

PROJECT STEM

A meeting to discuss Project Stem was held on Wednesday 27th October 1993 in Windsor House.

Present: Mr M F Broughton, Mr U G V Herter, Mr B D Bramley, Mr T E Sandefur, Dr B Schweitzer, Mr A Monteiro de Castro, Mr D Brown, Mr N G Brookes, Miss H C Barton (Secretary)

1. Mr Broughton outlined and reconfirmed his conclusions from the meeting on 9th September. The main action point was that a paper would be produced for discussion at this meeting. As was pointed out in the covering memo, the paper circulated prior to the meeting did not accord with the conclusions of the previous meeting, but was circulated anyway as a basis for the discussion of the issues. Rapid progress is needed on end market control, as decisions are being held up waiting for this, but decisions on a wider front are not necessary at this meeting.
2. It was agreed that we would implement "end market control" as quickly as possible, which will mean 1st January 1994 for most markets. The markets are defined as countries, and each country will be allocated to one of the existing 4 management teams (BATCo, B&W, BATCF, Souza Cruz)
3. The end market manager must build up a plan for his market which proposes a portfolio of brands drawing from the total Group portfolio, in order to maximise the total Group profit. To enable this to happen, management information will be developed to provide information on total Group profitability for each market. Mr Allvey has already written to the Finance Directors requesting data which is already available, to enable a "rough cut" of market profitability to be prepared for 1994. He has also initiated an exercise to harmonise the definitions used in the Operating Groups, so that a system to collect more complete and accurate information can be set up during 1994.
4. The information "building blocks" are unit profitability by brand which will enable profit and loss accounts to be produced by brand for the brand owners. The brand owner concept remains valid, and will be modified as necessary
5. These changes in management information are independent of the statutory accounts although they must be reconciled.
6. Before any function is set up better to coordinate supply and demand, the tax implications must be checked.
7. The TSG will review and approve the brand owners' plans for the major brands, on an annual basis in May.
8. As a first step, end markets were allocated to the management teams of the four Operating Groups. These will be allowed to become established, and any problems resolved, before any further consolidation is considered.

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