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8 May 2007

Sir Christopher Hogg
Chairman
Financial Reporting Council
Aldwych House
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London
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Dear Sir Christopher

REVIEW OF THE IMPACT OF THE COMBINED CODE.

Thank you for your letter dated 18 April 2007 addressed to our Chairman, Iain Napier, who has asked me to reply on his behalf.

In general, Imperial Tobacco Group PLC considers that the Code is operating well. The Company does, however, have concerns that it can be difficult to avoid adverse reaction, including votes being withheld or votes against resolutions arising from the "box ticking" approach, should it be necessary to "explain" any non-compliance with the Code.

The prime area of concern is the final bullet point of Code provision A.3.1 in respect of nine years' service since first election being a factor which may affect the independence of non-executive directors.

The Company has found that some investors and voting agencies apply this provision very strictly, which can create a number of difficulties in complying with other elements of the Code and could affect the efficiency, cohesiveness or size of the board.

Other investors and voting agencies are willing to enter into a dialogue with the company should they require further clarification on any non-compliance explained within the annual report and accounts.

For example: -

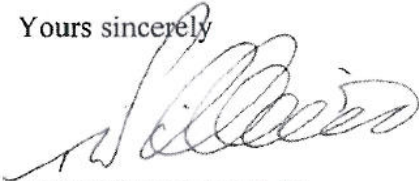
- in circumstances where non-executive directors of a new company are all approaching the nine years' service threshold at the same time, in order to remain compliant with the Code the company may have to either change a number of directors in a short period of time or rotate exceptionally good non-executive directors off the board earlier than would otherwise be in the best interests of the company;

- if a company has an exceptionally good non-executive they want to retain after nine years' service, this may require further non-executives to be appointed to maintain the balance of the board, possibly resulting in an unduly large board or an executive not being placed on the board thereby risking them taking an executive directorship within another company;

A further area of concern is in circumstances where a non-executive director leaves the board unexpectedly either for personal reasons or following issues identified during board evaluations. Again, this could result in the company being non-compliant with the Code but may in fact be in the long-term best interests of the company. In such circumstances, a board must be permitted to spend adequate time identifying and recruiting the most appropriate person from a limited pool of talent rather than coming under undue pressure to make an appointment that may not be in the long-term best interests of the company simply in order to ensure continuous compliance with the Code.

To summarise, companies need the flexibility to be able to operate with a non-compliant board for a short period provided the directors deem it to be in the best interests of the company and it can be objectively explained.

Yours sincerely



TREVOR WILLIAMS
DEPUTY COMPANY SECRETARY