

30th day of March 2011

IMPERIAL TOBACCO EUROPEAN EMPLOYEE WORKS COUNCIL

1. PURPOSE

- 1.1 European Council Directives 94/45/EC of 22nd September 1994 and 2009/38/EC of 6 May 2009 provide for the establishment of a European Works Council or a procedure for the purposes of informing and consulting employees on transnational matters. Imperial Tobacco Group, by an agreement dated 14 June 1996, and Altadis Group, by an agreement dated 14 November 2002, introduced procedures for the purpose of transnational dialogue with employees within their own European Groups.
- 1.2 In January 2008, Imperial Tobacco Group acquired Altadis Group. As a consequence, the management of Imperial Tobacco Group (**Management**) and a Special Negotiating Group established on 14 September 2010 have agreed to continue procedures for transnational dialogue with employees across the enlarged Group in accordance with the existing Imperial Tobacco Agreement, subject to certain amendments. This Agreement is therefore an extension and revision of the Agreement dated 14 June 1996. The parties agree that this Agreement continues to comply with and satisfy the requirements of Article 13 of Directive 94/45/EC and that the Altadis Group Agreement dated 14 November 2002 terminated with effect from 14 November 2010.
- 1.3 The Imperial Tobacco European Employee Works Council (the **ITEEWC**) is intended to provide an arena for the exchange of relevant and appropriate information and the establishment of a constructive dialogue between Management and employees across the whole Imperial Tobacco Group in Europe on transnational matters which affect them in accordance with section 4.1 below.

2. SCOPE

- 2.1 This Agreement covers the Imperial Tobacco Group workforce in all European Economic Area (EEA) Member States in which Imperial Tobacco holds one or more "controlled undertakings". Pursuant to Article 3(2) of Directive 2009/38/EC, "controlled undertakings" are companies in which Imperial Tobacco Group PLC holds a majority of the share capital, or controls a majority of the share capital voting rights, or can appoint more than half of the members of the administrative, management or supervisory body.
- 2.2 Employee Representation on the ITEEWC will be kept under review by Management in the light of developments in Imperial Tobacco Group's EEA operations, such as acquisitions, disposals of businesses or business reorganisations.
- 2.3 If a company ceases to be a member of Imperial Tobacco Group, it will be excluded from the scope of this Agreement. If a company joins Imperial Tobacco Group, and the effect is that the workforce of an EEA Member State is not represented by the ITEEWC, an Employee Representative or Representatives for that Member State will be appointed or elected to the ITEEWC (in accordance with section 3 of this Agreement) as soon as reasonably practicable.
- 2.4 Any employees who consider that they are not represented by the ITEEWC should inform the Management Coordinator of the ITEEWC indicated in section 3.1, who will inform the parties with a view to including such employees within the scope of this Agreement.

2.5 The ITEEWC has been established in order to provide an opportunity for effective communications and dialogue between Management and employees on transnational matters, in accordance with section 4.1 below. It does not aim to replace the prerogatives of existing employee representative bodies at company and bargaining unit level throughout Europe, which will continue to operate in accordance with each EEA Member State's own legislation, nor to interfere with the bargaining and consultation procedures which have been effectively developed with these representative bodies.

3. MEMBERSHIP

3.1 The ITEEWC is chaired by the Chief Executive of Imperial Tobacco Group, or another Director nominated by the Chairman of the ITEEWC. She may be accompanied by relevant Executives as deemed appropriate by that person. The Imperial Tobacco Group will provide a Management Coordinator to the ITEEWC, who will normally be the Group Human Resources Director.

3.2 The number of Employee Representatives on the ITEEWC is based on employee numbers in each EEA Member State covered by this Agreement as follows:

3.2.1 In each Member State with employees (irrespective of employee numbers): one Employee Representative; and

3.2.2 In each Member State with 750 or more employees: (i) one additional Employee Representative per complete group of 750 employees; plus (ii) one additional Employee Representative for each group of employees below the next multiple of 750 employees.

3.3 Employee Representation by country, based on the headcount at 1st March 2011, is shown in Appendix 1. On the second anniversary of this Agreement, a majority of the Employee Representatives and/or Management may request an updated headcount for Imperial Tobacco Group's EEA workforce which will be provided as soon as reasonably practicable.

3.4 Employee Representatives must either be elected as a result of a secret ballot involving the entire workforce of the business unit or constituency they represent or, where national legislation provides otherwise, in accordance with established local procedures.

3.5 Imperial Tobacco Group strongly believes that all employees should have the right to be eligible for membership of the ITEEWC, subject to the conditions set out in section 3.6 below, and that applications for membership can come from all employees and not solely trade union members. Where practicable, Employee Representation on the ITEEWC should take into account the need for balanced representation of employees with regard to their role and gender and the sector in which they work.

3.6 To be considered for membership of the ITEEWC, each prospective Employee Representative must be an employee of one of Imperial Tobacco Group's "controlled undertakings", as defined in section 2.1 above. An employee who has either (i) received notice of termination of employment (from the relevant Imperial Tobacco Group employer) or (ii) themselves given notice of termination of employment cannot be nominated as an Employee Representative. Membership of the ITEEWC will lapse immediately in any of the following circumstances:

3.6.1 if an Employee Representative ceases to be an employee (for whatever reason) within the Group or if the company to which he/she belongs leaves the Group;

3.6.2 if an Employee Representative is under notice of termination of employment; or

3.6.3 if an Employee Representative loses his/her mandate under established local procedures.

- 3.7 In such circumstances, a replacement for that Employee Representative will be elected or appointed in accordance with section 3.9 below.
- 3.8 Employee Representatives on the ITEEWC will normally serve for a period of four years to provide continuity and depth of understanding. Employee Representatives may seek re-election after their term of office.
- 3.9 If an Employee Representative's membership of the ITEEWC lapses, a replacement Employee Representative is elected or appointed according to the procedures in section 3.4 above and subject to the conditions in section 3.6 above. The replacement Employee Representative remains in post for the remaining duration of the term of representation for which the person being replaced was elected or appointed to serve.
- 3.10 Employee Representatives elect from their number a Select Committee made up of eight members (to include a maximum of two representatives per country represented within the Select Committee) who will normally serve as Select Committee members for a period of four years and who include a Select Committee Secretary. If requested by a majority of Employee Representatives within one month following the first Select Committee meeting under this Agreement, the Select Committee membership may be changed. Lapse of an Employee Representative's ITEEWC membership results in automatic lapse of his/her Select Committee membership. In these circumstances, a replacement Employee Representative must be elected or appointed to the Select Committee.
- 3.11 The Select Committee performs a coordination role between Management and Employee Representatives in relation to the operation of the ITEEWC; it coordinates and monitors the ITEEWC's activities between meetings. It liaises with Management on administrative matters and submits items for the agenda on behalf of the Employee Representatives.

4. DIALOGUE AND CONSULTATION

- 4.1 The ITEEWC has the right to be informed and consulted at each ordinary meeting referred to in section 5.1 below on transnational matters which affect the entire Imperial Tobacco EEA Group or at least two companies or establishments situated in two different EEA Member States.
- 4.2 Information on transnational matters to be addressed will be given in sufficient time, in an appropriate manner and with content that enables Employee Representatives to carry out an in-depth assessment of its potential impact and, where appropriate, to prepare for consultation with Management. Information to be given shall relate in particular to the following matters of a transnational nature:
- 4.2.1 the structure and economic and financial situation of Imperial Tobacco Group;
 - 4.2.2 the expected development of its business, activities, production and sales, competitive position and its financial outlook;
 - 4.2.3 the employment situation and its expected development; and
 - 4.2.4 investments and substantial changes concerning investments, organisation and the introduction of new working or production methods.
- 4.3 Consultation on transnational matters entails a dialogue and exchange of views between the ITEEWC (or the Select Committee, as the case may be) and Management in a time, manner and with content that enables Employee Representatives to express an opinion on the basis of the information provided.

- 4.4 Negotiations are not within the scope of the ITEEWC or Select Committee. Where the ITEEWC or, as the case may be, the Select Committee wishes to express its opinion to Management, it can do so within four weeks following the ordinary meeting under section 5.1 or within four weeks following the extraordinary meeting under section 5.6 (or within such other period as Management considers reasonable taking into account its own decision taking responsibilities). Management will respond to the opinion within two weeks.
- 4.5 Consultation addresses the following matters of a transnational nature in particular:
- 4.4.1 Significant production transfers or outsourcings, downsizings or closures of Imperial Tobacco Group companies, establishments or large parts of these;
 - 4.4.2 Collective redundancies;
 - 4.4.3 Mergers or acquisitions; and
 - 4.4.4 Significant reorganisations with consequent effects on employment.
- 4.6 Where there are exceptional circumstances of a transnational nature affecting employees' interests to a substantial extent, particularly in the event of relocations, closure of companies or establishments or collective redundancies, Management informs the Select Committee and convenes an extraordinary meeting with either the Select Committee or the ITEEWC in accordance with section 5.6 below.

5. MEETINGS AND DOCUMENTATION

- 5.1 The ITEEWC meets for an ordinary meeting once a year.
- 5.2 The Select Committee meets three times a year. One meeting must focus on preparation for the next ordinary meeting. Management may, in the event of exceptional circumstances described in section 4.5 above, decide to hold an extraordinary meeting with the Select Committee in accordance with section 5.6 below.
- 5.3 The Select Committee submits any suggestions for items to be included on the agenda for an ordinary meeting to the ITEEWC Management Coordinator at least eight weeks before the date fixed for the meeting. These suggestions must relate directly to the role of the ITEEWC, as described in section 4 of this Agreement. At least six weeks prior to the date fixed for the ordinary meeting, following consultation, the ITEEWC Management Coordinator establishes a final agenda and circulates it to all members of the ITEEWC.
- 5.4 Employee Representatives are given copies of the presentations used at the ordinary meeting, together with a summary of the speakers' scripts, at the start of each ordinary meeting.
- 5.5 Imperial Tobacco Group prepares and sends to the Select Committee Secretary minutes of the discussions which took place between the ITEEWC and Management at each ordinary meeting within one month following that meeting. Meeting minutes will specify the national origin, without stating the name of Employee Representatives speaking during the meeting. After validation by the Select Committee Secretary, the minutes will be given to all members of the ITEEWC and to local management within the Group. It is intended that the minutes and any communiqué be circulated as widely as possible to all employees, using normal established local arrangements.
- 5.6 Where there are exceptional circumstances of a transnational nature as described in section 4.5 above, Management may convene an extraordinary meeting in order to inform and consult on such matters. Depending on the significance of the exceptional matters, Management may decide either:

- 5.6.1 to convene the extraordinary meeting with the Select Committee and, if Management deems necessary, to convene a further meeting with the ITEEWC; or
- 5.6.2 to inform the Select Committee about the exceptional matters and to convene the extraordinary meeting with the ITEEWC.
- 5.7 Where the extraordinary meeting takes place with the Select Committee, Employee Representatives on the ITEEWC who have been elected or appointed by the companies or establishments directly affected by the exceptional circumstances also have the right to participate in the extraordinary meeting.
- 5.8 Where extraordinary meetings are convened pursuant to section 5.6 above, and the ordinary meeting has not been scheduled, the two meetings will be organised at the same time, but successively, to cover their respective agendas, provided this does not prejudice the information and consultation process. Select Committee meetings convened pursuant to section 5.2 above will be organised in conjunction with ordinary and/or extraordinary meetings if Management considers this appropriate, and provided this does not prejudice the information and consultation process.
- 5.9 Management ensures that the process of information and consultation is conducted both within the ITEEWC and its select committee in accordance with Section 5.6, as well as with national bodies representing workers, in the event of such exceptional circumstances.
- 5.10 Meetings will be conducted in English, which is the official working language of Imperial Tobacco Group. The agenda, minutes and key documents will be produced in English and will be translated into other languages as appropriate.
- 5.11 The location and date of meetings is decided by the Chairman.

6. RESOURCES

- 6.1 Employee Representatives on the ITEEWC shall receive two half days' training per year. Half a day is devoted to the Group's activities and the other half to assist the Employee Representatives in the exercise of their representative duties. Imperial Tobacco Group will consult the Select Committee regarding the organisation of such training and specific training topics. Training is organised in conjunction with, and at the same location as, each ordinary meeting in accordance with section 6.3. New members of the ITEEWC will be given similar training at such time and in such format as will be decided by the ITEEWC Management Coordinator. Imperial Tobacco Group will meet the cost of any training it has authorised in advance.
- 6.2 Facilities are available for a preparatory meeting of Employee Representatives organised in conjunction with, and at the same location as, each ordinary meeting in accordance with section 6.3.
- 6.3 The timetable prior to each ordinary meeting is usually as follows:
- 6.3.1 Day 1: Employee Representatives meet at lunchtime. Half a day's training in the afternoon.
- 6.3.2 Day 2: Half a day's training, followed by Employee Representatives' preparatory meeting in the afternoon.
- 6.3.3 Day 3: Full day for meeting of ITEEWC.

Consequently, this will usually include two overnight stays for Employee Representatives.

- 6.4 In each year, one of the three Select Committee meetings shall be extended by one day so as to accommodate additional training for the Employee Representatives who are members of the ITEEWC. The decision on which of the three Select Committee meetings shall be extended is discussed between Management and the Select Committee and will be agreed at the beginning of the relevant calendar year.
- 6.5 Where extraordinary meetings are convened, facilities and time off will also be made available for a preparatory meeting of the Select Committee or, as the case may be, of the ITEEWC on the afternoon before, and at the same location as, the extraordinary meeting. Consequently, this will normally include one overnight stay.
- 6.6 Imperial Tobacco Group bears the cost of the meeting venue, translation/interpreting services, reasonable accommodation and travel expenses of Employee Representatives.
- 6.7 Management will use reasonable endeavours to ensure that Employee Representatives can:
- 6.7.1 be given reasonable time away from their normal place of work, with no reduction in salary, to attend training, preparatory meetings and ITEEWC and Select Committee meetings
 - 6.7.2 be given reasonable time away from their normal duties to carry out their tasks which, beyond the situations provided for above, consist of records examination, preparing for meetings and exchanging information with employees or their representatives locally regarding the outcome of ITEEWC discussions. For this purpose, Management will use reasonable endeavours to ensure that ITEEWC members are given the appropriate means of communication.

Arrangements for time off and travel must be agreed in advance by the relevant Employee Representatives with their local management, in accordance with national practices and regulations.

In the event that these Employee Representatives believe that they have not been given the necessary time off to carry out their roles, they must immediately inform the Chairman of the Select Committee and/or the Group HR Director, who will raise their concerns and provide a reasoned response within a reasonable time.

- 6.8 Employee Representatives may appoint one external expert (to be approved in advance by Management) for advice on the matters contained in the agenda of an ordinary meeting. Imperial Tobacco Group will finance the fees of this expert (including the expert's travel and hotel expenses), subject to a maximum total annual budget of EUR 20,000 (such figure to be revised from time to time in line with the Retail Price Index in the country in which the expert is based). This budget cannot be used for any other purpose and any unused budget cannot be carried forward from one year to the next.
- 6.9 Employee Representatives may appoint one external expert (to be approved in advance by Management) for advice regarding the agenda of an extraordinary meeting. Imperial Tobacco Group covers the fees of this expert (including the expert's travel and hotel expenses), subject to a maximum total budget to be agreed by Imperial Tobacco Group in advance of the expert's appointment. This budget cannot be used for any other purpose and any unused budget cannot be carried forward from one year to the next.
- 6.10 Experts appointed under sections 6.8 and 6.9 can attend preparatory meetings in accordance with sections 6.3 and 6.4 above but cannot attend ordinary or extraordinary meetings unless agreed with Management beforehand. Any invitations will be issued by the ITEEWC Management Coordinator.

- 6.1.1 To ensure as far as possible that there is meaningful representation and a full exchange of views, simultaneous interpretation facilities are available where necessary.

7. PROTECTION FOR EMPLOYEE REPRESENTATIVES

In discharging their duties, Employee Representatives on the ITEEWC enjoy the protection and guarantees laid down for workers and representatives at national level in the country in which they are employed, in accordance with national regulations and local agreements.

8. CONFIDENTIALITY

- 8.1 It is accepted that Imperial Tobacco Group has a responsibility not to release price sensitive or other confidential information which according to objective criteria is of such a nature that its release would harm the functioning of the Group, or would be prejudicial to it, or would be in contravention of any national law or regulations applicable to the Group's operations. The objective criteria above, include statutory or regulatory rules, including stock exchange rules, on disclosure of information applying to the Group in whatever jurisdiction it carries on business.

- 8.2 In order to maximise the spirit of openness and free exchange of views, Employee Representatives and any experts assisting them in accordance with section 6.8 and 6.9 above will be required to sign a formal undertaking to Imperial Tobacco Group not to misuse or divulge any information that is supplied to them on a confidential basis. This obligation will continue after the conclusion, for whatever reason, of their term of office or employment for as long as the information remains confidential. Any breach of this provision would be viewed as a serious disciplinary offence.

9. STATUS

- 9.1 The interpretation and construction of this Agreement shall be in accordance with the English language text which shall constitute the binding and definitive version.
- 9.2 This Agreement is governed and construed in accordance with English law and any dispute shall fall under the jurisdiction of the English courts.

10. DURATION AND REVISION

- 10.1 This Agreement originally came into force on 14th June 1996 and has been amended without prejudice to its status under Article 13 of Directive 94/45/EC. For the avoidance of doubt, this Agreement shall replace the Altadis Group Agreement dated 14 November 2002 and shall extend and amend the Agreement dated 14 June 1996.
- 10.2 This Agreement will continue indefinitely unless terminated either by Imperial Tobacco Group PLC, or by the Employee Representatives following a vote of at least two-thirds of Employee Representatives, giving the other not less than six months' written notice of their intention to withdraw from the Agreement. This Agreement will continue to apply until a new agreement, if there is one, has been signed.
- 10.3 If Imperial Tobacco Group and the Employee Representatives deem it necessary, this Agreement may be amended by mutual consent. Each party to this Agreement (Management on the one hand and Employee Representatives following a majority vote on the other) can request the revision of all or part of this Agreement. A revision request must be sent in writing to all signatories, setting out precisely the purpose and principles of the revision desired. Negotiation starts in the three months following receipt of the revision request. If the revision is not agreed within six months from the opening of negotiations, the revision request is considered to be ineffective.

- 10.4 This Agreement will be kept under review by Imperial Tobacco Group in the light of developments in Imperial Tobacco Group's EEA operations, such as acquisitions or disposals of businesses or business reorganisations. Should Imperial Tobacco Group undergo significant structural change, this Agreement shall prevail, notwithstanding the existence of any European Works Councils or corresponding procedures under Council Directives 94/45/EC of 22nd September 1994 and 2009/38/EC which may already exist in the companies involved. In these circumstances, Employee Representation on the ITEEWC will be reviewed in accordance with section 2.2 above.

11. FILING PROCEDURE

The Agreement is filed with the competent authorities of the country of the headquarters of Imperial Tobacco Group, as well as with the European Commission in Brussels.

12. SIGNATORIES TO THIS AGREEMENT

- 12.1 The Signatories are fully committed to both the spirit and intent of this Agreement.
- 12.2 The Signatories acknowledge a responsibility for considering the interests of all employees and the interests of the Company as a whole.
- 12.3 The Signatories are authorised to conclude this Agreement.

Signatories:

**For and on behalf of
Imperial Tobacco Group PLC**

Kathryn Turner
Group Human Resources Director

**For and on behalf of
The Employee Representatives**

Marc Verspaandonck
Belgium

Reginald Haye
Finland

Pascal Hubert
France

Eric Comparot
France

Jean-Arnaud Guyard
France

Philippe Espinasse
France

Francis Hernoult
France

Heike Prieß
Germany

Lutz Genzky
Germany

Stefan Juenger
Germany

Reitze Brouwer
Netherlands

Theo Bos
Netherlands

Karol Frączek
Poland

Milan Duben
Slovak Republic

Juan Martin Terreros Santin
Spain

Jorge Tomé Sánchez
Spain

Isabel Navarro Solano
Spain

Adela Pérez Pérez
Spain

Luis Pérez Quero
Spain

Javier Moreno
Spain

Maria Antonia Gonzalez Ruiz
Spain

Chris Fowlds
United Kingdom

Paul Mead
United Kingdom

Dunja Metzloff-Bley
United Kingdom

Paul Marsh
United Kingdom

13. APPENDIX I

EUROPEAN EMPLOYEE WORKS COUNCIL: NUMBER OF EMPLOYEE REPRESENTATIVES

Country	ITG Employees	Employee Representatives
Spain	5567	9
France	3243	6
Germany	2057	4
UK	1568	4
Poland	1437	3
Netherlands	454	1
Portugal	400	1
Belgium	363	1
Italy	350	1
Hungary	278	1
Slovenia	196	1
Ireland	165	1
Czech Republic	137	1
Sweden	107	1
Slovakia	103	1
Greece	101	1
Bulgaria	64	1
Finland	39	1
Austria	39	1
Estonia	15	1
Totals	16,683	41