



**Mark Williamson**  
Chairman



IMPERIAL BRANDS PLC

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Dear Shareholder

### **ANNUAL GENERAL MEETING OF IMPERIAL BRANDS PLC**

I am pleased to inform you that our first Annual Report and Accounts as Imperial Brands PLC has now been published. If you have requested a printed copy of the Annual Report and Accounts, it is enclosed with this letter together with the associated documents. If you requested to receive your Annual Report and Accounts and associated documents electronically or did not return the election card previously sent to you, please accept this letter as notification that the Annual Report and Accounts and associated documents have now been published on the Investors section of our website ([www.imperialbrandsplc.com/Investors/Shareholder-centre/AGM](http://www.imperialbrandsplc.com/Investors/Shareholder-centre/AGM)).

### **Building a Stronger Business**

Our name may have changed but our strategy and values remain the same. We continue to run a responsible and successful business, one that's focused on maximising sustainable returns for our shareholders.

We added to our long track record of delivery with another strong performance in 2016. The excellent results we delivered from ITG Brands in the USA were a particular highlight, as we continued to build on our enhanced position following last year's acquisition of brands and other assets.

As well as driving our operational performance we also made further progress with our transition initiatives, which continue to strengthen the business and improve our quality of growth.

None of our achievements would be possible without the energy and commitment of our people. Employees across the Imperial Brands family have worked tirelessly to deliver these results and I would like to thank them all for their commitment and support.

### **Imperial Brands**

Shareholders voted overwhelmingly in favour of changing the name of our parent company from Imperial Tobacco Group PLC to Imperial Brands PLC at our Annual General Meeting in February 2016.

The rationale for change was simple; Imperial Brands better reflects the brand-focused business we now are.

Consumers know us for our Growth and Specialist Brands, the key assets in our portfolio. These are quality brands, delivering quality growth and we continue to build the contribution they make to our volumes and revenues.

We also have strong corporate brands: Imperial Tobacco, home to most of our worldwide tobacco operations, ITG Brands in the USA, our international premium cigar business Tabacalera, our non-tobacco subsidiary Fontem Ventures and our European distribution business Logista.

The breadth of this brand focus is reflected in our new name and marks an exciting new chapter in our growth story.

### **Enhancing Shareholder Returns**

The consistent execution of our strategy continues to create value by maximising sales, cost and cash opportunities.

On a constant currency basis tobacco net revenue was up 9.7 per cent, adjusted operating profit was up 10.4 per cent and we grew adjusted earnings per share by 12.0 per cent.

Registered in England  
and Wales No: 3236483

Registered Office:  
121 Winterstoke Road,  
Bristol BS3 2LL, UK

The Board is pleased to be recommending a total dividend for the year of 155.2 pence per share, another strong increase of 10 per cent. This is the eighth consecutive year that we have delivered dividend growth of 10 per cent and we are committed to maintaining this annual growth rate over the medium term.

### Operating Responsibly

The responsible way we run our business is integral to our long-term sustainability.

We take pride in doing things the right way, living our values and adhering to our Code of Conduct.

We support community initiatives across our market footprint, provide employment for more than 30,000 people around the world and return around £16 billion a year to governments in taxes.

### Governance and the Board

Imperial Brands continues to be run in an open and transparent manner. You can find out more about our governance framework and the work of the Board and its Committees in the Governance Report.

The composition of the Board changed during the year. Non-Executive Director Ken Burnett stepped down in February after completing nine years' service and I would like to thank him for the considerable contribution he made to our success.

Following Ken's departure we appointed two independent Non-Executive Directors, Steven Stanbrook in February and Therese Esperdy in July.

Between them they have held many senior executive roles over the years, Steven at a number of FMCG companies including SC Johnson & Sons Inc, and Therese in the banking sector, most notably at JP Morgan.

Both have extensive international experience, including in the USA, and are proving to be great additions to the Board.

Having served nine years, Michael Herlihy will be retiring at the conclusion of the annual general meeting (AGM) and is not standing for re-election.

### Delivering Strong Results

2016 was another strong year of delivery for the business and we look to the future with confidence.

We have the right strategy, the right brands and the right people, and that puts us in a strong position to create further value for shareholders over the coming years.

### Important Information about our Annual General Meeting

The Company's AGM will be held at the Bristol Marriott Hotel City Centre on Wednesday 1 February 2017 at 2.30pm. The notice of the AGM, particulars of the resolutions on which you can vote and details of the administrative arrangements we have made for the AGM are set out on the following pages.

At the AGM all resolutions will be voted on a poll. If you are unable to attend the AGM you can still use your vote if you appoint a proxy or proxies. To appoint a proxy you can complete your proxy form electronically at [www.sharevote.co.uk](http://www.sharevote.co.uk) (to do this you will need your personal voting reference which is shown on your enclosed proxy form) or you can complete your paper proxy form and return it to the Company's registrar, Equiniti Limited, in the enclosed reply paid envelope. Please note that all proxy forms, whether completed electronically or on paper, must be received by the Company's registrar not less than 48 hours before the start of the AGM. The result of the polls will be announced on both a regulatory information service and the Company's website after the AGM.

Your Directors believe that all the proposals to be considered at the AGM are in the best interests of both the Company and its shareholders as a whole. They unanimously recommend shareholders to vote in favour of all the resolutions set out in the notice of the AGM. Your Directors will all be voting in favour of the resolutions in respect of their own shareholdings.

If you have recently sold or transferred all of your shares in the Company, please pass both this document and the accompanying associated documents, if any, to the purchaser, transferee or agent through whom the transfer was effected for transmission to the purchaser or transferee.

For the safety and comfort of those attending the AGM, large bags, other large items, cameras and recording equipment will not be allowed into the auditorium; anyone attempting to use recording and/or camera equipment (including mobile phones with built in cameras) will be asked to leave the auditorium. Small bags may be searched before you are permitted to take them into the auditorium. Cloakroom facilities will be provided but for security reasons the hotel may not accept large bags or other large items. The Company does not accept any liability or responsibility for any items deposited in the cloakroom. Please ensure mobile phones and similar devices are switched off during the AGM.

Yours sincerely



**Mark Williamson**  
Chairman

## IMPERIAL BRANDS PLC NOTICE OF ANNUAL GENERAL MEETING

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO ANY ASPECT OF THE CONTENTS OF THIS DOCUMENT OR THE ACTION YOU SHOULD TAKE YOU ARE RECOMMENDED TO CONSULT AN INDEPENDENT ADVISOR AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000.**

Notice is hereby given that the annual general meeting (the AGM) of Imperial Brands PLC (the Company) will be held at the Bristol Marriott Hotel City Centre, 2 Lower Castle Street, Old Market, Bristol BS1 3AD on Wednesday 1 February 2017 at 2.30pm (doors open from 1.30pm) for the transaction of the following business:

### ORDINARY BUSINESS

To consider and, if thought fit, pass resolutions 1 to 15 as ordinary resolutions:

#### Resolution 1

THAT the Annual Report and Accounts for the financial year ended 30 September 2016 be received.

#### Resolution 2

THAT the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) set out on pages 51 to 73 of the Annual Report and Accounts for the financial year ended 30 September 2016, be approved.

#### Resolution 3

THAT the Directors' Remuneration Policy, the full text of which is set out on pages 55 to 61 of the Annual Report and Accounts for the financial year ended 30 September 2016, be approved.

#### Resolution 4

THAT a final dividend for the financial year ended 30 September 2016 of 54.1 pence per ordinary share of 10 pence payable on 31 March 2017 to those shareholders on the register at the close of business on 17 February 2017 be declared.

#### Resolution 5

THAT Mrs A J Cooper be re-elected as a Director of the Company.

#### Resolution 6

THAT Mrs T M Esperdy be elected as a Director of the Company.

#### Resolution 7

THAT Mr D J Haines be re-elected as a Director of the Company.

#### Resolution 8

THAT Mr M R Phillips be re-elected as a Director of the Company.

#### Resolution 9

THAT Mr S P Stanbrook be elected as a Director of the Company.

#### Resolution 10

THAT Mr O R Tant be re-elected as a Director of the Company.

#### Resolution 11

THAT Mr M D Williamson be re-elected as a Director of the Company.

#### Resolution 12

THAT Mrs K Witts be re-elected as a Director of the Company.

#### Resolution 13

THAT Mr M I Wyman be re-elected as a Director of the Company.

#### Resolution 14

THAT PricewaterhouseCoopers LLP be reappointed as auditor of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.

#### Resolution 15

THAT the Audit Committee (for and on behalf of the Board) be authorised to set the remuneration of the auditor.

## SPECIAL BUSINESS

To consider and, if thought fit, pass resolutions 16 and 17 as ordinary resolutions and resolutions 18 to 21 as special resolutions:

### Resolution 16

THAT in accordance with section 366 of the Companies Act 2006 (the Act), the Company and all companies that are subsidiaries at any time during the period for which this resolution has effect are hereby authorised, during the period commencing on the date of this resolution and ending at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, at the close of business on 31 March 2018, to:

- i. make political donations to political parties, to political organisations other than political parties, or to independent election candidates, as defined in sections 363 and 364 of the Act, not exceeding £100,000 in total; and
- ii. incur political expenditure, as defined in section 365 of the Act, not exceeding £100,000 in total,

Provided that the aggregate amount of any such donations and expenditure shall not exceed £100,000 during the period for which this resolution has effect.

### Resolution 17

THAT

- i. the Directors be authorised to allot ordinary shares of 10 pence each in the capital of the Company (Ordinary Shares) or grant rights to subscribe for, or convert any security into, Ordinary Shares in accordance with article 7 of the Company's Articles of Association, up to a maximum nominal amount of £14,350,000;
- ii. this authority shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, at the close of business on 31 March 2018; and
- iii. all previous unutilised authorities under section 551 of the Companies Act 2006 (the Act) shall cease to have effect (save to the extent that the same are exercisable pursuant to section 551(7) of the Act by reason of any offer or agreement made prior to the date of this resolution which would or might require Ordinary Shares to be allotted or rights to be granted on or after that date).

### Resolution 18

THAT

- i. in accordance with article 8 of the Company's Articles of Association, the Directors be given power to allot equity securities for cash;
- ii. the power under paragraph (i) above (other than in connection with a rights issue, as defined in article 8(b)(ii) of the Company's Articles of Association) shall be limited to the allotment of equity securities having a nominal amount not exceeding in aggregate £4,793,000;
- iii. this authority shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, at the close of business on 31 March 2018; and
- iv. all previous unutilised authorities under sections 570 and 573 of the Companies Act 2006 shall cease to have effect.

### Resolution 19

THAT in accordance with the Companies Act 2006 (the Act), the Company is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares of 10 pence each in the capital of the Company (Ordinary Shares) on such terms and in such manner as the Directors may from time to time determine, provided that:

- i. the maximum number of Ordinary Shares that may be purchased under this authority is 95,870,000;
- ii. the minimum price which may be paid for each Ordinary Share is 10 pence (exclusive of all expenses);
- iii. the maximum price which may be paid for each Ordinary Share (exclusive of all expenses) shall not be more than the higher of:
  - (A) an amount equal to 105 per cent. of the average of the middle market prices shown in the quotations for the Ordinary Shares in the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that Ordinary Share is purchased; and
  - (B) an amount equal to the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share on the trading venue where the purchase is carried out; and
- iv. the authority hereby conferred shall, unless previously revoked or varied, expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, at the close of business on 31 March 2018 save in relation to purchases of Ordinary Shares the contract for which was concluded before the expiry of this authority and which will or may be executed wholly or partly after such expiry, where the Company may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

All previous unutilised authorities for the Company to make market purchases of Ordinary Shares are revoked, except in relation to the purchase of Ordinary Shares under a contract or contracts concluded before the date of this resolution and where such purchase has not yet been executed.

#### Resolution 20

THAT a general meeting of the Company other than an AGM of the Company may be called on not less than 14 clear days' notice.

#### Resolution 21

THAT, with effect from the conclusion of the Annual General Meeting, the Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

Registered Office:  
121 Winterstoke Road  
Bristol BS3 2LL  
Registered in England and Wales No: 3236483

By order of the Board  
John M Downing  
Company Secretary

12 December 2016

#### Notes

1. Only holders of Ordinary Shares are entitled to attend and vote at this AGM. A member entitled to attend and vote is entitled to appoint a proxy or proxies to exercise all or any of his/her rights to attend, speak and vote instead of him/her. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different Ordinary Share or Ordinary Shares held by him/her. A proxy need not be a member of the Company.

You may appoint your proxy electronically at [www.sharevote.co.uk](http://www.sharevote.co.uk). You will need the Voting I.D., Task I.D. and Shareholder Reference which together make up your personal voting reference number printed on the front of the proxy form enclosed with this notice. Alternatively, if you have already registered with Equiniti's online portfolio service, Shareview, you can submit your proxy form at [www.shareview.co.uk](http://www.shareview.co.uk) (click on the link to vote). For further information see the instructions printed on the proxy form.

As an alternative to appointing your proxy electronically a proxy form is enclosed with this notice and instructions for its completion are shown on the form. Proxy forms and the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority need to be deposited with the Company's registrar, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. All proxy forms, whether completed electronically or on paper, must be received by the Company's registrar not less than 48 hours before the scheduled start of the AGM or any adjournment thereof.

Completion of a proxy form, either in electronic or paper format, does not preclude a member attending and voting in person at the AGM. A vote withheld option is provided on the proxy form to enable you to instruct your proxy not to vote on any particular resolution. It should, however, be noted that a vote withheld in this way is not a 'vote' in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

A member must inform the Company's registrar in writing of any termination of the authority of a proxy.

A person to whom this notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statements of the rights of members in relation to the appointment of proxies in this notice do not apply to a Nominated Person. The rights of members in relation to the appointment of proxies can only be exercised by registered members of the Company. Nominated Persons are reminded that they should contact the registered holder of their Ordinary Shares (and not the Company) on matters relating to their investments in the Company.

2. Under section 319A of the Act, a member attending the meeting has the right to ask questions in relation to the business of the meeting. The Company must cause to be answered any such questions relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

3. As at 12 December 2016 (being the last business day prior to publication of this notice) the Company's issued share capital consisted of 1,036,000,000 Ordinary Shares carrying one vote each (including 77,289,137 Ordinary Shares held by the Company in treasury which do not carry any voting rights). The total number of exercisable voting rights in the Company as at 12 December 2016 was, therefore, 958,710,863.
4. The following documents, which are available for inspection during normal business hours at the registered office of the Company on any weekday (Saturdays, Sundays and public holidays excluded), will also be available for inspection at the place of the AGM from 1.30pm on the day of the AGM until the conclusion of the AGM:
  - i. copies of the service contracts of the Executive Directors under which they are employed by the Company and the letters of appointment (and other related documents) of the Non-Executive Directors;
  - ii. copies of the rules of the International Sharesave Plan, the Share Matching Scheme, the Bonus Match Plan, the Long Term Incentive Plan, the Long Term Bonus Incentive Plan, the Discretionary Share Award Plan and the deeds of the Employee Benefit Trusts.

In addition, a copy of the proposed new Articles of Association of the Company and a copy of the current Articles of Association of the Company, marked to show all the changes proposed by resolution 21, will be available for inspection at the registered office of the Company and at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD during normal business hours from the date of this notice until the time of the AGM, and will also be available at the place of the AGM from at least 15 minutes prior to the meeting and until the conclusion of the meeting.

5. The Company specifies that only those shareholders registered in the register of members of the Company as at 6.30pm on 30 January 2017 (or, in the event of any adjournment, 6.30pm on the date which is two days before the adjourned meeting) shall be entitled to attend and/or vote at the aforesaid AGM in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the relevant register of securities after 6.30pm on 30 January 2017 (or, in the event of any adjournment, 6.30pm on the date which is two days before the adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the AGM.
6. **Electronic proxy appointment through CREST**

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Company's AGM to be held on 1 February 2017 and any adjournment(s) thereof by using the procedures described in the CREST Manual (available via [www.euroclear.com](http://www.euroclear.com)). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or relates to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in this notice of the AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

7. In accordance with the Company's established practice, all resolutions will be taken on a poll so as to accurately record the decision of all members based on their shareholding interests in the Company.
8. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if more than one, they do not do so in relation to the same Ordinary Shares.



9. It is possible that, pursuant to requests made by members of the Company under section 527 of the Act, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM or any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The Company may not require the members requesting such website publication to pay its expenses in complying with sections 527 or 528 of the Act and it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Act to publish on its website.
10. A copy of this notice and other information required by section 311A of the Act can be found on the Company's website ([www.imperialbrandsplc.com](http://www.imperialbrandsplc.com)).
11. You may not use any electronic address provided either in this notice or in any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.
12. Under section 338 and section 338A of the Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in such business. A resolution may properly be moved or a matter may properly be included in the business of the meeting unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business of the meeting, must be authorised by the person or persons making it, must be received by the Company not later than 20 December 2016, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business of the meeting only) must be accompanied by a statement setting out the grounds for the request.

## EXPLANATORY NOTES

### Annual Report and Accounts (Resolution 1)

The Directors of the Company must present the Company's Annual Report and Accounts to the AGM.

### Directors' Remuneration Report (Resolution 2)

In accordance with section 439 of the Act, the Company is required to present the Directors' Remuneration Report to shareholders for their approval as a means of providing shareholder feedback to the Company in respect of overall remuneration packages. This vote will be advisory and the Directors' entitlement to remuneration is not conditional on it. The Directors' Remuneration Report can be found on pages 51 to 73 of the 2016 Annual Report and Accounts which is available on the Company's website.

### Directors' Remuneration Policy (Resolution 3)

Shareholders are asked to approve the Directors' Remuneration Policy which is set out in full on pages 55 to 61 of the 2016 Annual Report and Accounts which is available on the Company's website. Once the Directors' Remuneration Policy is approved the Company will not be able to make a remuneration payment to a current or future director or a payment for loss of office to a current or past director, unless that payment is consistent with the policy or has been approved by a resolution of the members of the Company.

We are proposing to amend the Directors' Remuneration Policy to address that, despite the Company's strong performance, the total pay of Executive Directors has historically been well below the average for companies comparable to Imperial Brands PLC's size. The Remuneration Committee is concerned that unless the Directors' Remuneration Policy is revised to allow action to address this situation, the Company risks being at an unnecessary disadvantage in its ability to retain the current senior team and plan for recruitment of new senior management in succession planning for the future.

### Declaration of a dividend (Resolution 4)

A final dividend can only be paid after the shareholders at a general meeting have approved it. A final dividend of 54.1 pence per Ordinary Share is recommended by the Directors for payment to shareholders who are on the register at the close of business on 17 February 2017. If approved, the final dividend will become due and payable on 31 March 2017. In accordance with our policy of paying quarterly dividends, interim dividends of 23.5 pence per Ordinary Share were paid on 30 June 2016 and 30 September 2016 and an interim dividend of 54.1 pence per Ordinary Share will be paid on 30 December 2016.

### Election and re-election of Directors (Resolutions 5 to 13)

The Company's Articles of Association require that all Directors retire from office at each AGM and that those wishing to serve again shall submit themselves for election or re-election by the shareholders. Brief biographies of all the Directors appear on pages 34 and 35 of the 2016 Annual Report and Accounts and on the Company's website. Having considered the performance of each Director as part of the Board Evaluation, the contribution made by each of the Directors, the independence of Non-Executive Directors particularly in respect of those who have served in excess of six years, the Board is satisfied that the performance of each Director continues to be effective and to demonstrate commitment to the role and as such recommends their election or re-election. In reaching this recommendation the Board also considered both the individual skills and experience brought by each member and the overall skill set of the Board.

Mrs Esperdy joined the Board on 1 July 2016 and brings significant international investment banking experience gained during her career including her appointment as Global Chairman of JP Morgan's Financial Institutions Group. Mr Stanbrook joined the Board on 8 February 2016. He brings extensive senior executive international experience gained in a number of FMCG companies, including in the USA.

Mr Herlihy will be retiring at the conclusion of the AGM and is not standing for re-election.

#### **Reappointment and remuneration of Auditor (Resolutions 14 and 15)**

Resolutions 14 and 15 propose the reappointment of PricewaterhouseCoopers LLP as Auditor of the Company and authorise the Audit Committee (on behalf of the Board) to set its remuneration.

#### **Authority to make donations to political organisations and to incur political expenditure (Resolution 16)**

Neither the Company nor any of its subsidiaries has any intention of making political donations or incurring any political expenditure under the terms of this resolution.

Part 14 of the Act, amongst other things, prohibits the Company and its subsidiaries from making donations to an EU political party or other EU political organisation or to an independent election candidate in the EU of more than £5,000 in any 12 month period unless they have been authorised to make donations by the Company's shareholders.

The Act defines political organisations widely. It includes organisations which carry on activities which are capable of being reasonably regarded as intended to affect public support for a political party or an independent election candidate in any EU Member State or to influence voters in relation to any referendum in any EU Member State. As a result, it is possible that the definition may include bodies, such as those concerned with policy review and law reform or with the representation of the business community or sections of it, which the Company and/or its subsidiaries may see benefit in supporting.

Accordingly, the Company wishes to ensure that neither it nor its subsidiaries inadvertently commits any breaches of the Act through the undertaking of routine activities, which would not normally be considered to result in the making of political donations and political expenditure being incurred. The resolution authorises the Company and its subsidiaries to:

- i. make political donations to political parties, political organisations other than political parties, or independent election candidates, not exceeding £100,000 in total; and
- ii. incur political expenditure up to an aggregate amount not exceeding £100,000 in total,

in the period commencing on the date of the resolution and ending at the conclusion of the AGM of the Company held in 2018 or, if earlier, the close of business on 31 March 2018. The overall expenditure under i and ii above shall be capped at £100,000 in total.

For the purpose of this resolution the terms "political donations", "political parties", "independent election candidates", "political organisations" and "political expenditure" have the meanings set out in sections 363 to 365 of the Act.

#### **Directors' authority to allot securities (Resolution 17)**

The Directors may only allot Ordinary Shares or grant rights over Ordinary Shares if authorised to do so by shareholders. The authority granted at the last AGM to allot Ordinary Shares or grant rights to subscribe for, or convert any security into, Ordinary Shares is due to expire at the conclusion of this year's AGM. Accordingly, this resolution seeks to grant a new authority under section 551 of the Act to authorise the Directors to allot Ordinary Shares or grant rights to subscribe for, or convert any security into, Ordinary Shares and will expire at the conclusion of the next AGM of the Company in 2018 or, if earlier, the close of business on 31 March 2018.

If passed, Resolution 17 would give the Directors authority to allot Ordinary Shares or grant rights to subscribe for, or convert any security into, Ordinary Shares up to an aggregate nominal value of £14,350,000 representing approximately 15 per cent of the Company's existing issued share capital (excluding Ordinary Shares held in treasury) and calculated as at 12 December 2016 (being the latest practicable date prior to publication of this notice).

There is no present intention of exercising this authority. However, it is considered prudent to maintain the flexibility that this authority provides. As at 12 December 2016, the Company held 77,289,137 Ordinary Shares in treasury, which represent approximately 7.5 per cent of the issued share capital (excluding Ordinary Shares held in treasury) as at 12 December 2016. The Directors intend to renew this authority annually.

#### **Disapplication of pre-emption rights (Resolution 18)**

Under section 561(1) of the Act, if the Directors wish to allot any shares or grant rights over shares or sell shares held in treasury for cash (other than pursuant to an employee share scheme) they must in the first instance offer them to existing shareholders in proportion to their holdings. There may be occasions, however, when the Directors will need the flexibility to finance business opportunities by the issue of Ordinary Shares for cash without a pre-emptive offer to existing shareholders. This cannot be done under the Act unless the shareholders have first waived their pre-emption rights. Resolution 18 asks shareholders to do this and, apart from rights issues or any other pre-emptive offer concerning equity securities, the authority will be limited to the issue of Ordinary Shares for cash up to a maximum aggregate nominal value of £4,793,000 (which includes the sale on a non pre-emptive basis of any Ordinary Shares held in treasury for cash), which is equivalent to approximately 5 per cent of the Company's issued share capital as at 12 December 2016 (being the latest practicable date prior to publication of this notice). The Directors do not intend to issue more than 7.5 per cent of the issued



share capital of the Company for cash on a non pre-emptive basis in any rolling three year period without prior consultation with shareholders. Shareholders will note that this resolution also relates to Ordinary Shares held in treasury and will be proposed as a special resolution.

This resolution seeks a disapplication of the pre-emption rights on a rights issue or other pre-emptive offer so as to allow the Directors to make exclusions or such other arrangements as may be appropriate to resolve legal or practical problems which, for example, might arise with overseas shareholders. If given, the authority will expire at the conclusion of the next AGM of the Company in 2018 or, if earlier, the close of business on 31 March 2018. The Directors intend to renew this authority annually.

#### **Authority to purchase own shares (Resolution 19)**

In certain circumstances it may be advantageous for the Company to purchase its own Ordinary Shares and Resolution 19 seeks the authority from shareholders to continue to do so. Authority was given to the Company to make market purchases up to an aggregate of 95,870,000 of its Ordinary Shares at the AGM held on 3 February 2016 (being equal to approximately 10 per cent of the Company's issued ordinary share capital, excluding Ordinary Shares held in treasury, as at 11 December 2015, the latest practicable date prior to the publication of the notice for the AGM held on 3 February 2016). This authority is due to expire at the end of the AGM and it is proposed that the Company be authorised to make market purchases up to an aggregate of approximately 10 per cent of the Company's issued share capital, excluding Ordinary Shares held in treasury, as further described below. The Directors will exercise this power only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase earnings per share and will be likely to promote the success of the Company for the benefit of its members as a whole. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account when exercising this authority. Any Ordinary Shares purchased in this way will either be held in treasury or cancelled and the number of Ordinary Shares in issue reduced accordingly. If the Directors consider it appropriate to do so, the Company may hold in treasury any of its Ordinary Shares that it purchases pursuant to the Act and the authority conferred by this resolution as an alternative to cancelling them. This gives the Company the ability to reissue Ordinary Shares held in treasury quickly and cost-effectively and provides the Company with greater flexibility in the management of its capital base. It also gives the Company the opportunity to satisfy employee share scheme awards with Ordinary Shares held in treasury. Ordinary Shares held in treasury may subsequently be cancelled, sold for cash or used to satisfy share options and share awards under employee share schemes. Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings, in respect of the Ordinary Shares. Further, no dividend or other distribution of the Company's assets may be made to the Company in respect of the Ordinary Shares held in treasury.

The proposed authority would be limited to purchases of up to 95,870,000 Ordinary Shares which is equal to approximately 10 per cent of the Company's issued share capital, excluding Ordinary Shares held in treasury, as at 12 December 2016 (being the latest practicable date prior to publication of this notice). The resolution specifies the maximum and minimum prices at which the Company's Ordinary Shares may be bought.

The minimum price which may be paid for each Ordinary Share is 10 pence (exclusive of all expenses). The maximum price which may be paid for each Ordinary Share is the higher of the amount equal to 105 per cent of the average of the middle market prices shown in the quotations for the Ordinary Shares in the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is purchased and an amount equal to the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share on the trading venue where the purchase is carried out (in each case exclusive of all expenses).

For information, as at 12 December 2016 (being the latest practicable date prior to publication of this notice) there were outstanding 4,438,457 awards and options to subscribe for Ordinary Shares, representing 0.46 per cent of the Company's issued share capital (excluding Ordinary Shares held in treasury). If both the new authority and the existing authority were exercised in full, the awards and options would represent 0.58 per cent of the Company's ordinary share capital (excluding Ordinary Shares held in treasury).

Resolution 19 will be proposed as a special resolution to provide the Company with the necessary authority. If given, this authority will expire at the conclusion of the next AGM of the Company in 2018 or, if earlier, the close of business on 31 March 2018.

The Directors intend to seek renewal of this power at subsequent AGMs.

#### **Authority to hold general meetings (other than annual general meetings) on 14 clear days' notice (Resolution 20)**

The notice period required by the Act for general meetings of the Company is 21 clear days unless shareholders approve a shorter period which cannot, however, be less than 14 clear days. AGMs must always be held on at least 21 clear days' notice. At the AGM held on 3 February 2016, shareholders authorised the calling of general meetings other than an AGM on not less than 14 clear days' notice, and it is proposed that this authority be renewed. The authority granted by Resolution 20, if passed, will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed. In order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting. Resolution 20 seeks the approval of shareholders to renew the authority to be able to call general meetings (other than an AGM) on 14 clear days' notice. The flexibility offered by Resolution 20 will only be used where, taking into account the circumstances, and noting the recommendations of the UK Corporate Governance Code 2014, the Directors consider this appropriate in relation to the business of the meeting and in the interests of the Company and shareholders as a whole.

### **Adoption of new Articles of Association (Resolution 21)**

It is proposed to adopt new articles of association (the 'New Articles'), primarily to take account of developments in market practice since the last update in 2011. The principal changes introduced in the New Articles are summarised below. Minor, technical and clarifying changes have not been noted. A copy of the New Articles and a copy of the current articles of association ('Current Articles'), marked to show all the changes proposed, are available for inspection as noted on page 6 of this document.

#### **Electronic general meetings**

The New Articles include provisions enabling general meetings to be held electronically as well as physically in accordance with the Companies (Shareholders' Rights) Regulations 2009 and the Companies Act 2006. If resolution 21 is passed, the changes introduced in the New Articles will allow for meetings to be held and conducted in such a way that persons who are not present together at the same place may attend, speak and vote at the meeting by electronic means. This change is proposed to allow the Company additional flexibility to embrace new technology, as it develops. However, nothing in the New Articles will preclude physical general meetings being held and the Company has no current plans to hold electronic general meetings.

#### **Vacation of office of director**

The New Articles include updated wording, in line with recent legislation, regarding the circumstances in which a director must vacate office where the director has become physically or mentally ill, subject to a resolution of the board. The change applies a test of whether in the opinion of a medical practitioner the director is rendered incapable by his/her illness of acting as a director for more than three months.

#### **Payment of dividends**

The New Articles update the provisions of the Current Articles that relate to the way dividends are paid, in line with recent market practice and guidance issued in 2014 by the ICSA Registrar's Group. The New Articles confirm the existing flexibility under the Current Articles to allow the payment of dividends by different methods (including cheque, bank transfer, electronic and other means) and additionally permit the Board to decide which payment method is to be used on any particular occasion. The Company does not intend to change the current methods of payment at this time, but considers it important to have the flexibility to cater for new developments and changes in practice, including considering the efficiency and cost savings if, in the future, the Company changed to electronic payment only.

#### **Capitalisation of reserves - employees' share schemes**

The New Articles include an updated provision, in line with market practice, that clarifies the approach the Company would intend to take in the context of a capitalisation of reserves where shares are to be allotted at less than their nominal value under an employees' share scheme.

#### **Untraced members**

The New Articles will provide greater flexibility when the Company is trying to trace its shareholders. They replace the requirement to place notices in newspapers with a requirement that the Company must send a final notice to the last registered address of the shareholder and use reasonable steps in the circumstances to trace the shareholder and inform them that the Company intends to sell the shares. This can include engaging a tracing agent to search for shareholders who have not kept their details up to date, or taking any other steps that are considered appropriate. The New Articles entitle the Company to use the sale proceeds for general corporate purposes.