

IMPERIAL TOBACCO

FUNDAMENTAL RESEARCH PROGRAMME

AND

SCIENTIFIC RESEARCH GROUP PROGRAMME

In Canada v.12.11

Imperial Tobacco (Imasco) is accountable to its shareholders and to the Canadian Tax Authorities for business transactions with a related party (B.A.T.).

Because of the above, it is imperative that:

- 1) Imperial participate in the decision-making process leading to the selection of the various projects and establishment of the Research programme.
- 2) Imperial has the right to opt out of certain projects.
- 3) Imperial can apply in its Canadian operations all the knowledge and benefits resulting from the research projects it has supported.
- 4) Imperial, at the time of approval of the Research programme, must be provided with a total budget for the Programme indicating the amounts to be allocated to each of the various projects.
- 5) Imperial be provided with, and retain the right to approve the formula to be established, to share the costs of the various projects between the participating companies.
- 6) Imperial receive quarterly, estimated invoices issued by B.A.T. based on the approved budget, which Imperial will pay. Within two months after the year-end, a statement of actual costs by project for each of the projects Imperial agreed to participate in will be supplied to Imperial by B.A.T. Upon receipt of such statements, an adjustment

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will be made by Imperial to the next payment for the difference between the sum of the estimated payments made to B.A.T. by Imperial and the actual cost as reflected in the annual Statement of Costs.

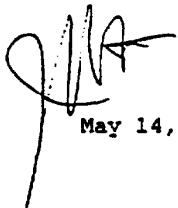
Establishment of Research Programme
and Selection of Projects

Individual companies should submit to the TSRT their views on the current Research Programme together with recommendations for new initiatives that would strengthen the Group's position.

A. Heard to submit such recommendations to the TSRT at its Spring meeting.

The TSRT will also consider what guidance it wishes to give to the Group Research Conference and Scientific Research Group Conference regarding the issues to which they should be giving highest priority. This to be communicated through distribution of TSRT minutes of Spring meeting.

In the course of the following months, GRC and SRG members will use the minutes of the TSRT Spring meeting to formulate their final recommendations for the following year's Research Programme, Projects, topics and budgets to be submitted to TSRT Fall meeting for approval.



May 14, 1990

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TERMINOLOGY

B.T.C. = BATCO Technical Centre.

F.R.C. = Fundamental Research Centre.

G.R.C. = Group Research Conference.

I.B.M. = International Brand Managers.

R.P.G. = Research Policy Group.

T.S.R.T. = Tobacco Strategy Review Team.

Research Programme = The sum of all Projects, topics and budgets.

Projects = For example, Greendot - Usually expressed
in the form of an objective and a budget.

Topics = Strategies - course of action - activities
to achieve an objective.

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