



IMPERIAL TOBACCO
PENSION FUND

SUMMARY REPORT

2023

DEFINED CONTRIBUTION



WELCOME TO THE 2023 SUMMARY REPORT FOR DEFINED CONTRIBUTION MEMBERS.

In addition to details on the performance of the Fund, 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.

This section also covers some questions and answers on the default investment strategy and the other investment options available. Don't forget that detailed information about your pension and investments can be accessed via your online account with our provider Aegon.

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
£67.6m

Fund
MEMBERSHIP
1.7k



AEGON'S CONTACT DETAILS

The day-to-day administration of the DC section is carried out by Aegon. Members are welcome to get in touch with the Pension Fund Office but, in the first instance, should contact Aegon:

✉ my.pension@aegon.co.uk
Fund helpline: 0345 601 7720

When sending letters, documents or forms, please write to:

**Aegon Workplace Investing
 Sunderland SR43 4DH**

Please remember to quote your Aegon Retirement Account number (starting A/000) in all contact.

Remember: If you change your home address, please let Aegon know. It is also a good idea to let them know your personal email address. Without up-to-date details Aegon won't be able to contact you with Fund news and they may have difficulties tracking your whereabouts ahead of your normal retirement date.


New Pension Fund website

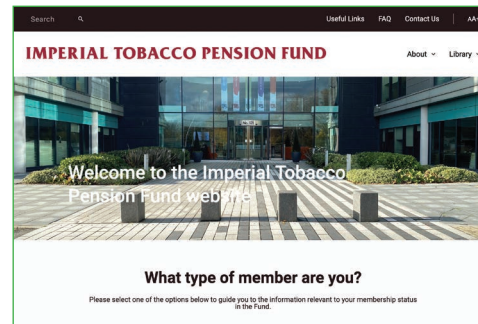
A new website has been set up to provide members of the Imperial Tobacco Pension Fund with quick, easy access to a range of relevant information.

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 how employee members can increase their contributions, investment and retirement options and death benefits.



SCAN ME

Visit:  myimperialpension.com to find out more.



TargetPlan

Register for online access to your Retirement Account (RA) via Aegon's TargetPlan website and get more connected to your pension:

1. Visit lwp.aegon.co.uk/targetplan and click 'Activate'.
2. Enter your RA number, surname and National Insurance number.

3. Answer the security questions then create your user ID and password.

You can also access your RA through your smartphone by downloading Aegon's App, which is available for both Android and iOS devices through your app store.

Building your pension pot

Over half the Fund's employee members contribute at least 7% of their monthly salary into their Retirement Account (RA) to take advantage of the Company's commitment to double your pension contributions up to a maximum of 14% of your pensionable pay.

If you are not one of them, even if the cost-of-living crisis is taking its toll, it is prudent to review your contributions from time to time. And remember, you receive tax relief and NI saving on your pension contributions so the net impact on your take-home pay may

not be as much as you think. For example, if you are earning £30,000 each year and contribute 4%, with the Company contributing 8%, the monthly cost to you is actually c£68 rather than £100 and the total contribution to your account is £300.

	% of pensionable pay			
Employee contribution rate	4%	5%	6%	7%
Company contribution rate	8%	10%	12%	14%
Total invested	12%	15%	18%	21%

You can pay more than 7%, but the Company will only contribute a maximum of 14%.

But, if you pay 7% with the Company contributing 14%, the monthly cost to you increases to c£119 instead of £175, with £525 paid into your RA. To make sure you're on track to meet your retirement goals, take a look at the retirement planner tool on

Aegon's TargetPlan website: lwp.aegon.co.uk/targetplan. And for useful tips and tools on financial wellbeing, visit: aegon.co.uk/personal/financial-wellbeing.html

FORMER DB SECTION EMPLOYEE MEMBERS TO JOIN DC SECTION

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.





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) of regulated companies, or its warning list (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 located and is it easy to contact them? Is their address a PO Box or serviced office? Is there only 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 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 a duty to try to protect your funds.

6. Check any offer on the FCA's Scam Smart website: fca.org.uk/scamsmart

Remember: If you are thinking of transferring your pension or need help with your retirement options, it is recommended that you seek financial advice from an adviser regulated by the FCA. If you are aged 50 or over you can also contact Pension Wise, a free service offering impartial guidance provided by the Government's MoneyHelper organisation, on 0800 138 3944 or book at appointment with them at: moneyhelper.org.uk/en/pensions-and-retirement/pension-wise/book-a-free-pension-wise-appointment

Investment performance

The Global Equity and other indexed funds have tracked the benchmark within an appropriate tolerance range.



Both in the past year and over longer periods, the Diversified Growth Fund (DGF) has underperformed relative to its benchmark, with both of the underlying managers underperforming. Over the long term the DGF has also lagged behind its objective, and the return has been below that of global equities.

This performance is one of the contributory factors in the Trustee Board's decision that the default arrangement should be reviewed.

This review is currently in progress and the outcome will be communicated to members in due course once it is complete.

ANSWERING YOUR INVESTMENT QUESTIONS

Q: What is a default investment fund?

It is the investment option selected by the trustees of a pension scheme where members contributions will be invested if they have not made an active investment selection. The Variable Income Lifecycle (see below) is the default option for members of the DC section.

Q: What does the Variable Income Lifecycle fund provide at my target retirement age?

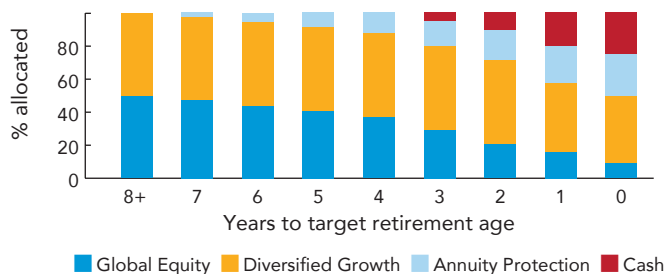
A lifecycle fund aims to provide you

with a good long-term rate of investment return over most of your working life, while protecting the value of your savings as you near retirement.

The Variable Income Lifecycle is aimed at those planning to leave their DC savings (your Retirement Account) invested at retirement and drawdown income from it.

A Cash Lifecycle and Secure Income Lifecycle are also available and are aimed at those members looking to take all of their Retirement Account as cash or to use part or all of it to purchase an annuity (pension).

Variable Income Lifecycle



The chart on the left shows how funds are switched out of the ITPF Global Equity and Diversified Growth Funds over the eight years prior to a member's selected retirement age.

Q: Where are the funds invested in the growth phase (more than eight years before target retirement age)?

The Variable Income Lifecycle is invested half in the Global Equity Fund and half in the Diversified Growth Fund (DGF) as the chart on page 6 shows. This arrangement seeks to provide some downside protection and some protection against inflation as it invests with the aim of growing the investment in real terms. Further diversification of risk is provided in the DGF by having two DGF investment managers (Blackrock and Insight).

Q: What are the investment charges?

Each of the investment funds is subject to an Annual Management Charge (AMC), which varies according to the fund(s) chosen (see chart above right). The AMC is deducted from each of the fund's assets and managed through the unit price of the fund. The highest charges are in the actively managed funds such as the DGF, with lower charges in the index-tracking funds such as UK equity.

Annual Management Charge

Aegon Investment Fund	Aegon AMC (% p.a.)
Diversified Growth*	0.67
Global Equity*	0.35
Overseas Equity	0.32
UK Equity	0.32
Annuity Protection*	0.32
Index-Linked Gilt	0.32
Cash Fund*	0.32
Islamic Global Equity	0.60
Sustainable Global Equity	0.43

** These funds are used in the Variable Income Lifecycle, the default investment option.*

Q: Can I invest in something else?

The option, sometimes referred to as 'self-select' is available for members who wish to make their own investment decisions. There is a choice of funds covering a range of investment types and levels of risk (and a range of charges). If you wish to make a selection you can do this online via Aegon's Targetplan website.

Further information can be found on Aegon's TargetPlan website and in the 'Your investments options' booklet.

Fund information

PERFORMANCE (net of fees) to 31.03.23

	Actual return over one year	Benchmark return over one year
ITPF Global Equity Fund	-4.0	-3.8
ITPF Diversified Growth Fund	-4.5	6.3
ITPF Annuity Protection Fund	-17.4	-18.6
ITPF Cash Fund	1.8	2.2

FUND MEMBERSHIP

at 31.03.23 (last year's in brackets)

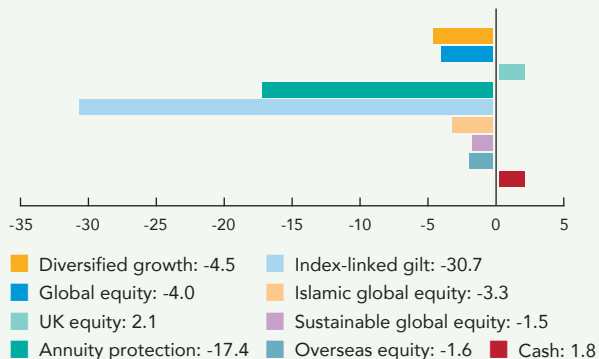


Employees: **790** (644)



Deferreds: **894** (821)

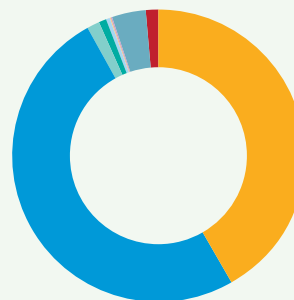
ANNUAL FUND RETURN (%)*



*Net of Aegon Annual Management Charge

FUND VALUE

DC Section Fund investments (£000s)



- Diversified growth: 28,382
- Global equity: 33,927
- UK equity: 874
- Annuity protection: 721
- Index-linked gilt: 77
- Islamic global equity: 18
- Sustainable global equity: 21
- Overseas equity: 2,680
- Cash: 859

TOTAL: 67,559 (2022: 63,387)

Information about the performance of all the funds offered is available online at the TargetPlan website: lwp.aegon.co.uk/targetplan
Remember returns can go down as well as up and past performance is not an indication of future performance.

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. In these



The Annual Allowance for 2023/24 has increased to **£60,000**

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 Dunning. 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 Dunning (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)