

BAT

NIGERIA

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CORPORATE BROCHURE





A strong foundation

One of the world's most ethnically diverse countries, Nigeria is not only Africa's most densely populated region—with all the benefits that such rich human capital could provide—but it also has one of the fastest growing economies in the world. Rich in oil and liberated from constraint in 1999, it was identified by Goldman Sachs some five years ago as one of the 'Next 11'—countries with the potential to take their place among the largest economies in the 21st century world.

BAT Nigeria continues to work with government to clamp down on illegal trade and benefit local communities. Bassem Bekdache talks to Gay Sutton about spreading the benefits nationwide

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HGS put great importance on training of the staff that work for the company and run regular in house training courses with product managers coming out from the companies that we are agents for. In conjunction with this we have a regular program to send out staff to the manufactures factories to make sure that they are kept up to-date with the latest products and techniques on the market.



In recent years a sea change has also been occurring in the country's tobacco industry, led by a joint effort between the government of Nigeria and global tobacco giant British American Tobacco (BAT). Although most of Africa's tobacco is grown in the east, Nigeria has broken that mould, and has successfully been growing and processing tobacco since the early 1900s, leading to the founding of the Nigeria Tobacco Company (NTC) in 1912.

For many years, BAT played a silent role in Nigeria as a 60 per cent shareholder in NTC. However, the accession of a civilian government in 1999 led to significant political and economic reform, ushering in an era of greater stability and growth, and BAT emerged from the shadows to acquire the remaining shares in NTC in 2000. Today the company goes under the name of BAT Nigeria (BATN) and is recognised country-wide as a major employer and a contributor to the national economy through a mixture of significant tax revenue and work in the community. It directly employs around 835 people across its factories in Ibadan and Zaria, its offices in Lagos and Abuja, and in other areas such as security and agronomy. Indirectly, though, the employment level reaches 14,000 through its tobacco farms, suppliers and distributors.

"As a global corporation, we tend to find that in countries where we are able to establish a good working relationship with the government, and that relationship incorporates the interests of the company, the community and the government in terms of revenues, then we are able to build a very successful operation," explains Bassem Bekdache,

BATN's head of Corporate and Regulatory Affairs.

From its inception as a company in Nigeria in 2000, BATN established a close working relationship with the government through a memorandum of understanding (MOU), which it signed in 2001. Under the terms of the MOU, the company agreed to bring production of all popular brands to Nigeria through phased expansion, to increase sales of legal tobacco products inside the country and to create an export trade to surrounding nations.

The first phase of this began immediately, with a significant \$150 million investment in the construction of a new state-of-the-art manufacturing plant at Ibadan, Oyo State. Alongside this, investments were also made in upgrading and improving the existing facility at Zaria, Kaduna State. Progress has been significant and steady: all brands bar one are now manufactured in Nigeria, including the highly popular Benson & Hedges, Dunhill and St Moritz. Meanwhile, the company has built strong trading links and a sophisticated supply chain to deliver into 14 of the surrounding countries, contributing some £60 million to the economy in export revenue.

It is, however, in the clampdown on the illegal tobacco trade that BATN has forged the closest working relationship with government. When BATN was formed in 2000, only 10 per cent of tobacco sales in Nigeria were made legally, and this had been costing the government millions in lost tax revenue in addition to increased public health risks due to quality issues.

BATN's strategy for increasing the sales of legal





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tobacco products has three elements. Firstly, the company has been steadily increasing the output from its factories and building a network of retail outlets through which its products can be sold legally across the country. Secondly, it has been working with those retail partners to ensure they no longer sell illegal products. Thirdly, the company has been working closely with government agencies, sharing information and aiding with the analysis of suspect and seized products.

Since 2000, the balance of supply has shifted dramatically in Nigeria. Today, over 80 per cent of products sold in the country bring tax revenue into the national coffers. “And we’re still moving in the right direction,” Bekdache says. The challenge, however, will be to continue improving on this figure and finding a way to tackle the deeply entrenched 20 per cent. And as further inroads are made into this significant volume of illegal trade, production at the BATN factories



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will have to increase to fill the gap.

“Manufacturing continues to be one of our current areas of focus,” Bekdache says. “At a time when many manufacturing companies are operating well below capacity, we are achieving 80 per cent utilisation, so it’s important that we continuously work to increase our efficiency and our productivity.”

The most recent investment into manufacturing capability has been in the area of quality control. Improvements to plant and laboratory equipment have been made, and a rigorous new set of methodologies has been introduced, backed and embedded by training. As a result, the company has been awarded the globally recognised ISO/IEC 17025:2005 accreditation for quality testing and calibration at its laboratories. “This is a major achievement for Nigeria, because it positions the Nigerian factory as a hub for testing and calibration,” Bekdache says.

The other major strand of the company’s strategy in Nigeria is to operate according to the principle of mutual benefit—in other words, to put something back into the local communities. This is managed through the BATN Foundation, which is funded by a percentage of company profits and focuses on tackling the four most serious social issues. Firstly, the lack of clean and safe drinking water is one of the biggest causes of preventable disease, so the foundation has commissioned many new boreholes around the country, each equipped with a 20,000 litre water tank, solar panels, water management buildings and accessories. Secondly, the foundation is supporting and promoting agricultural development through programmes that enable traditional subsistence farmers to adopt modern farming techniques, as well as constructing cottage industries to process cassava and palm oil, and improving animal husbandry.

The foundation also works to improve the local environment through a tree planting campaign, and in the north of the country this is part of the national effort to combat desert encroachment.

Finally, the foundation is working to enable local people to acquire useful skills. To date, vocational training centres have been constructed at Zaria and Jere in Kaduna State, and Ibadan in Oyo State. “We have now completed a total of 99 projects across Nigeria, including a recent project in Abuja,” Bekdache says.

One of the challenges facing BAT, and indeed any organisation seeking to make a difference to the lives of local people, is the sheer ethnic diversity of the country. Carved out of Africa in the early 1900s, its borders are largely defined along commercial lines, and the country is host to some 300 ethnic groups, all of them with clearly defined needs and struggling to integrate as a nation. As a consequence BATN has developed a policy of even-handedness in its involvement with the Nigerian community. “We make a conscious effort to ensure that we don’t just favour the area in which we operate, but to benefit the whole country,” he continues. “In practice, we meet January and February to review our plans for the coming year, and to identify the projects we will undertake.”

These decisions are based on a thorough analysis of the project proposals submitted to the foundation’s technical committee. There is considerable dialogue with stakeholders in the regions as well as input from the marketing teams in the field, and all of this feeds into a formal sustainability and stakeholder report.

In addition to work through the foundation, the company operates a wide range of initiatives to help its tobacco farmers, to encourage more tobacco growing and crop diversity. In recent years, the scope of this initiative has been extended to include the provision of higher education scholarships for young people interested in taking up agriculture as a career. “We have been doing this since 2004 as part of our support to the farming community. To date we have provided a total of 65 scholarships,” Bekdache says. “And again, we deliberately choose candidates from across Nigeria and also try, where we can, to



encourage girls too.”

Nigeria is certainly not a country without challenges. Earlier this year, for example, more than two million people were displaced by floods in the north of the country. For BATN, the challenge was to resume deliveries into the affected area as quickly as possible. “The concern was that if customers didn’t have access to legal products, illegal ones would make a comeback, because illegal producers would take far greater risks with their delivery methods.” There also continues to be a problem with an erratic power supply, but BATN understands the constraints, and has provided its own solution to the problem.

“We have built momentum with the communities, with the consumer and with the government, and we have a commitment towards working within the Nigerian context,” Bekdache asserts. “For us, the most important thing is to maintain this momentum and to continue working in partnership with the government,” he concludes. www.batnigeria.com

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