END TOBACCO INDUSTRY CORPORATE GIVING

An overview of CSR in Southeast Asia

By Southeast Asia Tobacco Control Alliance (SEATCA)
Introduction

- Tobacco companies are increasingly resorting to corporate social responsibility (CSR) activities to continue their promotion to buy goodwill and credibility to earn political mileage;
- CSR is a form of sponsorship, which amounts to promotions and hence should be prohibited;
- CSR must be addressed as part of de-normalising the tobacco industry.

As South East Asia has become more aware of the deadly effects of tobacco and governments continue to restrict industry freedoms, tobacco companies are resorting to more below-the-line tactics to reach consumers and promote their products. Corporate Social Responsibility (CSR) has become one of the key strategies employed by the industry to enhance its image and maintain legitimacy in both public and corporate spheres. CSR activities are not banned in the ASEAN region, which leaves a loophole for the industry to exploit when all other forms of tobacco advertising, promotions and sponsorship are prohibited. According to the World Health Organisation (WHO) CSR activities by the tobacco industry are “an inherent contradiction”, as the industry’s core functions are in conflict with the goals of public health policies to reduce the burden of tobacco.

WHO FCTC recommendations on CSR activities by tobacco industry

The WHO Framework Convention on Tobacco Control (FCTC) Guidelines call for a prohibition on CSR activities by the tobacco industry. Obligations under the FCTC require all Parties to take action in implementation.

Article 5.3 Guidelines: Recommendation 6 calls Parties to De-normalize and, regulate activities described as “socially responsible” by the tobacco industry, including but not limited to activities described as “corporate social responsibility”.

Article 13 Guidelines on banning tobacco advertising, sponsorship and promotions recommend:

- The Parties should ban contributions from tobacco companies to any other entity for “socially responsible causes”, as this is a form of sponsorship.
- Publicity given to “socially responsible” business practices of the tobacco industry constitutes advertising and promotion, hence should be banned.

Why the tobacco industry conducts CSR activities

The top three transnational tobacco companies (TTCs) Philip Morris International (PMI), British American Tobacco (BAT) and Japan Tobacco (JT) conduct CSR activities in the ASEAN region. Despite what these TTCs say in public, their internal documents provide the real reasons why they conduct CSR activities. The tobacco industry’s CSR activity on sponsoring youth smoking prevention programmes for example were designed to offset the government’s tobacco control legislation, which they saw as threats to their business:

“To develop strategies with obvious political and community benefit to back up the industry third party Lobbying effort.”

"To develop strategies with obvious political and community benefit to back up the industry third party Lobbying effort."
Since youth smoking is of public concern, the TTCs buying into this issue with CSR activities is designed to move the industry higher on the moral playing field.³

A 1996 BAT document on its contribution to the Malaysian Government is revealing of its real intention behind their CSR activity:

“The significant financial contribution of the cigarette industry to the 1998 Games is an attempt on our part to bring the government in "our favour" for us to ensure that the government sympathises with us and the industry when issues relating to tobacco arise.”⁴

A PMI executive has stated clearly that their corporate giving is not charitable:

"I never use the word corporate philanthropy. That implies that you do something without any regard to yourself... I don’t see any corporation giving money without a reason.”⁵

Tobacco industry corporate giving in ASEAN region

PMI is spending more money on CSR activities in Indonesia and the Philippines compared to other countries in the region (Table 1). Both countries are important markets for PMI and poised to be vital profit base for its future. Predictably, Indonesia is lagging far behind in tobacco control compared to other countries in the region, while the Philippines still has room for improvement.

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>20</td>
<td>13</td>
<td>8</td>
<td>9</td>
<td>6,424,999</td>
</tr>
<tr>
<td>Malaysia</td>
<td>4</td>
<td>3</td>
<td>4</td>
<td>7</td>
<td>759,000</td>
</tr>
<tr>
<td>Philippines</td>
<td>4</td>
<td>6</td>
<td>7</td>
<td>5</td>
<td>2,457,126</td>
</tr>
<tr>
<td>Singapore</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>50,000</td>
</tr>
<tr>
<td>Thailand</td>
<td>7</td>
<td>5</td>
<td>9</td>
<td>5</td>
<td>420,000</td>
</tr>
<tr>
<td>Vietnam</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>89,160</td>
</tr>
</tbody>
</table>

PMI’s revenue in Indonesia increased from $4.8 billion in 2011 to $5.6 billion in the first quarter of 2012.⁷ Tobacco companies in Indonesia are among the top 10 conglomerate earners (Table 2). Tobacco companies continue to grow richer earning from smokers, the bulk of who are poor. Tobacco farmers too remain poor and vulnerable. Corporate giving is negligible, 0.1% in Indonesia, compared to the revenue tobacco companies make. In any event it is smokers who actually pay for the so called “corporate giving” which can even be tax deductible.

<table>
<thead>
<tr>
<th>Top Tobacco Companies in Indonesia</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Djarum Group</td>
<td>$5.8 billion</td>
<td>$6.7 billion</td>
</tr>
<tr>
<td>Philip Morris International / PT HM Sampoerna</td>
<td>$4.8 billion</td>
<td>$5.6 billion</td>
</tr>
<tr>
<td>Gudang Garam</td>
<td>$4.4 billion</td>
<td>$4.7 billion</td>
</tr>
</tbody>
</table>

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While countries have taken steps to protect children from tobacco use such as banning smoking among minors and banning sales to minors, the tobacco industry’s hand-outs to the education sector is its most popular form of CSR occupying a third of its grants (Table 3). It gains ‘acceptability’ in the education sector by giving grants to building of schools, education programmes and offering scholarships to students as a means of maintaining contact with minors. Although tobacco advertising, sponsorship and promotions are banned in most countries, this is circumvented when corporate giving provides the tobacco companies photo opportunity with high level officials in the media.

Table 3: Philip Morris International CSR activities in ASEAN region 2009-2012

<table>
<thead>
<tr>
<th>Country</th>
<th>Education, School Bldg, Scholarships</th>
<th>Poor People, Community Development</th>
<th>Disaster Relief</th>
<th>Environment al Protection</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>12</td>
<td>17</td>
<td>7</td>
<td>10</td>
<td>46</td>
</tr>
<tr>
<td>Malaysia</td>
<td>8</td>
<td>5</td>
<td>--</td>
<td>5</td>
<td>18</td>
</tr>
<tr>
<td>Philippines</td>
<td>8</td>
<td>6</td>
<td>6</td>
<td>2</td>
<td>22</td>
</tr>
<tr>
<td>Thailand</td>
<td>8</td>
<td>8</td>
<td>7</td>
<td>4</td>
<td>27</td>
</tr>
<tr>
<td>Vietnam</td>
<td>5</td>
<td>3</td>
<td>1</td>
<td>--</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>39</td>
<td>21</td>
<td>21</td>
<td>122</td>
</tr>
</tbody>
</table>

**Associating cigarettes with health**

Poor people are most vulnerable to tobacco use in Indonesia where six out of 10 poorest households spend their hard earned income on cigarettes. In 2005, Indonesian households with smokers spent 11.5% of their household income on tobacco products compared to 11% spent on fish, meat, eggs and milk combined, 3.2% on education and 2.3% on health. Tobacco was second only to rice.

Thailand has among the most stringent tobacco control measures in Asia including a ban on pack display. Since CSR activities are not yet banned, in 2011 PMI increased its CSR activities in Thailand compared to previous years, focusing on the education sector and organisations working with the poor and in community development.

- Indonesia: Health centre sponsored by LA Lights Menthol - Indonesian cigarette brand.
  [SEATCA/SIS resource centre]
Buying goodwill and publicity through projects for the poor


In the Philippines, PMI had projects on education such as cable TV channel for distance learning and support for schools in rural areas. PMI also launched environmental projects focused on projects supporting tobacco growers. Through these projects tobacco growers have stronger relationship with the tobacco industry. PMI also expanded its network of customers by donating computers to youth in rural areas.

CSR gives photo opportunity with VIP

PMFTC Inc.’s president presents check to Philippines Vice President, Jejomar Binay, for Alay sa Kawal project of Will Foundation Inc. [The Philippine Star, January 19, 2012]

Partnership with government: Article 5.3 violation

Cambodia: BAT Cambodia has planted and distributed over 10 million trees nationwide along 2,000 kilometres of roadsides to assist the Government’s Reforestation Programme [www.investincambodia.com/batcambodia.htm]

BAT reports its total global contributions to charitable activities in 2011 amounted to $22.2 million (2010: $25.1 million), an amount similar to PMI. According to BAT, its CSR activities were centred on
empowerment, civic life and sustainable agriculture and environment. BAT sells 188 billion sticks in Asia Pacific region (27% of total volume) and its main markets in Southeast Asia are Indonesia, Malaysia and Vietnam.\textsuperscript{10} A closer examination of the CSR activities in these countries show that the main beneficiaries of the grants and assistance are workers related to its own industry such as tobacco growers or tobacco factory workers.

**Reaching youth directly through scholarships**

Indonesia: Beswan Djarum - Granting scholarships to students [SEATCA/SIS resource centre]

Malaysia: Students receive scholarships from BAT Malaysia Foundation in 2011. [BAT Malaysia annual report 2011]

Poverty eradication, basic education and environmental protection are the responsibility of governments. The private sector and civil society organisations step in when there is a gap or insufficient investment and attention by the government. In most countries the bulk of smokers are from the lower income category. In many ASEAN countries nearly half the male population are smokers: Indonesia (66%), Malaysia (46%), Philippines (48%) and Vietnam (47%). This means money that should be spent on basic expenses for the family such as food, health, children's education, and transport are instead diverted to tobacco use. Money for CSR activities by tobacco companies is money that the industry earned from poor smokers. This is a 1-way “win-win” for the industry and “lose-lose” for the poor and government when families remain impoverished and smokers fall ill.

**Legislation on Tobacco Advertising, Promotion & Sponsorship (TAPS) in the ASEAN region**

As required by FCTC Articles 5.3 and 13, legislation in the region needs to be made more stringent to include a ban on CSR activities by the tobacco industry. Table 4 provides the status of legislation on TAPS in the region.
Table 4: Current status of TAPS legislation

<table>
<thead>
<tr>
<th>Country</th>
<th>Tobacco sponsorship status</th>
<th>Legislation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>Banned except CSR</td>
<td>Sub-decree banning advertising, promotion and sponsorship went into effect in August 2011</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Partial ban</td>
<td>No national legislation on tobacco control in place currently</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>Not specify CSR</td>
<td>Under the TC Law (12/2009) and Decree to Implement the Tobacco Advertising Ban (8/2010) tobacco advertising, promotion and sponsorship are banned except at POS.</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Banned except CSR</td>
<td>Control of Tobacco Product Regulations, 2004 (and subsequent amendments) provides extensive regulation and bans on tobacco advertising, promotion and sponsorship.</td>
</tr>
<tr>
<td>Philippines</td>
<td>Banned except CSR</td>
<td>The Tobacco Regulation Act of 2003 (RA9211) prohibits all advertising, promotion and sponsorship except at POS.</td>
</tr>
<tr>
<td>Thailand</td>
<td>Banned except CSR</td>
<td>The Tobacco Product Control Act of 1992 effectively banned advertising, promotion and sponsorship of tobacco. Use of tobacco company name is allowed in CSR. The Department of Public Relation ban publicity of CSR on TV and Radio.</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Banned except certain CSR activities</td>
<td>Regulation bans tobacco advertising, promotion, and sponsorship except at POS. There is also a ban on domestic organization receiving sponsorship from tobacco companies for cultural, art or sporting events related to tobacco advertising</td>
</tr>
</tbody>
</table>

Progress in curbing tobacco industry CSR activities

1) **CSR Bans**: The Vietnamese government has passed legislation on tobacco control which limits CSR to programs of hunger eradication and poverty reduction; control of natural disasters, and combating cigarette smuggling, and bans the publicity on the sponsorship in the mass media.

2) **Ban on donations to schools**: Philippines Department of Education has issued a circular, Order No.6/2012, restricting interaction of officials with the tobacco industry and includes a prohibition of the tobacco industry contributing funds.

3) **International Declaration**: The 1st International Conference on CSR Business & Human Rights, ICCSRBHR May 2012, has adopted a Declaration: “CSR activities by the tobacco industry should be prohibited because tobacco is a hazardous product that kills half its regular uses prematurely.”

4) **Large institutions** no longer accept grants from tobacco companies: for example the Red Cross International refuses funding from the tobacco industry

5) **International meetings on CSR**: Ethical Corporation removed BAT and PMI as speakers and Gold sponsor of an international conference after protests from the public health community.¹¹

RECOMMENDATIONS

1) **CSR activities by the tobacco industry should be prohibited**;

2) **Countries that are unable to prohibit CSR activities by the tobacco industry should ban its publicity**;

3) **The tobacco industry should be strictly prohibited from conducting any CSR activities that concern children or the education system**;

4) **The tobacco industry should be made to declare its profits from cigarette sales to minors. A mechanism, such as a bond from the company, should be in place to reduce sales to minors**;

5) **Government officials and departments should not be beneficiaries of tobacco industry grants**.

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For further information: Southeast Asia Tobacco Industry Surveillance and Monitoring (SIS) Program, SEATCA: Thakolsuk Place, Rm 2B, 115 Thoddamri Rd., Dusit, Bangkok, 10300, Thailand Tel/Fax: +662 241 0082 Website: http://www.seatca.org Contact: info@seatca.org


8Barber S et al, Tobacco Economics in Indonesia, 2008

9BAT http://www.bat.com/group/sites/uk__3mnfen.nsf/vwPagesWebLive/D052AK34/$FILE/medMD8SSECK.pdf?openelement
