

DRAFT LETTER TO ALL NO.1s

There have recently been examples of contractual obligations having been entered into by Companies within this Operating Group, which do not appear to have been given the fullest consideration by either the Functional Departments concerned in the Associated Companies, or indeed by those here in Millbank.

With the enlargement of the B.A.T Industries Group and the increasing requirements and regulations of various Governments, it can be supposed that the necessity for more formal agreements, whether between companies within this Operating Group, or between companies within this Operating Group and companies in other Operating Groups will increase.

As you are no doubt aware, agreements in a number of countries have certain sensitivities in the areas of foreign exchange, tax, etc., and it is thus becoming of increasing importance that all agreements are correctly prepared and that the issues involved are given due consideration prior to their implementation.

It is difficult to define exactly what is meant by a Contractual Obligation, and to a certain extent a subjective judgement as to the importance of such Obligation will need to be made. However, the following should in every case be referred to Millbank before they are executed :-

- a) Agreements related to T&A Fees and R&D charges.
- b) Agreements related to licenced manufacture.
- c) Agreements related to Trademarks.
- d) Consultancy and Commission agreements, particularly those which bind the relevant company for lengthy periods of time.

A category of licence which is worthy of special note, is that which the Associated Companies may be required to enter into with Brown & Williamson International in regard to either the licenced manufacture or distribution of the U.S. Group brands which as you know, have been transferred to BWIT. Of particular importance is the need for conformity of the terms of such licences with those relating to other existing licences to the Associated Companies for non-US brands. Failure to achieve such conformity, particularly in regard to the payment of royalties and the compliance with quality control provisions, could have serious repercussions for this Operating Group.

It would therefore be appreciated if you could ensure that before your company enters into any contractual obligations of the types described above, those Departments concerned within your organisation consider the terms of the agreements at the earliest possible opportunity and, having done so, notify the Territorial Departments in Millbank of such proposals before they are entered into.

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