

**REPORT OF THE BOARD OF DIRECTORS ON THE APPOINTMENT BY CO-OPTION OF
THE PROPRIETARY DIRECTOR MR. AMAL PRAMANIK**

I

On 28th March, 2018, the Secretary of the Company's Board of Directors received copy of the written communication sent by the proprietary Director Mr. David Resnekov, tendering his resignation as Director of the Company, as with effect from 30th April, 2018, he would cease to provide Imperial Brands PLC ('IB') with professional services.

Mr. Resnekov had worked in the capacity of proprietary Director, in application of article 529 duodecies 4 of the Law of Capital Companies, because he represented IB – the Company's majority indirect shareholder – on the Board of Directors.

II

In accordance with the provisions of Article 529 decies of the Capital Companies Act, of Article 33^o of the Bylaws, and of Article 22 of the Rules of the Board of Directors, *"the members of the Board of Directors of a listed company will be appointed by the General Shareholders' Meeting, or, when a vacancy is foreseen, by the Board itself, by co-option, without the need for the director appointed by the Board to be a shareholder of the Company"*.

An appointment by co-option has to be ratified by the next General Meeting of the Company.

III

In accordance with the rules of the Framework Agreement of 12th June, 2014, signed between the Company and IB (formerly, 'ITG'), the latter proposed the appointment of four directors, out of the ten who currently constitute the Company's Board of Directors.

According to the rules of the Framework Agreement, the vacancy created by Mr. Resnekov's resignation must be filled by another Director who represents IB on the Board.

IB, in a communication of 3rd April, 2018, from the Secretary of its Board of Directors to the Chairman of the Company's Board, proposed the appointment of Mr. Amal Pramanik to fill the vacancy produced.

Mr. Amal Pramanik is a Bachelor of Civil Engineering (Hons) (Indian Institute of Technology, Kharagpur, India) and MBA (Marketing & Systems) (Indian Institute of Management, Ahmedabad, India); he has a Diploma in Non-Executive Directorship (Australian Institute of Company Directors) and is a Certified Executive Coach, (Advanced Coaching Excellence, The Preston Associates). He currently serves at Imperial Brands Group as Group Strategy Director. Previously, he held several positions within the Imperial Group (Growth Division Director, Managing Director in UK and The Netherlands, and Marketing Director in Australia). Prior to joining the Group Imperial Brands, he worked in different positions for other companies: Gillette India, Pepsi Cola India and ITC India (BAT).

IV

The Appointments and Remuneration Committee, in its meeting of today, decided that Mr. Pramanik:

- i) fulfils the requirements of the Law and of the Company's Policy on the Selection of Directors of 19th December 2017, (knowledge, professional experience, recognized soundness and competence, responsibility for the exercise of their office, and absence of conflicts of interest) for appointment as a Director;
- ii) is not involved in any case involving prohibition or incompatibility under the Law or under the Company's Policy on the Selection of Directors; and
- iii) fulfils the legal and statutory requirements for inclusion in the category of proprietary Director.

Therefore, the Appointments and Remuneration Committee unanimously proposed to the Board - to fill the vacancy resulting from the resignation of Mr. Resnekov - the appointment, by co-option, as proprietary Director, of Mr. Amal Pramanik for the statutory period of four years, subject to ratification by the next General Meeting of the Company.

V

Mr. Pramanik will serve in the capacity of proprietary Director, in accordance with Article 529 duodecies 3 of the Capital Companies Act, Article 7.1.2 of the Rules of the Board of Directors of 26th January 2016, and Article 4.1 b) of the Company's Policy on the Selection of Directors, of 19th December 2017.

VI

In view of the foregoing, the Board of Directors unanimously considered that Mr. Amal Pramanik possesses the appropriate ability, experience and merits, and fulfils the conditions, to be appointed by co-option as proprietary Director of the Company, and to adequately perform the duties of a Director. It therefore appointed, by co-option, Mr. Amal Pramanik as proprietary Director for the statutory period of four years, subject to ratification by the next General Meeting of the Company.

It is also noted that the appointment as Director of Mr. Pramanik complies with the Framework Agreement of June 12, 2014, signed between the Company and Imperial Brands PLC, at the time of the public offering of shares of the Company of that year.

This report was unanimously approved by the Board of Directors, in accordance with Article 529 decies 5 of the Capital Companies Act, and will be attached to the minutes of the Board Meeting which formalised the appointment.

Leganés, 24th April 2018.

The Board Secretary,

Rafael de Juan López