



PHILIP MORRIS INTERNATIONAL

EXPOSED

Alternative Annual Report

Corporate Accountability International (formerly Infact) is a membership organization that has, for the last 33 years, successfully challenged irresponsible and dangerous corporate actions around the world.

Since 1994, Corporate Accountability International has worked to stop Big Tobacco from addicting new customers throughout the world and to block the industry from manipulating public policy to suit its own interests.

Corporate Accountability International is in official relations with the World Health Organization (WHO), an accredited observer to the WHO Framework Convention on Tobacco Control (FCTC) Conference of the Parties, and also has Special Consultative Status with the United Nations Economic and Social Council (UN ECOSOC). The organization is a founding member of the Network for Accountability of Tobacco Transnationals (NATT).

www.StopCorporateAbuse.org

About Philip Morris International

Every year, one of the world's best-known corporations provides its shareholders a glowing image of a company that is handsomely rewarding its shareholders by expanding into new markets, developing new products, and overcoming market and regulatory challenges. The truth is that this corporation makes its billions of dollars in profits at the expense of people's health and their lives. This report reveals the dark truth behind how Philip Morris International earns its profits.

Philip Morris International (PMI) is the world's largest, deadliest and most profitable publicly traded transnational tobacco corporation.¹ PMI currently operates in 180 countries and holds more than 27 percent of the international tobacco products market (excluding the People's Republic of China and the United States).² In 2010, PMI reported revenues (excluding taxes) of over US \$27 billion³ and an operating income of US \$11.2 billion.⁴ Another way to look at it: That's \$5,500 in profits for every person who has died so far this year from tobacco-related disease.

FINANCIAL LOWLIGHTS: THE PRICE PAID FOR PROFITS

PMI reported 11.6 percent growth in profits and an increase of 4.1 percent in its cigarette shipment volume in 2010.⁵ This increase in profits and volume contributes to:

- One tobacco-related death every six seconds worldwide. That's 5.4 million people every year.⁶
- Premature deaths. On average, smokers lose 15 years of life and up to half of all smokers will die of tobacco-related causes.⁷

- Higher healthcare costs and lost productivity. Tobacco causes a \$500 billion global economic drain each year — nearly \$74 for each person in the world.⁸
- For every dollar of PMI revenue, health care expenses and productivity loss cost the world economy \$7.39.⁹

To achieve these profits, PMI:

- Spends nearly \$5 on its so-called corporate social responsibility initiatives for every tobacco related death — a means of distracting attention from its core business of selling a harmful and deadly product.
- Implements a range of tactics to undermine the success of public health policies that protect people from the harms of tobacco, including:
 - » litigating, particularly by leveraging international trade agreements;
 - » targeting women and children with deceptive advertising, promotion and sponsorships;
 - » entering into strategic partnerships with governments;
 - » establishing front groups; and
 - » engaging in so-called corporate social responsibility initiatives.



(PHOTO: COURTESY OF THE WORLD HEALTH ORGANIZATION)

One child, among hundreds of thousands of children, that PMI targets for a lifetime of addiction.

Global Tobacco Epidemic by the Numbers

250 MILLION

Children that will die from tobacco-related diseases if current trends continue.¹³

100 MILLION

People killed by tobacco use in the 20th century. If current trends continue, tobacco will kill one billion people in the 21st century.¹¹

12 MILLION

Cigarettes smoked around the world every minute.¹⁴

100 THOUSAND

Young people around the world who risk becoming addicted to tobacco every day.¹³

50 PERCENT

Men in developing countries that smoke.¹²

35 PERCENT

Men in developed countries that smoke.¹²

2010 Alternative Annual Report: Executive Summary

At the annual shareholders' meeting on May 11, 2011, Philip Morris International's (PMI) executives and shareholders celebrated another year of growth in spite of the global economic crisis. CEO Louis Camilleri, however, did not mention the true cost of tobacco addiction: 5.4 million preventable deaths globally every year. As of May 11, 2011, close to 2,000,000 people have lost their lives to tobacco this year.¹⁵

PMI's 2010 Annual Report highlights its aggressive expansion into markets in Latin America, Eastern Europe, Africa and Asia, but it doesn't reveal the fact that tobacco's death toll will rise to eight million women, men and children a year by 2030 — with 80 percent of those deaths occurring in the regions it is destructively targeting.¹⁶ PMI's Annual Report also paints a picture of itself as a charitable and socially responsible corporation, but the company's charitable activities are really an attempt at gaining political and public goodwill and defeating efforts to reduce tobacco addiction, especially in the middle- and low-income countries where it is expanding most rapidly.

Every day, PMI undermines and directly interferes with implementation of the world's first public health and corporate accountability treaty, the World Health Organization's Framework Convention on Tobacco Control (WHO FCTC). To date, 171 countries and the European Union have ratified the treaty. Because of the tobacco industry's need to maximize profits in spite of tremendous public health, economic and social costs, the treaty recognizes the fundamental conflict between the tobacco industry's interests and health policy.¹⁷ In November 2010, the Parties to the WHO FCTC once again upheld this principle when they unanimously passed a resolution supporting Uruguay as it defends itself against



This boy sells PMI brand cigarettes among others at a small shop in Bangladesh, where over 40 percent of the population is under the age of 15 — a target consumer market for PMI.

PMI's legal threats and its use of trade agreements to fight tobacco control.¹⁸ It is clear that the global community's resolve to stand up to Big Tobacco is stronger than ever.

Worldwide support for the health policies endorsed in the treaty is increasing. As a result, tobacco industry opposition to tobacco control policies becomes more aggressive, making this a critical moment in global tobacco control. Tobacco control and corporate accountability advocates must remain vigilant in exposing and challenging the ever-evolving tactics of the tobacco industry.

This Alternative Annual Report is a compilation of stories that illustrate

the lengths to which PMI will go to line its coffers, even at the potential cost of one billion lives in this century. It details PMI's multiple strategies to intimidate countries and circumvent government health policies. Communities organizing to stand up against PMI stretch to every corner of the globe. Their refrain is the same: We need to strengthen the global movement to put people and public health ahead of tobacco industry profits. The time to act is now.

PMI's Tactics in 2010: Both Familiar and New

The following section contains examples of PMI strategies to market its deadly and addictive products and attempts to defeat or weaken efforts to reduce tobacco use. These tactics were used throughout the world.

European Union



- **Litigation:** Filed lawsuit against Norway in October 2010 challenging the implementation of its display ban legislation.
- **Government partnerships:** Signed an Anti-Contraband and Anti-Counterfeit Agreement that enables PMI to have access to sensitive customs and law enforcement information.

Eastern Europe, Middle East and Africa



- **Subverting ad bans:** Aggressively targeted female smokers in Russia with slim and super slim variants of its popular brands.
- **Front groups:** In Africa, PMI used International Tobacco Growers Association to act on its behalf.

Latin America and Canada



- **Litigation:** Filed legal challenge in a World Bank court bullying Uruguay for its packaging and labeling requirements.
- **Corporate social responsibility:** Funded education programs in Colombia to ensure access to the youth demographic.
- **Government partnerships:** Used government agreement to facilitate expansion of the tobacco market in Latin America.

Asia



- **Corporate social responsibility:** Donated millions for disaster relief and education in an effort to polish its corporate brands and reputation.
- **Front groups:** Established front groups and partnered with influential allies that act on behalf of the tobacco industry.

Driving a Global Health Epidemic

PMI's position as the global leader in the tobacco industry has been achieved both by effectively marketing its products and opposing tobacco control initiatives. In the following sections, we share some of the tactics that PMI used in 2010 to drive an entirely preventable public health epidemic and undermine the implementation of the WHO FCTC.

LITIGATION

PMI mounted legal assaults against countries attempting to pass or implement strong tobacco control measures. In this section, we highlight how PMI is using various litigation strategies to undermine public health.

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ADVERTISING, PROMOTIONS, AND SPONSORSHIPS

PMI and its subsidiaries utilized traditional and non-traditional marketing tactics that circumvent even the strongest advertising bans and regulations. In this section, we share how far PMI went to reach women and youth.

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GOVERNMENT PARTNERSHIPS

Among PMI's latest tactics is entering into partnerships and agreements with governments. In this section, we highlight examples of such agreements and illustrate the potential consequences of such close governmental collaboration with tobacco corporations.

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FRONT GROUPS

PMI associated with a variety of groups that helped carry its message when it needed additional influence and credibility. In this section, we highlight instances of PMI's use of front groups to oppose strong tobacco control policy.

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CORPORATE SOCIAL RESPONSIBILITY

PMI's so-called corporate social responsibility initiatives are actually cost-effective public relations efforts. In this section, we highlight the lengths to which PMI went to generate a positive image and increase its public credibility.

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CONCLUSION

PMI must stop interfering in and obstructing the enactment of health policies that will save lives.

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el mundo mira a URUGUAY

En el marco de la COP 4, la Conferencia de representantes de más de 170 países abocados a la lucha contra el tabaquismo, las organizaciones internacionales aquí firmantes expresan su apoyo al Presidente de Uruguay Sr. José Mujica, a su Gobierno y a todo el pueblo uruguayo, por su liderazgo en la implementación de políticas para el control del tabaco, su decisión de enfrentarse a las grandes tabacaleras y por recibir esta Conferencia tan importante para la salud en el mundo.



LITIGATION

Suing for Profit, Bullying Governments

Around the world, countries aiming to protect their citizens' health through strong tobacco control laws are increasingly facing legal assaults from PMI that seek to prioritize trade policy over public health. In 2010 PMI worked through courts to use trade and investment agreements that were meant to protect national economic interests to stop or delay governments' efforts to protect their citizens' health. There are currently hundreds of bilateral investment treaties in the world countering effective tobacco control measures.

As part of its strategy PMI targeted small countries with limited resources that may be unable to singlehandedly engage in expensive legal battles. The following are a few current examples of PMI's emerging global focus on fighting public health measures in court by invoking trade and investment-related claims.

Corporate Accountability International partnered with the Campaign for Tobacco Free Kids and others to run this advertisement, "The World Looks to Uruguay" during COP4, the WHO's fourth Conference of the Parties for the Framework Convention on Tobacco Control. PMI is suing Uruguay for the country's graphic warning label laws that would cover 80 percent of PMI packaging.

"Health warnings on tobacco product packaging are critical to any effective tobacco control strategy. They increase public awareness of the serious health risks of tobacco use and help to ensure that the packaging tells the truth about the deadly product within."

Showing the truth, saving lives: the case for pictorial health warnings, WHO 2009

URUGUAY

USING AN INVESTMENT TREATY TO UNDERMINE PUBLIC HEALTH PROTECTIONS

In Uruguay, where PMI's market share is less than 15 percent (2009),¹⁹ the corporation is using a bilateral investment treaty (BIT) between Switzerland (PMI's corporate headquarters) and Uruguay to intimidate the small country into weakening its strong tobacco control laws. Recently in the spotlight as the host of the WHO FCTC implementation and governance meeting — known as the Conference of the Parties — Uruguay's decision to fight PMI's legal tactics received unanimous support from the 172 Parties to the treaty.²⁰ PMI's challenge sends a message to other countries where PMI does business that countries' efforts to address the tobacco epidemic may result in aggressive litigation. Uruguay's right and responsibility to protect the health of its citizens are recognized in the 1991 Switzerland-Uruguay BIT and reinforced in the preamble of the WHO FCTC.²¹ Even so, PMI is using the BIT to directly challenge Uruguay's public health measures to

implement the WHO FCTC, claiming that the government has impaired the use of its brands.

PMI is focusing on Uruguay's laws that call for pictorial health warnings covering 80 percent of the front and back of tobacco product packages.²² These laws are consistent with the WHO FCTC and its implementing guidelines for effective packaging and labeling measures.²³

Studies show that well-designed health warnings and messages are a cost-effective means to increase public awareness of the dangers of tobacco use and lead to a reduction in tobacco consumption.²⁴ Evidence also demonstrates that the effectiveness of warnings increases with prominence, particularly in communicating tobacco's implications for health to low-literacy populations, children and young people.^{25, 26}

PMI is also disputing Uruguay's ban on brand variants which aims to protect the public from misleading and deceptive tobacco packaging

and labeling and promotion in accordance with Articles 11 and 13 of the WHO FCTC and their implementing guidelines.^{27, 28} Uruguay's measures allow for a single representation of a brand and prohibit multiple brand variants such as those that use color to imply that one brand is less harmful than another. Strong evidence exists to document the tobacco industry's decades-long manipulation of smokers' perceptions about the risks of tobacco use, particularly through the design and marketing of tobacco packaging, including responding to labeling bans of "light" descriptors by simply color-coding its packaging.^{29, 30} PMI filed its request for arbitration in February 2010. The arbitration could take years to complete and is now before the World Bank's International Center for the Settlement of Investment Disputes tribunal.

NORWAY

PITTING PUBLIC HEALTH AGAINST TRADE

In October 2010, PMI's affiliate company in Norway sued the Norwegian government and asked the European Free Trade Agreement Court (EFTAC) to weigh in on Norway's public health ban on tobacco displays at retail stores.³¹ The ban came into effect in January 2010 as a way to reduce the number of Norwegian youth that start smoking, and to decrease overall smoking rates in the country. Several countries (or sub-national jurisdictions within countries) including Australia, Canada, Iceland, Ireland, and Thailand

have recently enacted legislation banning the display of tobacco products at the point of sale. England, Wales, Scotland, Northern Ireland, and Finland have also passed legislation that bans tobacco product displays, but the laws have not yet been implemented.³²

PMI is arguing that Norway's legislation violates the European Economic Area Agreement by improperly restricting the free movement of goods. In PMI's recently launched campaign targeting retailers, the public, and policymakers,

the corporation touts its own internally-funded research to argue that display bans are not a public health-based measure because they are ineffective in decreasing smoking prevalence.³³ However, a consensus exists among credible research institutions and scientists that exposure to tobacco displays at the point-of-sale is significantly associated with an increase in youth smoking and experimenting with cigarette use.³⁴



ADS, PROMOTIONS AND SPONSORSHIPS

Subverting Regulation to Sell a Deadly Product at Any Cost

PMI has heavily invested in marketing its Sampoerna brand in Indonesia, spending an average of \$114 million annually on brand marketing.

The countries that have ratified and acceded to the WHO FCTC have made a legal commitment to implement comprehensive bans on tobacco advertising, promotion and sponsorship, as these marketing tactics increase tobacco use and many target young people and children. PMI continues to market its deadly products despite countries' efforts to regulate these tactics. In 2010, PMI's subsidiaries took full advantage of loopholes in advertising laws and weak enforcement in order to increase sales and profits in emerging and mature markets.

One example of marketing activity aimed at undermining the intent of tobacco advertising regulations is the sponsorship of concerts and sporting events, which are particularly attractive to youth. PMI and its subsidiaries also exploit non-traditional marketing tactics that circumvent even the strongest advertising regulations. The tobacco industry has a growing presence on the internet using websites, social networking sites and blogs as avenues to reach its targets. One place where these tactics converge is Indonesia, where PMI's subsidiary, Sampoerna, spends an average of US\$114 million (IDR1.1 trillion) annually on marketing its brand and corporate name.³⁵

RUSSIA

SELLING DEADLY PRODUCTS AS GLAMOUR TO WOMEN



PMI aggressively targets women in Russia through the Virginia Slims Uno brand. In 2009, Russia was the largest market worldwide for the slim/ultra slim cigarettes.

For decades tobacco corporations have targeted women and girls with aggressive and seductive advertis-

ing that exploits ideas of vitality, independence, emancipation and sex appeal. If smoking rates for women can be boosted, it means big business — and billions of dollars — for the tobacco industry. But an increase in smoking among women means more devastation for global public health.³⁶

Advertising of so-called “slim” cigarettes exemplifies the industry’s scheme of addicting more women to tobacco. In 2009, Russia was the largest market worldwide for slim/ultra slim cigarettes.³⁷ In just three years, from 2006–2009, slim cigarette sales increased by 91 percent in Russia.³⁸ In order to increase corporate profits, PMI targets female smokers in Russia with slim and super slim variants of its popular brands. For example:

■ *Virginia Slims Uno* premium cigarettes are sold in packaging that resembles a box of perfume. Women are further targeted by the *Uno* brand, according to PMI, in venues frequented by women, such as beauty parlors and nail salons.³⁹ The original *Uno* packs come in black and white to fit a woman’s “mood.” The newest addition to the “Uno Collection by Virginia Slims,” *Fresh*, is marketed as a fashion accessory which has a flowery aroma that complements the smell of a woman’s hair and clothes.⁴⁰

■ PMI renovated its mid-priced *Muratti Slims* brand in 2008, advertising heavily to women. The *Muratti* packaging has a jeweled surface and PMI claims that after the re-launch it “gain[ed] rapid acceptance among adult female smokers.”⁴¹

ARGENTINA

‘IRON FRIENDS’ PROMOTIONAL CONCERTS ATTRACT YOUTH



PMI uses ad campaigns like the one featured here on the right to target youth.

To grow and profit, tobacco corporations must attract a new generation of tobacco users to replace consumers that get sick and die from

tobacco use. While tobacco transnationals like PMI claim that they don’t advertise to youth, corporate tactics and marketing campaigns continue to target young, new users.^{42, 43}

Sponsorship of music events is one marketing scheme that the tobacco industry uses to access youth when other forms of advertising are banned. By sponsoring events around the world, PMI is working to foster positive attitudes towards tobacco use among youth, effectively motivating them to smoke and become consumers of the corporation’s deadly products.^{44–46}

In 2010, PMI’s subsidiary in Argentina, Massalin Particulares, used a summer concert series and contest to promote PMI cigarettes to youth. The promotional event, Iron Friends, featured Argentinean bands that are very popular with young people in Argentina. PMI’s promotional materials for the concert series included online and points-of-sale advertising. Participants could also go to a website set up by PMI/Massalin Particulares for Iron Friends and use codes found in limited edition cigarette packs to win prizes such as autographed guitars, iPods, and chances to meet the bands.⁴⁷



GOVERNMENT PARTNERSHIPS Undermining Public Health and Tobacco Control Laws

One of PMI's tactics to weaken tobacco control policies is to enter into partnerships and agreements with governments. PMI urges customs agencies and other government entities into Memoranda of Understanding (MoUs) and Cooperation Agreements, claiming to be part of the public health solution and deserving of a seat at the table in policy making.

The tobacco industry, including PMI, has a history of deceptive corporate practices that underscores why governments continue to reaffirm the protection of public health policy from the tobacco industry. This history includes complicity in cigarette smuggling,^{48, 49} including several legal settlements of government-initiated litigation,⁵⁰⁻⁵² and a U.S. court ruling, upheld by the U.S. Supreme Court, finding that the major U.S. and U.K.-based tobacco companies violated civil racketeering laws and defrauded the American people by lying for decades about the health harms of its products and their marketing to children.⁵³

PMI is once again misleading the public by using the specter of tobacco smuggling to reframe the debate on effective, comprehensive tobacco control laws. PMI uses MoUs and Cooperation Agreements to gain access to government data and information about law enforcement procedures to combat smuggling that could enable them to further evade regulations and taxes.^{54, 55}

These agreements with governments in many cases run counter to the WHO FCTC and its implementing guidelines of Article 5.3; guidelines which were adopted unanimously by the governing FCTC body. The Article 5.3 guidelines urge

Parties to reject partnerships and non-binding or non-enforceable agreements with the tobacco industry. According to the guidelines, "[t]he tobacco industry should not be a partner in any initiatives linked to setting or implementing public health policies, given that its interests are in direct conflict with the goals of public health."⁵⁶ The integrity of the WHO FCTC depends on Parties ensuring that any interactions with the tobacco industry follow Article 5.3 obligations.

COLOMBIA

ENSURING EXPANSION OF TOBACCO MARKETS

Colombia's Congress invoked the Article 5.3 guidelines to keep the tobacco industry out of the room while legislators were drafting its national tobacco control law to implement the treaty.⁵⁷ The legislation requires smoke-free places, a ban on tobacco advertising, promotion and sponsorship, and graphic health information on tobacco products.

Shortly following the adoption of this federal legislation in 2009, and in the weeks leading up to a critical round of negotiations on the treaty's first protocol, PMI signed an agreement with the Colombian authorities and gave the government \$200 million to "address issues of mutual interest."⁵⁸ In direct contradiction of the Article 5.3 guidelines, this

agreement states that "[p]arties consider it of fundamental importance to work together."^{59,60}

The agreement goes on to state that, "PMI views its investment in Coltabaco [a PMI subsidiary] as an opportunity to significantly expand its business in Colombia." In addition to continuing to help "combat" illicit trade, the agreement also includes investments in growing tobacco.⁶¹

This agreement came just as countries around the world established a Working Group on economically viable alternatives to tobacco growing, as obligated by Articles 17 & 18 of the WHO FCTC.⁶² While Parties develop guidelines on how to best support farmers' transition to alternative crops, this agreement undermines that progress by

ensuring that Colombia invests millions of dollars to "provide incentives for Colombian farmers of illegal or non-viable crops to switch to crops that are both legal and viable, including tobacco." This agreement even goes on to "support a reforestation plan for wood to be used for [tobacco leaf] curing purposes," and essentially sets up the Colombian government to do PMI's research and development by calling for the "creation and operation of a laboratory...which, among other things, will specialize in testing tobacco and tobacco products."⁶³

In 2010, as part of the 20 year agreement, PMI paid the Colombian government a total of \$10.6 million.⁶⁴

EUROPEAN UNION

GAINING ACCESS TO SENSITIVE GOVERNMENT INFORMATION

In July 2004, the European Union signed a legally binding agreement known as the Philip Morris International Anti-Contraband and Anti-Counterfeit Agreement and General Release. This agreement resulted from a 2000 lawsuit filed in the U.S. by the European Commission and 10 member states alleging that PMI had violated the Racketeer Influenced and Corrupt Organizations (RICO) Act. The lawsuit accused PMI of a global scheme of smuggling cigarettes, money laundering, government obstruction, price fixing, bribery, and illegal trade with organized crime.⁶⁵ This agreement was intended to be a "resolution of all past disputes relating to contraband cigarettes" and a "forward-looking" arrangement for "strong coordinated

action" in combating illicit trade in cigarettes.⁶⁶⁻⁶⁸

The agreement has given the European Anti-Fraud Office (OLAF) access to PMI's invoice-level records and facilities involved in producing contraband, helping OLAF to trace seized products and complete investigations that reach beyond their normal jurisdiction. However, under the system created by this agreement — and currently in place in the European Union — PMI has the power to monitor OLAF's investigators and investigations.⁶⁹⁻⁷¹ OLAF's users, passwords, and data access are administered by PMI; therefore, the corporation has the ability to keep track of who logs on, when and where, and what data they review. PMI could use this information to

anticipate investigations and always be at least one step ahead of OLAF.

This arrangement essentially allows PMI to police itself. For example, PMI prints identity codes verifying authenticity on each pack of its own cigarettes.⁷² Conveniently, PMI does not store these unique ID codes in a database, which makes PMI/OLAF's current system incapable of pack-level tracking and tracing and very difficult to monitor.⁷³

This system represents a fundamental conflict of interest in which a tobacco company is helping to regulate and investigate itself. Allowing tobacco corporations to control a system like this threatens the effectiveness and the integrity of efforts to investigate and regulate the tobacco industry.



Kevin Rudd, Australia's former Prime Minister, announces standardized packaging for cigarettes that would include graphic warning labels.

FRONT GROUPS AND INDUSTRY TRADE ASSOCIATIONS

Poorly Disguised Efforts to Protect Profits and Influence Policy Makers

To disguise its efforts to undermine the implementation of effective tobacco control laws, the tobacco industry often establishes front groups, entities that are funded and directed by corporations, and that act in the interest of the industry, or partners with influential allies. Front groups help corporations avoid wading into direct confrontation with children's advocates, health professionals, and other interest groups seeking to support public health. PMI and its subsidiaries are associated with a number of groups, such as retailers and farmers rights organizations, which act as messengers when it needs additional influence and credibility to lobby policy makers. Examples of tobacco industry front groups are found around the world, opposing strong tobacco control policies from ingredient disclosure and regulation to packaging requirements.

AUSTRALIA

ALLIANCE OF RETAILERS FIGHTING PLAIN PACKAGING

In early 2010, the Australian government took unprecedented steps to protect public health by passing legislation requiring all tobacco products to be sold in plain packaging by 2012. Plain packaging is designed to remove one of the final frontiers of tobacco advertising — the cigarette pack — by severely limiting or eliminating brand logos, images and colors.⁷⁴ PMI's subsidiary, Philip Morris Australia, and other

tobacco corporations are bankrolling a media campaign by the Alliance of Australian Retailers to vocally oppose the government's move to implement plain packs and to influence public and policymakers' opinions.⁷⁵

In addition to funding the support of the retailers association, Philip Morris Australia also established a smokers' rights website, www.ideservetobeheard.com.au,

where smokers can take direct action to protest against what PMI calls "extreme policy actions surrounding tax, smoke-free environments, points-of-sale displays and plain packaging."⁷⁶ PMI claims to be supporting the right of individual smokers, but in reality the corporation is only interested in its bottom line and is once again interfering in a country's right to protect the health of its citizens.

GLOBALLY

INTERNATIONAL TOBACCO GROWERS ASSOCIATION EXPLOITING THE PLIGHT OF FARMERS

The International Tobacco Growers Association (ITGA) is an international tobacco industry group that has been "protecting" tobacco farmers from the effects of tobacco control policies since the 1980s.⁷⁷ Established by tobacco corporations like PMI and British American Tobacco,⁷⁸ ITGA tries to block strong legislation by attempting to humanize the tobacco industry and protesting against tobacco control. ITGA works with affiliate groups in countries to add a local voice that policymakers will consider credible.

PMI used its connections with ITGA and its affiliated groups around the world to launch a long-term global campaign leading up to the fourth Conference of the Parties (COP4) in November 2010. ITGA claimed that proposed guidelines on tobacco regulation would lead to a ban on certain types of tobacco and negatively impact the livelihoods of tobacco farmers.⁷⁹

PMI also used its connection with ITGA in Indonesia where PMI/Sampoerna is a member of the Aliansi Masyarakat Tembakau Indonesia (AMTI) or the Indonesia

Tobacco Society Alliance. AMTI was formed a mere 10 months before COP4, in January 2010, and is a group of tobacco industry stakeholders that work to preserve Indonesia's tobacco industry.⁸⁰ Six months after the group was established, AMTI co-hosted a meeting with ITGA in Jakarta for tobacco growers from around Southeast Asia.⁸¹

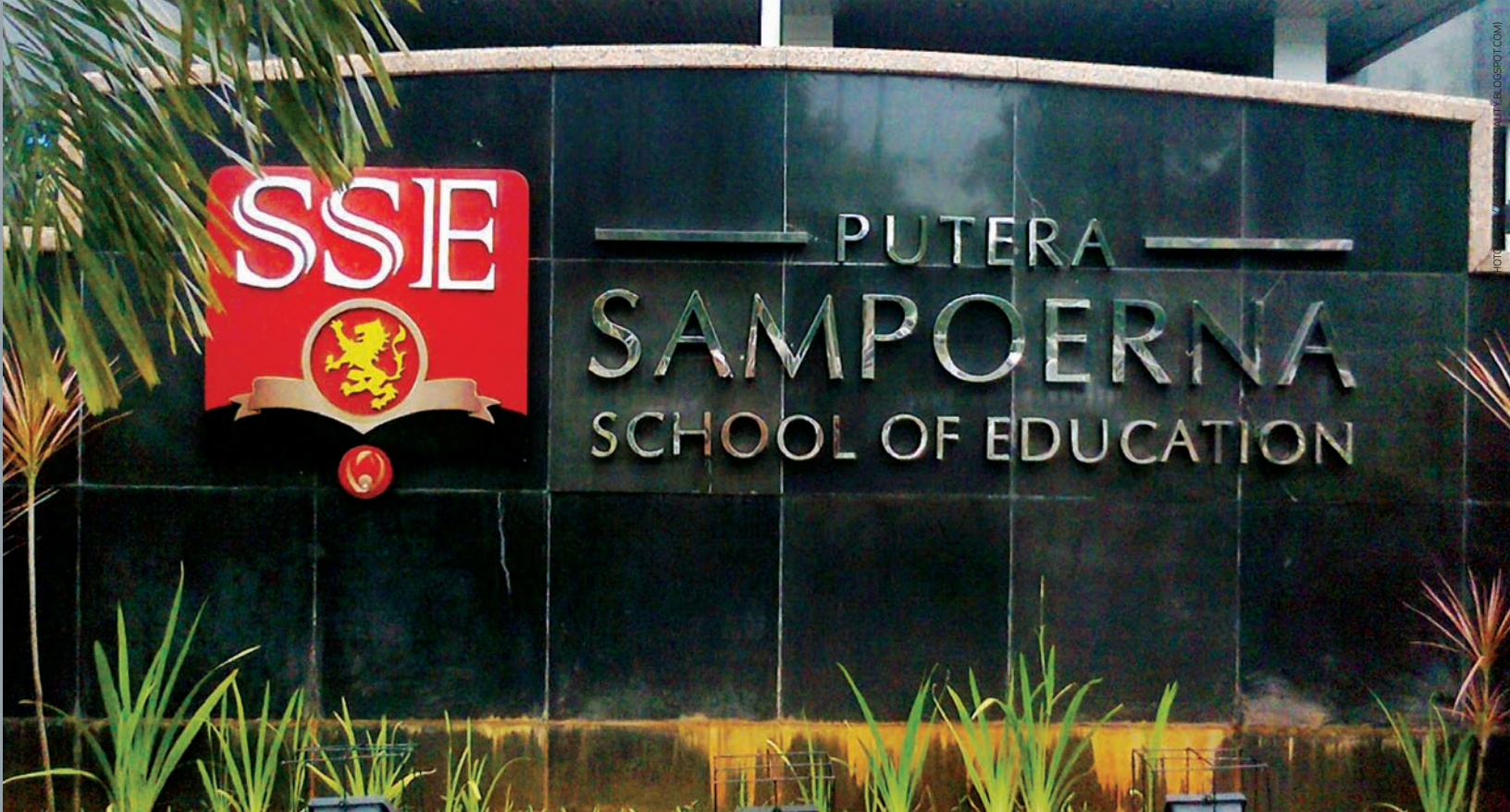
PMI and ITGA are also both board members of the Eliminating Child Labor in Tobacco-growing Foundation, a group that was set up by the tobacco industry. The ECLT Foundation claims to work to eliminate child labor in tobacco farming in Africa, but in reality the organization has not been effective in addressing the issue of child labor and the Foundation is just another ploy to convince policy makers that tobacco companies are responsible corporations.^{82, 83}

Tobacco industry arguments, that tobacco farmers are harmed by strong tobacco regulation, are used throughout the world. Tobacco corporations and industry front groups claim that tobacco control regulations will negatively affect the



livelihood of farmers by eliminating the need for tobacco leaf. In reality, farmers tend to make poor livings from tobacco cultivation, their income is falling while tobacco industry profits rise, child labor on tobacco farms is pervasive, and farmers are often trapped in a cycle of poverty and debt that is perpetuated by the tobacco industry.^{84, 85}

PMI claims to be protecting tobacco growers and preventing child labor on tobacco farms while the corporation continues to be associated with growers that use child labor.^{86, 87} The plight of tobacco farmers is mainly due to the industry's own mistreatment of farmers, not the fault of efforts to address the global tobacco epidemic.



PMI's Sampoerna brand uses corporate social responsibility as a public relations tactic in Indonesia.

CORPORATE SOCIAL RESPONSIBILITY Profiting from the Next Generation's Addiction

PMI's expensive campaign to re-brand itself a "socially responsible" corporation is actually a sophisticated public relations effort aimed at influencing policy makers and the public and defeating effective tobacco control measures. PMI's profits are made from selling a deadly product with tremendous economic costs, and the dollars that it drains from economies reduce budgets for essential public services like the ones PMI now offers to support: hunger and poverty eradication, education, and disaster relief.

While tobacco corporations claim to have changed and evolved, internal documents show that corporate social responsibility (or CSR) initiatives are merely part of a coordinated attempt to improve the industry's image, circumvent ad bans, defeat tobacco control measures and gain access to customers and politicians.⁸⁸ The goal is to create an illusion of change in order to avoid real change.

According to the World Health Organization, tobacco industry CSR is philanthropy designed to gain favorable treatment by "buying friends and social respectability from arts, sports, humanitarian and

cultural groups."^{89, 90} The tobacco industry uses this tactic to restore its damaged reputation, improve employee morale and maintain and increase the value of company stock. The tobacco industry also uses CSR to create a sense of its own normalcy among the business community.⁹¹

The ultimate goal of such financial or in-kind contributions is to gain political influence and promote the corporation's brand and products. CSR is another form of advertising, promotion and sponsorship and is a way that the tobacco industry continues to reach kids and other targeted populations.⁹² With

proposed comprehensive advertising bans in conventional media sources like television, radio and outdoor billboards, PMI and its local subsidiaries are shifting the advertising strategies to focus more on sponsorship and CSR initiatives.

It is an inherent contradiction for tobacco corporations to engage in CSR activities because their interests are solely in protecting their profits and fighting off litigation and regulation, which leads to increased tobacco consumption, resulting in death and disease.⁹³ In fact, because of this conflict and contradiction, socially responsible investment funds regularly exclude tobacco corporations' stock.⁹⁴

INDONESIA

TAKING ADVANTAGE OF NATURAL DISASTERS TO PROMOTE BRANDS

Some of PMI's CSR initiatives in Asia include taking advantage of natural disasters to promote its local brands. PMI's Indonesian subsidiary, Sampoerna, has a marketing budget that averages US\$114 million (IDR 1.1 trillion), ten percent of which is spent on CSR activities.⁹⁵

In November 2010, PMI/Sampoerna used the occasion of an erupting volcano in Indonesia to promote its corporate brand — sending workers in heavily branded trucks and uniforms to provide disaster relief to those affected by the Mount Merapi eruptions.⁹⁶ The Sampoerna Search and Rescue team (SAR) has also provided assistance during tsunamis, earthquakes and flooding in the country.⁹⁷

Another tool for PMI's 'charitable giving' in Indonesia is the Putera Sampoerna Foundation (PSF), a foundation that focuses on education and entrepreneurship. In 2005 PMI became the majority shareholder of

Sampoerna, which historically gives PSF up to two percent of its net earnings each year⁹⁸ and set up the Sampoerna School of Education (2009) and the Sampoerna School of Business (2010).⁹⁹

These activities are clearly paying off. According to poll results, 93 percent of Indonesians associated the word Sampoerna with the sale of tobacco products and cigarettes, thus linking its so-called philanthropic activities directly to tobacco products.¹⁰⁰ The use of 'social responsibility' public relations acts as surrogate advertising for the tobacco corporation and preserves PMI's access to youth by associating its products with education programs. Tobacco industry CSR also attempts to marginalize the work of public health advocates and preserve influence among policy makers while defusing opposition from the public against their deadly tactics.¹⁰¹



(PHOTO: HTTP://WWW.UNPAD.AC.ID)

COLOMBIA

ENSURING ACCESS TO KIDS BY FUNDING EDUCATION PROGRAMS

In 2010 PMI boasted more than \$25 million in "charitable giving."¹⁰² PMI's CSR schemes in Latin America aim to weaken public health policy and open new markets in the region. One such initiative is a Colombian education program sponsored by PMI with a contribution of \$250,000 in 2010.

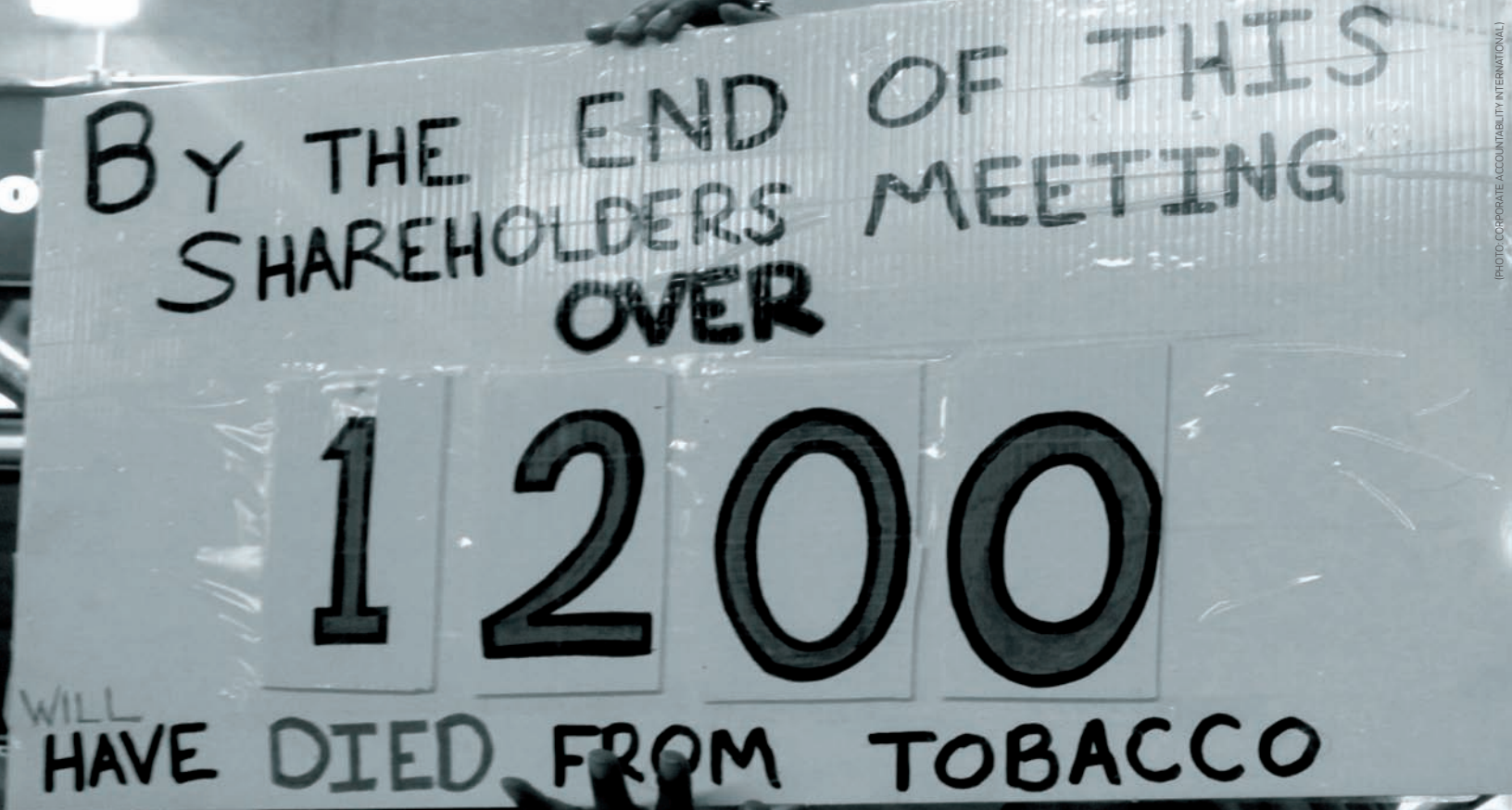
This education program specifically targets young children of indigenous and tobacco-growing communities.¹⁰³ This is an egregious example of the tobacco industry not only flouting the country's obligations

under the WHO FCTC but also seeking to addict another generation of customers. Funding of education programs is just one of the many ways that PMI ensures its access to and visibility among the youth demographic, not unlike the Sampoerna example in Indonesia.

PMI's "social responsibility" in Colombia threatens the country's comprehensive national tobacco control law that intends to prevent youth smoking and limit tobacco advertising, promotion and sponsorship.



(PHOTO: ISTOCKPHOTO.COM)



CONCLUSION

Protecting Health Policy from PMI's Evasive Tactics

For years the tobacco industry has used its political and economic power to prevent effective tobacco control policies and regulations. Tobacco giants including PMI continue to spread the world's most deadly, yet entirely preventable epidemic — an epidemic that will kill one billion people this century unless current trends are reduced. With the tools in place to challenge the tobacco industry, governments and civil society are calling on PMI to butt out. But during one recent annual shareholders' meeting CEO Louis Camilleri stated that PMI will "never" keep out of public health policy.¹⁰⁴

It is time that PMI stops interfering in and obstructing the enactment of health policies that will save lives. It is critical that we shine the spotlight on PMI and the other tobacco corporations, uncover the truth, and force big tobacco corporations like PMI to stop hindering countries' rights to protect the health of their citizens.

PMI Corporate Profile 2010

2010 Revenues (excluding taxes)	\$27.2 billion ¹⁰⁵			
2010 Profits	\$11.2 billion ¹⁰⁶			
Headquarters	Av. De Rhodanie 50 1001 Lausanne, Switzerland Tel: +41 58 242 0000 120 Park Avenue New York, NY 10017-5579, USA Tel: +1 866 713 8075			
Corporate Leadership	Louis Camilleri, <i>Chair of the Board and Chief Executive Officer</i>			
Global Market Share	27.6% (excluding the People's Republic of China and the U.S.) ¹⁰⁷			
Market Strongholds	Colombia Czech Republic Italy	Germany Japan Korea	Mexico North Africa Philippines	Russia Ukraine
Recent Acquisitions	<ul style="list-style-type: none"> ■ Fortune Tobacco Company (Philippines, Joint-Venture) ■ Swedish Match South Africa ■ Rothmans and Benson & Hedges Inc (Canada) ■ Vinataba, (Vietnam National Tobacco Corporation, Joint-Venture) ■ Sampoerna, Indonesia 			
Acquisition Updates	Productora Tabacalera de Colombia, Protabaco Ltda.: Government put conditions on the acquisition that would require breaking up the monopoly. Therefore PMI will not be acquiring Protabaco as reported in 2010. ¹⁰⁸			
Major Brands	Marlboro L&M Philip Morris	Bond Street Chesterfield Parliament	Lark	

End Notes

- 1 See profile on page 16
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- 3 Philip Morris International: 2010 Annual Report, p. 45 calculated as "Net revenues" minus "Excise taxes on products"
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