



CONTROVERSIAL ACTIVITIES

TOBACCO

0. Background

As there is overwhelming evidence that the use of tobacco products can cause serious health problems, there can be no discussion that involvement in tobacco should be classified as a 'questionable activity'. Moreover, it is considered as more harmful than alcohol since there is no safe use of tobacco (which is the case for alcohol, below a certain threshold).

This reduces the problem of involvement to two main questions:

- Which products should be considered as tobacco products?
- What is the degree of involvement?

Beside its health problems, it has to be noted that many other questionable activities are linked to tobacco production:

- Lobbying (USD 67.4 million in the US, with BAT and Philip Morris as the single most important lobbyists. 72% of political contributions were granted to Republican candidates.
- The attitude in LDC's receives less attention, however tobacco companies interfere there directly with the national public health laws via political and commercial pressure), manipulating scientific opinion (e.g. on passive smoking), avoiding legal requirements concerning mandatory required information and publicity (in LDC's it is not about avoiding but simply about infringement), involvement of smuggling networks (1/3 of cigarettes exported worldwide 'disappear'), and expansion in LDC's, China and Eastern Europe using advertising and marketing practices long banned in Europe and the US.
- In addition, production of leaf tobacco is estimated to deplete enough land worldwide to feed 20 million people and to increase the cost of food due to increased reliance on imported food (deforestation, pesticide use, soil erosion).

Basically a tobacco company has two options: decide whether to focus on their core business or get out of tobacco altogether. The second alternative is not a realistic option for the tobacco giants. But companies with minority stakes in tobacco activities can opt to withdraw, as have been the case in the recent past with Fortune Brands (US), Kimberley-Clark (US), Volvo (Sweden), Hanson (UK), Empresas la Moderna (Mexico) and Sara Lee (US).

1. Tobacco related activities - definitions

Under tobacco related activities we distinguish:

1.1. Manufacturing of core tobacco products:

Leaf tobacco (raw material), cigarettes, cigars, hand rolling, pipe snuff and chewing tobacco.

Some companies are specialised in developing and producing 'less harmful' tobacco products. However, there is no reason to treat these products in a different way than the classical tobacco products:



- As the evidence of the less harmful character is often biased by the fact that the research is conducted by the producer himself (experience from the past with so called healthy cigarettes).

- Furthermore, it is not sure that the introduction of such products will result in a decrease of 'classical' tobacco consumption, c.q. less health problems. Therefore these efforts can be regarded as commercially inspired in the sense that they are directed to maintaining or expanding the level of tobacco consumption.

1.2. Manufacturing of side (secondary) tobacco products:

These are products that do not contain tobacco themselves, but that are specifically developed or manufactured to be used in the manufacturing or consumption of tobacco products. Examples of such products are machines, filters, pipes, cigarette paper and tobacco flavours.

Products such as matches, lighters, packages and adhesives, that are also used in other contexts than tobacco products manufacturing or consumption, are not regarded as tobacco products.

1.3. Distribution, marketing and sales of core tobacco products

Distribution and marketing activities are generally executed by the producers. However, a few companies are specialised in high speed internet order processing and e-business services for the tobacco industry.

Tobacco products are sold through a number of distribution channels: large distribution chains, specialised shops, pubs and restaurants, service stations, retail trade

2. Degree of involvement

2.1 Major involvement

Companies are regarded as having a major involvement in tobacco related activities if they:

- 2.1.1 Derive any revenues from manufacturing of core tobacco products. For non-consolidated participation, the threshold is set to **1%** of revenues.
- 2.1.2 Derive **10% or more** of revenues from distribution of core tobacco products
- 2.1.3 Derive **20% or more** of revenues from activities in the field of manufacturing of secondary tobacco products.

2.2. Minor involvement

Companies are regarded as having a minor involvement in tobacco related activities if they:

- 2.2.1 Derive **between 1 and 10%** of revenues from distribution of core tobacco products
- 2.2.3 Derive **between 5 and 20%** of revenues from activities in the field of manufacturing of secondary tobacco products.

2.3 No involvement

Companies are regarded as not being involved in tobacco related activities if they:

- 2.3.1 Derive **less than 1%** of revenues from distribution of core tobacco products
- 2.3.2 Derive **less than 5%** of revenues from activities in the field of manufacturing of secondary tobacco products.
- 2.3.3 Have activities in the field of core tobacco products advertising



Summary

	Manufacturing of core tobacco products	Manufacturing of secondary tobacco products	Distribution and sales of core tobacco products	Advertising for core tobacco products
Major involvement	Always (= 1% for non-consolidated participation)	20% or more of revenues	10% or more of revenues	Never
Minor involvement	Never	Between 5 and 20% of revenues	Between 1 and 10% of revenues	Never
No involvement	Never	Less than 5% of revenues	Less than 1% of revenues	Always