

SECRET

Mr. N. Davis
Mr. A.L. Heard
Millbank

Dr. Taj Hirji

TH/ECB

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CUMARIN

Objective

A recent review conducted by Mr Terry Mitchell, AGP Chairman, revealed that 152 products manufactured by BAT contained varying levels of Coumarin. In view of the controversy surrounding its use, it has been decided that:

1. No new products containing Coumarin will be launched by BATCo.
2. Coumarin will be phased out from existing products in the shortest possible time commensurable with minimal risk to the brand position in the market.
3. Methylcoumarin will not be used either but dihydrocoumarin may be used on a temporary basis since its use may be scientifically defended. However, in longer term, no additive associated with Coumarin should be used since the media and the consumers are unlikely to discriminate between additives with Coumarin in the name.

Strategy and Approach

To meet the above objectives will entail modifications in products manufactured by 31 Operating Companies, requiring approximately 40 Flavours/casings supplied by Flavour Houses and R&D to be modified. Therefore, to maintain control and ensure steady progress, it is suggested that:

- (1) All work is co-ordinated and progressed through R&D team comprising:

Dr. Taj Hirji
Mrs. Diana Pickett - Flavourist
Mr. Terry Mitchell - AGP Chairman
Mr. Barry Harding - Product Developer

This team will meet at regular intervals and produce a monthly update for circulation to Mr. N. Davis, Mr A.L. Heard and the appropriate Territorial Director.

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- (ii) The team will review the situation by each company on a regional basis:

Central/South America	- done
Europe	- done
Far East	- November
Indian Sub-Continent	- December
West & Central Africa	- January
East Africa	- February

- (iii) Operating Companies will be made aware of the brands affected. In the cases where external brand owners are involved, these should be progressed with the brand owners by the Operating Companies via ACP and/or 1:1 R&D Product Development Liaison.
- (iv) No Operating Company will contact Flavour Houses directly. This should be handled through ACP to avoid infringing legally-binding security agreements with suppliers. Indeed, ACP has informed all the major Flavour Houses of BAT's decision and their co-operation has been requested.
- (v) In the case of several natural ingredients, it is not known whether these contain Coumarin or not. In other instances e.g. fougere oil, these are known to contain Coumarin but are also permitted for use in Germany. Without analysing all the individual flavour components, it would be impossible to identify all the sources of Coumarin and this approach is not practical. Therefore, as a first stage, the aim will be to remove items which are well-known, significant sources of Coumarin and which are banned in Germany. These will include:

COUMARIN
TONKA BEAN
BEER TONGUE
MAY & SWEET GRASS
MOOREPUFF

Following successful removal of the above, own and competition brands will be analysed as per (viii) below and further modifications recommended if necessary.

- (vi) R&D will provide samples or specify sources of Coumarin-free materials for evaluation by Operating Companies as substitutes.
- (vii) R&D will also recommend a testing protocol to demonstrate that the removal of Coumarin or its substitution with an acceptable alternative will not result in a significant change in the product. In those instances where this is not possible, a phased reduction programme will be drawn up for Millbank and Operating Company approval.
- (viii) When a company is deemed to be 'Coumarin-free', market samples will be requested and analysed to validate our position.

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It must be appreciated that there is no substitute for Coumarin as such. The best replacer we have found costs \$440/lr compared to say Coumarin which would be around \$12/kg. Operating Companies should calculate the impact of using such a substitute on their variable costs. If acceptable, they should contact P&D who would be able to supply further details and samples if required.

Finally, with the above information, an Operating Company may wish to conduct their own internal review on their brands. This is to be encouraged and a copy should be sent to P&D.


THE DIRECTOR

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