. We conducted an internal compliance audit of the process to ensure it is fit for purpose.

During the 2007 financial year, we met with a number of our business customers to re-enforce our product supply compliance and emphasise the need for vigilance. The system extends to our suppliers and to contract manufacturers and includes the 'Know your customer' supply chain initiative.

98%

reduction in the smuggling of our brands into the UK since 2000, thanks to close cooperation between tobacco manufacturers and customs authorities

We continue to work with customs authorities in a number of countries to counter smuggling of contraband and counterfeit tobacco products. We now have agreements with 12 countries, the most recent with Bulgaria, and are in discussion with a number of other countries.

Following investigations into stock seized by the UK Her Majesty's Revenue and Customs, we took action against one overseas customer, which included a

temporary suspension of supply, pending the implementation of improved controls by that customer.

The UK market is a key target for cigarette smugglers and counterfeiters, due to the high rates of excise tax and resulting high retail prices. We regard the reduction in smuggled Imperial Tobacco cigarettes on the UK market as an indication of the success of our operations. Our efforts are also increasingly directed against counterfeit products.

Counterfeiting is an issue for a wide range of consumer goods' industries, including tobacco. Counterfeit tobacco products are smuggled, illegal and deprive Government of tax revenues. We encourage retailers and consumers to buy tobacco products only from legitimate sources. Our brands are manufactured to the highest standards and comply with regulatory requirements. Counterfeit products may not comply with these requirements.

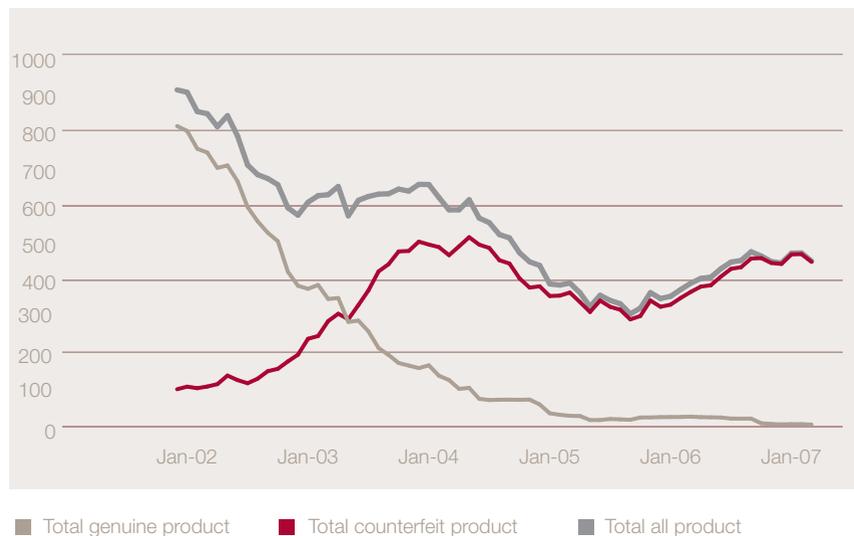
During the 2007 financial year, the incidence of counterfeit did not diminish and Imperial Tobacco brands remained a prime target in those European markets where

tobacco products are expensive. Although China remains the predominant source of illicit products entering the EU, from time to time we encounter manufacture of counterfeit in Eastern Europe.

Those involved in the distribution of counterfeit are highly organised. They exploit weaknesses in border controls and trading routes to market through corruption and other more direct criminal enterprise. We continue to work with Chinese government agencies and other major tobacco manufacturers in joint projects in China and elsewhere, sharing resource and information with the authorities who undertake enforcement actions against counterfeit tobacco manufacture and distribution. During 2007, we directly assisted various authorities throughout the world in the seizure of millions of cigarettes, avoiding a considerable loss of revenue to governments.

On 13 June 2007, we hosted a reception in Brussels – 'The fight against smuggling and counterfeit' – to share key learning on illicit trade. The event was attended by Members of the European Parliament and European Commission officials.

12 months moving total volume of cigarette seizures (millions)





Sales, marketing and brand management

Imperial Tobacco has a long history of investing in its brands, as is regularly described in our Annual Report & Accounts. Marketing activities must comply with our stringent Group Advertising policy and associated International Marketing Standards (IMS).

Summary highlights

- > Reviewed our International Marketing Standards to reflect changes in the organisation, acquisitions, joint ventures and new product groups
- > Undertook a number of local initiatives to raise awareness of our International Marketing Standards



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www.imperial-tobacco.com/cr

To support this investment in brands, we make use, subject to legislative restrictions, of the normal brand marketing channels available to us to communicate our brand values to our consumers. These include press, poster and cinema advertising, database marketing, internet marketing, sampling and sponsored events. We also communicate to our consumers via retail channels through the use of in-store marketing activities such as point of sale material and merchandising units. In almost every market, regulation affects the advertising and promotion of our products. The use of radio and TV advertising is almost universally banned and the extent of other regulation differs hugely between markets.

Advertising policy and marketing standards

We remain committed to promoting and selling our products responsibly, within the laws and voluntary agreements of the countries in which we operate.

Our policy is to advertise our tobacco products responsibly in order to maintain brand loyalty, to encourage adult smokers to switch brands and to try to make smokers aware of any new products that the Group makes available.

Our International Marketing Standards (IMS) set out clear rules and principles to ensure that our advertising and promotional activities are directed only to adult smokers aged 18 years or over in all circumstances. In some markets, additional local rules may apply.

As part of the formal review of Group policies during 2007, we have reviewed our Advertising policy and are amending our IMS to reflect changes in the organisation, acquisitions, joint ventures and new product groups. We have consulted with key internal stakeholders, incorporating their comments and feedback into the review process. It is our intention to include checks against the IMS in our updated product introduction process described on page 12. We are developing further IMS guidance and training to aid interpretation and understanding worldwide.

Our IMS are applicable to all of our markets. During 2007, we undertook various local awareness-raising initiatives. For example, in Hungary we issued key documents to employees in our Sales & Marketing operations. This compulsory reading was followed by a meeting to answer questions, to gain their feedback on the standards and their implementation in the local market.

Responsible sales and marketing

The Group Sales & Marketing Director uses an infrastructure of CR coordinators to communicate and enforce Group policies, through regional directors, and to cascade the Group CR strategy relevant to our sales and marketing activities.

We use the following mechanisms to ensure consistency and responsible behaviour across our worldwide sales and marketing network:

- > Group Values and Business Principles
- > Group policies, in particular policies on Acceptable Business Practice, Product Content Regulatory Compliance, Product Supply and Advertising
- > Group standards, in particular the Standard for Business Conduct and the International Marketing Standards
- > Memoranda of Understanding for anti-illicit trade activities in cooperation with governments.

130+
markets



Consumer use

The constraints on consumers exercising their freedom of choice as adults to smoke or not to smoke have grown in recent years. Imperial Tobacco believes that the decision to use tobacco products is a choice for adults. We do not want children to smoke or to use other tobacco products.

Summary highlights

- > We discussed with stakeholders practicalities of issues of adult freedom of choice
- > We supported new youth smoking prevention initiatives in Italy, Taiwan and Hungary and ongoing initiatives in other countries
- > In the UK, we maintain dialogue with the environmental campaigns charity ENCAMS which encourages the responsible disposal of smoking-related litter
- > We support the 'Please butt it then bin it' and 'Keep South Australia Beautiful' campaigns



For more information visit www.imperial-tobacco.com/cr

We have invested time and effort in many parts of the world to engage with different stakeholders to seek practical solutions to issues of adult freedom of choice which reflect public opinion and consumer preferences. In practice, this means dialogue with a broad range of interested parties, understanding their concerns and seeking to develop proportionate solutions that achieve the aims of regulators without unintended detrimental economic or social consequences.

Smoking in public places

Restrictions on public smoking have come into force in several EU countries, including England, Wales and Northern Ireland, France, Italy, Spain and Belgium. Voluntary agreements have been formalised in Germany and the Netherlands. We expect the agreements in Germany and the Netherlands to be superseded by regulations in 2008. Restrictions have been implemented in other parts of the world including many countries within Central and Eastern Europe and also Australasia.

We believe that practical solutions – such as well-ventilated smoking and no-smoking areas in workplaces, restaurants and other public places – offer positive ways forward. Limiting consumer freedom by total bans on smoking in public places is disproportionate and unnecessary.

Many people now believe that environmental tobacco smoke (ETS) is harmful to the non-smoker. That belief has been fostered over the past three decades by individuals and organisations campaigning specifically for the de-normalisation of smoking.

In 2006, we consulted a number of experts concerning the composition and potential health effects of ETS. Their view was that there is no reason to suppose that ETS is a cause of any disease. You can read more on the science of ETS in our 2006 CR Review.

This year, we have provided evidence to the American Society of Heating Refrigeration and Air-conditioning Engineers (ASHRAE), to assist them in updating their advice in their internationally-recognised standard on ventilation in relation to indoor smoking areas (Standard 62.1); and to the Scientific Committee for Health and the Evaluation of Risk (SCHER) who advise the European Commission on health risks in relation to ETS and indoor air quality.

The EU Commission published a Green Paper 'Towards a Europe free from tobacco smoke: policy options at EU level' to launch a public consultation on ways to promote smoke-free environments in the European Union. One outcome of this approach could be to extend the remit of the Commission to cover health-related areas. In 2005, we met with key officials within the Directorate

General of Health and Consumer Affairs (DG SANCO) to discuss our views on smoking in public places. During the 2007 financial year, ahead of the publication of the Green Paper, we met again with DG SANCO, as a member of the Confederation of European Community Cigarette Manufacturers (CECCM).

Although we do not accept that ETS is harmful to health, we acknowledge the concerns that some non-smokers have and accept that it is desirable to eliminate involuntary exposure to tobacco smoke. However, there should still be opportunities for adult smokers to enjoy smoking in both workplace and social settings.

Together with the other members of CECCM, we support the adoption of an EU-wide smoking ban with exemptions based on designated smoking areas in workplaces and within the hospitality sector.

We continue to work with Competent Authorities in the markets in which we operate with the aim of developing effective, reasonable and workable solutions to the issue of public smoking so that the freedoms and choices of both smokers and non-smokers alike are recognised and respected.

Consumer information

We recognise that it is the role of governments to provide the general public with clear and consistent messages about the health risks to smokers that are associated with their smoking. We do not challenge those messages.

It is our policy that a clearly visible health warning will appear on packs of all tobacco products manufactured and/or marketed by Imperial Tobacco, as well as on any outer packaging intended to be presented to the consumer.

We do not believe that the use of graphic pictorial health warnings is necessary. It is our view that such warnings are designed solely to shock and to stigmatise smokers, and we disagree with their use. It is our view that pictorial or graphic health warnings make no overall contribution to the public awareness of the risks associated with smoking, which we believe are already well known.

The erosion of our intellectual property rights through ever increasing and intrusive warnings and pictures, together with other

messages and information that we are required to include on our packs, is also of concern to us. We believe that we are entitled to use our packaging to enable our consumers to distinguish our high-quality products from those of our competitors.

Lists of ingredients used in our products in many parts of the world have been available to the public on our website since 2001. Currently, lists of ingredients for each of our brands sold in 35 countries are available, together with information on the role of ingredients in tobacco products and how we select and assess those ingredients.

In the three months between November 2006 and January 2007, the 'What's in a cigarette?' section of our website received an average of 2,005 views per month – or 65 per day. This partly reflects ongoing public interest in the subject of ingredients.

Youth smoking prevention

Preventing children from smoking or from using other tobacco products is an issue for society as a whole to work together to resolve. We play our part by not directing the marketing of our products to anyone under the age of 18. This includes the operation of a stringent International Marketing Standard across our business and by supporting governments and the retail trade with programmes designed to discourage the sale of tobacco products to children.

We are active in youth smoking prevention initiatives in 12 countries including Australia, Belgium, the Netherlands, Spain and the UK. Our involvement is principally through government-approved programmes, where we work in conjunction with independent bodies and trade associations. During 2007, we supported new initiatives in Italy, Taiwan and Hungary.

Litter

Consumers have a responsibility to properly dispose of their litter, whether this is cigarette butts, chewing gum, drinks' cans, fast food containers or any other items. We believe the best approach to tackling cigarette litter is for key stakeholders, such as the tobacco industry, government, environmental bodies, business and local communities, to work together to educate and to encourage this.

For example, in most EU countries, we voluntarily print the well-recognised 'Tidy-Man' symbol on the packaging of all our tobacco products, to remind smokers to dispose of their packs and cigarette butts properly. Through the UK Tobacco Manufacturers' Association, we also maintain dialogue with the environmental campaigns charity ENCAMS which encourages the responsible disposal of smoking-related litter.

In Australia, we help to fund the 'Keep South Australia Beautiful' campaign (KESAB), an organisation that runs a number of campaigns aimed at improving the Australian environment. The 'Please butt it then bin it' campaign involves councils, businesses and local communities in a co-ordinated approach to minimise cigarette litter by encouraging behavioural change by providing signage and cigarette litter bins. We are also a signatory to the National Packaging Covenant, a three-year commitment focusing on environmental requirements.

6

years of availability of cigarette ingredients on our website

Smoking in Imperial Tobacco workplaces

As a company engaged in the manufacture and sale of tobacco products to adult smokers worldwide, we have defined our own workplace smoking policy. Within the regulatory framework that may exist in the country in which we are operating, visitors to our facilities can expect to find an environment in which we generally allow smoking, but where we expect our employees to exercise common sense, courtesy to others, tolerance and understanding. However, we define certain areas as smoke-free for reasons of safety and hygiene. Where we operate in countries which regulate smoking in the workplace, our local policies reflect this to ensure compliance with local regulations.

During 2007, a comprehensive ban on smoking in public places was introduced

in Wales, Northern Ireland and England. As a result, we have changed our UK policy on smoking in workplaces. A new policy has been communicated to our employees in the UK and we have made sure that our employees in Wales and Northern Ireland are aware of the specific rules that apply to them.

We have provided smoking facilities for staff and visitors outside the UK premises that we own, in line with legislation and local planning permission. We have also made complimentary personal ashtrays available for any UK employee who would like one.

Specific arrangements have been implemented at our facilities in Nottingham and Bristol so that our research and development activities can continue in line with exemptions provided under the law.

Delivering through the product value chain

Here is a selection of case studies from around our operations, to illustrate how we are responding to the issues and challenges that we face as a global organisation.

Ten years of ingredient reporting

During the last ten years, Imperial Tobacco has grown significantly in size in terms of the number and type of brands we produce and the number of markets in which we sell them. Our reporting of the ingredients we use in these brands to meet legal and voluntary obligations has also grown. We now provide over 40 reports per year to 38 different countries.

For more information visit www.imperial-tobacco.com/cr



Microfinance in Kyrgyzstan

In Kyrgyzstan, we work with the Eliminating Child Labour in Tobacco Foundation (ECLT) to provide self-sustaining microfinance for farmers. Rural poverty is the main reason behind the existence of child labour in Kyrgyz tobacco growing. Providing tobacco farmers with micro-credit facilities has been identified as the most efficient method of improving their living conditions and livelihoods.

For more information visit www.imperial-tobacco.com/cr



Reforestation in Laos

Team members of Laos Tobacco Limited (LTL), our joint venture with the Lao Government, and representatives of the agriculture department of the Ministry of Agriculture and Forestry joined farmers in planting 700 seedlings on 1 June 2007 in Na Puark village, Hinboun district, in Khammuan province. We are supporting the reforestation programme and have distributed around 80,000 acacia seedlings.

For more information visit www.imperial-tobacco.com/cr



Manufacturing operations academy

During May 2007, 19 managers from Africa, Germany, the Netherlands, UK, Poland, Turkey, Laos, Russia and Ukraine attended our annual Manufacturing Operations Academy in Hamburg. For the first time, the Academy was joined by two managers from our US operation, Commonwealth Brands and one from our Swedish snus company, *Skruf*. The Academy aims to provide a greater understanding of international manufacturing organisation and standards.

For more information visit www.imperial-tobacco.com/cr





Supplier 'Know your customer' programme

As a member of a tobacco industry coalition, we have been party to key initiatives with major suppliers, helping them to accept their responsibilities by having good controls of their own supply chain. This includes measures to prevent illicit trade.

For more information visit www.imperial-tobacco.com/cr



Customs authority training in Poland

In conjunction with the Customs Chamber in Wroclaw, Imperial Tobacco Polska, our operation in Jankowice near Poznan, organised a training course concerning cigarette smuggling in Poland.

For more information visit www.imperial-tobacco.com/cr

Engaging with our trade customers in UK

It was a busy year in 2007, with new regulations for public and workplace smoking in England, Wales and Northern Ireland, the raising of the minimum legal age to purchase tobacco from 16 to 18 and the introduction of child-resistant lighters. We distributed a new trade newspaper to customers and help them to comply with the new legislation.

For more information visit www.imperial-tobacco.com/cr



Youth smoking prevention in Italy

During 2007, we sponsored the second phase of a multi-stakeholder youth smoking prevention campaign 'Noi non dobbiamo fumare' - 'We should not smoke'. Directed at retail tobacconists, youths and families, the campaign's aim was to prevent access to tobacco products by children below 16 years, the minimum legal age for purchase of tobacco in Italy.

For more information visit www.imperial-tobacco.com/cr

Driving down our carbon footprint

In an innovative move to reduce costs and the business's environmental impact, Imperial Tobacco Australia is replacing its fleet of petrol trade marketing vehicles with new ones that run on liquid petroleum gas (LPG).

For more information visit www.imperial-tobacco.com/cr

Our people and communities

At the time of our listing on the London Stock Exchange in 1996, Imperial Tobacco employed around 2,700 people, 91 per cent in the UK. We now employ around 14,000 people in around 45 countries, with factories in 27 of them, and we are a part of many more communities. The size and scope of our investment in our people and communities has increased greatly.

Summary highlights

- > Around 38 per cent of eligible employees in around 30 countries participate in our share-based employee benefit schemes
- > We held 35 courses attended by 242 individuals as part of our Group-wide learning curriculum for managers
- > Our factories are starting to use a new self-assessment tool to measure their progress against the OHSAS 18001 health and safety management system standard
- > Our Group accident rates remained stable during 2006, with a marginal downward trend in lost time accident rates over the previous three years
- > We revised our Human Rights policy and aim to establish and maintain effective risk assessment and management mechanisms based on the Universal Declaration of Human Rights
- > We developed a more strategic community investment portfolio taking account of international issues and the Millennium Development Goals that apply to communities of which we or our suppliers are a part

Our aim is to provide a working environment which will attract, retain, train and motivate the best people to ensure they can maximise their potential and share in the Group's success; a working environment where employees are safe and are provided with equal opportunities regardless of gender, race, religion, age or disability.

Our tradition of philanthropy and community involvement beyond the workplace spans more than 100 years. Today, we contribute to the communities in which we are involved through investment in our facilities and our people, and through charitable contributions, employee volunteering and partnerships with other organisations. We have also extended our involvement to areas where we source tobacco.

Human resources management

The Group Human Resources (HR) Director, who is a member of our Chief Executive's Committee (CEC), is responsible for proposing Group employment policies to the Board. She is supported by a network of regional and local HR managers and specialists, as well as the Central HR team. The employment practices in each of our locations are governed by the Group policies and by local legislation and practices.

We coordinate our global corporate management group (CMG) centrally to enable consistency, effective succession planning and ease of mobility.

During 2007, we continued with significant investment in the development of our managers and future leaders, including a review of the effectiveness of our integrated performance management process. We sampled approximately 250 managers using an online survey and subsequently interviewed 22 of these. The overall feedback was positive.

Our annual talent reviews, which commence in February or March each year, conclude with the CEC Talent Review meeting in May. We use the process to identify critical roles and ensure succession planning, as well as actively to manage and track future leaders. We have currently formally identified over 150 future leaders across the Group.



For more information visit www.imperial-tobacco.com/cr



Kathryn Turner
Group HR Director

Employment practice policies

- > Recruitment
- > Remuneration
- > Contracts of employment
- > Equal opportunity
- > Employee relations and communications
- > Training
- > Harassment
- > Grievance
- > Discipline
- > Occupational health, safety and environment
- > Travel
- > Human rights

14,000

approx. number of employees in around 45 countries with factories in 27 countries

'Imperial Tobacco's track record has been outstanding and our aim must be to keep that momentum going. To our advantage we have a hugely enthusiastic group of people within the business, all of whom are focused on our success and meeting any challenges we face'

Iain Napier, Chairman,
Corporate internal magazine, *Global View*,
Summer 2007

Performance management and reward

To ensure employees can share in our success, the Group offers competitive pay and benefit packages and, wherever possible, links rewards to individual and team performance.

Our focus is not only upon our managers and future leaders but also on other employees. For example, in 2007, we launched local initiatives for our sales teams in Turkey and Kyrgyzstan. In Turkey, we have introduced a new performance appraisal system, incorporating competency definitions. Our area sales managers and trade marketing supervisors have been trained and have cascaded the appraisal system to 191 employees. We have also introduced a probation evaluation process to assess the performance of newly-hired sales force employees in Kyrgyzstan.

We encourage employees to build a stake in the Company through ownership of Imperial Tobacco Group PLC shares. We operate a number of share-based employee benefit schemes that are described in our Annual Report & Accounts. Around 38 per cent of eligible employees in around 30 countries participate in the schemes.

Employee engagement

Effective working relationships with employees, trade unions, works councils and other organisations are an important element of the way we do business. We support mechanisms for local discussions with employee representatives on all

relevant employee- and employment-related issues. We use a range of engagement mechanisms, from general communication cascade methods to formal works councils, trade unions, joint bargaining and collective agreements. In a number of our markets, we use employee engagement surveys to gain an understanding of their views on various aspects of their employment. For example, in the Netherlands, we received positive feedback in areas of team-working and confidence in the Company and its management. Areas for improvement included working with other teams within the Group, development opportunities and work-life balance.

Our CEC members also brief employee representatives on pan-European issues through an annual European Employee Forum. At the 2007 meeting in London, attendees discussed issues such as the Group's performance and challenges and security and safety aspects of our sales operations. The Forum was attended by 29 members from 14 countries representing over 6,500 employees.

Learning and development

The Group is committed to providing an environment that encourages continuous development of all its employees through skills enhancement and training programmes. The majority of these programmes are managed locally by our HR managers and specialists in line with the business and employee needs.

We also organise central and regional workshops which, this year, covered such topics as project management practices, corporate affairs issues training, manufacturing operations and manufacturers' responsibilities. Some of these training programmes are described elsewhere in the Review.

We have developed a Group-wide learning curriculum for our managers. During the 2007 financial year, we held 35 courses that were attended by 242 individuals. The courses covered a range of topics, from 'product development' to 'winning performance through others'. We launched a Group-wide induction process to introduce newly-recruited managers to Imperial Tobacco. The 'Global induction programme: the DNA of Imperial Tobacco' is a phased process that includes a self-paced learning CD, supported by locally-arranged meetings and processes.

Various local initiatives have taken place during the period. For example, in Australia, we have produced a leadership workbook to assist the development of high performance which builds on work conducted over recent years. All Australian managers took part in workshops for the launch of the workbook. They will cascade the key concepts to their teams, in the lead-up to performance appraisals.

Responsible restructuring

We, like many companies, operate in a highly-competitive environment. During the 2007 financial year, we took a number of restructuring decisions that resulted in the loss of employment opportunities. Our aim is to manage these situations in a fair and responsible manner and we remain committed to supporting our employees during any restructure.

The closure of our Liverpool factory in the UK resulted in the loss of approximately 140 roles. Six people were redeployed elsewhere within the Group, 11 remained to complete the clearance and closure of the building and, by the end of the financial year, there were only two people left. Both were given temporary secondment to other Group activities. Throughout the process, we held discussions with each employee and discussed and agreed with trade unions and employee representatives the terms associated with the factory closure.

We offered outplacement support to all employees, provided by an independent external specialist and held ten career transition workshops which were attended by 83 individuals. Of those people without roles, five elected not to take up this support, eight decided to retire and ten decided to take a career break. We understand that around 40 people subsequently found new employment.

OHS management

The health, safety and security of our employees and those working with us, such as contractors, are high priority. We aim to reduce accidents and ill health by developing risk management systems and processes that encourage all our employees to take responsibility for their own safety and for that of others.

We are reinforcing good health and safety practices as an integral part of our management culture and continue to encourage the exchange of best practice across the Group.

We use independent audits to assess our management systems and provide advice to help improve our safety performance. Each audit includes a gap analysis against the OHSAS 18001 management system framework. During 2007, we completed nine third-party audits of our factories. Our three-year rolling programme currently covers 74 per cent of our 31 factories. Over the past year, 18 of our factories have used the new self-assessment tool provided with our non-financial reporting system, to measure their progress against OHSAS 18001. Several factories are working towards

an OHS management process that is integrated with their environmental or general quality management systems.

Business travel brings with it associated risks as a result of international terrorism and other security-related issues. We maintain a 'Security travel advice' notification system that provides our international business travellers with up-to-the-minute advice on which countries represent a risk and, in certain circumstances, veto travel to high risk countries or regions. In partnership with International SOS, we are running two corporate programmes: a worldwide medical support scheme; and a vaccination scheme called 'Go-care' introduced in November 2006 for employees who travel.

OHS performance

We operate in some difficult regions of the world and take our responsibilities regarding the personal security of our employees seriously. However, regrettably during 2006 and 2007 there were four fatalities. A sales employee and two security guards were assaulted and murdered by armed militia in two separate incidents whilst travelling in the Central African Republic. We are also sad to report a fatal accident to a contractor at one of our UK factories, when he was crushed by his own vehicle.

During the 2006 financial year, there were 22 instances of major injuries in the Group operations, typically hand injuries caused by moving machinery. There were also nine major road traffic injuries. Investment in new machines has improved the quality of machine-guards. Our investigations show that the effectiveness of guards for older machines requires more rigorous safety systems and operator disciplines. Safety behaviour is critical to injury prevention. We have programmes in place to further address the issues of machinery guarding, occupational driving and behavioural safety.

Our Group accident rates remained stable, with a marginal downward trend in lost-time accident rates over the previous three years. Whilst Group accident rates were better than the UK manufacturing sector for food, beverage and tobacco products, we wish to reduce rates further. Our analysis has shown that we could reduce the Group accident rate if we target

50%

reduction in lost-time accidents
at our Nottingham factory, UK

23,000

approx. number of people provided with clean water, hygiene and sanitation in Madagascar

the ten sites with the highest accident rate and lowest performance at audit. Future Group initiatives will be weighted towards more frequent intervention and thorough review of improvement plans at these sites.

We analyse our key accident categories and have developed a practitioner training programme to improve the quality of accident investigations so that we learn more about the underlying causes. The training has been delivered to our manufacturing OHS&E practitioners during regional workshops and we will hold additional site-specific sessions during 2008.

Our aim is to stimulate good-quality reporting, investigation and corrective action so that such incidents provide a valuable learning opportunity. A strong focus on accident review has delivered particularly noteworthy progress at our Nottingham factory, where we have improved the rate of accidents that result in over three-day absence. In 2005, the rate was 11.87 accidents per 1,000 employees. In 2006 it had reduced to 5.6.

During the 2006 financial year, we incurred a 5,000 Euro fine when an operator failed to follow written machine isolation procedures at our factory in Joure in the Netherlands. We took a number of steps to reinforce safe systems of work to prevent a recurrence. We received two improvement notices in the UK. These were for the handling of flammable solvents under the Dangerous Substances and Explosive Atmospheres Regulations. The improvement notices were subsequently lifted when we produced evidence to show that we comply with these new regulations.

Clean water, sanitation and hygiene

The poor quality of water supplies is a regular cause of disease and illness in Madagascar, where we purchase tobacco directly from farmers. When we first assessed the area in 2003, local people were carrying water back to their homes from a river, miles away, and then using it for cooking, bathing and drinking. This inevitably caused health problems such as diarrhoea, and was a particular risk to children.

Over the past four years, we have undertaken a detailed programme with NGO partners to dig fresh water wells. Local communities have been directly

involved in managing this project from the outset. Thirteen capped wells were installed in the first phase of the project and six in the second phase.

As well as providing hygienic, potable water, our partners work with families on health education topics such as using sanitary facilities and washing hands properly. Phase three involves four new wells with manual pumps, sanitary facilities and health education campaigns in five localities of the Ambato Boeny region of the country. Plans are underway for phase four, which will extend the project to the Betsiboka region.



HIV/AIDS, malaria and tuberculosis

We have a number of operations in countries with high rates of HIV/AIDS, malaria and tuberculosis (TB). In combating these diseases, it is important that we extend our support beyond the workplace to our employees' families and their communities to help fight against these epidemics.

We are currently working with SIDA-ENTREPRISES, a Paris-based NGO, to provide HIV/AIDS prevention and care programmes for employees, their families and the wider community. Work is underway in Burkina Faso, Chad and the Central African Republic and the aim is to extend this programme to the whole of Sub-Saharan Africa. The programme places great emphasis on non-discrimination and confidentiality and encourages people to seek voluntary counselling and testing through education and awareness campaigns. The initiative will also support doctors from various countries in Africa with their post-graduate training on HIV/AIDS and keep their knowledge and skills up to date.

A new project we are supporting uses street theatre education to raise awareness of HIV/AIDS in Burkina Faso. We are also members of the Global Business Coalition for HIV/AIDS, malaria and TB. You can find more information at www.businessfightsaids.org

We have a number of projects in Africa that distribute mosquito nets pre-treated with insect-repellent chemicals to combat the threat of malaria. Before the projects began, nets were either not available or had to be regularly treated with chemicals, posing a risk to people and the local water supplies. The long-lasting insecticide is

effective for the life-span of the new nets. Around 7,500 nets have been issued in Sub-Saharan Africa, including in Senegal, Burkina Faso, Mali, Gabon, Chad, the Central African Republic and Madagascar.

SITAB, our operation in the Ivory Coast, has a similar project that has been running for three years in partnership with a French NGO. Initially, this involved the shipment and distribution of impregnated mosquito nets to our employees, their families and local communities. In 2007, SITAB made a donation which will allow the NGO to expand further, create health centres and work with local communities across the country in the continuing fight against this deadly disease. This on-going support has enabled:

- > Distribution of over 3,000 impregnated mosquito nets since 2005, including approximately 500 to employees and their families. 1,400 of these nets were supplied directly by Imperial Tobacco
- > Opening, in 2006, and operation of two health centres, located in Daloa and Agboville
- > Setting up of health committees in eight municipalities across the country and in several districts in the capital, Abidjan
- > Provision of free diagnostic testing and anti-malarial treatment to 22,400 people in the community in 2006.



For more information visit www.imperial-tobacco.com/cr

Employee wellbeing

Our overall objective with regard to employee wellbeing is to increase the awareness, identification and reporting of occupational illness, so that we can reduce incidents of work-related ill-health and days lost through sickness. We also have more specific objectives in some countries where health and hygiene provisions are below those experienced in developed countries.

We have been using a detailed audit and review process since 2004, which looks at the health management systems, medical infrastructures and surveillance systems in each of the countries in which we operate. We give local managers advice on issues to be prioritised and improvements to be made. We have built new medical health centres at our factory in Senegal and at our joint venture in Laos. During the 2007 financial year, we reviewed our operations in Madagascar, Kyrgyzstan, France, Belgium, Burkina Faso, Turkey and the Ivory Coast and advised on occupational health care strategies.

There have been multiple outbreaks of avian influenza in unvaccinated poultry, with human infections in various parts of the world. We are unaware of any incidents involving our employees. We continue to monitor the situation and provide updates to our employees as necessary. In Taiwan, for example, we publish important health-related information and precautionary advice to our employees, on important issues such as avian influenza. We also distributed a care kit to every employee

'Over 37 million people living with HIV are between the ages of 15 to 49. The greatest number of new infections is targeting the future workforce, young adults between the ages of 15 to 24 years of age.'

Global Business Coalition for HIV/AIDS, Malaria and TB



Human rights related policies, standards and processes

- > Acceptable Business Practice policy and our Standard for Business Conduct
- > Various Group employment policies and local labour practices
- > Social Accountability policy, social assessment, Social Responsibility in Tobacco Production
- > Product Supply policy and compliance process
- > Occupational Health, Safety & Environment policy
- > Community Investment policy
- > Membership of the Eliminating Child Labour in Tobacco Foundation



For more information visit
www.imperial-tobacco.com/cr

in 2005 during the SARS outbreak. We remain alert to other issues that need support such as vaccination against meningitis in Burkina Faso, Chad and the Ivory Coast.

We are undertaking a range of local initiatives to make lasting improvements to the quality of life of our employees, their families and their communities. Some of these programmes are outlined in the case studies and you will find more detail of our ongoing projects on our website.

Human rights

The debate about the roles and responsibilities of multinational corporations in advancing fundamental human rights continues. We monitor and engage with UN discussions on the role of business in upholding human rights through our memberships of various organisations such as the International Chamber of Commerce and the Institute of Business Ethics and through engagement with human rights consultants.

We believe that it is the role of states to enact and enforce national laws on human rights, with industry playing its part through those areas that it controls and influences. We consider carefully trading or investing in countries which are governed by regimes which are deemed repressive or corrupt.

During 2007, we reviewed our Group Human Rights policy. Our aim is to establish and maintain effective risk assessment and management mechanisms based on the Universal Declaration of Human Rights. We will continue to be guided on fundamental human rights by the relevant OECD

Guidelines and will support the International Labour Organisation's core conventions that cover freedom from discrimination, from forced labour, of children from child labour, of association and the right to collective bargaining.

The consideration and management of various aspects of human rights are covered in a number of our Group policies, standards and practices.

We operate in a number of countries where human rights are an issue of particular concern. We have used the principles of the Social Accountability 8000 standard to audit our medium- to high-risk operations in Africa, Asia and Eastern Europe. We now have seven auditors trained to SA8000. Audit findings were generally good, with only minor opportunities for improvement in areas such as employee representation, occupational health and safety training and community involvement.

We are undertaking a review of our current risk assessment and audit processes. This has included the introduction of a self-assessment questionnaire on our non-financial reporting system to capture information relating to our employment practice policies and the local practices in place.

We now have data from the majority of our factories and markets. The indicators cover areas such as equal opportunity, male-female ratios, child and forced labour, harassment, grievance and disciplinary procedures. You will find these measures on page 43.

Our policy is to respect and advance the fundamental human rights of individuals across all the Group's operations and to influence our business partners to do the same.

Community investment projects around the world

A selection of the types of projects we have supported in recent years.

Country

Brazil

- > Support for an orphanage in a tobacco-growing area

Burkina Faso

- > Support for the homeless in Ougadougou
- > Digging of fresh water wells
- > Provision of irrigation pumps
- > Provision of spectacles and training of eye care nurses
- > HIV/AIDS education

Cambodia

- > Landmine clearance

Chad

- > Digging of fresh water wells

Congo (Republic of)

- > Supply of paramedical equipment
- > Construction of building for tricycle making
- > Building of workshop for assembly of mobility aids

Germany

- > Support for the homeless and disadvantaged
- > Employee fund-matching schemes

Country

Ivory Coast

- > Malaria prevention
- > Agricultural sustainability projects

Kenya

- > Tree planting in the Masai Mara forest reserve
- > Scholarships for tobacco-farming communities

Kyrgyzstan

- > Protection of walnut and fruit tree forests and help for local people to market their produce
- > Microfinance for farmers – Eliminating Child Labour project

Laos

- > Landmine clearance
- > Provision of artificial limbs for victims of unexploded munitions and other accidents

Madagascar

- > Digging of fresh water wells
- > Sustainable farming, biodiversity and forest protection project

Millennium development goals

- > Eradicate extreme poverty and hunger
- > Achieve universal primary education
- > Promote gender equality and empower women
- > Reduce child mortality
- > Improve maternal health
- > Combat HIV/AIDS, malaria and other diseases
- > Ensure environmental sustainability
- > Develop a global partnership for development

Community investment

As an international company, we are committed to benefiting needy communities in which we are stakeholders. International growing and trading in tobacco brings significant economic gain to many developing nations. This is supplemented by our efforts in community investment.

Over the past financial year, we have made significant progress in developing a more strategic community investment portfolio that takes account of international issues.

We use the UN Human Development Index, Millennium Development Goals and the aims of the Gleneagles G8 Summit to identify issues of global importance and the geographic regions where these

are particularly relevant to our business – where we have operations or where we source tobacco.

During the 2007 financial year, we continued with the pledges described in our last CR Review. For new investments, we concentrated on fewer, more substantial initiatives. These involved around 20 new international projects with further projects under consideration. These projects are generally three to five-year pledges, with a requirement for six-monthly progress reports from our partners.

During 2007, we spent £1.7 million on community investment activities, plus £250,000 already allocated via the Charities Aid Foundation. We disbursed £820,000 of this money through our five regional



Country

Country

Malawi

- > Sustainable agriculture and poverty alleviation in farming communities
- > Eliminating Child Labour projects – water provision, education to 60 villages
- > Microfinance including crop failure insurance
- > AIDS orphanage support

Taiwan

- > Hospital bed and meal allowances
- > Voice books for the blind

Mali

- > Fight against famine due to locust invasion
- > Microfinance and training to help women to start small businesses and achieve financial independence

Tanzania

- > Awareness raising, training targeting 1,000 children – Eliminating Child Labour project

Mozambique

- > Sustainable farming and forest protection project
- > Clearing of land mines
- > Funding of agronomist in Niassa region

Uganda

- > Information, education, communication, skills development – Eliminating Child Labour programme

Philippines

- > Awareness raising, training targeting 100 families – Eliminating Child Labour project

UK

- > Employee fundraising and Give As You Earn matching schemes
- > Staff costs for an advisory service

Senegal

- > Distribution of nets and detergent to fight malaria and cholera for employees and farmers in Casamance

Vietnam

- > Landmine clearance
- > Rice supply for a charitable centre
- > Upgrade of amenities and other supplies for a social centre
- > Funding towards the building of a hospital for mental patients

Zambia

- > Provision of schools, vocational training, small business – Eliminating Child Labour project

investment committees for the funding of local projects favoured by our employees. None of these figures includes the value of employee time, in-kind contribution or management costs.

We plan to spend £2.3 million, 0.2 per cent of pre-tax profits, in the 2008 financial year.

Distribution of International Community Investment Committee funds by category



Eliminating child labour	12%
Adult education	11%
Community health	16%
Poverty alleviation	35%
Environment	13%
Other	13%

Delivering through people and communities

Here and on our website, you will find more case studies that illustrate our commitment to our employees, what we have achieved together and how we are benefiting the communities around us.

£1.7m
total community investment

New CR information for employees

During 2006, we produced a 20-page booklet to give employees an idea of what CR means in Imperial Tobacco and what we are doing to ensure that we meet our own standards and those that different societies expect of us. Around 14,500 copies were distributed in English, German, French and Russian.

For more information visit
www.imperial-tobacco.com/cr

Eliminating child labour

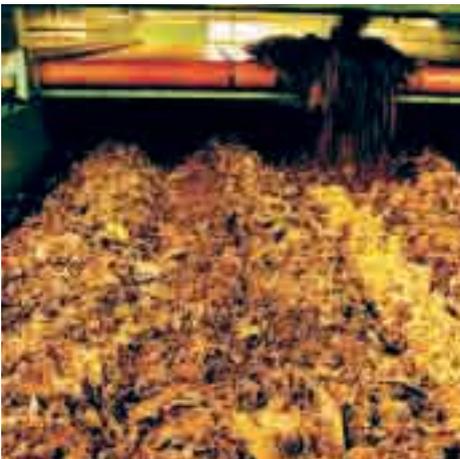
We are board members of the Eliminating Child Labour in Tobacco (ECLT) Foundation. Projects that we support through the Foundation are underway in Malawi, Uganda, Tanzania, Kyrgyzstan, the Philippines and Zambia, with projects developing in Mozambique. More information on the ECLT and these projects can be found at www.eclt.org

For more information visit
www.imperial-tobacco.com/cr

Employee dialogue in Turkey

During the reporting period, we implemented quarterly feedback meetings with all employees in our recently-opened factory in Manisa, Turkey. This is a two-way dialogue about matters affecting the business and our employees in their working situation.

For more information visit
www.imperial-tobacco.com/cr



Ukraine excellence programme

In our Ukrainian sales operations, we have continued to invest in the Group's 'Field Force Excellence Programme', working with local managers and specialists and supported by individuals from Western Europe. We adapted the programme to the realities of the Ukrainian market and trained 20 new sales representatives.

For more information visit
www.imperial-tobacco.com/cr

Restructuring in the Czech Republic

In October 2006, we completed a restructuring process in our Czech Republic operation, which affected 12 roles. The process included a presentation by the market manager, followed by one-to-one discussions with each employee. We arranged outplacement services for those who had to leave the Company.

For more information visit
www.imperial-tobacco.com/cr



Personal security, UK and Poland

In the UK, we recognise the risk to personal safety and security that transportation of our product presents. Our new sales force employees are given a personal safety and security awareness package as part of their induction. Our main tobacco delivery fleet operates within strictly-controlled safety and security parameters. Many of the same procedures are in place in our operation in Poland.

For more information visit www.imperial-tobacco.com/cr



Employee wellbeing in Germany

Our occupational health teams have been active at our various locations in Germany. They have provided clinical and preventive measures against noise, manual handling, back pain, and other work hazards. They held stress awareness workshops in Hamburg and Berlin.

For more information visit www.imperial-tobacco.com/cr



Ergonomics in the workplace

We have continued to look at ways of improving ergonomics in the workplace to increase the efficiency, safety and well-being of our employees. A chartered physiotherapist is progressing with a programme for our UK factories, involving ergonomic assessment and return-to-work processes.

For more information visit www.imperial-tobacco.com/cr



Landmine clearance

Following discussions with our employees in Laos and leaf suppliers in Mozambique, we have pledged £201,000, over the next few years, to address the risks and consequences of unexploded ordnance in Asia and Mozambique. Unexploded ordnance restricts economic activity and so contributes to poverty, hunger and disability within communities.

For more information visit www.imperial-tobacco.com/cr



Head office employee briefings

Following the announcement of our 2006 results, members of the Chief Executives' Committee (CEC) hosted a series of briefings for our Head Office employees in Bristol. This was an opportunity for employees to hear the highlights of our results, discuss the challenges for the year ahead and pose any questions they may have about the business.

For more information visit www.imperial-tobacco.com/cr

A clear vision for the future

In 2006, we reviewed our activities in corporate responsibility at Board level and set our strategy for the next five years. This initiative was titled 'CR: Beyond the foundation'.



Dr Ian Bailey
Head of Corporate Responsibility

"Every single person in this organisation has a part to play, no matter how small. These commitments come from the Board but it is up to everyone to live our values and always to act responsibly."

Strategic review

We engaged Ernst & Young to provide us with an unbiased view of trends in CR internationally and its impact on the tobacco sector. We also invited them to address developments in ten specific markets.

From their evaluation, we noted an increasing rigour in CR in general, alongside a more commercial rather than theoretical approach. Following a formal gap analysis, we concluded that there were few disparities between our strategy and areas of concern in the marketplace. Our view was that our foundation work in CR was complete and that we should continue broadly with our approach to date but with due consideration given to the complexity created by worldwide trends of globalisation and the 'fragmentation' of global issues into local challenges. More locally-appropriate responses within a global framework of issues were needed to give CR a greater local presence.

Our own engagement with internal stakeholders during this review process stressed the importance of moving the emphasis from central to local accountability for CR, while maintaining

efficiency of operations. Our internal awareness and training activities have, in general, concentrated on executive and management levels in the business, so these will need to be extended to other employees.

CR: Beyond the foundation

As a result of the review activities, the Board has directed the Company to build five areas of focus in the next five financial years. Our 'Five-for-Five' commit us to further improvements in environmental management and in portfolio management. They stress the importance of working in a sustainable way with our suppliers. They demand of our local management greater accountability and effectiveness in managing CR issues, as well as further improvement of transparency in their adherence to Group policies and standards.

We have developed, through internal and external consultation, a flexible and phased approach to implementation, involving a series of programmes and work-streams over the next five years. Key projects for each area of focus have been identified and project proposals

defined by cross-functional teams.

The Board has delegated the responsibility for overseeing these programmes to the Chief Executive's Committee (CEC). Each programme will undergo detailed planning and review before final approval. The programmes will be phased to accommodate both the integration of acquisitions and the completion of further preparatory work. This phasing will be reviewed regularly.

The next 12 months will see commencement of formal projects related to two of the 'Five-for-Five' and preparatory work for the others. In addition, we will continue with our work in the important areas of occupational health, safety and environment, community investment and management systems development.

We expect that 'Beyond the foundation' will enable us to continue our structured approach to meeting our responsibilities as a global business. It will help us to engage more effectively with and to meet the expectations of our key stakeholders.

Our Five-for-Five



Priority	Description	Key projects	Timescale (years)																														
<p>Local accountability</p>	When we have clearer accountabilities, training and expertise to ensure a more effective, local response to CR issues	Embedding CR responsibilities	<table border="1"> <tr> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td> </tr> <tr> <td>█</td><td>█</td><td>█</td><td></td><td></td> </tr> </table>	1	2	3	4	5	█	█	█																						
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<p>Portfolio balance</p>	When we have a better balance between product-stewardship capability, future regulatory demand and our portfolio of brand variants (SKUs)	Decision-making infrastructure development Decision-making process implementation	<table border="1"> <tr> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td> </tr> <tr> <td>█</td><td></td><td></td><td></td><td></td> </tr> <tr> <td>█</td><td>█</td><td>█</td><td></td><td></td> </tr> </table>	1	2	3	4	5	█					█	█	█																	
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<p>Carbon management</p>	When we have balanced carbon management	Development of environmental criteria for investment application Management of carbon offsetting Development of toolkits for carbon management	<table border="1"> <tr> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td> </tr> <tr> <td></td><td>█</td><td></td><td></td><td></td> </tr> <tr> <td></td><td>█</td><td>█</td><td></td><td></td> </tr> <tr> <td></td><td>█</td><td>█</td><td>█</td><td></td> </tr> </table>	1	2	3	4	5		█					█	█				█	█	█											
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<p>Supplier standards</p>	When suppliers' standards are similar to our own	Development of Group standards for suppliers Risk assessment of suppliers against standards Prioritisation of engagement with suppliers Integration of suppliers into existing systems Development of supplier standards toolkit and training	<table border="1"> <tr> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td> </tr> <tr> <td></td><td>█</td><td>█</td><td>█</td><td></td> </tr> <tr> <td></td><td>█</td><td>█</td><td>█</td><td>█</td> </tr> <tr> <td></td><td></td><td>█</td><td>█</td><td>█</td> </tr> <tr> <td></td><td></td><td>█</td><td>█</td><td>█</td> </tr> <tr> <td></td><td></td><td>█</td><td>█</td><td>█</td> </tr> </table>	1	2	3	4	5		█	█	█			█	█	█	█			█	█	█			█	█	█			█	█	█
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<p>Policy evidence</p>	When we have increased transparency that Group policies and standards are routinely and universally observed	Improved transparency Assessment of business partner compliance	<table border="1"> <tr> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td> </tr> <tr> <td></td><td>█</td><td>█</td><td>█</td><td></td> </tr> <tr> <td></td><td></td><td>█</td><td>█</td><td>█</td> </tr> </table>	1	2	3	4	5		█	█	█				█	█	█															
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Note: Phasing to accommodate acquisition integration activity

For more information visit www.imperial-tobacco.com/cr



Objectives for 2008

Depending on acquisition activity, it may be necessary to change or refine our objectives for 2008.

Five-for-Five

Key projects

Objectives for 2008 financial year

Local accountability



When we have clearer accountabilities, training and expertise to ensure a more effective, local response to CR issues

> Embedding CR responsibilities

> **Develop and communicate a matrix relating CR requirements to roles**
 > **Develop a process for implementation during 2009**

Portfolio balance



When we have a better balance between product-stewardship capability, future regulatory demand and our portfolio of brand variants (SKUs)

> Decision-making infrastructure development
 > Decision-making process implementation

> **Define, scope and agree terms of reference of a new portfolio decision-making mechanism**
 > **Define new portfolio decision-making process, for implementation in 2009**
 > **Assess effects of new acquisitions on portfolio balance and product stewardship requirements**

Carbon management



When we have balanced carbon management

> Development of environmental criteria for investment application
 > Management of carbon offsetting
 > Development of toolkits for carbon management

> **Plan 'Carbon management' programme, to commence October 2008**
 > **Assess climate change risks and opportunities**
 > **Investigate carbon offset opportunities**

Supplier standards



When suppliers' standards are similar to our own

> Development of Group standards for suppliers
 > Risk assessment of suppliers against standards
 > Prioritisation of engagement with suppliers
 > Integration of supplier standards into existing systems
 > Development of supplier standards toolkit and training

> **Continue Social Responsibility in Tobacco Production programme**
 > **Continue non-tobacco materials (NTM) supplier qualification programme**
 > **Undertake stakeholder engagement to enable detailed planning of 'Supplier standards' programme**

Policy evidence



When we have increased transparency that Group policies and standards are routinely and universally observed

> Improved transparency
 > Assessment of business partner compliance

> **Complete current policy revision and communication**
 > **Plan 'Policy evidence' programme (to commence March 2009)**



Ongoing workstreams

Occupational health, safety & environmental management

> Improve OHS management in line with OHSAS 18001 or equivalent

> **Continue OHS audit programme**
 > **Launch new asbestos, permit to work and accident investigation processes**
 > **Target key issues and sites**
 > **Increase OHS awareness and reinforce management systems**

> Reduce energy use, carbon dioxide emissions, water, waste and waste to landfill

> **Continue environmental audit programme**
 > **Implement ISO 14001 at all manufacturing sites in current portfolio**
 > **Reduce energy usage by 10% from FY 2001 baseline by 2010**
 > **Reduce absolute CO₂ emissions by 10% from FY 2001 baseline by 2010**
 > **Reduce total environmental waste by 5% from FY 2004 baseline by 2010**
 > **Reduce total environmental waste to landfill by 15% from FY 2004 baseline by 2010**
 > **Establish site-specific targets where water scarcity is known**
 > **Recalculate baselines when verified data from recent acquisitions is available**

Robust processes for corporate responsibility

> Implement and maintain robust processes to ensure continuous improvement in CR risk and opportunity management

> **Review non-financial performance indicators in light of experience to date**
 > **Extend processes and systems to accommodate new chemical (REACH) regulations**
 > **Improve Group process for consideration of output from stakeholder engagement**
 > **Plan the integration of acquisitions into existing processes and systems**

Community investment

> Contribute to the communities in which we are involved through investment, charitable contributions, employee volunteering and partnerships with other organisations

> **Continue moves towards larger projects of greater impact on the Millennium Development Goals**
 > **Implement consistent approach to data capture and monitoring of community investment projects and expenditure**
 > **Review community investment infrastructure following enlargement of the Group**



For more information visit
www.imperial-tobacco.com/cr

Comprehensive reporting

Progress against objectives 2005–2007

We have fully or partially met all of the 36 targets for the objectives set by the Board in 2005



Ensure robust processes

Strengthen product stewardship

Improve occupational health, safety & environmental management

Improve social performance

Two-year objectives (2005–2007)	Two-year target
Create effective Group KPIs for social and environmental reporting, broadly in line with GRI	<ul style="list-style-type: none"> > Group KPIs defined and agreed > Robust reporting process in place > One year of baseline data collected
Introduce reporting on conformance to the Group International Marketing Standards	<ul style="list-style-type: none"> > Further training needs defined > KPIs defined and agreed > Internal control and reporting processes in place
Achieve broad management understanding of corporate responsibility, Group Values and Business Principles	<ul style="list-style-type: none"> > Training and communication material prepared and delivered; feedback evaluated
Simplify and plan effective specialist audit and verification arrangements for the Group	<ul style="list-style-type: none"> > Review of audit and verification arrangements across the Group > Process developed, communicated and monitored
Translate key control documents into the Group's major languages	<ul style="list-style-type: none"> > Business principles and values translated and communicated > Group policies translated and communicated
Continue to fulfil obligations in product stewardship and health	<ul style="list-style-type: none"> > Critically review existing processes to ensure continued effectiveness > Introduce process improvements where necessary
Publish ingredients by brand in the current format on the Group website	<ul style="list-style-type: none"> > Ingredients for complete global product portfolio by market and by product group
Continue to fulfil corporate reporting obligations to Competent Authorities in the areas of ingredients and technical aspects of product performance	<ul style="list-style-type: none"> > Satisfy all corporate reporting requirements worldwide using internally-agreed formats for protection of trade secrets
Reduce energy usage	<ul style="list-style-type: none"> > By 10% from FY 2001 baseline by 2010
Reduce total environmental waste	<ul style="list-style-type: none"> > By 5% from FY 2004 baseline by 2010
Reduce total environmental waste to landfill	<ul style="list-style-type: none"> > By 15% from FY 2004 baseline by 2010
Determine CO₂ baseline for major direct emissions throughout the Group and target improvements	<ul style="list-style-type: none"> > Develop carbon management techniques including cascade system for carbon dioxide targets > Investigate carbon offset opportunities
Achieve ISO 14001 certification of 70% of manufacturing facilities in the current portfolio	<ul style="list-style-type: none"> > 70% of current sites
Improve OHS management systems in line with OHSAS 18001 or equivalent systems at selected EU manufacturing sites to assess benefits	<ul style="list-style-type: none"> > Repeat gap analysis to monitor success; complete a review and develop further improvement techniques, measures and monitors
Investigate opportunities to reduce the impact of product and packaging on the natural environment	<ul style="list-style-type: none"> > Reassess opportunities in light of manufacturing and marketing developments
Implement human rights assessment processes for high- and medium-risk countries of operation	<ul style="list-style-type: none"> > Human rights policy process for new business activities approved by Chief Executive's Committee
Introduce reporting on conformance to ILO core conventions	<ul style="list-style-type: none"> > KPIs agreed and implemented > Internal reporting process in place
Enhance youth smoking prevention programmes	<ul style="list-style-type: none"> > Coverage of appropriate major markets
Establish phased stakeholder engagement programmes in line with the annual business cycle	<ul style="list-style-type: none"> > Management training complete > Programme discussed and defined with heads of functions
Survey all major suppliers on key corporate responsibility performance issues	<ul style="list-style-type: none"> > New SRITP guidelines introduced to leaf suppliers > Supplier social assessment integrated into ISO 90001 audit process for centrally-purchased non-tobacco materials > Non-tobacco materials suppliers' questionnaire refined and assessment started for first tier smaller suppliers
Establish locally-appropriate community investment programmes and activities internationally	<ul style="list-style-type: none"> > Community investment donation as 0.2% of pre-tax profits > HIV/AIDS control partnerships for operations in sub-Saharan Africa and other countries with high prevalence
Ensure equal opportunities and non-discrimination in the corporate management group	<ul style="list-style-type: none"> > KPIs agreed and implemented > Internal reporting process in place

-  Target met
-  Target partially met
-  Target not met

Status	Comment
	NFR-KPI Framework agreed by Board (April 2005). Governance committee in place (NFR Advisory Panel).
	Process, data collection and reporting system in place.
	Initial set of data reported in 2005 CR Review. Complete set of data reported in 2007 CR Review.
	IMS revision process agreed. Review of IMS in progress. Training to aid interpretation of IMS being developed.
	Measures to be determined via NFR Advisory Panel, and implemented in line with roll-out of revised IMS.
	Under review; will be defined and communicated in line with roll-out of revised IMS and guidance presentation.
	Material prepared and delivered. Ongoing requirement.
	Discussions held between Group CR and Business Quality.
	Insurance and CR audit arrangements on the intranet. Environmental audits integrated with ISO 14001. Verification of OHS&E integrated with wider CR verification.
	Translated into French, German, Polish and Chinese (formal and simplified). Communicated via intranet.
	2005 policies translated into French, German and Polish and communicated.
	Processes and standards reviewed and confirmed in place to support Group Policy.
	Process improvements identified and implemented.
	Systems under development.
	All responsibilities currently met. Ingredient reports and supporting toxicological and other technical data submitted to 41 countries, as required by their respective legislation.
	FY 2006: Absolute down 13%; relative measure down 17%
	FY 2006: Absolute down 9%; relative measure down 11%
	FY 2006: Absolute down 47%; relative measure down 48%
	CO ₂ baseline determined. FY 2006: Absolute down 21%; relative measure down 25%
	Several offset opportunities under development. Further opportunities being explored with tobacco suppliers.
	67% of factories certified (i.e. 21/31).
	74% of factories covered by three-year audit programme. Recommendations for improvement in line with OHSAS. Self-assessment protocol launched via NFR system.
	Research into improved biodegradable filters underway. Various packaging improvements made and ongoing. Consultation in UK and Australia to seek solution to consumer behaviours to minimise litter.
	Current processes reviewed. Policy reviewed and approved by CEC. New assessment tools developed pending approval and implementation.
	Measures agreed and implemented via NFR system.
	Reporting in place using NFR system questionnaire.
	Support for locally-driven government approved initiatives only.
	Regional workshops involving 132 managers.
	Process underway.
	2005 guidelines introduced. SRIIP programme in sixth year.
	Social and environmental criteria included in strategic supplier qualification process.
	Process underway.
	£1.7 million (0.2%) of pre-tax profit put aside for FY 2007.
	Programmes in Burkina Faso, Chad, Central African Republic. Membership of Global Business Coalition.
	Measures (gender) agreed and implemented via NFR system.
	Reporting in place using NFR system questionnaire.

Performance data

Non-financial performance indicators

In 2006, we developed and implemented a new software platform that collects and collates data from more than 130 markets and our manufacturing sites worldwide. The system has more than 180 users and allows us to monitor and report on our CR performance.

Performance indicator	unit	FY 2004	FY 2005	FY 2006	FY 2007
Product stewardship					
Number of countries for which cigarette ingredients are published on Imperial Tobacco website	Number	19	30	35	35
Processes					
Number of factory OHS independent audits (per cent of all factories over a 3-year rolling programme)	% factories 3-year rolling	49	47	64	74
Number of factory environmental independent audits (per cent of all factories over a 3-year rolling programme)	% factories 3-year rolling	77	56 Excludes ISO 14001 surveillance visits	94 including ISO 14001 surveillance visits	87 including ISO 14001 surveillance visits
Number of social reviews undertaken of countries where we have manufacturing operations (per cent over a 4-year rolling programme)	% countries 4-year rolling	46	52	56	26
Number of organisations involved in stakeholder engagement	Number	45	58	44	44
Number of corporate responsibility issues discussed in stakeholder engagement	Number	19	31	20	29
Environment*					
Number of factories ISO 14001 certified at the time of reporting	% Ratio	40 14/35	50 16/32	61 19/31	67 21/31
Environmental waste – tobacco factories only	Tonnes/mil cig equiv	0.118 restated	0.110 restated	0.105	
Environmental waste – all manufacturing sites and main offices	Tonnes	31,699 restated	31,192 restated	28,944	
Environmental waste to landfill – tobacco factories only	Tonnes/mil cig equiv	0.027 restated	0.016	0.014	
Environmental waste to landfill – all manufacturing sites and main offices	Tonnes	8,226 restated	5,384 restated	4,316	
Energy consumption by tobacco factories only	KWh/mil cig equiv	2,249 restated	1,981 restated	1,879	
Energy consumption by all manufacturing sites and main offices	GWh	537 restated	498	486	
CO ₂ equivalent emissions from energy consumed by tobacco factories only	Tonnes/mil cig equiv	0.560 restated	0.480 restated	0.460	
CO ₂ equivalent emissions from energy consumed by all manufacturing sites and main offices	Tonnes	135,025 restated	123,043 restated	121,189	
Occupational health and safety					
>3-day lost-time accident rate	Per 1,000 employees	12.4	11.6	11.3	
Average number of employees covered by reporting	Number %	14,747 94% approx	13,922 93.4% approx	13,873 95% approx	

* Environmental data covers our main offices in Bristol, Hamburg and Paris and factories under our management control except those in Mali, Laos, Turkey, US and Sweden, for which data was not available when calculating our base years for target setting. These factories will not be included in published figures until our base years are recalculated.

Data was restated in FY 2005 due to changes to the calculation method for millions of cigarette equivalents to better reflect the manufacturing process; inclusion of liquid waste in environmental waste; corrected energy consumption and carbon dioxide emissions data.



We report some data in arrears – 12 months for OHS&E data and six months for employment practices – to allow for data collection and verification. We have given an explanation where it has been necessary to restate the environmental data reported in previous Reviews.

Performance indicator	unit	FY 2004	FY 2005	FY 2006	FY 2007
Employment practices**					At March 2007
Sickness absence (days sickness/average number working days) incl. non-work-related and work-related absence	%	–	–	–	2.93***
Performance management:					
Corporate Management Group appraisals completed	%	–	–	–	90
Equal opportunity:					
Female PLC Board members	%	–	–	–	8
Female CEC members	%	–	–	–	28
Female Corporate Management Group managers	%	–	–	–	22
Female permanent employees	%	–	–	–	30
Total compensation:					
Corporate Management Group roles benchmarked with external market	%	–	–	–	89
Resource:					
CMG Grade E to G positions internally advertised	%	–	–	–	84
No employees under 15 years of age	%	–	–	–	100
No full-time employees under compulsory schooling or minimum employment age	%	–	–	–	100
Confirmed no forced labour in local jurisdiction	%	–	–	–	100
Fairness and respect:					
Documented grievance procedures (operations covered)	%	–	–	–	73
Documented harassment procedures (operations covered)	%	–	–	–	71
Documented disciplinary procedures (operations covered)	%	–	–	–	92
Public interest disclosure:					
Public interest disclosure communication (operations covered)	%	–	–	–	84
Combating smuggling and counterfeit					
Total number of memoranda of understanding and co-operation agreements on combating smuggling and counterfeit signed with governments	Number	5	7	11	12
Supplier social responsibility					
Tobacco suppliers participating in the SRITP programme	%	99	100	100	100
Community investment					
Community investment donations – does not include value of employee time, in-kind contribution or management costs	£ million	0.92	1.26 incl. £250K to Asian tsunami appeal	1.2	1.7

** Employment practice data as of March 2007 covers over 12,700 employees spread between a total of 84 reporting entities. Excluded are the newly-acquired operations in the US, our factory in Sweden and leaf-processing activities in Laos.

*** Sickness data for the first six months of financial year 2007 covers approximately 95% of employees.

Occupational health and safety measures

Our Group accident rates remained stable, with a marginal downward trend in lost-time accident rates over the previous three years.

Description

Accident rates

Reporting coverage for the 2006 financial year improved to approximately 95 per cent of employees (13,873). Excluded were our leaf-processing activities in Laos and our recently-acquired sites in the US and Sweden.

Contact with moving machinery remains our main cause of accidents, followed by manual handling, lifting or carrying and slip, trip, fall.

Performance

Lost time accident rate
(per 1,000 employees)

FY 06	16.29
FY 05	16.38
FY 04	16.00
FY 03	24.20
FY 02	24.30
FY 01	24.30

Days lost due to accidents
(average per employee)

FY 06	0.30
FY 05	0.32
FY 04	0.26
FY 03	0.37
FY 02	0.28
FY 01	0.36

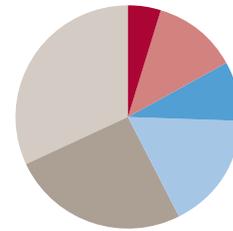
> 3 day lost-time accident rate
(per 1,000 employees)

FY 06	11.3
FY 05	11.6
FY 04	12.4

Contractor accidents
(number of accidents)

FY 06	61
FY 05	81
FY 04	57
FY 03	45
FY 02	59

FY 2006 top six causes of lost-time accidents (% of all lost-time accidents)

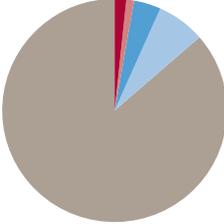
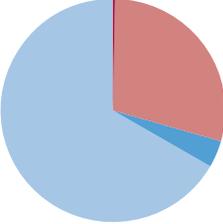


Contact with machines at rest	4%
Hit by a moving, flying or falling object	10%
Hit something fixed or stationary	7%
Slip, trip or fall	14%
Injury while handling, lifting or carrying	21%
Contact with moving machinery	26%

Occupational health and safety data is reported 12 months in arrears to allow for independent verification. Early data (pre-2004) is predominantly for our manufacturing operations.

Environmental performance measures

Our environmental data continues to show encouraging downward trends in energy and water consumption, carbon dioxide emissions, waste and waste to landfill.

Description	Performance																																											
<p>Energy</p> <p>In financial year 2006, we consumed 13% less energy than in 2001. It took us 17% less energy per unit of production, as production volumes have risen slightly over the same period.</p> <p>Our main direct energy source is natural gas, which is mostly used for heating purposes. Heavy fuel oil is mostly used in African sites to generate electricity in places where we cannot rely on the grid. 30% of our electricity consumption in financial year 2006 came from renewable sources. For ten years, we have had a small photovoltaic installation in our Langenhagen factory which is connected to the grid.</p>	<p>Total energy consumption (GWh)</p> <table border="1"> <tr><td>FY 06</td><td>486</td></tr> <tr><td>FY 05</td><td>498</td></tr> <tr><td>FY 04</td><td>537</td></tr> <tr><td>FY 03</td><td>582</td></tr> <tr><td>FY 02</td><td>591</td></tr> <tr><td>FY 01</td><td>562</td></tr> </table> <p>FY 2006 direct energy consumption by fuel source (GWh)</p>  <table border="1"> <tr><td>Other oil products</td><td>5</td></tr> <tr><td>Wood or sawdust</td><td>3</td></tr> <tr><td>Heavy fuel oil</td><td>11</td></tr> <tr><td>Diesel oil</td><td>19</td></tr> <tr><td>Natural gas</td><td>237</td></tr> </table>	FY 06	486	FY 05	498	FY 04	537	FY 03	582	FY 02	591	FY 01	562	Other oil products	5	Wood or sawdust	3	Heavy fuel oil	11	Diesel oil	19	Natural gas	237	<p>Energy consumption: tobacco manufacturing (KWh per million cigarette equivalents)</p> <table border="1"> <tr><td>FY 06</td><td>1,879</td></tr> <tr><td>FY 05</td><td>1,981</td></tr> <tr><td>FY 04</td><td>2,249</td></tr> <tr><td>FY 03</td><td>2,383</td></tr> <tr><td>FY 02</td><td>2,426</td></tr> <tr><td>FY 01</td><td>2,264</td></tr> </table> <p>FY 2006 indirect energy consumption by fuel source (GWh)</p>  <table border="1"> <tr><td>On-site renewable energy</td><td>0.004</td></tr> <tr><td>Grid electricity (green)</td><td>62</td></tr> <tr><td>Hot steam</td><td>8</td></tr> <tr><td>Grid electricity (non-green)</td><td>142</td></tr> </table>	FY 06	1,879	FY 05	1,981	FY 04	2,249	FY 03	2,383	FY 02	2,426	FY 01	2,264	On-site renewable energy	0.004	Grid electricity (green)	62	Hot steam	8	Grid electricity (non-green)	142
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<p>CO₂ emissions</p> <p>By the end of financial year 2006, we had reduced scope 1 by 17% and scope 2 by 24%. In total we have reduced CO₂ emissions by 21% since FY 2001. We have done this by nearly tripling the amount of green electricity we purchase – in FY 2006 we saved 28,449 tonnes of CO₂ this way – and by reducing fuel combustion by 15%. Our CO₂ emissions per millions of cigarette equivalents have dropped by 25% since FY 2001.</p>	<p>CO₂ emissions by scope (tonnes)</p> <table border="1"> <tr><td>FY 06</td><td>52,723</td><td>68,466</td></tr> <tr><td>FY 05</td><td>52,423</td><td>70,620</td></tr> <tr><td>FY 04</td><td>61,829</td><td>73,196</td></tr> <tr><td>FY 03</td><td>70,645</td><td>74,148</td></tr> <tr><td>FY 02</td><td>72,714</td><td>74,792</td></tr> <tr><td>FY 01</td><td>64,001</td><td>90,442</td></tr> </table> <p> ■ Scope 1 (direct) ■ Scope 1 (direct) ■ Scope 2 (indirect) ■ Scope 2 (indirect) </p>	FY 06	52,723	68,466	FY 05	52,423	70,620	FY 04	61,829	73,196	FY 03	70,645	74,148	FY 02	72,714	74,792	FY 01	64,001	90,442	<p>CO₂ emissions: tobacco manufacturing (tonnes per million cigarette equivalents)</p> <table border="1"> <tr><td>FY 06</td><td>0.46</td></tr> <tr><td>FY 05</td><td>0.48</td></tr> <tr><td>FY 04</td><td>0.56</td></tr> <tr><td>FY 03</td><td>0.59</td></tr> <tr><td>FY 02</td><td>0.60</td></tr> <tr><td>FY 01</td><td>0.62</td></tr> </table>	FY 06	0.46	FY 05	0.48	FY 04	0.56	FY 03	0.59	FY 02	0.60	FY 01	0.62												
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Environmental data is reported 12 months in arrears to allow for independent verification. Data covers our main offices in Bristol, Hamburg and Paris and factories under our management control except those in Mali, Laos, Turkey, US and Sweden, for which data was not available when calculating our base years for target setting. These factories will not be included in published figures until our base years are recalculated. Data was restated in FY 2005 due to changes to the calculation method for millions of cigarette equivalents to better reflect the manufacturing process; inclusion of liquid waste in environmental waste; corrected energy consumption and carbon dioxide emissions data.

Performance data

Description

Performance

Water

We have reduced absolute water consumption by 15% since our FY 2001 base year, and our relative water consumption by 17%.

Water consumption by withdrawal source (m³)

FY 06	651,916	266,360
FY 05	635,063	306,416
FY 04	673,530	345,907
FY 03	709,428	485,057
FY 02	740,921	453,336
FY 01		1,076,797

■ Mains ■ Mains
■ Abstracted ■ Abstracted

Water consumption: tobacco manufacturing (m³ per million cigarette equivalents)

FY 06	3.61
FY 05	3.83
FY 04	4.24
FY 03	4.95
FY 02	4.94
FY 01	4.34

Environmental waste

Waste was reduced by 9%. Expressed in relative terms compared to output, environmental waste was reduced by 11% and waste to landfill by 47% (all figures compared to our FY 2004 base year for waste).

Waste to landfill was reduced by 47%. Compared to output, waste to landfill was reduced by 48%. In FY 2006, the majority (71%) of our non-hazardous waste was reused, recycled or composted.

Less than 2% of the waste we disposed of in FY 2006 was hazardous. In FY 2006, we sent 125 tonnes of hazardous waste to landfill. We are working towards evaluating the environmental risks and minimising waste to landfill wherever possible. In our African operations, we store small quantities of hazardous waste while we are working out ways to dispose of it responsibly, as there are almost no accredited waste handling companies.

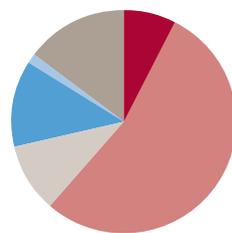
Waste (tonnes)

FY 06	28,944
FY 05	31,192
FY 04	31,699

Waste sent to landfill (tonnes)

FY 06	4,316
FY 05	5,384
FY 04	8,226

FY 2006 disposal of non-hazardous waste (tonnes)



Reused	2,182
Recycled	15,526
Composted	2,860
Incinerated and energy recovery	3,618
Incinerated	374
Sent to landfill	4,213

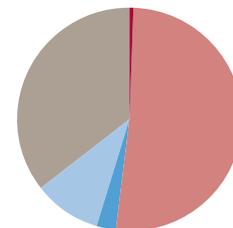
Waste: tobacco manufacturing (tonnes per million cigarette equivalents)

FY 06	0.105
FY 05	0.110
FY 04	0.118

Waste sent to landfill: tobacco manufacturing (tonnes per million cigarette equivalents)

FY 06	0.014
FY 05	0.016
FY 04	0.027

FY 2006 disposal of hazardous waste: tobacco manufacturing (tonnes per million cigarette equivalents)



Reused	2
Recycled	182
Incinerated and energy recovery	10
Incinerated	35
Sent to landfill	125

Due to the introduction of the NFR system, slight data inaccuracies have been identified in FY 2005 published figures. The NFR system is a reporting tool at Group level and a performance measurement tool at site level. In order to measure real progress at site level against Group targets, it is important that these corrections are made.

According to the Greenhouse Gas (GHG) protocol, it is preferable to use lower calorific values (LCVs) rather than upper calorific values (UCVs). However, over 50% of our sites were unable to obtain LCVs from their suppliers. This is why, with the introduction of the NFR system, all sites are reporting cubic metres of fuel as well as supplying the system with UCVs. This allows for a consistent approach, with slight over-reporting of energy consumption and CO₂ emissions as the principal risk.

External engagement

Stakeholder engagement summary (specific local issues only)

During the financial year, we undertook stakeholder engagement activities in 31 of our markets. This table is a summary of these engagement activities.

	Advertising and retailing	Smoking in public places	Environment	Health warnings	Ingredients and testing	Product and packaging	Social accountability	Supply chain including growing	Taxation, excise, illicit trade	Youth access prevention	General industry issues
Australia	○ ○ ○ ×		◇ ◇			○ ○		◇	○		①
Azerbaijan									○		
Belgium Luxembourg	○	① ○ ○ ×	○	○ ○		○	①		○ ○ ○ ×		○
Benin	○			○					○		
Bulgaria									○		
Burkina Faso			○				◇	○	○		
Central African Republic		○							○		
China											○
Congo							◇				
Czech Republic		×			○	○			○ ○		
Gabon			○						○		
Greece					○				○		
Hungary	○	◇	○		○	○			○ ○ ◇	○	
Italy								◇ ① ×		×	①
Ivory Coast	○		○				◇		○		
Laos								○	○		
Madagascar	○		○	○			◇	○	○		
Mexico	○	○			○				○		
Netherlands									○	○	
New Zealand	◇ ◇		○ ◇	○	○						
Niger									○		
Poland	○ ◇	○ ○ ◇ × ①	○	○	○			◇	○ ○ ◇ ① ◇		
Russia	○	○	○	○	○				○		
Slovakia	×	×		×	○	○			○		
Senegal	◇								○		①
Taiwan											○
Togo	○			○					○		
Turkey	○ ○	○		○	○	○	①		○		
UK	○ ◇ ① ○	① ◇ × ①	○ ①	○	○	○ ◇			○	○ ◇ ×	○ ◇ ①
Ukraine	○				○ ①				○ ○		
Vietnam								○			

- Governments and authorities
- ◇ Suppliers
- × Customers
- ① Employees
- Industry bodies
- ◇ NGOs
- × Multi-stakeholders
- ① Other

Peer review

Each year, we invite two independent experts to comment on our public reporting and on our approach to CR. With their permission, we have reproduced their critiques here.

Commentary by Dr Magnus MacFarlane
Dr Magnus MacFarlane is a fully-accredited socio-economic assessor, accountant and assurance provider with over 15 years' strategic and technical experience of corporate responsibility, which he gained as an independent consultant and as a research fellow at the universities of Oxford and Warwick. He has published widely and provided analysis, training and advice to a range of international companies and institutions.

Introduction
 In the absence of having either prolonged experience or specialist understanding of Imperial Tobacco's non-financial issues, it is my firm view that subjective commentary on these issues is rightly reserved for the company's primary stakeholders. The following commentary therefore concentrates on objectively evaluating the nature of the report itself. Several criteria are used to do this as they help to provide clarity to the reader and a more systematic critical analysis of Imperial Tobacco's CR report.

Structure and scope

CR reports are not only important for what they explicitly convey about non-financial issues and outcomes, but also for what they reflectively disclose about the coherence, logic and functionality of the strategies and systems developed to address or produce them. If the strategies or systems are wanting, as Imperial Tobacco's were in their infancy, it is often reflected in the report's structure, as it was for Imperial Tobacco in the imbalanced structure of some of the company's earlier CR Reviews.

Now underpinned by a much more highly developed strategic framework and management system, the structures of Imperial Tobacco's 2006 and 2007 Reviews show far greater balance and clarity. This is exhibited in the well defined differentiation of the Review's main sections, which

respectively give broadly equal weight to; governance and processes; product cycle specific issues; stakeholder related issues; future strategies; performance; and benchmarking and assurance.

Governance and systems

One of the most significant and positive outcomes of this revised structure is the much greater front-end emphasis and content that is afforded to the company's CR governance, strategies, systems and procedures. While some stakeholders will not be engaged by this, or will find it too esoteric, others will find it provides a critical insight into the architecture underpinning the company's CR performance.

In future Reviews, this insight would be more clearly illuminated through reference to a diagram depicting the relationship between key CR committees, functions, and managers, from the board, through executive, to operational level. The existing text is nevertheless welcome, and sufficient enough to provide the reader with a basic understanding of the company's CR management hierarchy.

Imperial Tobacco explicitly acknowledges that a dedicated CR sub-committee does not represent this CR management hierarchy at board level. In the context of a centralised and dedicated CR team, and clear reporting lines to the board (through the CD Director and CR related advisory groups), their reasoning for this is considered by the commentator to be valid and potentially advantageous.

Relevance and materiality

Regrettably, the positively developed CR governance, strategy and process section is slightly undermined by the wayward focal shift of the 'benchmarking' sub-section. This moves hurriedly from a contextually relevant description of benchmarking process to a contextually irrelevant description of benchmarking performance. The clarity and consistency of future Reviews would be enhanced if detailed performance related material were

restricted to the performance section.

One of the distinguishing features of the 2007 Review is that it differentiates between issues of primary relevance to the product and company, from issues of primary materiality to stakeholders. While there is inevitably overlap between the two, this dualistic approach helps to ensure higher overall levels of accountability.

In the case of product and company related issues, accountability and consistency is further enhanced by systematically presenting 'priority issues' in the context of their relevance to each distinct stage in the product value chain. Unfortunately, however, the same levels of systematic rigour are not transferred to the next section, with employee and community issues addressed largely to the exclusion of any consumer, government or civil society issues.

Transparency and comparability

The aforementioned concern represents a significant gap in the materiality of the Review, but one connected to, and compounded by, insufficient transparency. In particular, there is a failure to disclose the methodological processes used to sample and engage stakeholders, as well as the mechanisms used to validate and select stakeholder issues presented in the report. Indeed, the stakeholder 'voice', normally manifested in direct quotes or accounts, is generally very muted.

This shortfall is highlighted by what otherwise appears to have been an extensive stakeholder engagement process and by what, in most other areas of the Review, is a quite candid account of the issues. For example, rather than hiding behind the statistics, the Review openly addresses incidents of regulatory non-compliance as well as incidents of sensitivity such as workplace fatalities, and is quite even handed in its recognition of areas of less satisfactory performance.

With respect to performance reporting, the Review clearly sets out key non-financial indicators relevant to its business,

and usefully reports the results across each indicator from 2004. This process of monitoring company specific indicators is supported by an extensive data collection and management system, and is complemented by their parallel monitoring and reporting to GRI, which allows for the comparability of the company's performance across the sector.

Verification and evaluation

Independent verification is essential to enhancing stakeholder confidence in the credibility of CR reports, and is, consequentially, now a process widely accepted as a minimum basis of assurance provision. In line with GRI, verification of the 2007 Review has been expanded in scope and depth. To their credit, Imperial Tobacco also continues to recognise that full assurance provision is only realised when verification of the report is supplemented by evaluation of the report.

The inclusion of evaluation differentiates Imperial Tobacco's CR reports from those of many other large companies, and is made more commendable for inviting the opinion of two commentators. This establishes a 'best practice' benchmark for others, and is strongly indicative of a company culture of openness and willingness to learn.

Encouragingly, these characteristics are affirmed by Imperial Tobacco's efforts to address many of the suggestions made by others and myself in earlier CR Review evaluations. A table in the 2005 Review, showing responses to previous commentator suggestions, gives further credence to this, but also makes its conspicuous absence from the 2006 and 2007 Reviews regrettable. It is the commentator's suggestion that this table is reinstated in all future Reviews.

Benchmarking represents another form of evaluation, conducted to more generic, externally recognised indices to facilitate cross-comparative analysis of company performance. Imperial Tobacco reports against Dow Jones's Sustainability Index, Business in the Community's (BITC) Responsibility Index, and BITC's Environment Index. These are recognised and respected indices that can be trusted to broadly reflect the company's favourable and improving CR performance across key areas.



The central CR team wishes to thank our stakeholders and particularly our reviewers for their contribution over the years to shaping our CR activities. We are grateful to Dr Magnus MacFarlane for his critique of this year's Review. He last reviewed our work in 2003. We are also pleased that Mr Mokhethi Moshoeshoe has agreed to provide additional comments to help inform our approach to sustainable development.

As always we value your feedback by email to cr@uk.imptob.com

Conclusion

Imperial Tobacco's 2007 Review has many creditable features, and shows significant progress from earlier Reviews in structure and clarity, related systems and processes, and the performance it reports. The Review also very competently conveys the issues and challenges faced, and the actions being taken to address them. However, stakeholder views are underreported, and there is a lack of transparency around consultation procedures. This introduces scepticism about the materiality of the issues covered, and detracts somewhat from the notable achievements made.

Dr Magnus MacFarlane
Oxford, UK
September 2007



It is not our intention to derive credibility or authority from the comments of our reviewers. Just as they express their disagreements with some of the statements we have made and some of the approaches we have taken to suit the particularities of our business, so we would wish respectfully to disagree with some of their comments. As with the comments of previous expert reviewers, we do not provide our own point-by-point commentary on their personal views.

Commentary by Mr Mokhethi Moshoeshoe

Mr Moshoeshoe is President of CIVA Innovation Management, facilitating creative partnerships for economic development and poverty eradication. He is Director of Lesotho Financial Solutions (Lefiso), developing accessible financial products and services for the poor. He is also Partner at Feedback Research & Analytics, consulting in research monitoring and evaluation, sustainability strategy and reporting.

The views expressed here are strictly Mr Moshoeshoe's own and should not be ascribed to any of the organisations he is associated with in any way.



Corporate Responsibility Reporting at Imperial Tobacco: a perspective from an African

Corporate responsibility (CR) is a journey that all companies, big and small, local and international have to travel. Travellers need maps to guide their direction and navigators to lead the way. Like all journeys, CR has its own ups and downs, good times and hard times. From time to time it is necessary to pause for a while, take a deep breath and reflect on the progress made towards the destination – assuming you have one in mind – and to contemplate, plan and gather new strength for the long way ahead. This review marks the fifth pause since Imperial Tobacco decided to share the story of its journey with the public, but not the first in the hundred year history of the company.

Corporate Responsibility is a Commitment of the Whole, and a Whole Commitment. By this I mean that the whole company from the boardroom to the factory floor (Commitment of the Whole) is fully and whole-heartedly committed to (Whole Commitment), a future of humankind free from poverty, curable diseases and all types of indignity and injustice, and it is ready and willing to dutifully take up its place alongside others to co-create that future. A whole commitment implies to freely and firmly believe in that future for its own sake, not for the sake of legislative compliance, not for the sake of avoiding sanctions and not for the sake of managing financial risk.

As we reflect on the progress and contemplate the future ahead, there are internal and external factors to consider. Three key internal factors are clear vision (destination); committed leadership (navigators) and a comprehensive plan (map). I identified one key external factor – stakeholder management. Stakeholders are those with whom we are travelling. Because they affect what we do and we affect what they do, we have to maintain a mutually respectful relationship. It is with these four key internal and external factors and three corporate responsibility performance areas – economic, environmental and social – in mind, that I accepted the invitation to join Imperial Tobacco as it reflects on its non-financial performance for the period 2006–2007.

Commitment to regular reporting

This is Imperial Tobacco's fifth corporate responsibility report. But, does the report

inspire confidence? Can we trust Imperial? Regular reporting sends a strong message that the company is committed to transparency, accountability and on-going improvement on its corporate responsibility performance and on the reporting on that performance. It is a message that inspires public confidence in the company at a time when trust in companies is generally at its lowest. Although the last four reports are outside the scope of this document, a superficial examination shows significant improvements in the substance of this report in relation to earlier ones. This is a big positive for the company. It indicates that the leadership of Imperial Tobacco is committed to this journey. What does not come through strongly is whether there is a clear vision of where the road should lead and why.

Imperial Tobacco in context

Imperial Tobacco's corporate responsibility strategy must be defined within a specific context in which the company is operating. How the company expresses its corporate responsibility in the United Kingdom will differ from how it responds to prevailing socio-economic conditions in Burkina Faso. Sub-Saharan Africa's economic, social and political situations are different from those in Europe. There are issues of global concern and locally specific issues. Conditions in developing countries of Sub-Saharan Africa may include the marked increase of the influence of corporations in the lives of ordinary citizenship and the decline in the power and influence of the state, political instability, lack of legislative and policy framework on many issues, weak enforcement agencies, deepening poverty and a widening gap between the rich and the poor, the threat of HIV/AIDS, malaria and tuberculosis, poor public governance, poor communications infrastructure, and high illiteracy rates.

These are some of the conditions that define the context. They differ from place to place and from time to time. Imperial recognises them and reports on how it has responded. It is worth noting that consideration of these factors is embedded in Imperial's business strategy.

Industry challenges

The tobacco industry is facing a serious threat from the anti-smoking lobby. It is time the industry moves beyond its current denialist position to fully accepting that



smoking is harmful. What we would expect from Imperial Tobacco and other tobacco industry giants is to take leadership and pool resources in a concerted effort to develop a less harmful product and educating product users on safer enjoyment of the products. The best scientific evidence the industry may present is unlikely to baulk the global trend of more restrictions on smoking in public places, addition of more prohibitive taxes and introduction of more stringent advertising standards.

Economic impact of tobacco farming in developing countries

In some poverty stricken Sub-Saharan African countries where Imperial Tobacco operates, tobacco farming is a substantial contributor to national GDP and many communities heavily depend on tobacco farming for their livelihoods. While the developed country focus is on the dangers of smoking, we hear very little about the lives the industry supports. The report should provide more statistical information on this matter.

Stakeholder management

Managing stakeholders means finding and maintaining a fine balance between competing and conflicting stakeholder interests. Putting one stakeholder – stockholders – above all others gives an impression that other stakeholders' interests are secondary and can be done away with. Is Imperial Tobacco ready and willing to adopt a holistic approach to its business? Is it ready to transform its management system from its current shareholder agenda to a more inclusive stakeholder agenda? That is an approach which will replace a purely shareholder driven focus with a broader, more inclusive stakeholder approach.

The report is quiet on which stakeholders were consulted, how they were consulted, and what their issues were and how the company intends to deal with those issues. We need that information to determine materiality of reporting to stakeholders.

Smokers: a neglected stakeholder group

The report is quiet about what Imperial Tobacco is doing with smokers. It is probably because it is not doing anything. One cannot help but feel that governments

are treating smokers like helpless victims of addiction who need to be protected from themselves and a duty to protect innocent passive smokers whose wellbeing is compromised by smokers. The right to choice argument is becoming less convincing by the day. Imperial Tobacco can and should do more to engage smokers in the safer use of the product.

Case stories

Using case stories remains a very powerful way of telling a story. In this report case studies have been used very extensively. It is important though to avoid a common temptation of turning case stories into praise stories. The stories should be balanced and should cover both the successes and failures. Statistics can be used effectively to prove claims, and quotations from those involved can lend credibility to a story.

Conducting business with integrity

In Africa, corruption is commonly cited by developed country governments and multinational corporations as one of the main barriers to investment. There are a number of very successful joint programmes by African governments where Imperial Tobacco operates with the private sector to fight corruption. Imperial Tobacco policy on corruption should be supported with specific examples of experiences in the implementation.

Consumer information

Governments have a duty to adopt policies and legislation to protect their citizens from all types of harm including harmful lifestyle choices. I believe it is the responsibility of product manufacturers to fully communicate possible dangers of their products to all current and prospective users. Users, especially first time users, should make choices to use these products in the light of full knowledge of possible consequences. This is not the case in many developing countries where illiteracy rates are still very high amongst adults. For the time being, the most effective ways of communicating product messages will include graphic pictorial material. Availability of ingredients used in products on Imperial Tobacco's website may be accessible to developed country users with access to and knowledge of computers, which is not the case in many developing countries.



Environmental impact

Global warming presents a single major threat to the survival of humanity and other inhabitants of the world. We humans are the main culprits. It is encouraging to note that calls to all of us to do something within our spheres of influence to change the situation are being heeded. Imperial Tobacco's improvements on environmental performance are impressive and inspiring for others to follow. The report could have gone further to set new targets for the years ahead. Packaging recovery should be extended beyond legal compliance and should apply equally to all countries where Imperial products are found.

Testing for residue of poisonous plant protection

Testing for presence of residues of plant protection poisons is good practice. We believe that Imperial Tobacco can use its influence to limit the use of poisonous substances on the tobacco crop and can even go further to support organic tobacco farming, especially in countries like Madagascar and Laos, where Imperial Tobacco has direct relationship with farmers.

Genetically modified tobacco

Imperial does not use genetically modified tobacco because of a belief that "our customers do not like it". That is a fair reason, but what is Imperial Tobacco's stand on GMOs? The issue remains

controversial and small tobacco farmers in developing countries would benefit from Imperial Tobacco's guidance.

Child labour

In Sub-Saharan Africa where the numbers of HIV/AIDS orphans are skyrocketing and more and more households are headed by children who are sole breadwinners, the issue of child labour becomes very complex and emotive, and requires extra sensitivity. Actual case stories of how Imperial Tobacco has dealt with the situation would be very helpful to audiences who do not have a similar problem.

Tracking and tracing

Product recall processes in developing countries with poor communications infrastructure and low literacy levels can be very difficult. Similar regulatory framework to that of the United Kingdom would force the strengthening of tracking and tracing capacities of local dealers in the interest of the most vulnerable consumers. Imperial Tobacco could take a lead in this regard.

Human resource management

Succession planning, annual talent review and future leader identification strategies are commendable. We will be looking forward to updates on progress of the 154 future leaders. Numbers on gender equity and inclusion of people with disabilities would be interesting and material information.

Employee wellbeing

Multinational corporations have been accused of double standards when it comes to their operations in developing markets. One is wondering why hygiene provision standards in developing countries are sub-standard.

Community investment

Access to clean water, sanitation facilities and education are major poverty indicators. Imperial Tobacco's support for fresh water wells in Madagascar is very interesting. But the report only tells half the story. How many people have benefited from the programmes? Can we hear from them how this has impacted their lives?

The company spends significant amounts of money in social investment, but the report does not say anything about the social impact of these investments. ”

Mr Mokhethi Moshoeshoe
Johannesburg, South Africa
September 2007

Assurance statement

SGS United Kingdom Limited's report on sustainability activities in Imperial Tobacco's Corporate Responsibility (CR) Review 2007

Nature and scope of the assurance

SGS United Kingdom Limited was commissioned by Imperial Tobacco to conduct an independent assurance of the Corporate Responsibility Review 2007. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, data and accompanying graphs and tables contained in the Review.

The information in Imperial Tobacco's CR Review 2007 and its presentation are the responsibility of the directors and management of Imperial Tobacco Group PLC. SGS United Kingdom Limited has not been involved in the preparation of any of the material included in the CR Review 2007.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of assurance set out below.

The SGS Group has developed a set of protocols for the Assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines (2006) and the AA1000 Assurance Standard (2003). These protocols follow differing levels of assurance depending on the reporting history and capabilities of the reporting organisation.

Imperial Tobacco's CR Review 2007 has been assured using our Level 2 protocol for content veracity and the evaluation of the report against the Global Reporting Initiative Sustainability Reporting Guidelines. The assurance comprised a combination of pre-assurance research, documentation and record review, and interviews with employees during visits to the following locations: Baulkham Hills in Australia, Hamburg in Germany, Joure and Oosterhout in the Netherlands, Manisa in Turkey and Bristol and Nottingham in the UK. Additionally, telephone interviews were undertaken with employees in the following countries: Central African Republic, Chad, Congo, Gabon and Mali.

Financial data was drawn directly from the audited accounts of Imperial Tobacco Group PLC and has not been checked back to source as part of this assurance process.

Statement of independence and competence

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance.

SGS United Kingdom Limited affirms our independence from Imperial Tobacco, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised EMAS Verifiers, a Lead Greenhouse Gas Verifier Registered EMS, Quality and SA 8000 Lead Auditors and an IRCA Registered Sustainability Assurance Practitioner.

Assurance opinion

On the basis of the methodology described, we are satisfied that the text and statements made in the CR Review 2007 are supported by underlying evidence.

Based upon the sampling of occupational health and safety, environmental and employment practice data during site visits and interrogation of the Non-Financial Reporting (NFR) data base at the organisation's Head Office, we have concluded that this data is generally accurate and reliable and provides a fair and balanced representation of sustainability performance.

During telephone interviews and subsequent review of supporting information, the data provided for inclusion in the Review by Imperial Tobacco's African operations could not be verified as being accurate. This appeared to be largely due to problems encountered in transferring the data from the previous reporting system to the current NFR database. However, the proportion of data provided by the African operations for inclusion in the Review is relatively small. The impact of any inaccuracies upon the data and graphs for the entire Group included in the occupational health, safety and

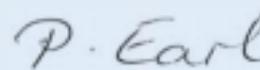
environmental sections of the Review is not considered to be significant.

We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting. In our opinion, the GRI Index as included in the Review and website meet the content and quality requirements of the Global Reporting Initiative 2006 G3 Application Level B+.

The CR Review very closely follows the requirements to level B+. However, in order to work towards a higher application level and to bring reporting closer to the ideal, there are areas which we feel could be improved for the next Review. We have discussed these in detail with Imperial Tobacco but, in brief, these are:

- > Increase the number of Standard Disclosures that are within the report itself rather than the reader having to refer to the website
- > Increase information on those elements that have been identified as needing improvement
- > Incorporate to a greater extent the principles of GRI that have been identified as needing improvement.

Signed:
For and on behalf of
SGS United Kingdom Ltd



Pauline Earl
Managing Director
SGS United Kingdom Limited

October 2007



GRI index

This index compares the GRI G3 reporting elements and indicators with this CR Review, our statutory and voluntary reporting, including website material, for ease of cross-reference. A full version is available on our website.

GRI G3 Standard disclosures

Profile	Description	CR Review 2007	Page	Website	Coverage
1.1–1.2	Strategy and Analysis	A strong strategic framework – message from the Chief Executive; Various sections throughout	2, various	CR approach and responsibilities ARA 20-F	P
2.1–2.10	Organisational Profile	A well-balanced business; A systematic approach; Our people and communities; Back cover; CR highlights	IFC, 5, 26, back cover	About Us ARA	F
3.1–3.13	Report Parameters	A strong strategic framework; Management commitment; A systematic approach; Comprehensive reporting – performance data; GRI index; Back cover	2, 4, 5, 42, 53, back cover		F
4.1–4.17	Governance, Commitments and Engagement	A well-balanced business; A systematic approach; Our people and communities; Comprehensive reporting; and various sections	IFC, 5, 26, 40, various	Corporate governance; Our approach to CR; previous CR Reviews ARA	P
5	Management Approach	A systematic approach; Delivering against our priorities; Our people and communities	5, 10, 26	About us; Our responsibilities; previous CR Reviews ARA 20-F	P

GRI G3 Performance indicators Reported in CR Review, Annual Report & Accounts, website

Category	Fully reported	Partially reported	Not reported or not applicable
Economic	EC1, EC3, EC8, EC9	EC2, EC6, EC7	EC4, EC5
Environment	EN3, EN4, EN5, EN6, EN7, EN17, EN8, EN12, EN14, EN16, EN22, EN24, EN26	EN1, EN11, EN18, EN28, EN29	EN2, EN9, EN10, EN13, EN15, EN19, EN20, EN21, EN23, EN25, EN27, EN30
Labour Practices and Decent Work	LA8, LA11	LA1, LA2, LA4, LA5, LA7, LA12, LA13	LA3, LA6, LA9, LA10, LA14
Human Rights	HR5, HR6, HR7	HR1, HR2	HR3, HR4, HR8, HR9
Society	SO1, SO5, SO6, SO7, SO8	SO2, SO3, SO4	
Product Responsibility	PR1, PR2, PR3, PR4, PR6, PR7, PR9	PR5	PR8





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For more information visit
www.imperial-tobacco.com/cr

Glossary

AA1000

An assurance model designed to improve the accountability and performance of organisations by learning through stakeholder engagement and increasing quality in social and ethical accounting, auditing and reporting.

Adjusted earnings per share

Adjusted profit after tax attributable to the equity holders of the Company divided by the weighted average number of shares in issue during the period excluding shares held to satisfy employee share schemes and shares purchased by the Company and held as Treasury shares.

Adjusted measures

Management believes that reporting adjusted measures provides a better comparison of business performance and reflects the way in which the business is controlled. Accordingly, adjusted measures of profit from operations, net finance costs, profit before tax, taxation and earnings per share exclude, where applicable, amortisation of acquired trademarks, restructuring costs, retirement benefits net financing income, fair value gains and losses on derivative financial instruments in respect of commercially-effective hedges and related taxation effects. The term adjusted is not a defined term under International Financial Reporting Standards and may not be comparable with similarly titled measures reported by other companies.

Adjusted profit from operations

Profit from operations adjusted for amortisation of acquired trademarks, restructuring costs and fair value gains and losses on derivative financial instruments used to commercially hedge investments in foreign operations.

Assurance

Independent external validation to substantiate the management process and the veracity of any accounts of social and environmental performance as accurate, fair and meaningful.

BITC

Business in the Community is a unique movement of over 170 of the UK's top companies committed to improving their positive impact on society.

Biodiversity

The diversity of plant and animal life in a particular habitat; the range of species in a location.

Capability building

Efforts aimed at developing human skills or social infrastructures within an organisation, community or country (also referred to as capacity building).

Competent Authorities

Authorities to which governments or pan-governmental organisations (such as EU) have delegated competence to deal with specific issues.

Consumers

Smokers, people who use our products.

Customers

Our trading partners and distributors.

Dialogue

Carefully planned and structured two-way, active and interactive discussion and listening – an essential management skill, needed to truly understand stakeholders' views.

Earnings per share (EPS) – basic

Profit attributable to equity holders of the Company divided by the weighted average number of shares in issue during the period excluding shares held to satisfy employee share schemes and shares purchased by the Company and held as Treasury shares.

Eliminating Child Labour in Tobacco (ECLT) Foundation

A partnership established by organisations representing tobacco workers, growers, suppliers and manufacturers, supported by the International Labour Organisation (ILO) which aims to improve access to education and ensure alternatives to childhood working.

Framework Convention on Tobacco Control

The World Health Organisation's Framework Convention on Tobacco Control (FCTC) is the first global tobacco treaty that seeks to regulate tobacco products.

Global Reporting Initiative (GRI)

An international, multi-stakeholder effort that has developed a voluntary framework and guidelines for economic, social and environmental reporting.

Greenhouse gases

Gases which trap the sun's heat in the atmosphere, producing the greenhouse effect; greenhouse gases include carbon dioxide, methane, nitrous oxide and hydrofluorocarbons (HFCs).

Integrated pest management

An effective approach to pest management which is safe, productive and sustainable; minimises the use of pesticides through a wide range of practices aimed at growing a healthy crop.

International Labour Organisation (ILO)

The ILO is the specialised agency of the United Nations which seeks the promotion of social justice and internationally-recognised human and labour rights; the global body responsible for drawing up and overseeing international labour standards.

ISO

The International Organisation for Standardisation, widely known as ISO, is an international standard-setting body comprised of representatives from various national standards organisations. It promulgates worldwide industrial and commercial standards.

Net revenue

Net revenue comprises revenue less duty and similar items. Revenue is as described under Accounting Policies. Duty and similar items includes tobacco duty and other governmental levies which have characteristics similar to duty, such as those due in the United States under the Master Settlement Agreement and Fair and Equitable Tobacco Reform Act.

Non-financial reporting

Reporting on social and environmental impacts.

Organisation for Economic Cooperation and Development (OECD)

The OECD is an organisation of 30 member countries committed to democracy and the market economy. The OECD Guidelines for Multinational Enterprises provide voluntary principles and standards for responsible business conduct in a variety of areas including employment, industrial relations, human rights, environment, information disclosure and combating bribery.

OHSAS 18001

Issued by the British Standards Institute in 1999, this is an assessment and certification scheme for occupational health and safety management systems.

OHS&E

Occupational health, safety and environment.

SA8000

A human rights standard from Social Accountability International based on international workplace norms of the ILO, the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child.

Snus

Snus is a moist oral tobacco product. It is manufactured and consumed primarily in Sweden and Norway.

Stock Keeping Units (SKUs)

An identification, usually alphanumeric, of a particular product that allows it to be tracked for inventory purposes.

Verification

Independent examination of the validity of data and statements made.

For more information visit: www.imperial-tobacco.com/cr

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- > Our approach to CR
- > Our responsibilities
- > Case studies
- > CR glossary



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