



BAT INDUSTRIES

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From the Chairman

To: Mr. B.D. Branley (BATCo.)

B.A.T Industries' Guidelines 1989

1. The attached Guidelines outline the strategic priorities and financial targets which have been agreed for BATCo. and which should be reflected in your plans for 1990-1994.
2. The Guidelines are consistent with B.A.T Industries own objectives to:-
 - (a) Continue to achieve growth in earnings per share and dividends per share comparable to or better than other leading UK quoted companies.
 - (b) Achieve a return on assets employed sufficient to generate a net cash flow which is adequate both to pay the dividends and to fund the investment necessary to support the required growth.
 - (c) Concentrate development in Tobacco, Financial Services, Retailing and Paper/Pulp, with particular emphasis on UK/Europe and North America but still maintaining the existing strong presence elsewhere in the world and continuing to seek opportunities to strengthen the position in the Asia/Pacific region.
3. A priority in 1990 will be to position the Group for sustained profitable growth in the medium and long term and it will be necessary for each of the Group's businesses to be reviewed critically, to ensure that they either have or can build up the potential to make a full contribution to Group development.
4. In determining the strategies to be followed, it will also be necessary to take into account the need to improve on the forecasts for 1990 included in the 1989-1993 plans and to be aware of the limitations on the funds immediately available for investment following the acquisition of the Farmers Group in 1988.
5. Priority should also be given to strengthening the management resource. There should be specific plans for selective recruitment at senior levels and for strengthening the systems for the recruitment, retention, development and motivation of managers with the potential to fill senior posts in the future.
6. In the main, the Guidelines restate objectives and priorities agreed previously with the CPC. If clarification is required, Dr. Salter should be able to provide this. If there are specific Guidelines which you wish to discuss further, please let me know.

P. Sheehy

19th July 1989

Enclosure

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