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CORPORATE ISSUES

BACKGROUND

International companies and industries are often criticised for their activities and behaviour in many parts of the world. Much of the criticism is politically motivated, particularly by those opposed to the free enterprise system. Critics argue that the interests and objectives of international business are incompatible with the interests and well-being of national communities.

While this is not true, these views receive wide coverage and have a considerable number of subscribers. They are certainly used by the anti-smoking lobby to attack both the tobacco industry and companies in the BAT group.

It is therefore important that operating companies implement programmes to develop and promote a good corporate image for themselves and the group and that all steps are taken to ensure that the company enjoys a good corporate reputation.

From a commercial perspective, the benefits of a good image and reputation within local and national communities are becoming increasingly apparent. The products of a company with a good corporate image are often more attractive to consumers. Access can be easier to decision makers and opinion formers, the company can become more attractive in terms of recruitment and it is more difficult for legislators to enact harsh regulations affecting companies which have the support of local and national communities.

A good corporate image and reputation is judged on many factors including financial performance, corporate behaviour and ethical practices, community involvement and contribution and environmental awareness and sensitivity.

POLICY

Companies should have a co-ordinated programme to establish and maintain their corporate image and reputation.

Corporate image/reputation should be assessed regularly and programmes adjusted to take account of changing opinions and attitudes.

OBJECTIVES

The overall objective of corporate image/reputation programmes should be community support for the company's business objectives and activities.

Programmes and action should address:

- **Financial standing** - to ensure that: the company is able to maximise the benefits and the commercial advantage of financial credibility through favourable banking terms, preferred terms with suppliers, etc; government recognises the economic contribution and views of the company when determining policy; the company enjoys a fair share price
- **Ethical standards** - to ensure that: the group's strict standards regarding observance of local laws and customs, payments of taxes and charges are observed; that proper and fair relationships are observed with distributors, suppliers, farmers, etc and in the conduct of relations with elected and government officials
- **Environmental Practices** - to ensure that strict standards are observed in relation to disposal of waste, recycling, utilisation of local resources and other issues, set out separately in BATCo's environmental policy and that due recognition is sought on appropriate occasions
- **Employment practices** - to ensure strict observance and due recognition of employment policies and conditions and safety standards and that management quality and employee opportunities are communicated and understood
- **Community contribution** - to ensure that community programmes respond to the needs and aspirations of local and national communities and are relevant to local development needs
- **Corporate identification** - to ensure that all visual identification such as logo, letterhead and stationery, signage, vehicles meet acceptable standards of consistency, clarity and professionalism.

EXTERNAL RELATIONS**BACKGROUND**

Even the freedom retained by free enterprise in the western democracies is a qualified one and is under greater pressure than before. Increasingly, communities are demanding that international corporations justify their franchise to do business. Companies such as BATCO must not only be good world citizens, they must demonstrate and communicate that this is so.

POLICY

It is BATCO policy that pro-active programmes of regular contact with government officials, politicians and ministers on matters of mutual interest be pursued. Contact programmes should also be carried out with appropriate international bodies, such as the World Bank and the International Tobacco Growers Association. Audiences should be made aware of the company's positive contribution to the national economy. Assistance will not be forthcoming if a company approaches a potential helper only when problems arise. Contact should also be maintained with other key audiences whose goodwill and co-operation can help companies achieve their business objectives. These groups can include, for example, employees, suppliers, customers/smokers, the trade, local community leaders, leaders of the financial sector, competition, politicians, the public, tobacco growers, advertising agencies and business leaders.

Steps should be taken to ensure that non-executive directors are given the opportunity to play a full and appropriate role in relationships with government and other appropriate audiences.

This policy should be read in conjunction with the Key Area Paper on Smoking and Health - Communication.

OBJECTIVE

The objective of external relations' activity is to ensure that the full support of an operating company's key audiences is enlisted. In this way a company will help itself to sharpen its competitive edge and maintain the freedom to conduct its business in a responsible manner. BATCO's business contributions and practices should be recognised to be of a high standard and not open to criticism.

THE MEDIA

BACKGROUND

As major employers and contributors to the economy, BATCo companies are a subject of legitimate interest by the media. Dealing with the media can have a significant impact on the company's business. Relations with press, radio and television are an important means of developing corporate reputation and mishandled can have a significant negative impact on the company.

POLICY

It is BATCo's policy to be open and honest in all its dealings with the media and to conduct effective media relations programmes to promote the company as a responsible business. Media relations' plans should be developed and revised annually, to include key journalists to contact, subjects and messages to communicate and programmes for regular contact.

Companies should nominate a media spokesman who should receive regular issues and media training and is the only person in the company, apart from the No 1, who is authorised to talk to the media.

When company spokesmen are dealing with commercial issues affecting the local business, information made available should be cleared with the No 1. When providing commercial and financial information, close attention should be paid to local laws, stock exchange rules, etc.

Opportunities for general comment on all smoking issues should be carefully reviewed and pursued if it is considered that the company's views can be adequately represented. This should be with the agreement of the No 1. When discussing any smoking and health issues, spokesmen should be aware of product liability implications and scientific accuracy and should fully understand the company's stance.

Corporate Affairs Department, Millbank, should be kept informed of significant media contact and coverage which may have international or damaging local impact and should be consulted if there is any doubt about handling any specific contacts.

OBJECTIVES

Media relations programmes should contribute to the achievement of corporate objectives by ensuring that the company is well known and highly regarded by its key audiences.

A more detailed paper - Guidelines for Dealing with the Media - has been circulated by Corporate Affairs Department, Millbank.

TRAINING AND DEVELOPMENT OF CORPORATE AFFAIRS STAFF**BACKGROUND**

The effectiveness of an operating company's Corporate Affairs Department rests upon the professional competence of staff. In a worldwide group such as BATCo, special efforts must be made to establish uniformly high standards of professional practice.

POLICY

It is essential that the head of corporate affairs function be aware of the company's policies, plans, directions and any developments, to be able to operate effectively and provide informed advice to the company.

It is policy that the corporate affairs staff training agenda be based on the technical skills outlined in the appraisal system.

The professional development of corporate affairs and public relations staff should be through external training programmes, but where these are not available, staff should be assisted by in-company training, by co-operative programmes with companies in the same region and with Corporate Affairs Department, Millbank.

OBJECTIVES

To ensure the highest standing of the company within its local environment.

The objective of staff training is to ensure that high professional standards are maintained. In this way the company will be able to communicate effectively with and enlist the support of those groups and individuals who can help it maintain its commercial freedoms.

SMOKING AND HEALTH - COMMUNICATION**BACKGROUND**

A large number of doctors and scientists believe that smoking has been shown to be harmful to health. However, the company's position is that whether or not smoking is a cause of human disease has not been scientifically established. Indeed, the processes and mechanisms, which lead to the development of the so-called smoking associated diseases are not yet known; nor is it known what role, if any, smoking plays in the development of these diseases. Many scientific studies have claimed statistical associations between smoking and disease, but these studies by their nature cannot determine cause and effect. BATCo continues, together with other cigarette manufacturers, to support independent scientific research.

POLICY

BATCo's views on smoking and health should be clearly communicated to key audiences whenever suitable opportunities arise. It is important that such views be expressed accurately and in a non-emotional manner. It should, however, be noted that companies should not adopt a proactive approach to the communication of the company's views on smoking and health without careful consideration and prior discussion with Corporate Affairs Department, Millbank; however they should take advantage of appropriate opportunities to express their views when requested to do so.

OBJECTIVES

To encourage the recognition, even amongst those firmly committed to the anti-smoking point of view, that smoking and health is an extremely complex subject and to promote the adoption of a more balanced view of the issues involved.

To ensure that key elected representatives, government officials and company employees are aware of the company's views on smoking and health.

SMOKING AND HEALTH ENVIRONMENTAL TOBACCO SMOKE (ETS)

BACKGROUND

The claim that the health of non-smokers may be adversely affected by ETS is being increasingly used to justify restrictions on smoking in a wide range of public places and the workplace. It is the aim of those opposed to tobacco to make smoking increasingly socially unacceptable. However, BATCo's position continues to be that there is no convincing evidence that ETS causes diseases, such as lung cancer and heart disease in non-smokers.

POLICY

Companies should communicate BATCo's position on the science of ETS where appropriate. A pro-active approach should be adopted, however this should not extend to paid advertising campaigns on the science. The company's policy is to promote the sensible accommodation of both smokers and non-smokers in indoor areas and other places where total smoking bans are proposed. The company endorses smoking bans or restrictions on the grounds of safety such as in places where flammable liquids are stored.

OBJECTIVES

To encourage recognition that the claims regarding the health effects of ETS cannot justify legislative action (smoking bans etc).

To prevent smokers being victimised on the grounds that their tobacco smoke is harmful to others when this has not been established.

SMOKING AND HEALTH - MARKETING RESTRICTIONS

BACKGROUND

In response to recommendations from WHO and a number of international pressure groups, governments are introducing a wide range of restrictions on marketing activities relating to tobacco. These include restrictions or bans on advertising in some or all media, on brand sponsorship, particularly of sports, and on trademark diversification activities. It is often stated that such restrictions are aimed at the 'protection' of young people from the influence of tobacco advertising and sponsorship. However, major studies and experiences in various markets clearly demonstrate that advertising or sponsorship is not significant in influencing young people to begin smoking, or that advertising or sponsorship bans have any demonstrable effect on the overall consumption of tobacco.

POLICY

It is BATCo policy to protect marketing freedoms in all instances. Wherever possible, negotiated voluntary codes are to be preferred to legislation, and companies should consider adopting such codes throughout the industry in their country, where they do not already exist, in the hope of pre-empting legislation.

OBJECTIVES

To preserve the right of companies to advertise and market their products within socially acceptable standards and practices,

To preserve their ability to inform their consumers of product developments and innovations,

To ensure that companies are able to compete and increase their market share.

SMOKING AND HEALTH - HEALTH WARNING CLAUSES

BACKGROUND

For many years, health warnings have appeared on cigarette packets in some markets and in others they have not. In particular, health warnings have been required by governments in most OECD nations and it is the perception of the company that, in these countries at least, there is a community expectation that all cigarette packets should contain a warning of some kind. As a responsible manufacturer, BATCo believes it should respond to those expectations and apply a health warning to all products it makes.

In many countries health warnings are also included in advertising either as a result of legislation or industry agreement.

POLICY

It is BATCo policy to comply with any national requirement to place health warnings on cigarette packaging and in advertising.

In most cases warnings are required by government and should therefore contain an attribution to the government.

In cases where there is no requirement or agreement, health warnings should be included on packaging but not in advertising (guidelines for the application of health warnings where no government requirement exists are circulated separately).

Pictorial warnings, and those occupying a major pack face or faces (front and back) or a disproportionately large area of advertising space, should be resisted.

OBJECTIVES

To neutralise the controversy over pack warning labels,

To minimise the damage to the Group's most valuable assets, trade marks, pack designs,

To minimise the disruption to advertising communications.

SMOKING AND HEALTH - TOBACCO INGREDIENTS***BACKGROUND**

In many regions of the world, WHO and other anti-smoking groups are calling for tobacco companies to declare lists of ingredients that are used with tobacco and, on some occasions, to list them on packs. This issue has in some countries been taken up by government.

This is an issue of considerable commercial sensitivity and it is important that no negotiations commence with government on these issues without prior discussion with Corporate Affairs Department, Millbank.

POLICY

It is BATCo policy not to provide lists of ingredients on a company brand by brand basis to any outside agency, government or private. Should government require information about ingredients, it should be provided on an industry basis. It is policy not to list individual ingredients on product packaging or include them on pack inserts.

Information should not be provided prior to consultation with Corporate Affairs Department who will liaise with Corporate R&D.

OBJECTIVES

To preserve the commercial confidentiality of product formulae and recipes,

To preserve the company's individual ability to satisfy consumer tastes,

To prevent ill-informed abuse of the company, its products and the tobacco industry.

- All ingredients must have received clearance from the Additives and Materials Guidance Panel.

SMOKING AND HEALTH DELIVERIES OF TAR, NICOTINE AND OTHER COMPONENTS

BACKGROUND

Largely in response to WHO recommendations and often following examples from other countries, an increasing number of governments are requiring the display of delivery figures for cigarettes. In most cases this covers NFDPM (Nicotine Free Dry or Particulate Matter - tar) and nicotine, but carbon monoxide and other smoke components may also be included. Governments are also seeking to limit and reduce levels of deliveries either by tar ceilings or by introducing S.W.A.T. (Sales Weighted Average Tar) requirements.

POLICY

BATCo is not opposed to the display of information regarding NFDPM (tar) and nicotine preferably displayed on the side of packets. Tar and nicotine measurements must be made in accordance with the ISO method, or a nationally agreed standard method.

Unless legislation specifically requires otherwise, companies should not agree to the display of other smoke components including carbon monoxide either on cigarette packets or by way of enclosures because of the potential for misinterpretation and misrepresentation. BATCo is opposed to the introduction of unrealistic tar and nicotine ceilings and where government proposals are considered S.W.A.T. regulations are preferred.

OBJECTIVES

To protect the integrity of the company's trade marks and pack designs,

To prevent ill-informed abuse of the company, its products and the tobacco industry,

To maintain the right to manufacture products, which satisfy the taste demands of consumers.

PRESSURE GROUPS

BACKGROUND

International issues including tobacco, have become politicised such that pressure groups are sometimes regarded as political groupings. Many are well established, employing full time staff. A bureaucracy has arisen with an international career structure and world wide information networks. It is most important that the professional nature of pressure groups and their motivations be fully understood. Because of its business, size and international character, BAT is a special target.

The key strategy of anti-tobacco pressure groups is to persuade governments to introduce legislation to ban advertising, reduce tar/nicotine levels, increase taxation, to ban smoking in public and to force crop substitution. By these means pressure groups hope to achieve their objective of eliminating tobacco smoking.

Most anti-tobacco pressure groups are linked with the WHO and affiliated agencies. They include the International Union Against Cancer (UICC), the International Organisation of Consumer Unions (IOCU), Action on Smoking and Health (ASH) and many others, who are either regional or national.

Companies should be aware that pressure group campaigns will often include:

- public meetings
- anti-tobacco media activity
- defacement of advertisements
- 'smears' against individual tobacco company executives
- action at company AGMs
- attempts to influence company shareholders
- lobbying politicians

POLICY

BATCo policy is to pre-empt the attacks of adversaries through a review of plans and allegations of pressure groups and to engage them when it is in the interests of the operating company to do so. Where an attack is directed specifically at BATCo, the operating company should co-ordinate and lead the defence of the company. Otherwise pressure groups should be dealt with via the national manufacturers' association, but if necessary, the operating company can take a leading role.

OBJECTIVE

To add balance and fairness to the debate.

To further business objectives by the continued defence and protection of the company's interests and reputation.

COMMUNICATION AND CO-OPERATION**BACKGROUND**

The issues affecting the international tobacco business are now globalised. The global anti-tobacco policies of the WHO and its executive ancillaries are being implemented on a regional basis. The WHO activity is administered from regional centres in New Delhi, Manila, Brazzaville, Washington DC, Copenhagen and Alexandria. Over the next few years, the regional structure of the industry's opponents is expected to be strengthened. Regional trading blocks exist in some parts of the world and necessitate a regional approach to public issues management.

In the BATCo group, companies have considerable experience in dealing with WHO's smoking and health strategies, and also with criticism of international businesses.

POLICY

A regional as well as an international view should be taken of the issues affecting a company's business. The strategies of WHO and pressure groups should be monitored. Strategies on smoking issues adopted by BATCo companies should be mindful of other regional activities. Knowledge and experience should be efficiently communicated among BATCo companies within the region and to Millbank so that all can benefit. Regional issues and communications should be managed through the Public Affairs Resource Groups (PARGs).

OBJECTIVE

To maximise communication and cooperation on public issues amongst companies and business units in regions covered by RBUs.

NATIONAL MANUFACTURERS' ASSOCIATIONS

BACKGROUND

It is a recognition of the important economic position often held by the tobacco industry that governments will usually wish to keep closely in touch. Governments will normally prefer to do so via an organisation which can represent the interests of all national tobacco manufacturers. Such NMAs can also help companies by providing a source of industry information and agreed views on non-competitive issues for the media and the public.

POLICY

It is BATCo's policy that wherever possible, the views of a national tobacco industry should be projected co-operatively through a national manufacturers' association.

Companies should be aware of the competitive advantage competitors can achieve through influencing certain key issues at an industry level.

Where there is insufficient industry representation to form an NMA, the BATCo company itself should be prepared to represent an industry view.

NMAs should be adequately staffed and funded. They should establish appropriate policies and measurable objectives. Effectiveness should be audited and reviewed regularly.

OBJECTIVE

To ensure that the industry present strong, consistent and unified views to its audiences on non-competitive tobacco issues. This unity will give strength to the industry's case and so help create favourable conditions for the responsible conduct of business.