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Tobacco Strategy Group Paper

Subject: Group Additives and Product Component Usage

Background and Context

The Group has to-date followed a consistent policy to ensure that products sold meet not only specific legal obligations, but that where external standards differ from one geographic region to another, it seeks to ensure that the highest relevant scientific standards are applied across all operations.

In the case of components of cigarette manufacture and additives used in the product, the regulations concerned with their use can vary considerably. They range from the relatively clear position that exists in several European Countries (Germany, France and UK) to the requirement for disclosure to, but without specific control by government as in the case of the USA. The position is further complicated, with some countries having an absence of any controls on components and additives used in cigarette manufacture leaving the onus of responsibility for their use to the manufacturer.

In recent years there has been increasing interest by governments and regulators to focus on the issues of product safety in many sectors of industry but notably in the areas of food processing, pharmaceuticals, flavours, agrochemicals and tobacco and cigarette manufacture. It is proposed that the Group should establish a system to ensure that it is strategically positioned to be able to respond rapidly and effectively to future government and regulatory demands and be able to defend its use of specific components of cigarette manufacture and additives, both by amount and if necessary at the level of the brand.

In view of the fact that a single sourced Group product can be sold in an array of export markets, there is a requirement to be vigilant in ensuring that products, as a minimum, comply with local regulations with responsibility for product composition clearly identified. In addition, the responsibilities for product compliance and product composition for products manufactured by third parties and marketed by the Group need to be delineated.

A review of Group policy has been undertaken and a series of elements proposed that will allow the Group to continue to meet its legal obligations and responsibilities and be responsive to an evolving regulatory framework which respects operating group autonomy and proprietary brand considerations.

Statement of Policy

1. The Group confirms its position that all products should conform to the highest relevant and scientifically supportable standards, regardless of where manufactured and sold. This includes the definition and control of the additives applied to the product and the components used in their manufacture.

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2. The Group policy requires that additives used have been subject to scrutiny and review and therefore have a demonstrated basis of support for their use. Whilst the aim is uniformity of approach, differences in specific national legislative requirements may prevent world-wide consistency of brands and additive use.
3. A simple central register of all items used in the Group products and identifiable by brand will be maintained by BATCo's Additive and Materials Guidance Panel (AMGP) on a confidential basis. Initially this will be focused on tobacco additives and their maximum potential use level in Group products and extended as soon as practicable to cover all other components used in product manufacture.

BAT companies which are selling brands under licence will be entitled to the necessary information contained within the register to ensure that the brands they are selling comply with local regulations on additives.

No brand specific data maintained on the register will be disclosed to an operating company without prior approval of the brand owner. The chain of communication and approval process should be clearly identified in advance as part of Group policy.

A sub-file of the Register will cover those products owned by third parties but sold, distributed and/or manufactured by Group companies.

4. The key technical staff of the Group will review on an on-going basis the composition of the Register and draw attention to any inconsistencies in the application of Group policy.
5. Each Group Company represented at the TSG will be responsible for maintaining its individual brand records on additives and components.
6. Group Companies will be responsible for ensuring that the substances used in its products are recorded on the Central Register. Any new substance to be introduced into commercial products must be notified the BATCo AMGP to ensure the register is kept up-to-date.
7. An annual report will be made to the TSG by the Chairman of BATCo's AMGP to include:
 - (i) a review of additive and component issues drawing attention to any significant deviations from Group policy such that specific advice can be given and action taken if appropriate.
 - (ii) the numbers and weight of substances used by Group Companies by product class (cigarette, RYO, pipe and cigars).

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It has been established that BATCF and Souza Cruz agree in principle to the development of a central register and maximum additive use levels. The subject is currently under review within B&W who, to-date, have only agreed to provide information on the composite US industry annual retrospective list.

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