

To: Mr. M.F. Broughton

cc: Mrs. E. Honour
Miss A. Johnson

ICC Charter

You asked for an update on where we stand with regard to the Operating Companies' review of the ICC Charter.

So far we have received comments from Allied Dunbar, Brown & Williamson, Farmers, Souza Cruz and Imasco.

Allied Dunbar and Farmers indicate that adoption of the Charter by B.A.T Industries would not cause problems for them.

As a company whose business direction is set by an independent Board of Directors, Imasco sees no implications for itself should B.A.T Industries adopt the ICC Charter. However, Imasco has informed the Canadian ICC Secretariat that it would not be appropriate for Imasco to sign the ICC Charter (on the grounds that Imasco has developed an environmental policy specific to the needs of Imasco and its various businesses).

The Group Tobacco companies do not feel able to sign the ICC Charter without significant qualifications.-

- Brown & Williamson is against our signing because of the vagueness of many of the Charter's principles and the resulting risk of them being applied to tobacco companies. Brown & Williamson's preferred approach is similar to that adopted by Imasco, i.e. to stand by our well-established environmental policy which is tailored to our business.

In the event that B.A.T Industries decides to support the Charter, Brown & Williamson feel that the scope of that support would need to be clarified to indicate that we do not see the Charter as addressing issues like mainstream or secondary smoke. In particular, they feel that we would need to qualify our support by noting that:-

- we do not view the principles as applying to any of the public controversies associated with tobacco products; and
- we view the term 'environmental' as relating to issues associated with the long-term physical destruction of the environment.

- Souza Cruz feel that the Charter would need to be amended to indicate that the reference to safe products (principle 6) means safe considering the hazards reasonably expected by the public, bringing it into line with Brazilian Consumer Protection legislation. They feel that such a change would be necessary to prevent the situation whereby formal adoption of the Charter results in an implicit guarantee that a cigarette is a 'safe' product. Other than this, Souza Cruz see no problem in adoption of the ICC Charter.

/...

201830013

Thus, as expected, it is the legal implications of the reference to 'safe' products (principle 6) which is seen as the main difficulty.

As the ICC Charter has already been formally adopted (at the WICEM II Conference in Rotterdam) and is said to be supported by over 200 companies and industry associations (23 from the UK), formal amendment of the Charter (as required by Souza Cruz) seems an unrealistic option. Even if it were possible, it would draw adverse attention and risk undermining the credibility of the whole Charter.

The possibility of B.A.T Industries adopting the Charter but qualifying that support in a covering note which clarifies that we do not see the principles in applying to 'public controversies associated with tobacco products' would allow us to respond positively to the ICC but could leave us in a difficult position publicly. If asked to publicly confirm our support we would always have to qualify it.

With this in mind, the most attractive position appears to be that adopted by Inasco and recommended by Brown & Williamson, i.e. if asked, to express support for the general thrust of the Charter but to emphasise that we already have a demanding Group policy on environmental protection and responsibility which is focussed on our particular activities. We might also seek to incorporate some of the ICC principles into our existing Environmental Policy Statement (as previously suggested - draft attached). There is also probably the need to develop a public affairs strategy with regard to environmental matters.

We understand that although Philip Morris agree with the broad concept of the ICC initiative, they have not yet submitted a formal response to the ICC. Not surprisingly, they have difficulty with the requirement that signatory companies would be agreeing "...to develop and provide products and services that have no undue environmental impact and are safe in their intended use."

G.J. Burgess

GJB/DJA
2nd May 1991

Enclosure

201830014