

**REPORT OF THE BOARD OF DIRECTORS ON THE PROPOSAL OF APPOINTMENT, BY  
THE GENERAL SHAREHOLDERS MEETING, OF  
MS. LISA ANNE GELPEY, AS PROPRIETARY DIRECTOR**

I

The Board of Directors intends to submit to the consideration of the General Shareholders Meeting the increase of the number of Directors of the Company from 10 to 12, within the limit established in the Bylaws (between 10 and 15 members). There is an additional vacancy in the Board after the resignation of Mr. Amal Pramanik. In this context, and in the event that the General Shareholders Meeting agrees on the aforementioned extension of the number of Directors, the shareholder Imperial Brands Plc has proposed the appointment as Director of Ms. Lisa Anne Gelpey. In the light of this, the Board proposes to the General Shareholders' Meeting the appointment of Ms. Gelpey as Director of the Company, having the category of proprietary Director, on behalf of Imperial Brands.

II

In accordance with article 529 decies of the Companies Act, this appointment proposal has to be previously informed by the Appointments and Remuneration Committee.

III

The Appointments and Remuneration Committee, in its meeting of February 10<sup>th</sup>, 2020, evaluated the professional and biographical profiles of Ms. Lisa Anne Gelpey, which are the following:

Ms. Gelpey has a BA (Hons) degree in Accountancy and is qualified as an Associate Tax Technician (ATT). She joined Imperial Brands as Group Reward Director in January 2019, responsible for Executive Remuneration and other compensations and benefits. She also sits on the Supervisory Board of Reemstma Cigarettenfabriken GmbH. Prior to joining Imperial, she was a Director at PwC for four years providing HR consulting services to clients, and she had a number of roles at Shell over 12 years. She also served as HR and tax consultancy at Arthur Andersen (now Deloitte), Towers Perrin (now Willis Towers Watson) and KPMG, and had several in-house HR roles at Morgan Stanley and MCI WorldCom (now Verizon).

#### IV

The Appointment and Remuneration Committee has noted that Ms. Gelpey:

- 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.

In addition, the Committee considers that this appointment reinforces its commitment with diversity.

Therefore, the Appointments and Remuneration Committee unanimously reports in favour that the Board of Directors propose to the AGM the appointment of Ms. Lisa Anne Gelpey, as proprietary Director of the Company.

#### V

In view of the foregoing, the Board of Directors unanimously decides to adopt and approve the ARC report hereby included relating to the proposal of appointment by the AGM of Ms. Lisa Anne Gelpey as proprietary Director, as it considers that Ms. Lisa Gelpey has the adequate capabilities, experience and merits and fulfils the requirements to be appointed as proprietary Director by the AGM.

Madrid, February 10<sup>th</sup>, 2020

The Secretary of the Board,

María Echenique Moscoso del Prado