

GUIDELINES FOR TECHNOLOGY TRANSFER

The B·A·T Group can benefit greatly from good transfer of knowhow and technology between its individual operating companies and must ensure the success of such transfer in order to maintain its competitive position in the industry. This document sets out the principles under which B·A·T Germany has agreed to transfer technology to other companies with the Group as part of its strong support of this "open-door" philosophy.

1. The objectives of these guidelines are:

- i) to encourage profitable exploitation of its technology by the B·A·T Group and
- ii) to preserve the advantage of the Group by preserving confidentiality and avoiding transfer of knowhow etc. to competitors.

2. Transfer may be effected by some combination of:

- visits by receiving company personnel;
- handover of documentation, reports, drawings etc.;
- tests by B·A·T Germany;
- possibly engineering design projects carried out by B·A·T Germany for the receiving company;
- possibly actual supply of equipment by B·A·T Germany.

3. In order to ensure optimum use of available knowhow in the Group PP&D (Millbank) will coordinate transfer.
4. Receiving companies will sign a secrecy agreement, copies of which will also be signed by the key people in those companies concerned with applying the knowhow. They will be responsible for the maintenance of confidentiality to the B-A-T Group.
5. Manufacture of equipment covered by the knowhow will not be carried out by third parties unless absolutely necessary - in which case a special agreement on licencing terms etc. will be arranged.
If components of a process have to be manufactured externally the receiving company is responsible for guarding against leakage of the relevant knowhow.
6. A reasonable amount of test work etc. will be free of charge but should substantial effort be called for from B-A-T Germany a charge level will be agreed with the receiving company.
7. In collaboration with B-A-T Germany further development may be carried out in Germany, in GR & DC or elsewhere as appropriate.

In this way an active transfer of knowhow and its intelligent application provides a contribution to the maintenance and improvement of our product quality level and to the reduction of production cost, key objectives in an increasingly competitive environment.

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Mr. Bruell introduced a discussion on the efficient coordination and development of the BAT Group's tobacco interests within the present organisational structure.

He drew attention to the following:-

- (a) BAT is a decentralised Group; in contrast the industry worldwide is less fragmented than previously and principal competitors are centralised and autocratic.
- (b) BAT's strength is in geographical dispersion and local brands while the US competitors' strength is in international brands.

The principal issues discussed were:-

- 1. The conference confirmed that BAT's tobacco interests were not maximising the effectiveness and commercial exploitation of the Group's various technological developments.

CAC
R&D
MARKETING
PRODUCTION

Certain elements within the current Hot Springs agreement potentially impede the speed with which companies within the Group are aware of development and are able to commercialise technology.

Marketing and consumer research, manufacturing improvements and product development techniques and methodology should be exchanged freely. Although the bigger facilities in the operating companies might be expected to make bigger inputs, the size of these facilities is in proportion to company sales, weighted for market sophistication, and all companies will therefore benefit appropriately.

Product Development, if successful, will be reflected in products. Successful products are the desired outcome and compensation will accrue to the producer in licensing such products to users.

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ACTION

Product, machinery and process developments which are patentable should be protected by the inventors or users by agreement. Such inventions will be available to the Group and may be licensed outside the Group. Under the "open door" policy early warning will ensure lead time advantage to Group members.

In order to eliminate unnecessary duplication and to make R&D as effective as possible, the CAC companies agree to keep each other informed on programmes, to exchange methodology and to pool results.

Under this concept selective access to communication (personal and written) and confidence in the maintenance of security is critical. Full access to the R&D programme of each company will be available to a very small agreed list of senior managers. The Group's R&D programmes for process and product technology should continue to be coordinated through the annual R&D conference and subsequent approval by the boards of the principal operating companies of the programmes agreed. The IBSC will be responsible for the complete protection of the originating company's international products/brand strategies.

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