

**REPORT FROM THE BOARD OF DIRECTORS ON THE PROPOSAL TO THE
GENERAL MEETING CONCERNING THE RE-ELECTION OF THE DIRECTOR MR.
RICHARD GUY HATHAWAY**

I

On 24th March 2015, following a report in favour from the Appointments and Remunerations Committee, and at the proposal of the control shareholder Imperial Brands PLC ("IB), the Company's Board of Directors appointed, by co-option, Mr. Richard Guy Hathaway as a Director, for the statutory period of four years.

Such appointment was ratified by the Shareholders General Meeting of March 16th, 2016.

Mr. Hathaway's term of office will therefore end in March of this year, four years after his appointment.

Under Article 529 duodecies 3 of the Law of Capital Companies, Mr. Hathaway is a proprietary Director, as he represents the majority shareholder Imperial Brands PLC on the Board of Directors.

II

On 29 January 2019, the Appointments and Remuneration Committee noted that Mr. Hathaway:

- i) fulfils the requirements of the Law and of the Company's Policy on the Selection of Directors of 19 December, 2017, (knowledge, professional experience, recognized soundness and competence, responsibility for the exercise of his office, and absence of conflicts of interest) well enough to be appointed 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;
- iii) has performed in the role of Director of the Company with appropriate dedication, efficiency and quality of work; and
- iv) continues to fulfil the legal and statutory requirements for inclusion in the category of proprietary director.

Consequently, the Appointments and Remuneration Committee unanimously reported in favour of the proposal of the Board of Directors that the General Meeting should re-elect Mr. Richard Guy Hathaway as a proprietary Director for the statutory term of four years.

III

Mr. Richard Guy Hathaway will be a proprietary Director in accordance with Article 529 duodecies 3 of the Law of Capital Companies; 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.

IV

In view of the foregoing, the Board of Directors unanimously considered that Mr. Hathaway has the appropriate skill, experience and merits, and fulfils the requirements, to be re-elected as a proprietary Director of the Company, and to perform adequately in the role of Director; and therefore proposed that the General Shareholders' Meeting re-elect him as a proprietary Director for the statutory period of four years.

It is also noted that the re-election of Mr. Hathaway as a proprietary Director complies with the Framework Agreement of 12th June, 2014, that was signed between the Company and Imperial Brands PLC, at the time of the public offering of the Company's shares in that year.

This Report is unanimously approved by the Board of Directors, in accordance with Article 529 decies 5 of the Law of Capital Companies, and will be attached to the minutes of the General Meeting, which resolves to re-elect Mr. Hathaway as Director.

Leganés, 29 January, 2019.

The Board Secretary/Director,

Rafael de Juan López