



BAT in its own words

2005

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BAT basics

British American Tobacco (BAT) is the world's second-biggest tobacco firm. Up to 780 billion cigarettes sold across 180 countries give BAT a 15 per cent share of the world tobacco market. Its international brands include State Express, 555, Lucky Strike, Kent, Benson & Hedges (outside of the UK), Dunhill and Pall Mall.

Paul Adams became BAT's chief executive in June 2004 after 13 years at the company. During his eight years in a high-powered role in Asia, BAT's complicity with smuggling as an illicit trade strategy boosted the company's sales in the region.

Concern for his children's health recently prompted Adams actively to oppose a proposed mobile-phone mast near his Buckinghamshire home because of the associated health risks and detriment to the environment. On other occasions, as a BAT spokesperson, Adams has spoken out against banning smoking in enclosed public spaces. He regards such bans as an unnecessary health precaution, despite evidence that secondhand smoke can cause lung cancer, heart disease and other health problems.

Rt Hon Kenneth Clarke QC is a leading Conservative politician and the non-executive chairman of BAT's Corporate Social Responsibility Committee, which reviews the company's social, environmental and corporate citizenship performance twice a year. Clarke is also the non-executive chairman of British American Racing (Holdings) Limited (BAR). The Formula One team is owned and sponsored by BAT. With the Lucky Strike brand plastered across them, BAR's cars promote its sponsor's cigarettes on televisions around the world.

The Corporate Responsibility Coalition (CORE)

This coalition represents more than 100 charities, faith-based groups, community organisations, unions, businesses and academic institutions. CORE works towards increasing the social and environmental accountability of UK companies. Christian Aid and Friends of the Earth are members of its steering group.

The UK government published a white paper in March 2005 which set out its proposals for comprehensive reform of the UK's company law framework. CORE is asking for the new framework to recommend:

- ▶ transparency through mandatory social and environmental reporting
- ▶ directors to take environmental and social issues seriously by adopting a 'duty of care for the environment and local communities'
- ▶ accountability for affected stakeholders through foreign direct liability.

This would mean communities outside the UK who were suffering from the negative impacts of a UK company or its overseas subsidiary would be protected under UK law and able to seek compensation for any human rights or environmental abuses committed by the company.

Message to the stakeholders

BAT's directors, managers and lobbyists have responded to the FCTC with an array of tactics in an effort to prevent this and other robust legislation taking place

Dear stakeholder

This is Action on Smoking and Health (ASH), Christian Aid and Friends of the Earth's second joint report examining the performance of the UK-based multinational, British American Tobacco (BAT).

BAT is the second-largest tobacco company in the world and makes profits of more than £2.7 billion a year from a 15 per cent share of the world tobacco market. As about 5 million people die from tobacco-related diseases every year, BAT's 300 brands of cigarettes sold in 180 countries could be causing up to three-quarters of a million deaths. But in reports, speeches and on web pages, BAT assures us it has high standards of behaviour and integrity across its global operations.

Although genuine moves by UK companies to improve their social and environmental standards are welcome, the differences between the claims BAT makes in its reports and its true impacts are stark. Our 2004 report, *BAT's Big Wheeze*, showed that even as BAT wins awards for its social reports and gains high rankings in ethical and sustainability tables, the company is still failing to address the central health, human rights and environmental impacts of its business.

This year we reveal the documents that BAT would rather you did not see. In emails, memos and strategy papers,

BAT tells us – in its own words – how, behind the mask of social and environmental responsibility, many of its top executives have been battling to block the **Framework Convention on Tobacco Control (FCTC)**, an historic attempt to regulate the tobacco industry. This unprecedented international convention is specifically designed to regulate corporations and aims to tackle the global health problems caused by tobacco, which kills half of all long-term smokers. In 2005 the convention became a robust, legally binding international treaty that will impose a comprehensive ban on tobacco advertising and promotion.

On top of the millions of pounds the company has already spent on high-profile corporate social responsibility centres, global marketing standards and youth smoking prevention programmes, BAT's directors, managers and lobbyists have responded to the FCTC with an array of tactics in an effort to prevent this and other robust legislation taking effect.

BAT's internal documents show how:

- ▶ **BAT aimed to split the United Nations** with strategic lobbying and has tried to influence the World Trade Organisation (WTO) to oppose the regulation of tobacco, dispatching chief executive Martin Broughton to lobby the then WTO director, Mike Moore.
- ▶ **BAT campaigned to discredit research from the World Health Organisation (WHO).** It used

scientific evidence from research supported by the tobacco industry to undermine WHO research into nicotine addiction and the health impacts of secondhand smoke.

- ▶ **BAT circumvents laws.** Kenneth Clarke has publicly admitted that BAT supplies cigarettes knowing they are likely to end up on the black market. The Royal Canadian Mounted Police recently accused BAT of colluding in a multi-million pound smuggling operation, and, along with its Canadian subsidiary, exporting cigarettes to the US black market so they could be smuggled back into Canada where tobacco is heavily taxed. BAT also uses sport sponsorship and viral marketing to subvert advertising laws.
- ▶ **BAT has funded lobby groups** to persuade decision-makers not to regulate the tobacco industry.
- ▶ **BAT promotes the voluntary approach in order to persuade governments not to regulate.** BAT has explored using codes of conduct, self-regulatory bodies, public reporting and coordinated corporate-giving programmes as tactics to pre-empt higher taxes, tobacco advertising bans and restrictions on smoking in public places.
- ▶ **BAT attempted to divide and undermine critics** by developing non-governmental organisation (NGO) partnerships and promoting its youth smoking prevention policies, its good relations with tobacco farmers and its economic importance.

- ▶ **BAT constructs a false image** of elitist, Western, tobacco-control campaigners intent on destroying poorer Southern countries' economies.
- ▶ **BAT tries to influence tobacco taxation policies**, using the fear of cigarette smuggling to persuade governments into lowering tobacco taxes.

This report shows how securing policymakers' support for their voluntary approach to corporate regulation has been a priority for BAT. It also exposes the inherent weaknesses of this approach to corporate social responsibility (CSR). Companies – especially those operating in hazardous industries – should not be left to regulate themselves.

The UK government's formal ratification of the FCTC is welcome and its target of reducing smoking in England to 21 per cent of the population by 2010 complements the aims of the global treaty. To achieve this it will need to implement stronger measures, including a complete ban on smoking in all public and work places. We also urge the government to use its tobacco taxation revenue to help other governments implement the FCTC, with special regard to helping the world's tobacco farmers diversify away from the tobacco crop.

ASH, Christian Aid and Friends of the Earth call on the UK government to reform company law so that all UK-based companies are accountable for their social and environmental impacts wherever in the world they operate. Our government must also work to secure an international agreement ensuring all the world's corporations are accountable for the damage they cause to people and the environment. This would establish international standards

with which national laws would then be brought into line. The **United Nations' Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights** represent an important starting point.

Deborah Arnott
Director, Action on Smoking and Health

Dr Daleep Mukarji
Director, Christian Aid

Tony Juniper
Director, Friends of the Earth

Corporate social responsibility

It is difficult to square the company's awards and 'socially responsible' rhetoric with its tobacco profits

Corporate social responsibility (CSR) is an increasingly discredited catch-all phrase. It is used by some of the world's biggest companies to describe their voluntary efforts to honour their social and environmental responsibilities to the world, its people and future generations.

BAT is one of many FTSE 100 companies engaged in a major CSR drive. It is accumulating awards for social and environmental reporting from the accountancy firm ACCA, and for 'building public trust' from PricewaterhouseCoopers. In 2005 BAT was ranked fourth on the United Nations Environment Programme/Sustainability best practice survey of 'global reporters' and has been listed on the Dow Jones Corporate Sustainability Index for four years running.^{1, 2, 3, 4, 5}

However, the World Health Organisation (WHO) predicts 10 million people could die from tobacco-related illnesses annually by 2030. If BAT continues to be responsible for 15 per cent of all tobacco sales over the next 20 years, the company's products could cause up to 1.5 million deaths a year.⁶ Given this projection, it is difficult to square the company's awards and 'socially responsible' rhetoric with its tobacco profits. But BAT is undeterred, promoting itself as 'a responsible company in a controversial industry'.

BAT's big wheeze

In 2004 ASH, Christian Aid and Friends of the Earth published *BAT's Big Wheeze*, a report comparing the company's CSR claims to its impacts around the world. The conclusions were not encouraging.⁷ The report found:

BAT says it is a socially responsible company, even though cigarettes and other tobacco products are among the most common, preventable causes of death in the world.

BAT says it has a 'unique relationship' with a quarter of a million tobacco growers worldwide, but *BAT's Big Wheeze* showed how the company charges Nigerian producers high prices for loaned materials and pays them low prices for the tobacco they grow.

BAT says it opposes attempts to addict children to cigarettes. Yet *BAT's Big Wheeze* showed how they flooded Pakistan with advertising aimed at teenagers and ran promotions in Russia designed to appeal to young women.

BAT says environmental and health and safety issues are high priorities for the company. But in 2002 and 2004 Christian Aid revealed in its reports, *Hooked on Tobacco* and *Behind the Mask* that small-scale Brazilian and Kenyan tobacco farmers regularly apply a cocktail of pesticides recommended by BAT without proper protection.

Farmers are concerned about the symptoms they suffer when they use pesticides sold to them by BAT. Many complain of nausea, blurred vision, headaches, eye irritation and chest pains. Pesticides commonly used by tobacco farmers include Orthene, an organophosphate (OP) insecticide, and Dithane, an ethylene (bis) dithiocarbamate fungicide. OPs have been linked with neurological damage and are based on nerve agents. Ethylene (bis) dithiocarbamates, although low in acute toxicity, have been linked with symptoms similar to Parkinson's Disease.^{8,9}

BAT says it is planting managed renewable woodlands. But *BAT's Big Wheeze* revealed how in Uganda and other countries, the tobacco-curing process is still resulting in forest destruction. BAT's plantations are an agricultural crop bearing no resemblance to the indigenous woodland habitat they replace.

BAT's internal documents

For BAT as for many multinationals, CSR is at best largely rhetorical and at worst an essential weapon in an ongoing battle against further legislation

Multinational companies usually keep their ambitions and desires well hidden from civil society, consumers and regulators. Their websites and audited social reports only disclose what they want us to read. For example, BAT's annual social reports from 34 of its subsidiaries around the world contain a stream of socially responsible rhetoric. 'Guiding principles' supported by 'core beliefs' commit to 'strength from diversity' and 'open minded freedom through responsibility'. Showers of bullet points on relentless green web pages promise a wide range of benefits, from 'inspiring work environments' to 'value to communities' which 'collectively express the culture of British American Tobacco'.

But because ASH, Christian Aid and Friends of the Earth have been able to compare BAT's public statements to many of its internal documents we can expose some of the motives and tactics behind the company's extensive CSR drive.

This is thanks to the 1998 State of Minnesota legal settlement with the tobacco industry that required BAT and other tobacco companies to provide public access to their document archives for a period of ten years.¹⁰ However, the vast majority of the company's documents are only available at its Guildford depository in Surrey, where conditions of access can be highly restrictive for researchers. For

this reason, ASH, Christian Aid and Friends of the Earth are indebted to the London School of Hygiene and Tropical Medicine and other researchers who have allowed us access to the documents through a searchable online database and published research.^{11,12}

Throughout the report, quotes from BAT's private, internal documents appear in italics like this from Shabanji Opukah, BAT's corporate social accountability manager, in a 1999 memo:¹³

'Put in another context and in order to relate the project on the TFI [Tobacco Free Initiative] threat, I would analogise as follows. If Brent Spar and the Nigerian Ogoni issue were the major spark that pushed Shell to where they are today with social accountability, then the WHO TFI threat is our spark...'

Quotes from BAT's public documents, reports and speeches appear in roman text like this from Martin Broughton, chief executive, in 2000:¹⁴

'A word of warning. The necessary establishment of international rules and regulations is becoming a vehicle for those whose real interest is what I think can properly be called the "New Colonialism".'

Our access to BAT's internal documents allows us to reveal that alongside the millions of pounds BAT has spent on high-profile CSR initiatives, programmes and publicity drives, many of BAT's top people have engaged in a calculated effort to avoid regulation.

Regulating the tobacco industry

By 2030, tobacco could be causing up to 7 million deaths a year in the world's poorest countries

This report focuses on BAT's use of CSR to block and avoid an historic attempt to regulate the tobacco industry on a global level.

The Framework Convention on Tobacco Control (FCTC) is the result of an international effort to regulate the tobacco industry dating back to the 1970s.

But it took until 1999 for formal negotiations to be endorsed at the annual World Health Assembly, when 191 WHO member states pledged financial and political support, and a record 50 nations spoke in favour of the FCTC. This included the five permanent members of the UN Security Council, as well as many tobacco-growing and exporting countries. The European Union and civil-society groups also made statements supporting the convention.¹⁵ The WHO finally implemented the treaty in February 2005, by which time 168 countries had signed up, of which more than 50 had ratified.

The FCTC was devised to tackle the global health problems caused by tobacco, which kills almost 5 million people every year. This epidemic is projected to mushroom in the next 25 years. By 2030, tobacco could be causing up to 7 million deaths a year in the world's poorest countries, where it is already responsible for enormous healthcare costs and lost productivity.¹⁶

Even today, most tobacco-related deaths occur in countries lacking

sufficient resources to develop policies and programmes to reduce smoking effectively and treat smoking-related diseases. As a tool to reduce the number of smokers worldwide, the FCTC has the unique potential to reduce both these healthcare costs and the pain and suffering of smokers, their families and people exposed to secondhand smoke. It is also the first attempt by a global body to regulate corporate activity.

If implemented properly, and not influenced by the tobacco industry, the FCTC will help governments reach the UN's millennium development goals of reducing poverty and improving health.¹⁷ Key provisions in the treaty encourage countries to:

- ▶ **ban tobacco advertising, promotion and sponsorship** as far as their constitutions permit. Tobacco products are currently advertised through sports and music events, films, fashion – in fact, almost anywhere the tobacco industry believes it can target potential new smokers.
- ▶ **adopt and implement large, clear, visible, legible and rotating health warnings** on tobacco products and their packaging, occupying at least 30 per cent of the principal display areas. As advertising restrictions are implemented, tobacco packaging plays an increasingly important role in encouraging tobacco consumption
- ▶ **protect people from exposure to tobacco smoke** in indoor work and

public places by adopting and implementing (in areas of existing national jurisdiction as determined by national law), or promoting (at other jurisdictional levels) effective prohibition. Secondhand smoke is a real and significant threat to public health. Children are at particular risk – exposure to tobacco smoke can cause respiratory disease, middle-ear disease, asthma attacks and sudden infant death syndrome (SIDS)

- ▶ **ban the use of misleading and deceptive terms such as 'light' and 'mild'**. Smokers automatically compensate for lower levels of tar by breathing in more smoke. They then inhale higher levels of tar than usual and breathe nicotine more deeply into their lungs¹⁸
- ▶ **implement effective measures to eliminate the illicit trade, illicit manufacturing and counterfeiting of tobacco products**. Cigarettes are smuggled widely throughout the world. In addition to making international brands more affordable and accessible, illegal cigarettes evade restrictions and health regulations¹⁹
- ▶ **promote economically viable alternatives** for tobacco workers, growers and individual sellers. Crop substitution can be a useful strategy to aid tobacco farmers' transition to other livelihoods as part of a broader diversification programme
- ▶ **protect the environment** from the harmful effects of tobacco cultivation and manufacture. In many tobacco-

growing countries, evidence indicates that tobacco agriculture has a negative impact on the environment, particularly when associated with the deforestation required to increase farmland and cure tobacco leaves.²⁰

In addition to specific obligations contained within the FCTC, the process of negotiating the treaty has already strengthened tobacco-control efforts in scores of countries by:

- ▶ giving governments greater access to scientific research and examples of best practice
- ▶ motivating national leaders to rethink priorities as they respond to an ongoing international process
- ▶ engaging powerful ministries, such as finance and foreign affairs, more deeply in tobacco control
- ▶ raising public awareness about the strategies and tactics employed by multinational tobacco companies
- ▶ mobilising technical and financial support for tobacco control at both national and international levels
- ▶ making it politically easier for poorer countries to resist the tobacco industry
- ▶ mobilising civil society in support of stronger tobacco control.²¹

Model for a global treaty

ASH, Christian Aid and Friends of the Earth ask: if an international convention to regulate the tobacco industry is possible, why is it not also possible to adopt a similar measure to hold all corporations accountable? We call on the UK government to reform company law so that all UK-based companies are accountable for their social and environmental impacts wherever in the world they operate.

Our government must also work to secure an international agreement ensuring all the world's corporations are accountable for the damage they cause

people and the environment. The **UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights** could be the starting point for the negotiation of a framework of international standards by the world's governments. It would then be the responsibility of individual nations to implement the code in their own countries.

BAT on the back foot

‘The WHO’s proposed Framework Convention on Tobacco Control (FCTC) represents an unprecedented challenge to the tobacco industry’s freedom to continue doing business.’

The FCTC is a potent means of saving millions from disease and reducing the strain on health services. But BAT and the rest of the tobacco industry regard the treaty’s goals to reduce the number of smokers around the world as an unprecedented threat to their profit margins.

BAT voiced its concerns about the treaty from its inception, both in public and private.

Publicly, Ooi Wei-Ming, managing director of BAT China, made the following comments in a 1999 keynote speech at the World Tobacco Symposium and Trade Fair in Hong Kong:

‘The WHO in its Framework Convention on Tobacco Control, is attempting to develop a comprehensive and legally binding international treaty that seeks to deny access to a legal product enjoyed by hundreds of millions of adult smokers around the world... Forcing farmers to replace crops, creating a complete ban on any in-store product, and to cap it all, classification of the cigarette as a pharmaceutical product!... In short, the implication is that we, as an industry, don’t take our social and economic responsibility seriously, that we aren’t capable of pro-active self-regulation, and that we need to be nannied by governments. We know that this is not the case and it is now up to us to correct these misconstrued views of our industry. It is time to push back – and we need to make our case in a compelling way.’²²

In an interview with the BBC in 2000, Martin Broughton, then chief executive of BAT, dismissed the FCTC as a ‘developed world obsession being foisted on the developing world’.²³ (sic)

However, BAT’s real concern about the FCTC was that it would impinge on business, as BAT’s strategy document, *British American Tobacco Proposed WHO Tobacco Free Initiative Strategy*, reveals:

‘The WHO’s proposed Framework Convention on Tobacco Control (FCTC) represents an unprecedented challenge to the tobacco industry’s freedom to continue doing business.’²⁴

An internal memo from a BAT executive, Andreas Vecchiet, to his colleagues in 2000 summarises the company’s concern that the WHO was responding to pressure from health ministers and tobacco-control groups:

‘We affirmed that the seriousness of regulatory threats against BAT are increasing on the back of the FCTC process.’²⁵

To this day, on its website, in speeches by its executives and in its promotional literature, BAT asks us to believe that the company isn’t ‘promoting smoking’, but simply wants to capture the largest share of the existing market. According to Paul Adams, BAT’s current chief executive: ‘Our business is about offering a choice of quality brands to adult smokers, not

promoting smoking.’²⁶

If, as Mr Adams has suggested, BAT isn’t interested in ‘promoting smoking’ and only wants to command a significant share of whatever market exists for tobacco, it should support the FCTC. This is because it does not target any particular brand, but it does have the potential to reduce the number of people taking up smoking, the number of people suffering from tobacco-related diseases and tobacco-related healthcare costs worldwide.

But BAT didn’t welcome the FCTC. Instead, the convention sent shockwaves through the organisation and managers began devising means to stop the proposed legislation being passed.

Driven to reputation management

‘If Brent Spar and the Nigerian Ogoni issue were the major spark that pushed Shell to where they are today with social accountability, then the WHO TFI threat is our spark...’

*‘The question we need to ask is: Can the tobacco industry move itself ahead – fast enough and far enough – of the WHO agenda to negate the need for the convention and enhance its reputation in the process?’²⁷ (sic) BAT strategy document *British American Tobacco Proposed WHO Tobacco Free Initiative Strategy**

This is what BAT privately asked itself in the face of what it saw as the FCTC threat. In another internal document titled *Why look at setting up a regulatory body?*, company executives explored strategies to change the company image, *‘crucially in the eyes of general public and in how politicians perceive public attitudes’*.²⁸

Consequently, BAT took the radical if paradoxical step of using CSR to convince governments not to enact laws that would force the company to behave in a socially responsible manner.

One internal company strategy document reveals BAT’s thought process, expressing both its concern about the FCTC and illustrating how the company adopted CSR as a necessary strategic response to the initiative:

‘Assuming that a FCTC – in whatever form – is a certainty, British American Tobacco’s strategy now needs to adopt a two tier approach: lobbying and reputation management.’²⁹

Internally, BAT’s self-assessment was that:

‘The most elusive part of the campaign... reputation management will require some searching discussion, solid research and hard business decisions.’³⁰

‘We need to consider a set of policy changes we consider necessary to convince our priority stakeholders that sensible economic, political and public health goals can best be achieved via a co-operative tobacco industry, rather than one that is in permanent conflict with the WHO.’³¹

A 1999 memo from Shabanji Opukah, BAT’s corporate social accountability manager, to Simon Millson, the company’s international government affairs manager, shows how Opukah believed BAT had no alternative but to engage with *‘CORPORATE REPUTATION Management’* (sic) in response to the WHO’s TFI.

‘Put in another context and in order to relate the project on the TFI threat, I would analogise as follows. If Brent Spar and the Nigerian Ogoni issue were the major spark that pushed Shell to where they are today with social accountability, then the WHO TFI threat is our spark...’

‘Time comes when organizations may have to be shocked out of their comfort zones and shells and some of this unfortunately may come from externally driven rather than internally inspired and

value driven sources. Then for us WHO TFI presents the best opportunity to take forward the big agenda on CORPORATE REPUTATION Management.’³² (sic)

Opukah’s memo exposes the extent to which BAT only became concerned with the impact of tobacco on health and social welfare when health authorities resorted to regulation to tackle it. This *‘shock[s]’* BAT out of its *‘comfort zones’* because it affects its brand and profits.

In its internal documents, BAT repeatedly refers to *‘the antis’* to denote anyone trying to reduce the impact of tobacco on health.

‘During the past two to three decades, the fortunes of the tobacco industry in the public affairs and public relations arena have waxed and waned...’

‘To use a boxing analogy, round one (60’s) was won by the industry; round two (two) (sic) was a draw; round three (80’s) saw a win by the anti’s. (sic)

‘Round four (90’s) is now underway and up for grabs. It is by no means lost by the industry, however, we must learn from the experiences of the past three rounds and apply these lessons...’

‘In this context, BATCo public affairs department must clearly establish a public affairs leadership position...’³³

Developing a strategy

‘The whole [CSR] programme is commercially driven and recognises that BAT’s primary role is to be economically successful.’

To develop its public-affairs leadership position, BAT put some strategic muscle into its CSR programme.

BAT’s CSR approach was designed to combat the threat of more robust national and international legislation on marketing restrictions, environmental regulations and increased taxation. This new approach was to be coordinated and overseen centrally.

BAT explored opportunities for strategic giving to enhance its *‘image and reputation as a good corporate citizen’*. A 1998 note from BAT executive Julian Oliver to his colleague Heather Honour proposed that Ken Clarke MP should oversee the policy and budget of a systemised corporate responsibilities programme.³⁴

Potentially offering a swathe of external opportunities, Oliver promised that the programme:

- ▶ *‘enhances BAT’s ‘licence to operate’ with local communities and the media;*
- ▶ *responds to the growing demands for successful companies to demonstrate their social commitment;*
- ▶ *improves image and reputation as a ‘good corporate citizen’;*
- ▶ *extends access and influence with regulators and politicians.*³⁵ (sic)

The system would also address key issues such as:

- ▶ *‘access and influence re excise regimes*

- ▶ *access and influence re the World Bank*
- ▶ *demonstrate leading edge corporate social responsibilities in Central and Eastern Europe, Central Asia, emerging markets generally.*³⁶ (sic)

This broader strategy resulted in high-profile CSR initiatives to promote *‘a positive reputation in order to improve our ability to shape the future business environment’*. In another 1998 internal document entitled *Multinationals and Social Accountability*, BAT noted:

*‘The recent award to B.A.T’s Managing Director in Hungary demonstrates the group’s sympathetic handling of local aspirations. Among the projects are a clinic for the diagnosis of disease; accommodation for the homeless, as well as arts and educational projects. For B.A.T, such programmes not only win allies in local markets but open the doors of politicians and regulators.’*³⁷

In 2000 BAT spent £3.8 million funding the new International Centre for Corporate Social Responsibility at the University of Nottingham as part of its efforts to play a central role in the vogue for CSR.³⁸ Other attempts to buy academic credibility included efforts to offer a London School of Hygiene and Tropical Medicine student a £1,500 grant and work experience at the company.³⁹

Chinese case study

BAT’s recent strategy in China reflects the corporate responsibility programme set out by Oliver in 1998 when he emphasised, *‘The whole programme is commercially driven and recognises that BAT’s primary role is to be economically successful.’*⁴⁰

BAT had been making friendly corporate gestures in China for more than ten years. In 1992 it donated HK\$300,000 (£20,000) to repair the Haizhou Bridge in Guangzhou province which BAT hoped was *‘the sort of gesture to which officialdom will be obligated, and (that) can benefit 555 and BAT more ways than advertising alone’*.⁴¹ (555 is one of BAT’s leading cigarette brands in China.)

Such gestures were running alongside other plans to influence Chinese officialdom in BAT’s favour. In 1992 the company’s Chinese plans aimed to:

- ▶ *‘Influence the drafting of the supplemental tobacco advertising laws’ and*
- ▶ *‘Lobby the ministry of Public health to reprioritise health issues. Hepatitis is the number 1 killer disease in China’.*⁴²

A measure of success would be if: *‘he [sic] liver disease prevention program is endorsed by and goodwill is generated among the Ministry of Public health and senior government leaders’*.⁴³

By the millennium, the one-off gifts and scatter gun approach had evolved into a far more strategic programme. BAT’s

internal 2000-2002 proposals for Hong Kong and China were calculated to emphasise BAT's contribution to China's sustainable development and to '*continue to lobby for marketing freedom*' in the Republic.⁴⁴

The endowment of a Chair of Marketing at a Shanghai business school, sponsorship of the Beijing Orchestra and a youth smoking prevention programme were all strategically designed to improve BAT's image in the world's largest cigarette market. The sponsorships could also profit BAT if they influenced China's young women to smoke the company's cigarettes. As only ten per cent of China's current smokers are female, women represent a massive potential market.⁴⁵

BAT has also begun investing in China's tobacco infrastructure. In 2001 the company contributed funding to a factory in Sichuan province, and in 2004 it announced it was financing another £800-million Chinese factory designed to produce 100 billion cigarettes a year. This would dwarf the output of BAT's 180 other plants worldwide and give the company a five-per-cent share of China's tobacco sales.^{46,47}

As recently as July 2004, BAT chief executive Paul Adams said: '*We are committed to China for the long term.*'⁴⁸ His company's PR strategy reflects China's key role in its expansion plans in a country where 350 million smokers account for a third of all cigarettes smoked around the world.^{49,50}

Ethics and new colonialism

BAT portrays itself in a very ethical light compared with health workers, whom former chief executive Martin Broughton rarely missed an opportunity to denounce

In an effort to persuade tobacco-farming countries that the FCTC is not for them, a tranche of BAT's CSR initiatives have promoted the company as a friend of the tobacco farmer. BAT shifts the terms of the debate away from the protection of public health and towards the perceived damage that tobacco-control policies will have on tobacco growers and their communities. BAT's public statements and farmer-friendly CSR initiatives are strategically designed to dazzle policymakers into believing scaremongering about 'metropolitan liberals', and the WHO's 'export of attitudes' and 'insensitivity'.

An internal company document proposing a self-regulatory body shows that BAT believed it had found a weak spot in the FCTC.⁵¹

*'One aspect of the World Health Organisation's programme is the effective export of attitudes to tobacco use amongst metropolitan liberals in the First World to the regulatory process of developing countries... The insensitivity to the differing circumstances around the world is a key weakness in the World Health Organisation's position.'*⁵²

Exposing this perceived weakness motivated publicity:

- ▶ promoting a 'unique relationship with some 250,000 tobacco farmers worldwide'
- ▶ emphasising how the 'industry contributes substantially to the

economies of more than 150 countries'

- ▶ highlighting how BAT is 'adding value to the communities in which we operate'.^{53,54}

BAT continues to complain about what it sees as the one-size-fits-all approach of the FCTC.

'We accept that tobacco should be regulated but are in favor of sensible regulation, and feel that FCTC is a one-size-fits-all approach and needs to be looked at more nationally... What may work in one country may not work in another country,'⁵⁵ Jeannie Cameron, BAT's international regulatory affairs manager, told the Center for Public Integrity in 2003.

BAT portrays itself in a very ethical light compared with health workers whom former chief executive Martin Broughton rarely missed an opportunity to denounce.

'A word of warning. The necessary establishment of international rules and regulations is becoming a vehicle for those whose real interest is what I think can properly be called the "New Colonialism", ' pronounced Broughton in 2000.⁵⁶

However, BAT's internal discussions on the benefits of a self-regulatory body did predict the company could be scoring an own-goal by drawing attention to its own bad practice. Some staff

anticipated allegations that the tobacco industry was exploiting 'developing countries' could follow in the wake of its anti-WHO stance.

*'...the more the industry draws attention to this weakness, the more it is perceived as wishing to exploit the opportunities presented by the economic deprivation of many of these developing countries.'*⁵⁷ (sic)

Health priorities and PR

In an attempt to expose WHO weaknesses and shift the terms of debate, BAT has publicly emphasised the impact of HIV/AIDS, hepatitis, liver disease and other illnesses to distract from the effects of smoking. Unsurprisingly, it fails to point out that the 5 million tobacco-related deaths per year outnumber global annual hepatitis and HIV-related deaths combined.^{58,59}

Even though tobacco will kill up to half of the world's long-term smokers – approximately 650 million people – BAT tried to persuade the WHO to prioritise HIV/AIDS over the tobacco epidemic. For this reason, the company was keen to support an HIV/AIDS conference in Zambia and has supported other HIV initiatives.⁶⁰

However, BAT's UK headquarters didn't find it easy to ensure consistency of conduct in the 'operational territories'. Training sessions, policy documents and action plans are all employed in an effort to streamline the messages. In

1996 Shabanji Opukah instructed BAT representatives in India and Bangladesh to send him plans of action for the forthcoming *'World No Tobacco Day'*.

The India plan of action for the day asks Opukah to approve plans to emphasise that *'the health issues (like tobacco) of the First World are dwarfed by more immediate health problems in this country,'* and determines to *'Highlight instances or cases of neglect in the areas of health. An example could be a story on the urban slums, which are growing at an alarming rate, bereft of sanitation etc. Or the malaise of pollution and the diseases induced by it. Or the growing, but inadequately challenged menace of AIDS.'*⁶¹

Nevertheless, BAT's commitment to HIV/AIDS relief is only intermittent. Opukah once turned down a request for AIDS-programme funding in Kenya, stating that:

*'As for the aids [sic] programme, it would appear it is too global and there are already too many sponsors on board. Impact and recognition would be rather difficult to come by.'*⁶²

Tactical move to split the United Nations

BAT's internal correspondence also indicates that its purported concern for tobacco farmers and tobacco-producing countries was a tactical move in its campaign to prevent regulation. Aiming to divide opinion within the UN, BAT intensively lobbied the UN's Food and Agriculture Organisation (FAO) to persuade it to criticise the WHO.

'In 1989, intensive lobbying in Rome caused the FAO to publish, despite the WHO's vigorous objection, important reports on the economic significance of tobacco and on tobacco trade projections.'

Letter from M Oldman to D Bacon regarding 'Agro-Tobacco services (ATS), Proposal for a Consultancy Agreement', BAT Guildford depository 1992.⁶³

The tobacco industry's efforts to achieve this split were coordinated by an international consortium of tobacco industry officials, initially called ICOSI, later renamed INFOTAB. BAT was a founding member of the consortium and paid regular dues from 1978 to 1987.^{64,65}

An INFOTAB document outlines how to *'Attack WHO'* and *'Split FAO/WHO'*. The tactics it suggests include the following:⁶⁶

'3.1 PROGRAMME GOALS

3.1.1 Criticise budget management

3.1.2 Address health priorities

3.1.3 Expose resource blackmail

3.1.4 Highlight regional failures

3.1.5 Attack 'behaviourism'.

3.1.6 Counter on public issues,

3.1.7 Discredit activists' credentials,

3.1.8 Engage in statistical warfare,

3.1.9 Invest in press relations,

3.1.10 Show impact of 'cuckoo' organisations.'⁶⁷

Using farmers for spadework

BAT and the rest of the tobacco industry gave tobacco growers in developing countries funding to help them brief UN officials on the economic importance of tobacco.

*'...support of the Growers will be invaluable in our continued battle with critics of the Industry. Indeed, we have already used them to help us brief both delegates to the WHA [World Health Assembly] and to the FAO. The only hope of them being able to operate effectively is with funding help.'*⁶⁸

In the past, BAT and other cigarette multinationals have encouraged leaf

buyers' lobbying activities on the assumption that *'people who themselves belong to the Third World'* would have more credibility with policymakers than *'an industry already under attack, by multinational enterprises who only care for their excessive profits'*.⁶⁹

And by the 1980s the industry-backed International Tobacco Growers' Association (ITGA) had emerged as a *"front" for our third world [sic] lobby activities at WHO'*.⁷⁰

BAT's plan was for the ITGA to lobby both the WHO and FAO. BAT hoped the tobacco growers would capture the *'moral high ground'* by convincing policymakers of the developmental and economic benefits of tobacco farming to producing countries.

*'By providing the resources necessary to transform the ITGA from an introspective and largely ineffectual trade association to a pro-active, politically effective organization, the industry created the opportunity to capture the moral high ground in relation to a number of fundamental tobacco-related issues.'*⁷¹

Growers' association to block FCTC

BAT has continued to use these tactics into the new millennium. In 2001, it was supplementing the lobbying and publicity generated by the ITGA with its own *'Grower Public Relations Programmes'*, targeting the FCTC and designed to demonstrate the importance of the tobacco crop to poor farmers.⁷²

'MAIN STRATEGIES

1 FCTC

- ▶ Assist grower countries in responding to further rounds of FCTC decision and the INB [Intergovernmental Negotiating Body] negotiations
- ▶ develop a more targeted approach to

BAT STAYING 'INDEPENDENT'

'You also need to remember that this is an ITGA/farmers initiative and they would be doing the writing to governments'

the co-ordination of grower country actions, especially in Africa, South Asia and Latin America

- ▶ *build relations with other UN bodies such as FAO, ILO and UNCTAD to revive studies on economic importance of the crop'.⁷³*

BAT aimed to: *'Target WHO's blind spots on key primary health priorities, such as HIV/AIDS prevention and malaria. Working through African and Latin American members, [ITGA] will build actions with their governments to put pressure on WHO.'*⁷⁴

This was consistent with the tobacco industry's strategy to *'challenge and ridicule'* the WHO and FCTC by drawing attention to the HIV/AIDS crisis. Opukah looked forward to getting some return for the money BAT had spent supporting tobacco growers at a Pan Africa HIV/AIDS conference:

'On FCTC the ITGA Africa region agreed that these countries' priority is not tobacco and health issues rather AIDs [sic] is the big issue.'

'The ITGA agreed to support fully a proposal for a pan African aids [sic] conference to be held in Zambia in September hosted by the health ministry at which they will discuss the aids [sic] scourge in Africa. The ITGA is going to present what their grower associations have been doing to support government and NGO efforts in combating AIDs [sic] in Africa and through that highlight the importance of tobacco to the economy whilst relegating it as an issues [sic] in the health priorities of these countries. Then [sic] idea is to use the forum to challenge and ridicule the WHO convention. I suggest that we support fully the ITGA's efforts in this regard. ...Needless to repeat this is one way of us getting value from our subs to ITGA – a natural ally.'⁷⁵

But to carry out these sophisticated lobbying strategies, the ITGA needed more cash from the tobacco industry: *'At this time of great threat to the industry, ITGA needs financial support for its important activity beyond that which its farmer members can provide.'*⁷⁶

In order for the ITGA to *'take a more progressive, attacking position, not just respond to WHO'* it would *'need considerable additional support'*.

BAT was keen to fund the ITGA, but it was also vital to make this sort of lobbying appear independent of the tobacco manufacturers. Simon Millson, the company's international government affairs manager, makes this clear in a memo to BAT colleagues asking them to help ITGA member organisations *'whip up some opposition to the Framework Convention on Tobacco Control'*.

Millson stressed: *'You also need to remember that this is an ITGA/farmers initiative and they should be doing the writing to governments.'*⁷⁷

The tobacco growers' plight

Although BAT has persistently positioned itself as the tobacco growers' friend, the growers themselves are not unanimous in their endorsement of the industry. However, they are reluctant to publicly criticise corporate practice because cigarette companies and leaf dealers are the only buyers of tobacco leaf.⁷⁸

Two Christian Aid reports, *Hooked on Tobacco* and *Behind the Mask*, raised serious concerns about the health and safety of small-scale tobacco farmers. They revealed how contract tobacco farmers, working for BAT in Brazil and Kenya, reported chronic ill-health related to tobacco cultivation.^{79,80}

Christian Aid and Friends of the Earth

were recently invited to take part in BAT's social dialogue in Kenya, but declined on the grounds that they had already voiced their concerns about the social and environmental impact of tobacco cultivation to the company. But SocialNEEDS Network, a Kenyan organisation with which Christian Aid has collaborated on research among tobacco-farming communities in western Kenya, did take part.

The Reverend Joe Asila, who has spent many years working with tobacco farmers, led the SocialNEEDS delegation, which included a farmers' union leader and a doctor. Together, they put it to Jan du Plessis, BAT's chairman, that the company paid farmers a low income and discouraged union representation, and that tobacco cultivation had damaged the environment and the health of farmers.

In his report of the dialogue, the Rev Asila observes that: *'The team [from BAT] that was in Nairobi has the power, the ability and the instruments [to deal with the problems faced by farmers]; what they need to muster to act is the will.'*

Many farmers are also concerned that by encouraging more and more countries to grow tobacco, BAT and other tobacco companies have succeeded in driving down the world price. This has reduced farmers' revenues and profits, making them increasingly vulnerable to the vagaries of the global tobacco market. And tobacco farmers must now compete not only with growers in their own country but with producers on the other side of the world. No wonder the tobacco industry had to finance the ITGA – many farmers can barely afford to look after themselves.

BAT's efforts to scare governments into believing the FCTC will be economically ruinous are also unconvincing. In a

landmark report, *Curbing the Epidemic: Governments and the Economics of Tobacco Control*, the World Bank noted that: ‘...the negative effects of tobacco control on employment have been greatly overstated. Tobacco production is a small part of most economies. For all but a very few agrarian countries heavily dependent on tobacco farming there would be no net loss of jobs, and there might even be job gains if global tobacco consumption fell. This is because money once spent on tobacco would be spent on other goods and services, thereby generating more jobs.’⁸¹

The report does conclude that there are a small number of countries, notably in sub-Saharan Africa, for which a global fall in tobacco demand would result in job losses. But such a decline will not take place for decades, giving governments ample time to plan a trouble-free transition away from tobacco.

Youth prevention

‘Early progress [on underage smoking] would be measured via end-market activities and campaigns, rather than by any reduction [in] underage smoking’

As a supplement to its farmer-friendly tactics, BAT has increasingly painted itself as a protector of young people’s health. Promoting cigarettes as an issue of ‘adult choice’, BAT has used marketing pledges and youth CSR programmes as another major thrust in its ongoing fight against the FCTC.

Although BAT appears philanthropic, over the years internal documents have indicated the extent to which such initiatives are motivated by PR: *‘We need to ask ourselves whether as an industry we could be turning our declared belief that we have no interest in recruiting children and by that I mean sub-teenagers to more practical account.’* (sic)

The tobacco industry’s initiatives to prevent young people smoking are known to be counter-productive because they encourage children to see it as an adult activity and therefore something to aspire to. They also give the impression that addiction is a youth issue and not relevant to the population as a whole.

Critics view the tobacco industry’s purported stance on youth smoking as disingenuous; because so many long-term smokers die in middle age, the tobacco industry is perpetually in need of new young customers. The *Undermining its own CSR* section on page 30 describes how BAT is running youth-marketing initiatives alongside youth-prevention programmes.

However, for BAT and others in the industry, youth-smoking prevention programmes also have a special appeal because of their potential to prevent regulation. Even as early as 1982, the tobacco industry was aware of how youth-smoking prevention schemes could serve to block regulation: ‘...a program to discourage teens from smoking (an adult decision) might prevent or delay further regulation of the tobacco industry.’⁸²

A few years later, BAT met with competitors Philip Morris and Rothmans to discuss emerging threats to their ability to do business in Pakistan. In the face of *‘unprecedented opposition’* to cigarette advertising and the threat of secondhand smoke, they turned to a *‘minors’ programme* as a rescue remedy: *‘...it was proposed that we look at developing a minors’ programme that would show the industry to be willing to work cooperatively with the authorities in at least one area in which we have a mutual objective.’*⁸³

FCTC weapon

It comes as no surprise that BAT has employed youth-smoking prevention programmes as a weapon against the FCTC. As the company that reluctantly conceded *‘an FCTC will come forward in some shape or form’*, it focused its attention on persuading legislators to adopt a less robust treaty.

Instead of a total ban on advertising, BAT hoped for *‘a sensible convention*

that addresses the issues of youth smoking, raising awareness of risk and preserving an orderly market’.

To this end, BAT was keen to *‘Undertake a long-term initiative to counteract the WHO’s aggressive global antismoking campaign and to introduce a public debate with respect to a redefinition of the WHO’s mandate’.*⁸⁴

An undated BAT strategy document on the *Proposed WHO tobacco free initiative strategy* states that *‘Actions that could reposition the tobacco industry might include’* marketing practices such as *‘the withdrawal of all TV advertising before a 9.00pm watershed and the voluntary removal of all billboards from the vicinity of schools’* as *‘meaningful concessions to the WHO agenda’.*⁸⁵

An internal BAT document entitled *Key Efforts by British American Tobacco CORA [Corporate and Regulatory Affairs] Departments on Tackling the WHO Tobacco Free Initiative* contains a detailed analysis of how youth programmes were used for lobbying purposes around the world.⁸⁶

- ▶ BAT Spain was *‘concentrating its efforts on underage smoking campaigns, winning the support of the Health Ministry.’*⁸⁷
- ▶ BAT Ukraine had *‘made representation to WHO representatives outlining its position on youth smoking.’*

- ▶ BAT Russia had helped *'launch a pilot campaign to stop youth smoking in St Petersburg. BAT Russia [was] also leading the industry in its efforts to tackle the WHO Tobacco Free Initiative.'*⁸⁸
- ▶ In Zimbabwe, *'Although the WHO chief Dr Brundtland, showed a "zero tolerance" attitude toward the industry, the Minister of Health and Child Welfare was supportive of the principle of dialogue with manufacturers where there are common interests such as prevention/reduction of under-age smoking.'*⁸⁹
- ▶ BAT's US subsidiary Brown & Williamson was *'instrumental in getting the International Advertising Association to come on board and voice opposition to the WHO Tobacco Free Initiative. B&W led the campaign around the Washington conference issuing a press release and taking part in many media interviews advancing the company's position on combating youth smoking.'*⁹⁰
- ▶ BAT India, Bangladesh, Pakistan, Nepal and Sri Lanka were *'coordinating efforts across South Asia, focusing on the economic impact and under age smoking.'*⁹¹
- ▶ BAT Taiwan was *'focusing on winning the support of the Department of Health through juvenile prevention smoking campaigns in cooperation with the Government.'*⁹²
- ▶ In Hong Kong and China, BAT's 2000-02 plan raised the concern that *'the issue of youth smoking is a high priority on the agenda of WHO and antis'*. Taking this as a starting point, BAT is keen to *'proactively promote juvenile smoking prevention programs to demonstrate BAT is a responsible company that produces quality products for informed adults.'* Also key for BAT is to *'Gain endorsement of the programme by regulators and generate recognition among them of BAT's contribution.'*⁹³

In order to preempt the *'increased levels of restrictions and bans'* BAT anticipates the FCTC will bring, the company PR plan aims to *'continue work with the Hong Kong Junior Chamber of Commerce to generate awareness of the issue among Hong Kong students through "The Right Decision" programme.'*^{94,95}

But in his 2000 paper entitled *Meeting reasonable public expectations of a reasonable tobacco company*, BAT's corporate and regulatory affairs director, Michael Prideaux, was keen to point out that on the topic of underage smoking, *'early progress would be measured via end-market activities and campaigns rather than by any reduction on under age smoking'*.

Environmental questions

Although there were considered ‘clear public relations benefits to be gained from adopting a proactive stance [on the environment]’ these were balanced against the cost of such a stance.

In addition to promoting its ‘unique relationship with some 250,000 tobacco farmers worldwide’ and its strategy to ‘proactively promote juvenile smoking prevention programs to demonstrate BAT is a responsible company’, the company has also considered the PR potential of environmental and human rights initiatives.^{97,98} A strategy to develop ‘NGO partnerships’ aimed at drowning out calls for regulation and improving BAT’s brand image.

When BAT’s Corporate and Regulatory Affairs steering group met in 2000 to discuss a 200-page presentation and strategy document, it dedicated a section to ‘NGO Partnerships’. It hoped these would help tackle a list of issues under the heading ‘*The challenge for tobacco*’. These were:

- ▶ ‘Litigation
- ▶ Regulation
 - More of it
 - More extreme
 - Spreading faster
 - International/multi-lateral
- ▶ Demonisation of
 - The industry
 - The product
 - Employees
 - The consumer⁹⁹

BAT’s ‘roadmap’ included the ‘development of NGO partnerships’ because:

- ▶ ‘Being responsible is one thing, being recognised for it is key:

▶ Who will do the recognising?’

In order to address the question of ‘Who will do the recognising’ BAT decided to court the endorsement of two particular types of NGOs. It was thought that, ‘much pressure emanates from labour/human rights and environment NGOs’ so BAT decided to concentrate on these two types of organisation – or as it put it: ‘NGO engagement will start in these clusters’.

Environmental groups such as Earthwatch, the UK Food Group, Fauna & Flora International, Wildcru, Royal Botanical Gardens Kew, and the Tropical Biological Association were all considered targets for partnership, while in its strategy document BAT decided to concentrate its energies on ‘substantive engagement with well-respected and reasonable NGOs, centrally and at end market level – and to brand and communicate it.’¹⁰⁰

Finally, BAT aimed to ‘grow partnerships with NGOs and get their third party verification/support for BAT’s achievements and standards of business integrity.’¹⁰¹

Same old greenwash?

Once again, the idea was not a new one. In 1996, top BAT executive Heather Honour told her colleague David Read:

‘...you asked me to set out the benefits for the Group of a higher profile on our environmental policy and practise [sic].’¹⁰²

‘There is growing pressure from Governments and international organizations for companies to become more transparent and accountable for their environmental management systems.’¹⁰³

‘The facts about our environmental practise [sic] in many countries will help to counter some of the accusations made about tobacco, e.g. deforestation; land use and pollution and emphasise the economic contribution of tobacco. These issues tend to rise in relation to developing countries often from Western Governments or pressure groups or international organisations.’¹⁰⁴

In defining the audience for a report on environmental practice, Honour writes: ‘Martin Broughton [then chief executive] is keen that on these issues which deal with the Group’s reputation, we should carry our employees with us. Externally we need to consider first of all the regulators and then civil service, MPs;... the press industry bodies; other companies; international organisations; scientific organizations, etc.’¹⁰⁵

BAT’s Public Affairs Department was given a central role in formulating environmental policy. The department was asked to ‘recommend company policy and strategy on responding to environmental issues with particular regard to proposals for legislation or the activities of pressure groups.’

Counter-productive public pressure

Corporations often maintain regulation is unnecessary because in a consumer-driven marketplace public pressure will force standards up. For example, consumer pressure for fewer pesticides, less waste, fairer trade and action on climate change has resulted in growing markets for organic and fair-trade produce, more corporate recycling and an increase in the use of renewable energy.

But in BAT's case, according to one document, the public's environmental concerns did not persuade the company to be as proactive as it could have been.

BAT's *Environmental Review* in 1989 suggested an environmental policy statement could be useful in '*signalling to external audiences the company's commitment on such issues*'.

The document considered taking three possible positions:

- ▶ a '*minimalist position, which simply commits the individual operations to comply with the relevant national regulations*'
- ▶ a '*compliance plus*' position which would seek to minimise environmental damage in areas not covered by national legislation
- ▶ a '*crusading attitude*'.

Although there were considered '*clear public relations benefits to be gained from adopting a pro-active stance*', these were balanced against the cost of such a stance. BAT also feared that a '*high-profile position*' could be counter-productive; if any aspects of its operations were '*singled out as failing to meet the highest international standards, the Group will be particularly vulnerable to public criticism*'. In view of this potential vulnerability the internal BAT document recommended '*compliance plus*' in preference to a more crusading stance.¹⁰⁶

Charm in high places

One of the major thrusts of BAT's campaign to prevent regulation has been a charm offensive targeting key politicians and business people.

In public, BAT says it:

- ▶ believes in good government
- ▶ does not think companies are more powerful than governments
- ▶ does not believe business should influence government decision-making.

'However large and successful they are, companies have neither the ability nor the mandate to step into areas of authority or decision making that are rightly for governments or communities,' says BAT's website.¹⁰⁷

But behind the scenes, one of the major thrusts of BAT's campaign to prevent regulation has been a charm offensive targeting key politicians and business people, aimed at persuading them of the company's responsible nature.

BAT considers health ministers to be 'key stakeholders' and has privately lamented that: *'In all but a few cases, it is politically impossible for a health minister to oppose tobacco control.'* BAT thought there were ways of influencing these ministers, however, noting that *'many health ministers are susceptible to pressure from their counterparts in the finance ministry.'*¹⁰⁷

BAT's man in Africa

Zimbabwe is an example of the 'front man' approach in action. In an undated letter found in BAT's Guildford archives, Tom Watson, a consultant from the PR company Hallmark, working on behalf of the ITGA, updated BAT's Simon Millson

about discussions he was having with Dr Tim Stamps, the Zimbabwean minister of health. The letter contains an urgent request from Millson for evidence from other countries' consultation processes which he hoped would persuade Zimbabwe to widen its consultation on the FCTC to include growers and tobacco-industry boards.

Watson wrote: *'Dr Stamps is on line already about this wider approach, but we need to give him evidence that other countries have already made that decision. (That is, put lead in the government's pencil!)*

*'Tomorrow we are meeting the Deputy Minister for Foreign Affairs, the Minister for Lands and Forests and the editor of the government newspaper, The Herald. We'll take the same message to them.'*¹⁰⁹

BAT's inside man

Using consultants for lobbying work is a tried, tested and well-documented approach for BAT. Back in the early 1990s, US lawyer Paul Dietrich was a consultant for BAT while sitting on the Development Committee of the Pan American Health Organisation (PAHO), the regional arm of the WHO in the Americas.

He used his position to have tobacco downgraded in PAHO's list of health priorities and to divert attention from the Eighth World Conference on Tobacco in Argentina. He used the media to promote the position that health

spending in Latin America should not go towards controlling tobacco but to other pressing public health issues.¹¹⁰

BAT's man at the top

But BAT doesn't leave all its lobbying to front organisations, PR companies and consultants. Targeted lobbying is frequently undertaken by the chief executive himself. A 1999 memo to then chief executive Martin Broughton from in-house lobbyist Nicola Shears discussed a forthcoming meeting she was setting up between Broughton and Mike Moore, who recently had been appointed director general of the World Trade Organisation (WTO). For BAT the meeting was an opportunity to support the new round of trade talks, emphasise BAT's interest in China's accession to the WTO, and, crucially, to *'create a platform for dialogue on the WHO Tobacco Free Initiative's (TFI) impact on WTO principles'*.¹¹¹

The memo said:

'You have agreed to meet Mike Moore, newly appointed Director General of the WTO, at the Rugby World Cup Finals in Cardiff on Saturday 6th November. BAT NZ has received a verbal commitment from Mr Moore to attend (along with his wife). We now need to formalize the invitation and a draft letter for you to send to Mr Moore is attached.'

The aim of the meeting will be to:
a. create a platform for dialogue on the WHO Tobacco Free Initiative's impact

- on WTO principles.
- b. discuss BAT support for a new round of multilateral trade talks, Moore's ambition to take account of the needs of Least Developed Country members of the WTO, and China's accession to WTO.
- c. establish our interest in WTO issues in advance of the Millennium round and put down a marker for more formal discussions between BAT and the WTO in future.

Background

A smoker and former NZ ally, Moore may prove key in helping to resist calls for the WHO's TFI proposals to be built into the WTO system.'

BAT was particularly anxious to ensure the WHO's tobacco-control initiatives would not impinge on WTO trade freedoms:

'Pressure is mounting for inclusion of public health issues in the next round. We believe the WHO is considering how to amend WTO rules to ensure that the TFI is compatible. Our concern is that tobacco products could be

▶ *subject to exclusions from WTO freedoms through changes to, or new interpretations of, a [sic] existing WTO Agreements...*

▶ *excluded from the benefits afforded by tariff reductions.'*¹¹²

BAT has also sought to bring pressure to bear on UK politicians' moves to probe the tobacco industry.

In early March 2000, Stephen Byers, then trade secretary, had signalled that he planned to set up an inquiry into allegations that BAT was colluding in cigarette smuggling. The minister planned to use section 432 of the Companies Act, allowing files to be seized, employees to be questioned on oath, and permitting the outcome to be published.

The company's initial attempts to influence Byers and the Department of Trade and Industry (DTI) seemed to fall on deaf ears, but this changed when Broughton gained access to Prime Minister Tony Blair as a member of the Multinational Chairmen's Group, whose members also include BP, Shell, Diageo, Unilever and Vodafone.

Avoiding parliamentary and public scrutiny, and in spite of the seriousness of the allegations against BAT, Broughton was invited on 14 March 2000 to breakfast with Blair at Downing Street. Byers was also at the breakfast and agreed to meet Broughton in a private one-to-one. Simon Millson was delighted with this result:

*'It was said we have been very successful in getting the one-to-one meeting with Byers... There are few companies that have achieved this.'*¹¹³

Soon after this meeting, Byers' plans for an official Whitehall inquiry into BAT were changed. Instead of using section 432 of the Companies Act, the DTI pursued their enquiry under section 447, which, critically, prohibits publication. The inquiry was subsequently conducted in secret. Its outcome – that there was insufficient evidence for legal action against BAT – was only made public after sustained criticism from campaigners. Details of how the inquiry reached this conclusion have not been published.

BAT used its private links to Mr Byers' officials to get some background information. Ray Mingay, recent former head of export promotion at the DTI, also talked to officials on BAT's behalf, according to the documents.¹¹⁴

BAT's notes on the meeting between Broughton and Byers also reveal how the company missed no opportunity to lobby for an independent, industry-led,

cigarette-marketing body. Having heard that the government was committed to an advertising ban, Broughton then suggested the DTI could develop an independent forum for *'the principles of responsible marketing of controversial products'*. Broughton proposed this could be *'organised either through the Centre for Disputes Resolution or Institute for Marketing, to distance Government'*.¹¹⁵

The BAT minutes note: *'Byers was very much taken with the fact that Martin was the Chairman of a tobacco company, non-executive director of an alcohol company – at the time – and head of the British Horseracing Board. (A unique selling point for Martin perhaps.) "I can see where you are coming from," Byers said. Byers seemed to enjoy the point he was making.'*¹¹⁶

Distorting scientific research

Unmoved that secondhand smoke can cause lung-cancer, heart disease and other health problems, BAT has been part of a long-running, multi-million-dollar campaign to discredit scientific research into its effects.¹¹⁷

BAT has a long history of denying links between passive smoking and cancer, asserting in 1988 that:

*'All allegations that passive smoking is injurious to the health of non-smokers, in respect of the social cost of smoking as well as unreasonable demands for no smoking areas in public places, should be countered strongly.'*¹¹⁸

In the 1990s, BAT and the wider tobacco industry mobilised to misrepresent a study by WHO offshoot, the International Agency for Research on Cancers (IARC) into secondhand smoke, which, when published some years later, revealed: *'The evidence is sufficient to conclude that involuntary*

BAT ON TARGETED LOBBYING

‘Many health ministers are susceptible to pressure from their counterparts in the finance ministry’

smoking is a cause of lung cancer in never smokers.’¹¹⁹

BAT’s minutes from a 1998 meeting reveal that the cigarette company Philip Morris wanted financial help from BAT for *Project Whitecoat*, which aimed to use scientists as front men to produce tobacco industry sanctioned research and to stimulate controversy about the secondhand smoke issue:¹²⁰

‘The consultants should, ideally, according to Philip Morris, be European scientists who have had no previous connection with tobacco companies...’¹²¹

‘Their idea is that the groups of scientists should be able to produce research or stimulate controversy in such a way that public affairs people in the relevant countries would be able to make use of, or market, the information.’¹²²

Before the IARC study was complete, BAT led industry efforts to ensure media coverage was misrepresentative of its outcome. A 1997 internal document entitled *IARC response plan* outlines BAT’s premeditated communications strategy to preempt the publishing of the study:¹²³

‘Please remember that British American Tobacco is likely to be the only international tobacco company commenting on this study. The onus is on our company to state the industry’s case and, if appropriate in your market, you should ensure that you exploit all opportunities to do so.’¹²⁴

Two key communications objectives were:

‘To communicate that the science does not establish ETS [environmental tobacco smoke] as a cause, or risk factor, for lung-cancer in non-smokers

‘To limit the opportunity for this study to be taken out of context to justify public smoking restrictions.’

The document concludes ‘*Stay close. And Good luck.*’(sic)¹²⁵

In line with this plan Chris Proctor, head of research at BAT, publicly told the *Guardian* that the IARC study ‘confirms what we and other scientists have long believed – that while smoking in public may be annoying to some non-smokers, the science does not show that being around a smoker is a lung-cancer risk.’¹²⁶

And BAT issued a press release headed ‘Europe’s largest ever passive smoking study has failed to establish a meaningful risk of lung cancer to non smokers.’¹²⁷

In fact, the IARC report, published in October 1998 in *The Journal of the National Cancer Institute*, clearly demonstrated the opposite. The WHO issued its own press release in response, saying unequivocally that: ‘Passive smoking does cause lung cancer, do not let them fool you.’¹²⁸

A 2004 *British Medical Journal* study has recently suggested that secondhand smoke’s role in increasing the risk of heart disease may even have been underestimated.¹²⁹ But in 2005 a statement on BAT’s website dismisses secondhand smoke as merely an annoyance and a concern. The company still does not admit secondhand smoke kills.

BAT says: ‘We recognise Environmental Tobacco Smoke (ETS) can be a real annoyance and may be a concern to some non-smokers and smokers.’¹³⁰

But the BAT group ‘do not believe regulations banning smoking in public places are necessary’.

BAT chief executive Paul Adams denounced the UK and Ireland’s policies to ban smoking in enclosed public places shortly after taking the helm in 2004.

He told *The Times*: ‘I think it’s unnecessary and I think it’s legislating how people should behave.

‘Yes, smoke in the (enclosed) atmosphere is a nuisance but there are ways of handling it...’¹³¹

Incongruously, concern for his children’s health has previously prompted Adams to join a campaign to stop the local government approving a mobile-phone mast near his home.

‘I would like to strongly oppose any such planning application being granted on the grounds of:

- ▶ *its detrimental impact on the greenbelt and the environment generally*
- ▶ *the possible health risk from the electromagnetic radiation, particularly where it is sited close to three schools.*

As a very concerned parent of two children, I would ask that you turn down this application,’ Adams wrote to Chiltern District Council in 2002.¹³²

BAT's self-regulation push

'The other clear and obvious reason for this being a tobacco industry initiative is that it allows us to draw up what we believe the objectives of the new body actually are.'

Alongside the various thrusts of BAT's CSR strategy, there were also proposals within the company for the tobacco industry to set up its own alternative regulatory body in response to the FCTC threat. Crucially, BAT intended such a body to operate within a frame of reference dictated by the tobacco industry itself. Being seen to be self-regulatory would preempt potential future initiatives for global regulation, higher taxes, more effective environmental standards or more rigorous advertising controls. Special consideration was given to ensuring 'developing countries' concerns' were integral to the proposals so that further calls for regulation would be seen as both an 'impertinence' and an 'irrelevance'.¹³³

*'The negotiations around the establishment of a global regulatory regime would provide a day-to-day framework in which these developing countries' concerns could be expressed and accommodated... From there, it is but a short step to pointing out to the governments of the First World countries that continuing to have additional campaigns on the issue of tobacco use is both an impertinence and an irrelevance, because the issue is already dealt with within the framework of the new body or charter as administered by that body.'*¹³⁴

To work effectively for BAT's business, such a proposal needed two key elements:

- ▶ *'Firstly, the entire process must be initiated by the tobacco industry itself.'*
- ▶ *'Secondly, it must involve the setting up of an independent body to monitor the operations of the tobacco industry globally.'*¹³⁵

BAT reasoned that by kick-starting the process itself, the industry could control the agenda. It could set an acceptable remit regarding the areas in which it was prepared to alter behaviour, such as running youth anti-smoking schemes and adopting codes of marketing behaviour. And it could keep unpalatable controls at bay, such as advertising bans and laws to ban smoking in enclosed public spaces. BAT wanted the process to be monitored independently so it would be perceived as credibly separate from the tobacco industry. As BAT itself concluded, this would be a difficult tightrope to negotiate.

Prevailing multinational trends

BAT's plans were consistent with the growing fashion for self-regulation among multinationals. According to BAT, one of the most 'radical' expressions of this approach is the Marine Stewardship Council (MSC). This is a charitable, not-for-profit, non-governmental, international organisation set up to promote sustainable fisheries and responsible fishing practices worldwide through long-term, market-based solutions that meet the needs and objectives of both the environment and commerce.¹³⁶ Unilever, the world's largest buyer of seafood, established

the MSC in 1997 in partnership with WWF – the global conservation organisation.¹³⁷

BAT saw the MSC as an attempt by Unilever to 'maintain public confidence in the industry' for which 'the critical and illuminating point' was that 'no amount of work on this issue will be seen as credible if it comes entirely from the industry itself'.¹³⁸ BAT was particularly impressed that the MSC 'changed media attitudes, on this issue, in a matter of weeks', and that:

*'To be perceived as being solution seeking rather than solely self-interest preserving might well be a major step to repositioning the tobacco industry...'*¹³⁹

*'However, by seizing the initiative and constructing a declared set of aims that are likely to meet with the informed public's approval, we change the nature of the game.'*¹⁴⁰

BAT also reasoned: 'The other clear and obvious reason for this being a tobacco industry initiative is that it allows us to draw up what we believe the objectives of the new body actually are.'¹⁴¹

*'Be it noted, the constitution would specifically preclude the regulatory body from considering or monitoring aspects of the industry's operations that were not part of an agreed and achievable programme.'*¹⁴²

BAT ON REGULATION

‘...the entire ‘process’ must be initiated by the tobacco industry itself.’

This would ‘increase pressure on the industry’s critics to justify their alternative goals and mechanisms – a discussion that would be almost entirely theoretical since there would be no mechanism for their effective implementation.’¹⁴³

‘If the organization is going to achieve the strategic aims of the industry, its activities need to be very visible to the public. It needs an attendant campaign of information about its proposed role and the scope of its activities. The credibility of the body lies crucially in the eyes of general public and in how politicians perceive public attitudes as evolving towards it, and by implication towards the industry.’¹⁴⁴

BAT reveals that a strong motive for setting up an alternative regulatory body was to put critics in a difficult position. BAT hoped health workers would have to accept such a body as *‘the only viable means of achieving the agreed objective.’*¹⁴⁵

‘No doubt, many reservations can be expressed about providing a platform for the industry’s critics. It should be remembered, however, that such critics are going to find themselves in an increasingly difficult position. To take the Marine Stewardship Council example yet again, it became increasingly difficult for Greenpeace and other environmental organizations to criticize the initiative as it became clear that it was the only viable means of achieving the agreed objective. Journalists can be made acutely aware of this dilemma.’¹⁴⁶

‘The industry is attempting to demonstrate that where the aims and objectives of the WHO are desirable, they are achievable by better methods than those currently under consideration. Furthermore that many of the aims and objectives of the WHO are

ill conceived or intrinsically undesirable. However a careful balance of the apparent paradox between legitimate commercial interests and public health considerations is required.’¹⁴⁷

BAT’s plans for self-regulation have not materialised in the form BAT envisaged in its strategy document. However, in 2002 a consortium of tobacco companies including BAT did launch a new set of global tobacco-marketing standards.

According to a BAT news release, these new ‘globally consistent international marketing standards’ represented a ‘raising of the bar’ and established ‘a benchmark for the industry world-wide’. Simultaneously, however, global financial market analysts responsible for assessing corporate-profit prospects reassured investors that the new guidelines wouldn’t adversely affect BAT’s sales volumes.

Bonnie Herzog, Wall Street analyst for Credit Suisse Group and a tobacco-stock analyst, privately believed that the marketing code was designed to improve the tobacco industry’s image and head off legislation, but did not include any meaningful restraint on tobacco marketing. In a private research note, she assured tobacco investors that the marketing code could ‘proactively’ counter a number of WHO proposals to ‘curb’ cigarette consumption, and that reduced advertising in some areas could be effectively redirected elsewhere.¹⁴⁸ She told them:

‘We have analyzed the 9-page agreement and believe that the multinationals’ strategy is proactive and is a way to improve their image. These international marketing standards partly came as a result of increasing pressure from governments worldwide and anti-smoking activists. Also, by proactively

setting new international tobacco marketing standards, the multinationals could be trying to counter a number of proposals that the WHO has been working on to curb the amount of cigarettes that are consumed on an international level.

One would think that the elimination of certain marketing practices would effectively decrease advertising spending and hence increase margins, however we believe the modest amount the multinationals actually spend on these types of practices will be redirected into other types of marketing promotions i.e., point of sale activity.’¹⁴⁹

BAT thrust itself into new realms of PR contortions. *‘Public discussion of something that you are doing and wish to be seen to be doing, as distinct from the process of being continually on the defensive, is a whole new ball game,’¹⁵⁰* the company concluded when considering how proposals to self-regulate might impact on public perception and credibility.

Public reporting and hidden agendas

[Solid reporting] ‘will provide an opportunity and forum for communicating positively about the things BAT does well’.

Just as BAT considered setting up an independent body as an alternative to the FCTC, so it has developed a social reporting process to protect its reputation, deflect criticism, and control the scope and framing of its public consultation exercises.

BAT advertises itself as an ‘Organisational Stakeholder of the GRI (Global Reporting Initiative)’, which is a United Nations Environment Programme (UNEP) voluntary reporting programme for businesses. Chief executive Paul Adams says BAT’s social reporting is based on ‘a direct approach to dialogue with stakeholders’. BAT’s social report for 2003/4 notes that meetings were held with stakeholders from the political, investment, scientific and health communities along with NGOs, business organisations, commercial partners and government and multilateral organisations.

‘Adopting social reporting based on dialogue has helped us to engage with stakeholders in a more fresh and direct way. In working to embed the principles of corporate social responsibility throughout the Group, my message is that CSR is for all our companies, whether or not they are producing Social Reports,’ declares Adams on the company’s website.¹⁵¹

But behind the smokescreen, BAT has kept firm control of the reporting process. It takes full advantage of the voluntary nature of the Global Reporting

Initiative – and the absence of any mandatory social reporting standards – which allows companies to pick and choose those standards against which they wish to be measured.

Audits performed on BAT’s social reports – what it refers to as an ‘independent assurance statement’ – are conducted by a consultancy firm called Bureau Veritas. The firm is employed by BAT and the scope of its work is also determined by BAT. For its 2003/2004 social report the statement consists of a couple of pages of assurances that the information within the report is accurate. An ‘advanced assurance’ is given that BAT did meet with stakeholders as described.¹⁵²

An internal discussion paper presented to the board in 2000 introduced BAT’s own summary of social reporting.¹⁵³ In this document, corporate and regulatory affairs director, Michael Prideaux outlined what BAT’s Corporate and Regulatory Affairs department believed to be the benefits to the company of adopting the Institute of Social and Ethical Accountability (ISEA) social reporting process known as AA1000. According to Prideaux, the process will provide ‘credibility’, ‘demonstrate’ its globally consistent approach to CSR and provide a ‘robust platform on which to build a reputation communications campaign’.¹⁵⁴

Prideaux stresses some important points for BAT to consider:

► ‘It is important to note that such

indicators would be set by BAT and not imposed by external groups.’

- Social reporting would ‘validate environmental and community programmes through stakeholder engagement’.
- Independent verification is ‘critical in offsetting external accusations of secrecy or malfeasance’ and to ‘help BAT to be recognised among its peer group companies as a responsible company and thereby limit further “demonisation” of the industry’.
- ‘This will ensure that all business activity is aligned with reasonable stakeholder expectation and that it contributes to the recognition of BAT as a responsible company.’¹⁵⁵

Reporting could also relieve BAT of the pressure to be ethical, asserts Prideaux, by protecting it from criticism and providing a ‘publicly endorsed amnesty’.

‘The process will not only help BAT achieve a position of recognized responsibility but also provide “air cover” from criticism while improvements are being made. Essentially it provides a degree of publicly endorsed amnesty.’¹⁵⁶

‘[Social reporting] will improve the company’s risk management capability and reduce the amount of time absorbed in day-to-day fire fighting. And will provide an opportunity and forum for communicating positively about the things BAT does well.’

BAT ON ENGAGEMENT

‘If we find people who don’t want to talk to us, then I believe over a period of time we can effectively embarrass them into talking to us’

‘Ultimately it will underpin the company’s credibility as a responsible industry leader and enhance its corporate reputation,’ concludes Prideaux.¹⁵⁷

Engaging the enemy

In 2005, Michael Prideaux’s vision for a social reporting process has taken shape in the form of BAT’s 34 social reports from around the world, as well as its detailed *Annual Group Social Report*, which takes pride of place on the BAT website. These reports are increasingly based around an extensive series of ‘stakeholder dialogues’, cited by BAT as an example of best practice which Adams is quick to endorse:

‘Stakeholder dialogue is giving us new and better ways to engage and listen, and our stakeholders internationally tell us we’re on the right path.’¹⁵⁸

But the introduction to social reporting Prideaux gave the board also revealed that stakeholder dialogues can be used to *‘provide access to important stakeholders and opinion-formers that, until now, have proved difficult to engage...’¹⁵⁹*

In this he echoes Brendan Brady, director of BAT’s corporate and regulatory affairs in Australasia, who once made the following statement on a DVD entitled *The Challenge of Change*, which was distributed to BAT’s Australian staff in late 2001:

‘If we find people who don’t want to talk to us, then I believe over a period of time we can effectively embarrass them into talking to us. We can ensure they come to the table eventually with their problems about the industry or their problems about tobacco or whatever.’¹⁶⁰

In 2004, Christian Aid and Friends of the Earth were invited to participate in stakeholder dialogues in Kenya, led by

BAT’s company chairman Jan Du Plessis. Both declined. Christian Aid did not feel it necessary to enter into further dialogue with BAT, as it believed its two reports explained its position clearly.

Action on Smoking and Health (ASH) has also been invited to BAT dialogue sessions. However, ASH feels that because the company sets the agenda and does not accept that it should desist from promoting a product that will cause the deaths of half its long-term users or acknowledge that secondhand smoke can kill, the dialogues are an exercise in time wasting.

The SocialNEEDS Network, a Kenyan organisation with which Christian Aid has collaborated on research among tobacco-farming communities in western Kenya, did take part. See *The tobacco growers’ plight* on page 15 for a synopsis of the outcome.

Nigerian case study

Internal documents recording BAT Nigeria’s social reporting dialogue sessions show how the exercise works for BAT in practice. In an internal document entitled *Social Reporting Overview*, BAT Nigeria outlined its proposals for a series of stakeholder dialogue sessions that began in 2002.

‘Benefits to stakeholders’ were purportedly:

- ▶ *‘a unique opportunity to communicate with and influence British American Tobacco within a framework of mutual trust and respect’.*

But being influenced was not on the list of *‘Benefits to British American Tobacco’*, which were mainly reputational and consisted of:

- ▶ *‘Improved long-term clarity of vision hence opportunities to achieve long-term survival/success*

- ▶ *Enhanced corporate trust, respect and integrity from external parties*
- ▶ *Strengthened trust, loyalty and commitment from employees and business partners*
- ▶ *Reduced reputational risk.’*

A few paragraphs further on, BAT made its priorities clear. According to this document the company did not envisage changing its behaviour as a result of these dialogues. It simply wanted to hear what stakeholders have to say, and then wanted to present its view of itself to stakeholders:

‘The dialogue process will enable British American Tobacco to understand its stakeholders and, equally importantly will provide an environment whereby stakeholders can fully understand British American Tobacco.’

BAT, however, did envisage the process exposing divisions among stakeholders and predicted a conflict of interest between tobacco-control workers and tobacco growers:

‘An example of this could be the desire by the health authorities that tobacco growing should be restricted to curb smoking – this action would have an effect on the welfare of tobacco farmers who earn a living from growing tobacco.’

BAT’s first social reporting dialogue session in the South was attended by 18 stakeholders from civil society organisations, the Nigerian government and the private sector. BAT set the agenda, deciding on the issues for discussion. The minutes show that some stakeholder expectations matched parts of BAT’s CSR strategy, such as suggestions that BAT should award scholarships to the gifted children of tobacco growers and coordinate talks on HIV/AIDS in universities.¹⁶¹

Other expectations were more fundamental and touched on issues which are not part of BAT's usual CSR territory:

- ▶ *'NGOs to fashion out regulatory procedures that would be faithfully implemented by BAT*
- ▶ *BAT to liaise with other Stakeholders i.e. consumers, government health agencies, and NGOs to fashion out regulatory procedures that would be faithfully implemented*
- ▶ *information on the dangers of passive smoking/ETS.'*

At a later date, stakeholders also requested that:

- ▶ *'BAT should modify cigarettes in order to remove harmful substances*
- ▶ *BAT should institute an insurance scheme for smokers.'*¹⁶²

A second dialogue session was held a few months later and the minutes note that BAT took the opportunity to give a presentation outlining: *'what BAT had done, what it can deliver and what it cannot deliver.'*¹⁶³

BAT reiterated its standard position on voluntary marketing standards, social reporting, community giving, under-age smoking programmes and contribution to the economy. On other substantive issues, the company was unable to give a positive response, saying:

'BAT did not believe it was its responsibility to institute an insurance scheme for smokers.'

And on removing harmful substances:

'BAT believed that although there was no such thing as a "safe" cigarette, the reality was that a large number of people would still choose smoking, even though it was risky.'

BAT's notes do not mention addressing stakeholder concerns about secondhand smoke. Nor do they record any response given to stakeholders' requests for the company to implement regulatory procedures fashioned by NGOs.

Following the presentation, stakeholders were given further opportunity to feed back and were asked:

*'How can you (or any other stakeholder) support/work with BAT Nigeria to successfully implement these commitments?'*¹⁶⁴

The focus of this final feedback – designed to take BAT's relationship with the stakeholder to a new level – then narrowed. The emphasis was put on issues such as:

- ▶ *'using drama and other means to drive home the point on under-age smoking*
- ▶ *work on BEST BEFORE dates on cigarette packs*
- ▶ *the training of local community representatives to take up the responsibility of disseminating information on AIDS.'*¹⁶⁵

BAT followed up the dialogue with a marketing touch, sending the stakeholders corporate 2004 diaries and desk calendars for the New Year.¹⁶⁶

Finally, BAT Nigeria based its 2003 social report on the sessions, and according to managing director Nick Hales:

*'The Social Report is an account of the first formal process of stakeholder engagement that we commenced in 2002.'*¹⁶⁷

However, the report did not discuss many of the important issues raised by stakeholders. Stakeholders' requests

that BAT remove harmful substances from cigarettes and that it set up an insurance scheme for smokers were not mentioned. There was no reference to the request for BAT to implement regulation designed by NGOs or to the issue of secondhand smoke.

Consultants for repositioning

To help design such reporting and stakeholder dialogue processes, BAT had considered using corporate consultancy firm KPMG in 1999.

In an initial meeting held between BAT and KPMG the topic of whether KPMG recommended BAT adopt a strategy to abandon the tobacco business was discussed. In a post-meeting write up, Shabanji Opukah, BAT's corporate sociability manager, reassured his colleagues such a strategy was not what KPMG had been suggesting. He did note, though, that KPMG had recommended BAT address the controversy regarding its core product and its health impacts.

Opukah explained that David Coles of KPMG had reassured him that:

'[KPMG] was not referring to the need for [BAT] to adopt a strategy to get out of the tobacco business, rather the need to address the controversy regarding our product. [David's] view was that to hang our flag on the mast of corporate responsibility without dealing with this issue would be a futile effort.'

It was agreed that:

'there is need to ensure that [BAT's] Board... appreciate and understand the need for addressing the health issue as a key plank in the whole area of seeking to be a responsible company in a controversial industry... the Board should be made to understand the implications for the company in terms of the long term

BAT ON CUSTOMER CARE

‘BAT did not believe it was its responsibility to institute an insurance scheme for smokers’

strategy and resources of embarking on the CSR journey...’

KPMG then submitted a proposal to BAT entitled *British American Tobacco – KPMG’s involvement in the WHO project* in which it analyses BAT’s need for ‘repositioning’ in the light of the FCTC:¹⁶⁸

‘For the purpose of the current terms of reference, BAT has invited KPMG to help address these requirements initially in relation to the World Health Organisation’s (WHO) Framework Convention on tobacco control. In particular, BAT wishes to lead the rest of the industry in repositioning tobacco manufacturers as socially responsible. BAT wishes to achieve this by establishing an industry wide code of conduct in consultation with relevant stakeholders.’¹⁶⁹

In its proposal, KPMG sets out a table of ‘concerns’ and ‘approaches’.

Top of the list of concerns is that:

- ▶ *‘The general perception is that BAT’s proposal does not go far enough,*
- ▶ *BAT’s proposal is seen as a spoiling tactic which backfires on BAT.’¹⁷⁰*

KPMG also asks whether it would be possible to find:

‘a position which leaves organizations like ASH and Tobacco Free Kids satisfied that it is NOT ‘just a brilliant public relations gesture’.’

KPMG concluded that within BAT’s CSR plan there are *‘areas of the proposals which may damage credibility’*, revealing it still had concerns about how BAT was going to tackle fundamental health issues in a way that would satisfy health-control workers.¹⁷¹ Nevertheless, the consultancy firm thought it could help. KPMG revealed it was *‘keen to*

work with BAT’ to ‘act as advisors on stakeholder inclusion and dialogue’.

BAT had hit its usual paradoxical obstacles. Because it uses social reporting to improve its reputation and deflect criticism, it needs to control its public consultation exercises. But until the company is willing to tackle core health issues meaningfully, health-control workers will remain unconvinced that BAT’s CSR is much more than PR. Many NGOs, such as ASH, Tobacco Free Kids, Christian Aid and Friends of the Earth lack faith in BAT’s social reporting and stakeholder dialogues. International UN agencies, such as the WHO, and many health ministers in tobacco-growing and consuming countries around the world are also unwilling to be involved in BAT’s stakeholder dialogue sessions.

Undermining its own CSR

‘Brand Amplifiers’ were employed to represent the embodiment of the brand in all that they do or say.

BAT’s CSR initiatives, although of questionable value to society and the environment, are effective in that they have propelled the company to a position of leadership in the rapidly burgeoning CSR movement.

However, an image of social and environmental responsibility can help multinationals build an argument against further regulation and influence legislators in their favour.

South African contradiction

In its 2002 social report, BAT South Africa was publicly ‘taking a firm stand’ against youth smoking with a public commitment to raise the legal age of purchase for tobacco products from 16 to 18.¹⁷² The report emphasised that BAT South Africa would ‘undertake exhaustive efforts to ensure that our communication is directed only at adults over that age’. The South African government also imposed a ban on cigarette advertising, sponsorship and promotion in April 2001.

Despite its stated youth policy, BAT decided to circumvent South Africa’s tough new advertising laws for the relaunch of its Lucky Strike cigarette brand. It used a new marketing strategy developed by advertising agency, Bates/141, which circumvented the need for posters and TV advertising, concentrating instead on a ‘customer-get-customer’ approach.

The strategy consisted of using ‘word of

mouth to encourage “friend get friend”.’

Chosen retailers ‘could enter and win a trip to the Brazilian Grand Prix if they maintained stock levels and display quality’, while stylish young people BAT called ‘Brand Amplifiers’ were recruited to front the campaign. These ‘Brand Amplifiers’ were employed to ‘represent the embodiment of the brand in all that they do or say’. They were given Lucky Strike Volkswagens and ‘encouraged to “live” the brand lifestyle’ as they worked to establish relationships with potential consumers.

The campaign also featured a series of events focusing on internationally famous DJs and rock bands:

‘Rumours were generated through a combination of Brand Amplifiers “leaking out” information to a carefully selected few contacts and through pre-event communication materials.’¹⁷³

The campaign not only circumvented South Africa’s advertising ban, it was also calculated to appeal to young people – marketing BAT claimed to be ‘taking a firm stand’ against. The marketing strategy’s objective was to ‘penetrate [the] 18-24 sector’ using the internationally famous DJ, Paul Oakenfold, and rock bands Bush and Violent Femmes. All three of these acts appeal to the youth market.

On their official website, the Violent Femmes rock band declare that:

‘...for the most part the audience remains the same high school and college kids who have always been the core of the Femmes crowd.’¹⁷⁴

Commenting on the viral marketing venture, BAT’s Simon Millson told the *Financial Times*: ‘It’s nothing new. Tupperware have been doing it for years.’ Millson failed to mention that, unlike tobacco, Tupperware does not kill half its long-term users. Nor did he mention that BAT had made a strong commitment against youth advertising, or that cigarette advertising was banned in South Africa.

Sporting appeal

Following BAT’s sponsorship of the 1996 Cricket World Cup in India, a *British Medical Journal* study revealed cricket sponsorship by tobacco companies increased the likelihood of children smoking. In light of this study and in accordance with the ‘Prevention of Underage Smoking’, a key BAT objective in Asia, the company was expected to end all such sponsorship.^{175,176}

Instead, BAT’s Indian subsidiary, the India Tobacco Company, continued its long-standing tradition of sponsoring India’s national cricket team throughout the televised 1999 Cricket World Cup. The Wills cigarette logo adorned the shirts of the whole Indian team and child-size replica T-shirts were sold at the MCC shop at Lord’s, in high street sports shops and by international mail

BAT ON F1 SPONSORSHIP

[Formula One could] ‘assist in developing relationships... otherwise known as “tickling the soft underbelly of the decision makers”’

order from the official Cricket World Cup website.¹⁷⁷ BAT did not end its sponsorship of the cricket team for another two years.¹⁷⁸

Formula One

In China, BAT’s strategic plan includes the aim to:

‘proactively promote juvenile smoking prevention programs to demonstrate BAT is a responsible company that produces quality products for informed adults.’¹⁷⁹

Yet, in a parallel marketing initiative, BAT is also establishing Formula One races in countries with fewer advertising restrictions, such as China. Formula One is another sport that appeals to children and young people – particularly boys and young men – projecting a dynamic, young and cosmopolitan image.¹⁸⁰

‘Research confirms that it has a younger image than before, is more dynamic, more human and credible and quite clearly international.’¹⁸¹

A survey in 1996 found that around two-thirds of 11-16-year-olds could identify at least one sport connected to cigarette advertising through sponsorship.¹⁸²

Another study found that boys whose favourite sport was motor racing were twice as likely to become regular smokers than those who did not have an interest in it.¹⁸³ But in his outline of BAT’s CSR programme in 1998, the company’s executive, Julian Oliver, suggests ‘Arts and Motor Sports sponsorship’ as possible contributions to ‘community activities’.¹⁸⁴

Considering BAT’s youth-prevention commitment, it is difficult to understand how Oliver could conceive of such a link.

As far back as 1985, BAT considered Formula One racing cars as a good way

of using young and dynamic imagery to promote its cigarettes around the world. Teams and organisers received money from tobacco companies while the role of BAT as a race host could ‘assist in developing relationships with key decision makers, otherwise known as “tickling the soft underbelly of the decision makers”’.¹⁸⁵

BAT’s Lucky Tribe campaign, which accompanied its entry into Formula One, had an estimated direct advertising value of US\$20m and a PR value of US\$60m during the first financial quarter following the team’s launch in 1998. According to SLAM, a company that reviewed the campaign for BAT, the aim was to build awareness of the Lucky Strike cigarette brand by ‘targeting young people on an international scale’ through ‘cable, digital and new media broadcasting’. SLAM also advised that ‘Young people are traditionally early adopters of new media capabilities and consequently a very receptive audience.’¹⁸⁶

BAT also explored merchandising products targeting children and young people such as racing car models and play stations.

Another company, The Merchandise Group Ltd, advised BAT’s head of global sponsorship, Tom Moser. In a 1998 memo to Moser, a Merchandise Group employee advises:

‘We feel strongly (and have also been advised by professional animators) that we should not follow the “cuddly/funny animal” character concept as in the NFL [National Football League] pre-game show, Disney theme parks or events like the World Cup. We feel this concept has run its course and is probably more popular with very young children rather than “kids”. Our direction will be computers. For example a computer

rendered character as in the characters from the play station game Tomb Raider or Tekken.’¹⁸⁷

Partly because of the influence of tobacco companies, more Formula One races are being held in emerging markets throughout Asia that have minimal regulation or negotiated exemptions, as races in more regulated countries such as Austria, Belgium and Canada have been threatened or withdrawn.^{188, 189}

The following note to the Chief Executive’s Committee in 1997 summarises why the Asian markets were so crucial to BAT as it faced increasing curbs on its advertising in Europe:

‘Tobacco legislation is not new, but has experienced an escalation in activity in recent years. This has impacted sponsorship. However, due to the consumer and economic appeal of Formula One and the content of tobacco support it has been successful in gaining special exceptions. Further, the drawing power of Formula One has opened new opportunities in the Far East with long term guarantees of no restrictions, putting less dependence on Europe which should result in little impact in the foreseeable future.’¹⁹⁰

China’s recent signing of the FCTC is likely to prevent the deaths of millions of smokers in the future. The inauguration of the Chinese Grand Prix is not so promising and the ‘long term guarantees of no restrictions’ that BAT anticipated for new races in Asia probably means more young Chinese people will be taking up the addictive smoking habit, many of whom will not reach old age.

Tobacco smuggling and tax PR

For years, BAT has used the fear of cigarette smuggling to scare governments into not raising tobacco taxes.

Yet internal documents reveal BAT's ambition *'to achieve excise structures, which provide competitive advantage to British American Tobacco's brands.'*¹⁹¹

On its website, BAT complains:

*'Smuggling is caused by tax differentials, weak border controls, and import restrictions and bans – often to protect state monopolies – on goods which are in high consumer demand. Where governments are not prepared to address the causes of smuggling, it can rapidly spiral to overwhelm an orderly market and will frequently be penetrated by organised crime.'*¹⁹²

But recent court cases have revealed that tobacco smuggling is made possible by actions taken by the tobacco industry itself.¹⁹³

Cigarette smuggling is undertaken by criminal gangs in order to evade tax in countries where levies on tobacco are high. But BAT has flooded low-tax markets with cigarettes and could not have been blind to the likelihood of them then being smuggled into neighbouring high-tax countries.¹⁹⁴

One BAT document discussing 'Q&As' on smuggling – or 'transit trade' – asks: *'Q: What is Transit Trade? A: Transit trade is the movement of goods from one country to another without payment of taxes and tariffs. It is more commonly known as smuggling.'*¹⁹⁵

In 2000, Kenneth Clarke publicly admitted to the *Guardian* that BAT

supplies cigarettes knowing they are likely to end up on the black market.

'Where any government is unwilling to act or their efforts are unsuccessful, we act, completely within the law, on the basis that our brands will be available alongside those of our competitors in the smuggled as well as the legitimate market,' said Mr Clarke.¹⁹⁶

Paul Adams and Asian smuggling

BAT's top brass are very much aware of smuggling. Internal documents reveal that even the company's recently appointed chief executive, Paul Adams, had accepted the role smuggled cigarettes play in the marketplace – and in building BAT's brands in new markets – in Asia while he was a regional manager. The extent of BAT's complicity with smuggling by criminal gangs is exposed in hundreds of confidential internal documents revealed through US litigation. Many of these documents show Adams could not have been unaware of the likelihood that BAT's cigarettes would be smuggled.

In Vietnam and other nations, where BAT's documents note all private cigarette imports were illegal in the early 1990s, files held by Adams in his capacity as BAT Asia-Pacific regional director show that the company monitored and encouraged *'GT'* (general trade – sometimes also called *'transit'* trade), which is used as a term that appears distinct from normal or duty paid cigarettes – although BAT denies this. It is clear from the documents that the senior directors and staff who handled such sales were unlikely not to have understood what they were doing.^{197, 198, 199}

The highest offices of BAT's subsidiaries also appear to have known about and understood BAT's complicity in smuggling into China. In November

1993, a memo from a Brown & Williamson executive to Adams said:

*'... not more than 30 % of imported cigarettes in China reach the market through the CNTC [Chinese National Tobacco Company]. The best prospects for growth in the Chinese market continues [sic] to be unofficial channels for the foreseeable future.'*²⁰⁰

Another note found in Adams' file from BAT employee Paul McPhail described the creation of a Vietnamese joint venture and sets out BAT's position in the Vietnamese market. Legal BAT products made by the joint venture would now be competing against illegal BAT products which continue to be smuggled into Vietnam. The note states:

*'We must accept the continued presence of G.T. [versions of State Express 555 in Vietnam] (unless a complete government clampdown takes place). Both [legal joint venture made and smuggled G.T.] versions will have a role to play in the further building of the brand, and the 'system' profitability...'*²⁰¹

And in a 1994 memo Adams clarified that 'general trade' was to be the primary responsibility of his own Regional Business Unit (RBU) in future rather than BAT's main South East Asia distributors, Singapura United Tobacco Ltd (SUTL).

*'All GT business in Asia Pacific should now be handled by the RBU. Can we please check with [B&W vice president] Tom Whitehair that we are now handling all GT and that therefore they are not using SUTL for any GT business.'*²⁰²

(Translated into English, this memo suggests G.T. (general trade) is used to refer to cigarettes destined for markets from which there was a high probability that they would be smuggled.)

In January 2005, BAT was hit by fresh allegations that it had colluded in a multi-million pound smuggling operation. The revelations were published by the Royal Canadian Mounted Police who raided the offices of a BAT subsidiary shortly before Christmas 2004 following a clandestine six-year investigation. The police affidavit quotes from internal BAT documents and alleges the company and its Canadian subsidiary, Imperial Tobacco Limited, exported cigarettes to the US black market so they could be smuggled back into Canada, where tobacco is heavily taxed.²⁰³

Conclusion and recommendations

Allowing multinational companies such as BAT to regulate themselves will not result in far-reaching or long-lasting improvements in their impact on people and the environment.

Internal correspondence written by BAT's top executives shows how the company has employed a plethora of tactics to resist the Framework Convention on Tobacco Control (FCTC). CSR has formed a core part of this strategy. Youth-smoking prevention programmes, Farmers' Associations, codes of conduct and environmental partnerships have all been deployed as part of a grand plan to convince policymakers to allow tobacco companies to continue on a self-regulating basis.

However, allowing multinational companies such as BAT to regulate themselves will not result in far-reaching or long-lasting improvements to their health, human rights and environment performance.

As BAT's cigarettes continue to kill half its long-term customers, the company's CSR positioning has allowed it to:

- ▶ secure a strong presence at a UNDP-led CSR conference in Kuwait, while in Nigeria, BAT tobacco farmers are still concerned about the high prices the company charges for loaned materials and the low prices it pays for their tobacco crops
- ▶ a high ranking on the UNEP/SustainAbility social reporting index, despite having used face-to-face viral marketing techniques and Formula One racing to reach potential new young smokers in emerging markets
- ▶ be regarded by the Dow Jones

Sustainability Index as 'leading its industry in terms of sustainability', even though the company recommends Brazilian and Kenyan tobacco farmers use risky pesticides which they routinely apply without proper protection

- ▶ develop its role in a 'biodiversity partnership' with a group of conservation NGOs, despite the fact that the tobacco-curing process is still resulting in forest destruction. Furthermore BAT's replacement plantations bear no resemblance to the indigenous woodland habitat they replace.²⁰⁴

The UK government and the FCTC

The UK government's formal ratification of the FCTC is welcome and its Public Service Agreement target of reducing the number of people smoking in England to 21 per cent of the adult population by 2010 complements the ambitions of the global treaty.²⁰⁵ To reach this target the UK government will need to implement stronger measures, including a complete ban on smoking in all public and work places. We also urge it to use UK tobacco taxation revenue to help the world's tobacco farmers diversify away from the tobacco crop.

Regulation of corporations

The voluntary approach to corporate social responsibility is insufficient in holding companies to account and for this reason the FCTC's significance cannot be overstated. As an international approach to tackling the

tobacco epidemic and its costs to the world's health services, it is unique. Rich and poor governments that worked together to negotiate the treaty will now implement the FCTC with special regard to helping the world's tobacco farmers diversify away from the tobacco crop.

ASH, Christian Aid and Friends of the Earth ask: if an international convention to regulate the tobacco industry is possible, why is it not also possible to adopt a similar measure to hold all corporations accountable? We call on the UK government to reform its company law so that all UK-based companies are accountable for their social and environmental impacts wherever in the world they operate.

Our government must also work to secure an international agreement ensuring all the world's corporations are accountable for the damage they cause people and the environment. In this way, countries would implement national laws that meet international standards. **The UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights** could be the starting point for the negotiation of a framework of international standards by the world's governments. It would then be the responsibility of individual nations to implement the code in their own countries.

Links

The Corporate Responsibility Coalition (CORE)

This civil society umbrella organisation works towards the social and environmental accountability of UK companies. Christian Aid and Friends of the Earth are members of the steering group.

The government has promised to introduce new legislation as a follow-up to the company law review. In particular, CORE is asking for:

- ▶ transparency through mandatory social and environmental reporting
- ▶ directors to take environmental and social issues seriously by adopting a 'duty of care for the environment and local communities'
- ▶ accountability to affected stakeholders through foreign direct liability.

This would mean communities outside the UK who were suffering from the negative impacts of a UK company or its overseas subsidiary would be protected under UK law and able to seek compensation for any human rights or environmental abuses committed by the company.

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Framework Convention Alliance

This is a heterogeneous alliance of NGOs from around the world who are working jointly and separately to support the development and implementation of the Framework Convention on Tobacco Control (FCTC) and related protocols.

The alliance includes individual NGOs and organisations working at local and national levels, as well as existing coalitions and alliances working at national, regional and international levels.

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