



IMPERIAL TOBACCO
PENSION FUND

SUMMARY REPORT

2023

DEFINED BENEFIT



WELCOME TO THE 2023 SUMMARY REPORT FOR DEFINED BENEFIT MEMBERS.

The triennial actuarial valuation, looking at the financial health of the Fund as at 31 March 2022, has recently been concluded and I am pleased to report that the funding position is strong. This is an excellent position to be in, but we aren't complacent. Together with the Company, the Trustee Board is continuing to look for opportunities to reduce risk and improve the security of your pension. You can find out more about the valuation and the annual update for 2023 inside.

In addition, you can read about our new Taskforce on Climate-related Financial Disclosures (TCFD) report and how the Trustee considers Environmental, Social and Governance (ESG) factors in our investment section, which also includes the changes in investments made in the year.

Our new Fund website has been launched at myimperialpension.com, where you will find a copy of this report and other useful information.

Finally, following selection processes in the year for two Trustee Directors, I am delighted to welcome Ross Parker, who was appointed as the Employee Nominated Trustee, and confirm that Ken Hill has been re-appointed as a Member Nominated Trustee for the pensioner and deferred membership groups.

I'd like to acknowledge the efforts of all my fellow Trustee Directors, as well as the Pension Fund Office and our professional advisers, in ensuring the ongoing success of the Fund.

HELEN CLATWORTHY
Trustee Board Chair

Fund
VALUE
£2.9bn

Fund
MEMBERSHIP
26k



FURTHER INFORMATION

The figures in this summary have been taken from the Fund's full report for the year to 31 March 2023, which contains an unqualified opinion on the Fund's financial statements from its independent auditors RSM UK Audit LLP.

A free copy of the full report is available from the Pension Fund Office to any member on request.

Also available are the actuary's report on the last triennial valuation (as at 31 March 2022) and the latest version of the Statement of Investment Principles and the ESG Policy Statement.

Copies of these, and other useful, documents can also be found at:

 myimperialpension.com




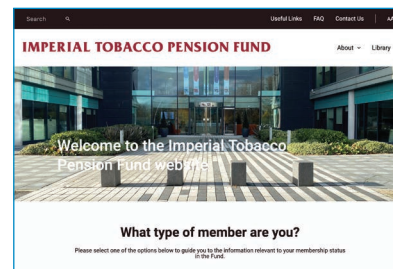
SCAN ME

New Pension Fund website

A new website has been set up to provide members of the Imperial Tobacco Pension Fund with quick, easy access to a range of relevant information.

The site includes a news section to allow the Trustees to report on recent Fund information and hot topics on the pensions landscape, as well as providing access to a library of key Fund documents. It also has a page on frequently asked questions covering areas such as payslips, income tax, pension increases, death benefits and the State pension.

Visit:  myimperialpension.com to find out more.



Staying in touch

Please remember to let us know if your contact details change, including your address, telephone number or email address.


We will need to receive the new information in writing, accompanied by your signature to help us ensure that the change is genuine.

Without up-to-date details, we can't update you with Fund news and there may be delays in paying your benefits on retirement or, if you

are already in receipt of a pension, it may result in your payments being suspended.

For other matters, please make contact with the pensions team by email, telephone or in writing:

 pension.enquiries@uk.imptob.com

 0117 953 0000

Imperial Tobacco Pension Trustees Limited, PO Box 3242, Winterstoke Road, Bristol BS3 9GY



Investment review

The Trustee's primary investment objective is to invest the Fund's DB assets in an appropriate and secure manner so that members' pensions can be paid.

Over the year, the value of the Fund's investments fell to £2,890 million. The rise in gilt yields (the return on Government bonds) led to this large fall in assets and this was matched by a reduction in the Fund's liabilities.

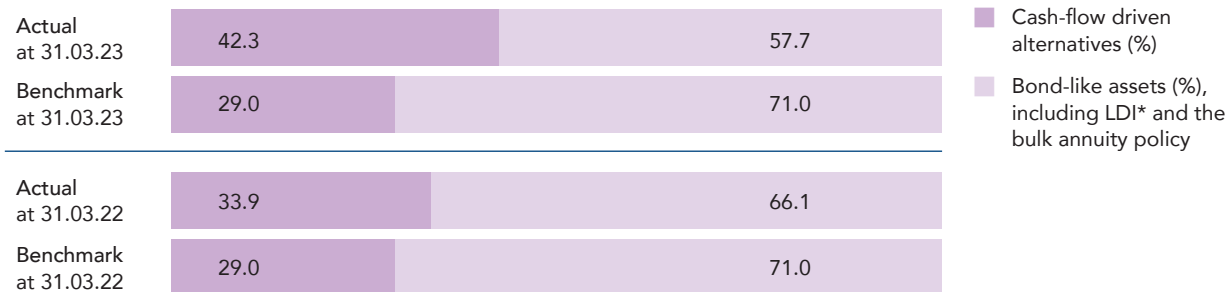
We want to reassure members that this fall in investment value has not had any significant impact on the Fund's overall financial strength (see page 7 for more details).

The Fund is in good financial health and the investment strategy is unchanged.

The Government's 'mini-budget' at the end of September 2022 led to fluctuations across investment markets and the need – at short notice – for additional collateral in the Liability Driven Investment (LDI) strategy.

As a result, the Trustee sold its entire corporate bond portfolio and arranged a temporary loan from Imperial. The loan from Imperial was repaid in full by 31 March 2023. In addition, during the year the multi-asset credit portfolio was sold.

ASSET ALLOCATION



Fund return: -29.2%

(*LDI is short for liability-driven investments, which aim to meet the Trustee's investment objectives by reducing the volatility in the funding level. LDI gives protection against interest rate and inflation risks by investing in a range of assets that closely match the behaviour of the pension liabilities.)

SUMMARY OF MONEY PAID INTO AND OUT OF THE DB SECTION OF THE FUND IN THE YEAR TO 31 MARCH 2023 (£000s)

MONEY PAID IN		MONEY PAID OUT	
Employer and member contributions	569	Pension payments	139,856
Investment income	170,304	Lump sums on retirement	10,960
		Transfers out and other payments	45,954
		Administration and investment expenses	10,546
Total income	170,873	Total outgoings	207,316

(The Fund's investments are used to cover any shortfall in outgoings.)

OUR DB MEMBERS

2023 (last year's membership in brackets)



Active (employees):
233 (254)



Deferred:
12,276 (12,992)



Pensioners, including dependants: 13,511 (13,763)

PENSION SURRENDER OPTION



In the year the Trustee reviewed the rates for the surrender option. Under this option members who joined the Fund before April 2002 can give up some of their annual pension in exchange for receiving potentially higher pension increases in the future.

Moving forward, if the rates change, the Trustee will write to affected members only about the option.



Annual Summary Funding Statement

Every three years the Fund's Actuary carries out a health check known as a formal valuation.



The Trustees are pleased to report that the actuarial valuation as at 31 March 2022 showed improvements to the funding level on all three of its objectives and, in particular, a surplus on its winding-up objective.

The positions improved as a result of good investment returns, the bulk annuity purchase with Standard Life, and company contributions of £50m.

While the funding levels reduced over the year to 31 March 2023, the Fund remains in a strong position. There continues to be a significant surplus on the statutory funding objective and the total service objective and there is a small deficit on the winding-up objective. The reduction in funding levels is largely due to the impact of market volatility experienced in 2022. In addition,

rising interest rates have caused both the assets and liabilities to reduce significantly.

The Trustee Board believes that, together with the continuing commitment from the Company, members have a high degree of security for the benefits they have been promised.

● What is an actuarial valuation?

An actuarial valuation compares the value of the Fund's current investments or assets against the amount of money that the Actuary calculates it needs to hold now to pay out benefits to all members in the future.

If the assets are less than this amount, the Fund has a shortfall and the actuary recommends a recovery plan for Imperial Tobacco Limited to make up this shortfall as quickly as it can.

In years between actuarial valuations, the Trustees obtain an

The Trustees must obtain a formal actuarial valuation at least once every three years from the Actuary

Actuary Tim Panter



annual actuarial report from the Actuary to update them on the Fund's financial position.

● The Fund has three different funding objectives:

The first arises from UK pensions law and there are two additional objectives specific to this Fund.

1. Statutory funding objective

This assumes the Fund continues to operate as it does now. The objective is to have enough assets to pay for pensions built up to the valuation date. The assumptions used to calculate the statutory funding objective are required by law to be prudent.

2. Total service objective.

This is similar to the statutory funding objective but the benefits accruing over the expected future service of current employed members are also taken into account.

3. Winding-up objective.

This is for the Fund to have enough assets to cover the cost of securing benefits with an insurer if the Fund was discontinued, with deferred benefits granted to employed members.



Financial health of the Fund

The table below shows the results from the last annual actuarial report at 31 March 2021 alongside the actuarial valuation as at 31 March 2022 and the annual actuarial report at 31 March 2023:

1. Statutory funding objective	2021	2022	2023
Assets	£4,199m	£4,338m	£2,890m
Technical Provisions	£3,809m	£3,671m	£2,639m
Surplus/(deficit)	£390m	£668m	£251m
Funding level	110%	118%	110%
<hr/>			
2. Total service objective	2021	2022	2023
Assets	£4,199m	£4,338m	£2,890m
Total service	£3,906m	£3,751m	£2,681m
Surplus/(deficit)	£293m	£588m	£209m
Funding level	108%	116%	108%
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3. Winding-up objective	2021	2022	2023
Assets	£4,199m	£4,338m	£2,890m
Winding-up cost	£4,454m	£4,177m	£2,941m
Surplus/(deficit)	(£255m)	£162m	(£51m)
Funding level	94%	104%	98%

Figures may not sum due to rounding

● How will the shortfall be made up?

The Company has agreed to pay contributions which are dependent on the size of the winding-up deficit. The annual contribution will be higher in years where the winding up deficit is higher.

Over the next year the Company will pay contributions to cover the cost of ongoing accrual. In light of the strong funding position these contributions will be made to a separate account held outside of the Fund so they can be released to the Fund in future, if required, or returned to the Company.

● Contingent Funding Arrangements

Additional security is also in place which would provide supplementary funding under specific circumstances:

- **Surety guarantees** – with a total value of up to £120 million. These can be called on by the Trustee Board in specified circumstances, such as the Company's liquidation.

- **Increased contributions of three times the annual deficit contribution each year if the credit rating of Imperial Brands PLC falls below investment grade.**
- **The continuing formal parent company guarantee from Imperial Brands PLC.**

The level of contributions will be reassessed at the next valuation in 2025.

● Statutory statements

There has been no payment out of the Fund's assets over the period from April 2021 to March 2023 to the Company.

There has been no intervention from The Pensions Regulator to use its powers to modify the Fund or to impose a direction or schedule of contributions.





Don't let a scammer take your pension

Scammers design attractive offers to persuade you to transfer your pension pot to them or to release funds from it.

They can be articulate and financially knowledgeable, with credible websites, testimonials and materials that are hard to distinguish from the real thing. Here are some top tips to avoid being caught out:

1. Reject any unsolicited calls, emails, text messages or visitors to your door. Legitimate companies won't cold call or contact you out of the blue. Never be rushed or pressurised into making a decision. Offers or mentions of early access to your pension before age 55, 'one-off investments', 'time-limited offers', 'free pension reviews' or 'government initiatives' are all tell-tale signs of pension scams. As are offers promising high rates of return on your investment while claiming it's a low-risk option.

2. Before transferring any pension, make sure that the person or firm you're dealing with is regulated by the Financial Conduct Authority (FCA) by checking the FCA register ([register.fca.org.uk](https://www.fca.org.uk/register)) of regulated companies, or its warning list ([fca.org.uk/consumers/warning-list-unauthorised-firms](https://www.fca.org.uk/consumers/warning-list-unauthorised-firms)).
3. Check the adviser or firm's reputation online. Is it good or have there been complaints? It's also worth checking social media for personal experiences.
4. Where is the firm/adviser located and how easy is it to contact them? Is their address a PO Box or a serviced office? Is there a dedicated landline or just a mobile number? If the firm doesn't allow you to call them back or if anything appears to be hidden, be suspicious.
5. Listen to your pension provider's warnings. Scammers might warn that your current pension provider or former employer will try and

stop you transferring out, suggesting that they just want to keep your money. This isn't the case, Imperial's Pension Fund Office will have to do some thorough due diligence checks on the arrangement you're planning to transfer to. If they suspect a scam, they have an obligation to try to protect your funds.

6. Check any offer against the information on the FCA's Scam Smart website ([fca.org.uk/scamsmart](https://www.fca.org.uk/scamsmart)).

Remember: If you are thinking of transferring your pension and your transfer value is greater than £30,000, you are required by law to seek financial advice from an adviser regulated by the FCA and one authorised to provide advice in relation to DB pension transfers, although it is recommended that you obtain financial advice regardless of the size of your transfer value.

DB section closes to future accrual for employees

At the end of February 2023 Imperial started a consultation with employee members of the Defined Benefit (DB) section of the Pension Fund about its proposal to close this section to future pension build up, with current employee members joining the Defined Contribution (DC) section of the Fund for future pensionable service.

The relevant employees and unions were consulted on the change and these employees will move from the DB to DC section with effect from 1 October 2023. They will then become deferred pensioners of the DB section.

Imperial was not able to make these changes using the Trust Deed and Rules of the Fund, because of the restrictions in the amendment power in the Rules. It has made the changes via an employment contract route. The Trustee was aware of the consultation but was not required to agree to the changes.

The closure of the DB section to future accrual with effect from 30 September 2023 will not affect other members of the Fund and DB pensions in payment will continue to be paid as normal.



THE FUND'S APPROACH TO RESPONSIBLE INVESTING

The Trustee has a legal duty to invest in the best financial interests of the scheme's members and it recognises that ESG (Environmental, Social & Governance) factors, including climate change, can be financially material.

The Fund's approach to responsible investing, including how it works with its investment managers, is set out in the ESG Policy, which sits alongside the

Statement of Investment Principles (SIP) and Climate Delegation Framework. The Trustee has also produced an annual Implementation Statement which demonstrates how the policies set out in the SIP have been implemented.

The Taskforce on Climate-related Financial Disclosures (TCFD), a voluntary international institution, has developed a framework to improve and increase reporting of climate-

related financial information, which helps investors understand their financial exposure to climate risk.

The first report providing disclosures following the TCFD framework has been prepared this year. It sets out a summary of our key actions across the four TCFD pillars: Governance, Strategy, Risk Management, and Metrics and Targets.

All of these documents can be viewed on the Fund's website at [myimperialpension.com](https://www.myimperialpension.com)

Pension tax changes

In his Spring Budget, the Chancellor announced pension tax changes, effective from 6 April 2023. The headline changes are:

- The abolition of the Lifetime Allowance (LTA) and the LTA charge.
- An increase in the Annual Allowance (AA) to £60,000.
- Increases to the money purchase annual allowance (MPAA) and the minimum tapered AA for high earners from £4,000 to £10,000.
- A cap on tax-free cash at retirement of £268,275.

The AA is the maximum amount of tax-free pension savings you can make over the course of a tax year. For the 2023/24 tax year this has increased from £40,000 to £60,000 but it will be lower if the amount of your total taxable income plus the amount of your pension savings is greater than £260,000.



Chancellor Jeremy Hunt introduced pension tax changes that came into effect on 6 April 2023

In these circumstances your AA would be reduced by £1 for every £2 of income above £260,000 down to a minimum AA of £10,000 for those with income of £360,000 or more.

The LTA was the total limit on your pension savings which qualified for tax relief and applied to all the pension benefits built up over your working life.

The LTA will be abolished in a future finance bill, expected to be effective from April 2024, and the LTA charge has been abolished with effect from 6 April 2023.

However, the maximum tax-free lump sum (the 'pensions

commencement lump sum' (PCLS) will be frozen at 25% of the LTA for the 2022/23 tax year of £1,073,100, restricting the maximum amount of tax-free cash you can take on drawing benefits to £268,275.

If you already have a protected right to a higher PCLS you'll retain that right.



Right: the Trustee Board, from left: David Fripp, Lisa Hall, Ken Hill, Helen Clatworthy (chair), James King, Kirsty Green-Mann and Tony Dunnage. Below: Ross Parker

The Trustee Board welcomed Employee Nominated Trustee Ross Parker in September 2022, following the departure of Sam Miller. Ross leads the Group Corporate Affairs team for Imperial Brands, which is responsible for engaging with governments, regulators and politicians worldwide.





Member Nominated Trustee Ken Hill has also successfully been reselected for a third four-year term, which will run until 28 February 2027 when new nominations will be sought.



The Trustees are keen to hear your views. Please contact the Pension Fund Office at:

Imperial Tobacco Pension Fund
PO Box 3242, Winterstoke Road, Bristol BS3 9GY

 0117 953 0000

 pension.enquiries@uk.imptob.com

Imperial Tobacco Pension Trustees Limited Board of Directors:

Nominated by Imperial Tobacco:

Helen Clatworthy (Chair)

Tony Dunnage (Global ESG Director)

David Fripp (Independent Trustee Director)

Lisa Hall (Chief Information Officer)

James King (Finance Director, France and Benelux)

Nominated by pensioners and deferred members:

Kirsty Green-Mann

Ken Hill

Nominated by employees:

Ross Parker (Group Corporate Affairs Director)

Pension Fund Office

Jan Killick (Head of UK Pensions and Secretary to the Trustee)

Leigh Callaghan (Pensions Manager)