

# Corporate Social **IR**responsibility

## Tobacco Industry Fails International Standards



Southeast Asia Tobacco Control Alliance

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# **Corporate Social IRresponsibility Tobacco Industry Fails International Standards**

## **Executive Summary**

In 2004, the World Health Organization (WHO) published the *Tobacco Industry and Corporate Responsibility: An Inherent Contradiction*, a powerful brief about how the tobacco industry (TI) uses corporate social responsibility (CSR) discourse to disguise many of their truly irresponsible practices. As suggested by the title, the two are inherently irreconcilable. This publication did not stop TI from using the term CSR, as they invested more resources in CSR activities.

The use of the term CSR by the TI does not only contradict the WHO conclusion, but also the views of CSR experts. The CSR experts consistently (1) categorize TI among the harmful/sinful/controversial industries; (2) refer to its practices as the most prominent examples of corporate social irresponsibility (CSI) or Fake CSR as more commonly referred to by tobacco control (TC) activists; (3) call its aggressive communications as CSR-washing, not CSR communications; (4) name its investment as an irresponsible/unethical one, therefore, it does not pass the negative screening of all socially responsible investment (SRI) indices; and (5) disallow TI from sponsoring international CSR and/or business ethics conferences.

There are two types of evidence that support such a position, namely the impact of cigarette production and consumption, as well as the track record of the TI in obscuring the truth about the impacts since the 1950s. The position of the CSR experts is also echoed by the global CSR communities, since recent pollings conducted by respected organizations reveal TI's absence from the list of responsible industries.

In 2005, governments adopted and ratified the WHO Framework Convention on Tobacco Control (FCTC) and developed specific Guidelines to assist them in the implementation of the treaty. Currently 179 countries are Parties to the FCTC. Guidelines on Article 5.3 (Protecting public health policies from the commercial and other vested interests of the tobacco industry) and Article 13 Guidelines (banning all forms of tobacco advertising, promotions and sponsorship) recommend a ban on CSR activities by the TI.

There are several international standards applicable to CSR adopted by the global community, namely the UN Global Compact, the United Nations Guiding Principles on Business and Human Rights, the ISO 26000 and the Global Reporting Initiative (GRI), among the more popular ones which the TI uses to legitimise and prop-up its CSR activities. ISO 26000: 2010 Guidance on Social Responsibility is the most comprehensive standard related to social responsibility. This standard was developed through stakeholders process conducted over a decade, involving representatives of all member countries of ISO and has been implemented since November 2010.

ISO 26000 was formulated to meet a variety of purposes. One main objective is to help all organizations understand their social responsibility so that their actions can contribute to sustainable development. Another objective is to increase the credibility of their claims about social responsibility. This second objective is particularly important when the claim is pursued by companies from a controversial industry group, such as the tobacco companies. With their tendency to conduct more extensive communication than others, the validity of the CSR claims by a controversial industry needs to be examined with more caution.

This report focuses on the ISO 26000 and applies its standards to the TI's CSR activities. A gap analysis on the expectations of 7 Principles and 7 Core Subjects of ISO 26000 and TI practices reveals that the TI cannot fulfill almost all the expectations therein, and therefore cannot be considered a socially responsible industry.

Taking into account the tobacco industry's misuse of the meaning and practice of CSR exposed in this report, the following actions are recommended:

- Countries need to compile their own evidence on the tobacco industry's CSR reports using ISO and GRI standards and how these are used to influence tobacco control policy.
- Evidence in this report should be used to expose the tobacco industry's tactics and collaborate with national standards body that subscribes to ISO standards.
- Ban the tobacco industry from conducting and participating in CSR related communication—especially those related to advertising, promotion and sponsorship. This will reduce the incentive for tobacco companies to conduct these activities.
- Ban tobacco industry related CSR activities in line with the recommendations of the FCTC Articles 5.3 and 13 Guidelines and also meet the requirements of ISO 26000 Principle 6 with respect to international norms of behavior.
- The ISO and GRI should apply a moratorium on the tobacco industry from using their good name in industry reports on CSR and sustainability.

## INTRODUCTION: 10 YEARS AFTER THE WHO'S CONCLUSION ON TI-CSR

Corporate Social Responsibility (CSR) has received a lot of attention within the last two decades. The main attention is from the academic and corporate spheres, followed by civil society organizations, government and multilateral organizations, and UN agencies, including the World Health Organization (WHO). As the most authoritative body in the health sector, WHO recommends that there should be a clear position on tobacco industry (TI) related CSR and health issues. In 2004, WHO published a document on CSR and the tobacco industry,<sup>1</sup> concluding that the TI cannot truly be considered an industry with social responsibility.

To arrive at that conclusion, WHO has conducted a study on a number of tobacco industry activities all over the world. The findings bring the WHO to the conclusion that in reality, the TI cannot be considered the same as other industries, where companies may take efforts to achieve a socially responsible company status. Firstly, due to the nature of the product that is harmful to the health and lives of smokers, as well as to those exposed to second-hand and third-hand smoke. Secondly, because the TI has been assessed to continually conduct activities contrary to the principles of ethics and social responsibility. This second point includes the efforts to sabotage a number of tobacco control initiatives by WHO.<sup>2</sup>

The WHO document concluded with the following statement:

*"As in many respects, tobacco companies are simply not like other companies. Tobacco products are legal. But they are also lethal. Tobacco is the only consumer product available that kills onehalf of its regular users. As such, in terms of CSR activities, they cannot simply figure among the ranks of other consumer goods companies. Despite the tobacco industry's thinly-veiled attempts to gain corporate respectability and companies' claim to have changed their practices, they continue to use a vast array unethical and irresponsible strategies to promote its products, expand markets and increase profits."*<sup>3</sup>

Now, 10 years after that document was published it has become an important reference in understanding the relationship between the TI and CSR – they are inherently contradictory. Therefore, the TI can never be socially responsible.

*The TI and CSR – they are inherently contradictory. Therefore, the TI can never be socially responsible.*

Since the WHO document was released, the major development has been the adoption of the world's first public health treaty, the WHO Framework Convention on Tobacco Control (FCTC) now ratified by 179 countries. Guidelines on Article 5.3 (protecting public health policies from the tobacco industry's interference) and Article 13 Guidelines (banning all forms of tobacco advertising, promotions and sponsorship) recommend a ban on CSR activities by the TI. Mauritius has banned TI related CSR activities, while Thailand and Vietnam have banned their publicity and applied other restrictions. In 2010, the Philippines adopted a policy to "Protect the Bureaucracy from Tobacco Industry Interference"<sup>4</sup> which includes a Code of Conduct, a monitoring / reporting process, and administrative sanctions. The Philippine Department of Education also adopted a policy to reject TI donations.

This report will provide a contemporary understanding of CSR, how CSR perceives the TI, standards that apply in CSR, especially *ISO 26000 Guidance on Social Responsibility*, that is viewed as the most comprehensive standard. The report will review TI practices, how it tried to cover up its negative impacts under the banner of CSR and how the experts and stakeholders value it. The ISO 26000 is used to conduct a gap analysis between the expectations of the stakeholders and what the TI has done in terms of social responsibility. This part will include an analysis of industry practices on the social responsibility principles, followed by an analysis on the core subject of social responsibility, and finally, the conclusion and recommendation for government, international organizations and civil society.

## I. UNDERSTANDING CSR

CSR is taking responsibility over impacts that occur due to the decisions and actions that a company has taken, which objectives are to contribute to the achievement of sustainable development. The culmination of this definition has already been reached for some time, and this is supported by a number of well-known definitions as indicated below.<sup>5</sup>

*“social consciousness,” of managers meant that businessmen were responsible for the consequences of their actions ... (Bowen, 1953)*

*“Social responsibility, therefore, refers to a person’s obligation to consider the effects of his decisions and actions on the whole social system. Businessmen apply social responsibility when they consider the needs and interest of others who may be affected by business actions.” (Davis and Blomstrom, 1966)*

*“Perhaps the best way to understand social responsibility is to think of it as ‘good neighborliness.’ The concept involves two phases. On one hand, it means not doing things that spoil the neighborhood. On the other, it may be expressed as the voluntary assumption of the obligation to help solve neighborhood problems.” (Eilbert & Parket, 1973)*

*“Corporate social responsibility is defined as the serious attempt to solve social problems caused wholly or in part by the corporation.” (Fitch, 1976)*

*“Corporate social responsibility relates primarily to achieving outcomes from organizational decisions concerning specific issues or problems which (by some normative standard) have beneficial rather than adverse effects on pertinent corporate stakeholders. The normative correctness of the products of corporate action have been the main focus of corporate social responsibility.” (Epstein, 1987)*

It is clear from the various definitions that CSR is not merely an act of donation or philanthropy, as it is often understood by stakeholders in developing countries. This narrow understanding has made it easier for many companies to gain the reputation of a “company with social responsibility” through the distribution of mere donations. In reality, the donations were often used to cover the company's failures in displaying a real social responsibility, that is to be responsible over respective impacts.

Some experts stated that CSR begins when regulations end. However, there are also those who are of the opinion that fulfilling the regulations are a part of CSR, and therefore the minimal is adherence to all the regulations in place. Some experts have

a different opinion about this limit. They view that a company could follow all the regulations, but because of the business practices of that company, or the nature of the industry of that company, then it really would not be able to bring benefits to mankind and sustainability. Therefore, the company could not claim social responsibility. The term *corporate social irresponsibility* (CSI) is introduced to explain such conditions.<sup>6</sup>

The clearest example on these differences come from controversial industries. In other words, these are industries considered as *harmful industry*<sup>7</sup> or even those considered as *sinful industry*.<sup>8</sup> The industries categorized under these labels are tobacco, pornography, gambling and alcohol industries. The explanation for controversial industries refer to industries that produce “*products, services or concepts that for reasons of delicacy, decency, morality, or even fear elicit reactions of distaste, disgust, offence or outrage when mentioned or when openly presented.*”<sup>9</sup> Many of these controversial industries are (still) considered legal by governments of developed and developing countries. However, since it brings great harm, these industries are often classified as socially irresponsible industries.

CSR advocates have created a number of codes, from the most lenient code to the strictest.<sup>10</sup> Although there are hundreds of codes in relation to CSR, overall there are four standards which are most well-known. They are the *ISO 26000 Guidance on Social Responsibility* (ISO 26000), *AA1000 Stakeholder Engagement Standard* (AA1000SES), *IFC Performance Standards on Environmental and Social Sustainability* (IFC-PS), and the *Global Reporting Initiative* (GRI). These are applicable to a variety of industries.

ISO 26000 is a standard to manage all the social responsibilities of an organization. It comprises of definition, principles, fundamental social responsibility practices, core subjects and procedures to integrate social responsibility into every aspect of an organization. AA1000SES is created to help the organization recognize their stakeholders, identify relevant issues for each of the stakeholders, as well as maintaining relations with them. IFC-PS is often referred to as a *de facto* standard that measures the environmental and social sustainability of a project; also being used as a pre-requisite for loans from financial institutions that conducts screenings with a criteria for social and environmental feasibility, as well as economic feasibility. Meanwhile, GRI provides a framework for sustainable reporting as a standard disclosure as well as sectoral disclosure.

Between these four standards, only ISO 26000 provides a clear definition of social responsibility, as follows: “*Responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that contributes to sustainable development, health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organization and practiced in its relationships.*” This definition is consistent with the determination of the experts cited before, and is also a definition for social responsibility that is most popular.

## II. IMPACTS OF TOBACCO INDUSTRY CSR

In order to appraise a CSR done by a tobacco company, it is important to know the impacts of the TI – from the chain of supply, production process, as well as the chain of marketing. Particularly, if the TI itself has used the CSR term extensively. One of the most cited articles on the matter stated:

*“The tobacco industry has entered the CSR debate. BAT (2003) has published its first CSR report 2002/2003 and has been awarded for it. Philip Morris International has published substantial information on its CSR-related position and activities on its webpage. Imperial Tobacco has set up a webpage dedicated to CSR providing information on youth smoking, smuggling, stakeholder dialogue and human rights issues. Japan Tobacco publishes at least information on what they consider their corporate social responsibility. Obviously, even tobacco companies strive for the status of good corporate citizens.”<sup>11</sup>*

Since the paper was published, the tobacco companies have continually used the term CSR for a number of initiatives, even though the bulk of what they call as CSR were not really related with the management of their business’ impact. BAT releases sustainability reports, where one of the focus is on their efforts to reduce the impact of smoking on health. However, the impact is not acknowledged nor are they transparent in the reports.<sup>12</sup> Philip Morris maintains updates on their website<sup>13</sup> that among others admits the health risks through smoking, but does not talk about the real impact on its product consumption as in diseases and deaths.<sup>14</sup> Similarly, this is also the case with the Imperial Tobacco’s initiative.<sup>15</sup> Recently, Japan Tobacco International (JTI) has used the ISO 26000 core subject structure to report their activities.<sup>16</sup> Similar with the other tobacco companies, JTI was also not transparent when discussing the impact of their consumer product.

The TI has not admitted to the real impact of the tobacco epidemic as this would expose the true image of this industry. In the 20<sup>th</sup> century, tobacco consumption has taken the lives of 100 million people. If this trend continues, then tobacco related deaths will reach 1 billion in the 21<sup>st</sup> century.<sup>17</sup> Presently, about 6 million people die every year due to tobacco related diseases worldwide, and this figure will increase to 8 million deaths per year by 2030. Secondhand smoke kills more than 600 thousand people globally each year including 165 thousand children. On an average, smokers lose 15 years of their lives, and half of all long term smokers will die prematurely from smoking-related causes. This trend will worsen, as everyday the number of smokers increase by 80 – 100 thousand. This means that from a whole generation of youths that are alive today, 250 million of them will have lost their lives from smoking-related causes.

*Globally about USD 500 billion is lost per year because of tobacco consumption.*

The health impacts of tobacco also has an effect on economic conditions. Globally about USD 500 billion is lost per year because of tobacco consumption, especially due to health costs, loss of productivity, fires and other costs.<sup>18</sup> According to WHO, the economic loss is worse for developing countries: *“Lost economic opportunities in highly-populated developing countries will be particularly severe as tobacco use is high and growing in those areas. Countries that are net importers of tobacco leaf and tobacco products lose millions of dollars a year in foreign exchanges.”<sup>19</sup>*



This negative impact has been acknowledged through various studies over six decades, both in the field of health epidemiology and health economy.<sup>20</sup> Since the Doll and Hill study<sup>21</sup> in 1950 showing links between smoking and lung cancer, followed by the US Surgeon General's report in 1964 which concluded, "*cigarette smoking contributes substantially to mortality from certain specific diseases and to the overall death rate,*" it is estimated that there are about 70 thousand scientific papers<sup>22</sup> written on the harms caused by smoking. However, the truth of these studies have often been concealed by the TI as it spelled dire consequences for the global tobacco industry.

The TI prevented the truth on the harm of tobacco use from being known.<sup>23</sup> They began to create doubts about the results of these studies using a denialism strategy.<sup>24</sup> Basically, this strategy is to create the impression that there has not been any scientific consensus about the negative effects of smoking. There are five tactics under this strategy:

- 1) launch accusation that there is a conspiracy against the TI;
- 2) make use of testimonies by individuals called 'experts';
- 3) publish papers that challenge the scientific consensus;
- 4) create very difficult or impossible causality standard, as Philip Morris proposed in a recommendation on *Good Epidemiological Practice*; and
- 5) label tobacco control supporters as 'Nazi supporters' (Nico-Nazi).

In reality, researchers hired by the TI themselves knew about the dangers of smoking.<sup>25</sup> The TI also sabotaged the tobacco control movement from within<sup>26</sup> and created a matching framework to oppose WHO's global health treaty, the FCTC.<sup>27</sup>



The various tactics employed by the TI to conceal and sabotage the truth about the negative impact of tobacco consumption came to global light in the 1990s after US Attorneys-General took the top tobacco companies to court to recoup medical costs. The companies were ordered to disclose all their internal documents – 40 million pages - because they lied to the public. Consequently, numerous publications uncovered how these transnational tobacco companies lied, misled and subverted

the truth about smoking.<sup>28</sup> Since then, the tobacco companies have lost their credibility.

### III. CONCLUSION OF THE EXPERTS

The mapping of the spectrum of denials over a lengthened period by the TI, has revealed the true nature of the TI and the type of "CSR" it practises:

- 1) Part of a harmful, sinful and controversial industry;
- 2) Real example of corporate social irresponsibility or fake CSR;
- 3) Cannot be included in the socially responsible investment index;

- 4) Its communication is *CSR-washing*, and not CSR communication;
- 5) Cannot be justified to speak in CSR and business ethics forums; and
- 6) An industry with the lowest form of CSR performance and not having any social responsibility.

### **A harmful, sinful, controversial industry**

The tobacco industry is considered to be a harmful, sinful and controversial industry by many CSR experts because it sells a product that is harmful and kills half its consumers, as well as harm people who were indirectly exposed to it. The tobacco companies have gone to great lengths to obscure and/or underestimate its dangers.<sup>29</sup> Harmful practices still continue and this is still able to reap huge benefits.<sup>30</sup> To conceal its practices and the harm caused by the product, these tobacco companies have a tendency to conduct communications aggressively, including communication they deem as part of CSR.<sup>31</sup>

### **Corporate social irresponsibility or fake CSR**

The opposite of CSR is *corporate social irresponsibility* (CSI) or fake CSR. CSI is defined as “... *those business behaviors and actions that are illegal or legal but severely unsustainable and/or unethical thus totally socially unacceptable.*” Scientific articles on CSI almost always mention the TI as one of its examples.<sup>32</sup> In this case, the tobacco industry is legal, yet is categorized as unsustainable and unethical. A similar term that is being used by tobacco control advocates in Thailand is fake CSR.<sup>33</sup> According to a CSR expert from Cambridge University, Wayne Visser, those engaging in CSR or promoting fake CSR – referring to the TI – can be labelled as CSR pretenders. Visser stated:

*Cambridge University CSR expert: those engaging in CSR or promoting fake CSR are CSR pretenders.*

*“Let’s be clear, I’m not into corporate witch hunts or evil empire theories, but isn’t it time we stop giving credit to industries and practices that tick superficial CSR and sustainability boxes, while doing little or nothing to change the underlying irresponsibility and unsustainability of their industries? Many companies are stuck in an Age of Marketing, with promotional CSR as their modus operandi, and it’s time that we exposed them, so that we can separate the CSR pretenders from the ‘real McCoy’s’.”<sup>34</sup>*

### **Excluded from the socially responsible investment index**

Many experts view that investment in the TI is considered socially irresponsible or unethical, and therefore does not qualify the Socially Responsible Investment (SRI) index.<sup>35</sup> Not a single SRI index includes tobacco companies in their investment portfolios. Tobacco is included in the harmful industries category together with armaments, nuclear, gambling and the alcohol industry, and therefore, does not qualify for screening. Even though creating a harmful industry category is still considered as problematic – data shows that so far nuclear power plants has the record for the smallest workplace accidents, much smaller than any other sources of energy,<sup>36</sup> or the risk of death of a family member when one keeps a gun in the house, which is only a hundredth from the danger of owning a swimming pool<sup>37</sup>— it does not reduce the SRI institutions from its resolution concerning the TI.

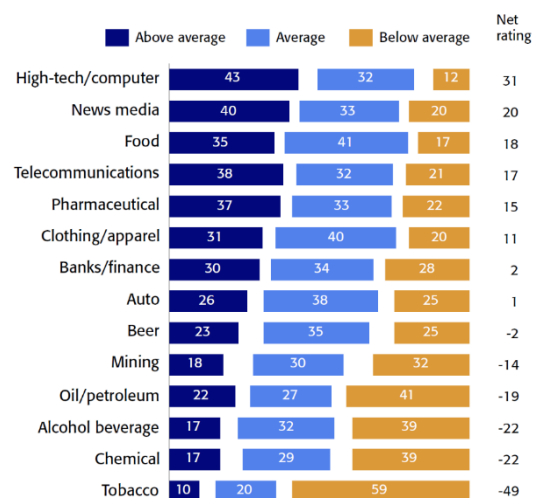
However, a number of SRI indices use screening for positive, negative as well as a combination of both. Negative screening means directly taking out all the companies within the category of ‘impossible to be included’ in the indices; for example, using the category of *harmful industries*, as above.<sup>38</sup> Positive screening uses a number of indicators that can show which companies are progressive in terms of their social performance. Until today not a single SRI index have included tobacco companies into their portfolio. Hence a conclusion can be made that if a positive screening is done, whatever negative-positive combination is used, the result will still be the same - the TI is not recognized under industries which are socially responsible.

### CSR-washing, and not CSR communication

Communication by the tobacco industry is considered as *CSR-washing*, and not CSR communication. The tendency is very clear that controversial industries do more communications, foremost in relation to their initiatives claiming to be CSR.<sup>39</sup> The reason is clear: minimalizing risk,<sup>40</sup> to provide a good impression to the public, and for financial benefits.<sup>41</sup> There are many among the CSR communication experts who refuse to recognize what the TI does as CSR communication. In reality, what the tobacco industry does is mere *CSR-washing*: “...cases where organizations claim to be more socially responsible than they really are.”<sup>42</sup> The tendency of companies within the controversial industry category is as shown - they report on many activities to create an impression that they are socially responsible, yet they do not provide sufficient proof. The evidence gathered from the internal documents of the TI on the contrary shows that this industry has denied the definition of social responsibility.

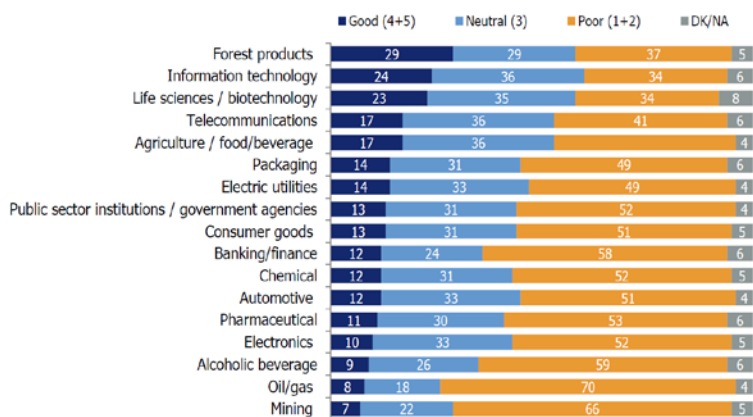
### TI - No role in CSR and business ethics forums

Due to this reputation, the representatives of the TI have also been prevented from having a leadership role and sponsorship in international conferences in the field of CSR and/or business ethics. It is clear the experts reject the involvement of the TI in various professional and scientific activities that discusses CSR. The most well known case is the rejection of the Gold sponsorship from Philip Morris and BAT in the Ethical Corporation Asia forum in Hong Kong (14-15 October 2004).<sup>43</sup> Initially, the conference website advertised both these companies as gold sponsor and conference speakers. However, a petition signed by 86 CSR and business ethics experts, which included the prominent Peter Singer (Princeton University) and Arthur Kaplan (Pennsylvania University) resulted in the committee withdrawing the sponsorship of both companies. Both tobacco companies’ names also disappeared from the conference website within a week. Nottingham University’s acceptance of a donation from BAT to establish the *International Center for CSR* is a regret that many experts still hold and is often cited to remind scientific institutions to reject donations from this industry as it will cause reputation issues.<sup>44</sup>



## TI CSR performance in International surveys

A number of recent surveys show that all stakeholders concur that the TI has the lowest CSR performance. One of the latest surveys titled *CSR Monitor* from GlobeScan in 2007,<sup>45</sup> shows that tobacco has a score of -63 in developed countries and -34 in developing countries. This score is far lower than the mining industry (-25 and -3), and the alcohol industry (-27 and -18). This means there is global consensus among the stakeholders that the tobacco industry cannot be held to their responsibility. In developing countries which have a high smoking population, there is already an awareness that the tobacco industry has poor performance.



The result of a similar survey that is more recent shows an even worse result for the tobacco industry. A well known think-tank, *SustainAbility*, worked together with *GlobeScan* to conduct a re-evaluation in 2011,<sup>46</sup> and it shows the TI has disappeared from the evaluation since no stakeholder expressed that the tobacco industry has a good CSR performance. Though the TI was

represented in the 2007 survey with 10% of the stakeholders saying it has a good/above average CSR performance, however within just 4 years, the industry is no longer represented on the graph.

Response to stakeholders' recommendations and demands is an important consideration in CSR. Companies with progressive social values will always listen to feedback concerning material issues within the industry. In the US, the TI challenged government regulations: *"The government can require warnings which are straightforward and essentially uncontroversial, but they can't require a cigarette pack to serve as a mini-billboard for the government's anti-smoking campaign."*<sup>47</sup> In fact, the demand for display on the harms caused by smoking was the result of a lengthy and comprehensive stakeholder process. Opposition to the demands of the stakeholders are the cause for the global tobacco industry to be perceived as socially irresponsible.

## IV. THE TRUE PRICE OF CIGARETTES

Externality is defined as positive and negative impacts of a company that is borne by another party. However, this is not calculated in a tobacco company's decision-making, and therefore it is not reflected in the product pricing. Negative externalities are overlooked and this is a dominant characteristic of the TI. There are abundant researches that showed that one of the most basic campaigns of the TI is to conceal these negative externalities.<sup>48</sup>

CSR experts cannot accept a company that claims to be doing CSR, but does not engage in optimal management of its negative externalities. The consequence of

establishing an internalization or externality management is if the company wants to be considered as having a high social performance. It would have to consecutively ensure three things: negative impact is reduced to the lowest minimum possible, residual impact is compensated proportionally, and positive impact is maximized. The experts at the global level expressed that these three things must be conducted sequentially, even though it does not mean that the negative impacts must be compressed fully before compensation is given or positive impact is sought. What is clear here, is that the experts will be reluctant or unwilling if the company does not manage its negative impact first.

*The TI will never be able to compensate its negative externalities, which means they will never be able to engage in CSR.*

The TI has failed on all three criteria. The first point to examine is that the negative impacts of the product have been reduced to the lowest limit possible. Until today, the harm caused by the product remains and there has been no effective effort from the TI to prevent children and teenagers from smoking by eliminating their

access to tobacco products and its promotions. This industry also does not protect non-smokers instead claims smokers and non-smokers can co-exist. In relation to the compensation for residual impact, there is abundant data that shows the income of any country from tobacco is far smaller than the true cost society must pay as a result of smoking. This shows that the TI will never be able to compensate its negative externalities, which means they will never be able to engage in CSR.<sup>49</sup>

The mainstream view of CSR makes it impossible for experts to accept tobacco companies as part of companies that are socially responsible:

*“The tobacco industry is different from other industries for two reasons. The first reason is linked to the products it sells. Today, there is no doubt that smoking is both addictive and lethal. Scientific research has shown that one in two long-term smokers will die prematurely as a result of smoking –half of them middle-aged. Obviously, the interests of the tobacco industry run counter to the social good (Michalos, 1997). The second reason is linked to the past behavior of the industry’s representatives. They have lost credibility due to their strategy of denying risks and manipulating information and as a result they are confronted with massive distrust from their relevant publics.”<sup>50</sup>*

Another research showed that the TI systematically engages in political influence to weaken its opposition.<sup>51</sup> Their analysis showed how BAT’s “CSR” programme was formulated to influence the policy process of a country. By using the Philip Morris case, another research arrived at the conclusion that the search for social values in the TI has failed, and their “CSR” was only an attempt to protect the values of the shareholders.<sup>52</sup>

Tobacco control advocates also arrived at a similar conclusion on the motivations of a tobacco company in continually misusing CSR: (1) to gain a positive image about the industry, (2) to gain political influence that can be used to ease the regulations on the tobacco industry, (3) to reach the young generation as potential consumers, and (4) to protect themselves from possible litigations.<sup>53</sup>

## **V. ISO26000 STANDARDS APPLIED TO TOBACCO INDUSTRY PRACTICES**

The ISO 26000 Guidance on Social Responsibility is the most comprehensive international standards related to social responsibility. These standards, finalised in 2010, were developed through a stakeholder process over a decade, involving representatives of all member countries of ISO. ISO 26000 was formulated to meet a variety of purposes. One main objective is to help all organizations understand their social responsibility so that their actions can contribute to sustainable development. Another objective is to increase the credibility of their claims about social responsibility. This second objective is especially important when the claim is made by companies in controversial industry groups, such as tobacco companies. With their tendency to make more extensive communication than the others, the validity of the CSR claims by a controversial industry needs to be reviewed with more caution.

This section focuses on ISO 26000 standards on the Principles of Social Responsibility (Clause 4) and Core Subject Social Responsibility (Clause 6) applied to the practices of the tobacco industry and the outcome.

### **Principles of Social Responsibility**

There are seven basic principles in the formation of social responsibility policy:

- Accountability,
- Transparency,
- Ethical Behavior,
- Respect for Stakeholder Interests,
- Respect for the Rule of Law,
- Respect for International Norms of Behavior,
- Respect for Human Rights

### **Core Subjects of Social Responsibility**

There are seven core subjects:

- Organizational Governance
- Human Rights
- Labour Practices
- The Environment
- Fair Operating Practices
- Consumer Issues
- Community Involvement and Development

**Appendix 1** provides summaries of TI practices and performances against selected expectations of each Principle and Core Subject.

## VI. OTHER GLOBAL STANDARDS

There are several other global standards that are applicable to CSR which the TI has referred to or used to position its CSR activities.

### Global Reporting Initiative

Global Reporting Initiative (GRI) is a non-governmental organisation, global by nature, which produces international standards (G3 Guidelines) for sustainability reporting used by many corporations around the world. According to GRI the initiative promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to sustainable development. GRI's mission is to make sustainability reporting standard practice to promote and manage change towards a sustainable global economy. This report enables greater organizational transparency and accountability. Since the GRI report “*build stakeholders’ trust in organizations*” and “*lead to many other benefits*” tobacco companies such as BAT, JTI and Imperial Tobacco Group have started using the GRI indicators in their reports.

BAT has been reporting on the GRI since 2002. BAT Malaysia claims to include GRI indicators in its annual reports since 2009. Malaysia has about 11,000 tobacco related deaths annually and BAT has 62 percent of market share. GRI Indicator PR1 requires reporting on, “*Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.*” BAT Malaysia makes a glaring omission with no reference to the deaths caused by its product, and instead merely refers to their website for more information, stating that their products are in full compliance with local regulations.

GRI Indicator SO5 requires, “*Public policy positions and participation in public policy development and lobbying*” and BAT 2013 report show it has “helped regulators address the key issues surrounding our product.” This directly contravenes FCTC Article 5.3 Guidelines which requires governments to protect their health policies from interference from the TI. It is clear that the GRI is unaware of the requirements of the FCTC and that the GRI standards cannot be applied in toto on the TI – the tobacco industry has to be set apart from other industries. The GRI must acknowledge that the word “sustainability” cannot be applied to the tobacco business when 179 countries have national policies and legislation to reduce tobacco use – not keep the tobacco industry sustainable.

*The tobacco industry has to be set apart from other industries.*

### UN Global Compact

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles. Its website states it is the largest voluntary corporate responsibility initiative in the world with over 12,000 corporate participants and other stakeholders from over 145 countries.

The UN Global Compact states it works toward the vision of a sustainable and inclusive global economy which delivers lasting benefits to people, and among the benefits of engagement with the private sector are “*Advancing sustainability solutions in partnership with a range of stakeholders, including UN agencies, governments, civil society, labour, and other non-business interests.*”<sup>54</sup>

Among the ten universally accepted principles which include respecting the protection of human rights, effective abolition of child labour, and promotion of greater environmental responsibility, the TI is not compliant with any of these as shown in the violations of the ISO 26000 standards. Clearly there is a contradiction between the vision of the UN goals, which is to reduce tobacco consumption and availability, tobacco related diseases and deaths, and the tobacco industry's business goals. Hence the UN Global Compact should not give recognition to the tobacco business as a stakeholder.

The report on Perspectives from UN Global Compact states that, “the post-2015 era presents a historic opportunity for the international business community to contribute to the attainment of worldwide sustainability and development objectives.” BAT states that it uses the United Nations Global Compact’s Principles on human rights.<sup>55</sup>

International NGOs have pointed out that it is very important to identify exceptions to Global Compact’s statement. The tobacco industry represents a business which operates under values and incentives that are misaligned with the objectives of sustainable development. The Framework Convention Alliance (FCA) stated:

*“The international community has already recognized that there is a fundamental and irreconcilable conflict between the tobacco industry’s interests and public health policy interests. It is time to also clearly state that tobacco industry is not a partner in efforts to achieve sustainable development. FCA calls on governments, inter-governmental and non-governmental organizations to adopt ethical guidelines for cooperation with tobacco industry to address any real, perceived or potential conflicts of interest.”*<sup>56</sup>

The Global Compact Office has taken a preliminary step in the right direction and has put up an official notice which states:

*“The UN Global Compact Office supports the World Health Organization’s efforts to raise awareness of the serious health effects of tobacco use. It actively discourages tobacco companies from participating in the initiative and does not accept funding from tobacco companies. It does not permit tobacco companies to make presentations at any of its global events or to use the global brand in order to raise their profile.”*<sup>57</sup>

Considering the fundamental and irreconcilable conflict between the TI's objectives and public health policy interests, the Global Compact should take an extra step to explicitly exclude the tobacco industry's membership in its sustainable development efforts.



## United Nations Guiding Principles on Business and Human Rights

The United Nations Guiding Principles on Business and Human Rights (UNGPs) are a global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity. In June 2011, the United Nations Human Rights Council unanimously endorsed the Guiding Principles for Business and Human Rights, making the framework the first corporate human rights responsibility initiative to be endorsed by the United Nations. Respect for human rights is a key component of Global Compact Principle 1, which calls on businesses to support and respect the protection of internationally proclaimed human rights.<sup>58</sup>

In May 2012, the first International Conference on CSR, Business and Human Rights was held in Jakarta and concluded with a Declaration item on the tobacco industry: “*CSR activities by the tobacco industry should be prohibited because tobacco is a hazardous product that kills half its regular users prematurely.*”<sup>59</sup>

## VII. CONCLUSION AND RECOMMENDATIONS

Ten years have passed since the WHO published a document stating that the tobacco industry and CSR are in a position of inherent contradiction. There are ample evidence to support this conclusion. The scholars have agreed that what has been done by the TI cannot be considered as genuine CSR, but a misuse of it, or a form of corporate social irresponsibility. Rather than to achieve the goal of sustainable development, the TI has been riding the term CSR, particularly to achieve the goal of thwarting tobacco control regulations. The FCTC Articles 5.3 and 13 Guidelines recommend that countries ban TI related ‘CSR’ activities.

Whatever the CSR standard being used or adopted in a country, TI related ‘CSR’ is not compatible and cannot pass the standard because of how it violates the FCTC and other widely accepted international standards and rules. This paper has shown that when the expectations in the standards—particularly related to the principles and the core subjects—are applied to the practices of tobacco industry, the conclusion is the industry fails to meet some expectations in all the principles and core subjects., Due to the nature of its product and behavior, the tobacco industry cannot be categorized as a socially responsible industry.

### Recommendations:

- Countries need to compile evidence to weigh ISO standards against TI practices. These alternate reports can be done in collaboration with national standardisation agencies. The conclusions can be used to support policy measures on tobacco control according to the requirements of the FCTC and expose the TI’s tactics.
- TI related CSR should be banned as they are a form of tobacco advertising and sponsorship. This will reduce the incentive for tobacco companies to conduct these activities.
- The ISO and the GRI should put a moratorium on the tobacco industry using their good name in industry reports on CSR and sustainability.
- International groups such as CSR Asia should dissociate themselves from tobacco companies and should not endorse the activities of the tobacco industry.

## Appendix 1

### Results of Gap Analysis of Tobacco Industry Practices Against Principles and Core Subjects of ISO 26000

Principle	
Definition and (Selected) Expectation	Tobacco Industry Practices and Performances
<p><b>Principle 1. Accountability</b>            An organization should be accountable for its impacts on society, the economy and the environment. ...an organization should accept appropriate scrutiny and also accept a duty to respond to this scrutiny.</p> <p>An organization should account for (1) the impacts of its decisions and activities on society, the environment and the economy, especially significant negative consequences; and (2) the actions taken to prevent repetition of unintended and unforeseen negative impacts.</p>	<ul style="list-style-type: none"> <li>• Scientific evidence has unequivocally established that tobacco consumption and exposure to tobacco smoke cause disease, death and disability. Smoking kills half of its long term smokers prematurely. Tobacco use is responsible for about 6.3 million deaths a year globally which will increase to 8 million by 2030. Society incurs USD500 billion total economic cost per year.</li> <li>• About 400,000 deaths occur in the ASEAN region: Cambodia 9,600; Indonesia 190,300; Lao PDR 4,800; Malaysia 11,000; Philippines 87,600; Singapore 2,000; Thailand 50,700; Vietnam 40,000.</li> <li>• The TI accepts the fact that smoking is harmful as communicated on websites, but (1) has not accepted responsibility in court that its product kills, and (2) shifts responsibility to the consumers, with 'information' and 'choice'.</li> <li>• Transnational tobacco companies' harm reduction discourse is just opportunistic tactical adaptation to policy change, rather than a genuine commitment to harm reduction as it continues to sell a product that kills half its customers.</li> </ul>
<p><b>Principle 2. Transparency</b>            An organization should be transparent in its decisions and activities that impact on society and the environment. An organization should disclose in a clear, accurate and complete manner.... It should be timely and factual and be presented in a clear and objective manner so as to enable stakeholders to accurately assess the impact that the organization's decisions and activities have on their respective interests.</p>	<ul style="list-style-type: none"> <li>• Some tobacco companies produce "sustainability" or "CSR" reports, as other companies do, but are not transparent about the most important impacts: disease, death and disability caused by the use of their products.</li> <li>• BAT uses GRI standard, but does not disclose PR1 and PR2 indicators; JTI in 2013 used ISO26000 structure but 'forgot' the transparency principle and consumer issues core subject.</li> <li>• The TI does not disclose its marketing and advertising budget, price discounts and promotional incentives given to retailers to promote its brands, as required under the WHO FCTC Article 13 Guidelines. It has not disclosed political contributions and lobbying budget to advance its business in each country.</li> <li>• "The process, guidelines and assurance employed by BAT for its social report is a management strategy to enter the contested domain of public policy.</li> </ul>

Principle	
Definition and (Selected) Expectation	Tobacco Industry Practices and Performances
<p><b>Principle 3. Ethical Behavior</b>            An organization should behave ethically. An organization's behaviour should be based on the values of honesty, equity and integrity. These values imply a concern for people, animals and the environment and a commitment to address the impact of its activities and decisions on stakeholders' interests.</p>	<ul style="list-style-type: none"> <li>• TI does not apply standards of ethical behavior that is consistent with all the principles of ISO 26000.</li> <li>• The tobacco companies have consistently behaved in an unethical manner denying for decades that smoking causes numerous life threatening diseases. Top executives of big tobacco companies lied under oath, swearing "nicotine is not addictive". (#2 of corporate scandal of all time, according to TIME).</li> <li>• TI cases (of stakeholder engagement and advertising) are classic examples of ethical misconduct in any business ethics textbook.</li> <li>• In Indonesia, the tobacco lobby went to court and challenged evidence that tobacco is addictive. Tobacco companies use police posts at traffic junctions to advertise cigarettes. A tobacco bill introduced in Parliament has been linked to the tobacco industry. In the Philippines, although tobacco companies export cigarette packs with graphic health warnings to other countries, they sued the Department of Health for wanting the same graphic warnings for Filipino people.</li> </ul>
<p><b>Principle 4. Respect for Stakeholders Interests</b>            An organization should respect, consider and respond to the interests of its stakeholders. Although an organization's objectives may be limited to the interests of its owners, members, customers or constituents, other individuals or groups may also have rights, claims or specific interests that should be taken into account. Collectively, these individuals or groups comprise the organization's stakeholders.</p>	<ul style="list-style-type: none"> <li>• Stakeholder identification theorists prove that TI is not a stakeholder in public health, as well as in sustainable development.</li> <li>• Smokers (customers) are the stakeholders of the industry. An industry that kills half its customers cannot be considered to have respect for its stakeholders.</li> <li>• Stakeholder engagement by TI only serves its goals; ineffective from stakeholders' standpoint.</li> <li>• Main goal of TI's stakeholder engagement: influence on policy making related to public health.</li> </ul>
<p><b>Principle 5. Respect for the Rule of Law</b>            An organization should accept that respect for the rule of law is mandatory. In the context of social responsibility, respect for the rule of law means that an organization complies with all applicable laws and regulations. This implies that it should take steps to be aware of applicable</p>	<ul style="list-style-type: none"> <li>• There is documented evidence that the tobacco industry circumvents and contravenes laws in many countries.</li> <li>• In Malaysia the tobacco industry for years circumvented the ban on tobacco advertising by conducting indirect advertising.</li> <li>• In Indonesia tobacco companies did not comply with the June 24, 2014 deadline for all</li> </ul>

Principle	
Definition and (Selected) Expectation	Tobacco Industry Practices and Performances
<p>laws and regulations, to inform those within the organization of their obligation to observe and to implement those measures.</p> <p>An organization should comply with legal requirements in all jurisdictions in which the organization operates, even if those laws and regulations are not adequately enforced.</p>	<p>cigarette packs to carry pictorial health warnings although they had an 18-month phase in period.</p> <ul style="list-style-type: none"> <li>In the United States civil claims have resulted in tobacco companies being ordered to pay massive remedial and punitive damages. In 2006, Philip Morris was found guilty under the RICO (Racketeer Influenced Corrupt Organizations Act) for fraudulently misleading American consumers for decades about the risks and dangers of cigarette smoking and exposure to secondhand smoke.<sup>60</sup></li> </ul>
<p><b>Principle 6. Respect for International Norms of Behavior</b></p> <p>An organization should respect international norms of behaviour, while adhering to the principle of respect for the rule of law.</p>	<ul style="list-style-type: none"> <li>The FCTC is the international norm for tobacco control and the TI must comply accordingly. However tobacco companies challenge and sue governments that implement stringent measures as outlined in the FCTC related guidelines. For example the tobacco companies have sued the Australian government for implementing plain packaging, sued Sri Lankan and Thai governments for applying enlarged pictorial health warnings, and sued Malaysian government for increasing cigarette price.</li> <li>Article 5.3 of FCTC calls parties to de-normalize and regulate activities described as “socially responsible” by TI. Article 13 calls for a ban on tobacco advertising, sponsorship and promotions, which includes banning TI related CSR activities.</li> </ul>
<p><b>Principle 7. Respect for Human Rights</b></p> <p>An organization should respect human rights and recognize both their importance and their universality.</p> <p>An organization should respect and, where possible, promote the rights set out in the International Bill of Human Rights; ... in situations where human rights are not protected, take steps to respect human rights and avoid taking advantage of these situations.</p>	<ul style="list-style-type: none"> <li>A right to health is a basic universal human right. People have a right not to be forced to breathe secondhand smoke and the right to be free from addiction.<sup>61</sup> Nicotine is a highly addictive drug. Tobacco companies have consistently fought smoking bans in indoor public places, and promoted useless indoor “Smoking” and “Non-Smoking” sections instead.</li> <li>Tobacco companies violate the Convention on the Rights of the Child by using child labour in the growing of tobacco and purchase leaves produced using child labour in Cambodia, Indonesia, the Philippines, Thailand and Vietnam.<sup>62</sup></li> <li>Human Rights Watch and Oxfam America/Farm Labor Organizing Committee map out patterns of human rights abuses in tobacco farms in the US.</li> </ul>

Core Subject	
Selected Expectations	Tobacco Industry Practices and Performances
<p><b>Core Subject 1. Organizational Governance</b> An organization's decision-making processes and structures should enable it to: create and nurture an environment and culture in which the principles of social responsibility are practiced.</p>	<ul style="list-style-type: none"> <li>• The TI cannot meet the expectations in all principles, including respect for its stakeholders' interests. Future generations are in danger because the TI continues to produce and market its product. Failure in meeting the expectations is the sign of acute governance problem.</li> <li>• Terms like 'good governance', 'stakeholder engagement' and 'better regulation' are consistently abused by the TI to ensure its influence on public policy, mainly to secure its business, hence downplay public health in particular, and sustainable development in general.</li> </ul>
<p><b>Core Subject 2. Human Rights</b> To respect human rights means not, to infringe on the rights of others. This responsibility entails taking positive steps to ensure that the organization avoids passively accepting or actively participating in the infringement of rights. ... Where the state fails in its duty to protect, an organization should be especially vigilant to ensure that it meets its responsibility to respect human rights.</p> <p>Specific to human rights, a due diligence process should ... include the following components: ...actions to address the negative impacts of its decisions and activities.</p>	<ul style="list-style-type: none"> <li>• Even if Governments fail to protect the human rights of their citizens, the TI is far from vigilant in ensuring its responsibility to respect human rights. The TI violates human rights.</li> <li>• The TI actively promotes smoking in the developing and low income countries in a variety of ways, including the use of sports, arts and music sponsorships, marketing techniques which deliberately target children, and deceptive advertising.</li> <li>• The TI actively fights government and civil society efforts to ban smoking in public places. In every country the achievement of smoke-free public places have been hard fought battles by governments, supported by civil society. Every delay in establishing smoke-free public places, is denying protection of public health.</li> <li>• In Indonesia and the Philippines the tobacco industry has misused the concept of human rights to claim that smokers' right is denied with smoke-free public places. In both countries smokers (supported by the TI) have sued local governments for their smoke-free policies.</li> </ul>
<p><b>Core Subject 3. Labor Practices</b> An organization should not benefit from unfair, exploitative or abusive labour practices of its partners, suppliers or subcontractors, including home workers. ... provide the safety equipment needed, including personal protective equipment, for the prevention of occupational injuries, diseases and accidents, as well as for dealing with emergencies.</p>	<ul style="list-style-type: none"> <li>• Tobacco growers in the ASEAN region are exposed to the hazards of pesticide use and face health and safety problems. Tobacco growers in the ASEAN region have expressed their problems in tobacco cultivation.<sup>63</sup></li> <li>• Children working on tobacco farms are most vulnerable to the dangers of pesticide use as illustrated in the Indonesian case study. They are exposed to green tobacco sickness but do not receive adequate protection, medical attention or care.<sup>64</sup></li> <li>• The TI fights tobacco control regulations by exaggerating how it employs millions of workers. However the TI retrenches workers as and when it suits its business plans. In Indonesia, PMI's PT HM Sampoerna Tbk closed two hand-rolled clove cigarette factories in</li> </ul>

<p><b>Core Subject 4. The Environment</b></p> <p>To reduce their environmental impacts, organizations should adopt an integrated approach that takes into consideration the direct and indirect economic, social, health and environmental implications of their decisions and activities.</p> <p>... assume responsibility for the environmental impacts caused by its activities.</p> <p>... bear the cost of pollution caused by its activities according to either the extent of the environmental impact on society and the remedial action required.</p> <p>... improve its environmental performance by preventing pollution, including: emissions to air; discharges to water; waste management; use and disposal of toxic and hazardous chemicals; ...</p> <p>... identify and avoid the use of... chemicals defined as carcinogenic (including exposure to smoke from tobacco products).</p>	<p>Jember and Lumajang in May 2014 affecting 4,900 workers.<sup>65</sup></p> <ul style="list-style-type: none"> <li>• ISO 26000 clearly expects all organizations to “avoid the use of... chemicals defined as carcinogenic (including exposure to smoke from tobacco products).” TI produces and markets tobacco, which releases numerous carcinogens when burned.</li> <li>• Cigarette butts are the most littered item in the world - more than 5 trillion butts dumped into the global environment each year. Nearly all cigarettes contain cellulose acetate filters, a plastic product, making discarded butts a non-biodegradable toxic waste. According to the Cigarette Butt Pollution Project (CBPP), substances leaching from cigarette butts are acutely toxic to fresh and saltwater fish and aquatic micro-organisms.</li> <li>• An estimated 200,000 ha of forests/woodlands are removed by tobacco farming each year (data from 1999). Deforestation occurs mainly in the developing world, amounting to 1.7% of global net losses of forest cover or 4.6% of total national deforestation.</li> <li>• Other environmental consequences include degradation of agricultural land through pesticide use during tobacco growing, wild fires caused by cigarette smoking, wastes produced during manufacturing, and more than 2 billion kg of carbon dioxide and 5 billion kg of methane released annually while cigarettes are smoked.</li> </ul>
<p><b>Core Subject 5. Fair Operating Practices</b></p> <p>Fair operating practices concern ethical conduct in an organization's dealings with other organizations. These include relationships between organizations and government agencies,..., issues arise in the areas of anti-corruption, responsible involvement in the public sphere.</p> <p>Organizations should prohibit use of undue influence and avoid behaviour, such as manipulation, intimidation and coercion that can undermine the public political process.</p>	<ul style="list-style-type: none"> <li>• The TI conducts CSR to secure influence in public policy formulation. Philanthropic activities are directed toward developing constituencies to build support for policy positions and generate third party advocacy; weakening opposing political constituencies; facilitating access and building relationships with policymakers; and other forms of influence.</li> <li>• The TI conducts meetings with high level government officials and senior politicians, however these meetings are seldom made public nor documented for reference.</li> <li>• In Cambodia a Senator, who is also advisor to the Prime Minister, is the owner of BAT Cambodia.<sup>66</sup> The industry also gives its CSR grants to NGOs of high level officials. In the Philippines, Philip Morris Fortune Tobacco Corp gave a grant to the Vice President's NGO in 2012.</li> </ul>
<p><b>Core Subject 6. Consumer Issues</b></p> <p>Protection of consumers' health and safety involves the</p>	<ul style="list-style-type: none"> <li>• TI denies the right of access to non-hazardous products and protection of consumers from</li> </ul>

<p>provision of products and services that are safe and that do not carry unacceptable risk of harm when used or consumed. The protection should cover both the intended use and foreseeable misuse.</p> <p>Safety: the right of access to non-hazardous products and protection of consumers from hazards to their health and safety stemming from production processes, products and services.</p> <p>Being informed: access of consumers to adequate information to enable them to make informed choices according to individual wishes and needs and to be protected against dishonest or misleading advertising or labelling.</p>	<p>hazards to their health and safety stemming from its products. Although cigarettes contain about 7,000 chemical compounds, many of which are carcinogens and causes disease, the industry has not recalled its product from the market, like other industries. The TI stands alone in continuing to sell a product that causes disease and death.</p> <ul style="list-style-type: none"> <li>• TI denies consumers access to adequate information to enable them to make informed choices and to be protected against misleading advertising. Cigarettes are the only consumer product where ingredients are not listed – such as additives that make it more palatable or the ammonia that is added to assist in the absorption of nicotine in smokers. The US-FDA has a list of about 600 additives that are used in cigarettes. Such information is not provided to health authorities in the ASEAN region.</li> <li>• Customer satisfaction of TI is incredibly low. About 90% of smokers regret their decisions to start smoking.</li> <li>• The TI sells cigarettes brand which are “Light”, “Mild”, “Ultra Light” misleading consumers for decades to think these cigarettes are safer than regular cigarettes. For consumer rights and health advocates, current forms of warning in cigarette packs are considered inadequate.</li> </ul>
<p><b>Core Subject 7. Community Involvement and Development</b></p> <p>... all organizations, both large and small, should respect the right to health and should contribute, within their means and as appropriate, to the promotion of health, to the prevention of health threats and diseases and to the mitigation of any damage to the community.</p> <p>... seek to eliminate negative health impacts of any production process, product or service provided by the organization.</p> <p>... raising awareness about health threats and major diseases and their prevention.</p>	<ul style="list-style-type: none"> <li>• Tobacco consumption causes poverty through many ways, including decrease in health status and lower productivity. Higher smoking prevalence among the poor becomes the engine of vicious cycle of poverty.</li> <li>• The TI does not mitigate the damage to public health nor the deaths caused by its products by acknowledging damage and paying any compensation. When victims of tobacco or their families bring cases to court to seek compensation for their loss, the industry fights these charges vigorously.</li> <li>• Voluntary programs of harm reduction by TI were shown to be not effective.</li> <li>• The continuity of TI depends on low level of awareness among the public of health threats of tobacco use. Hence it benefits the TI if the public remains uninformed. While the TI talks about reducing harm however it is not serious as continues to sell tobacco, an addictive and harmful product.</li> </ul>

## References

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- <sup>1</sup> WHO. 2004. *Tobacco Industry and Corporate Social Responsibility...An Inherent Contradiction*. WHO. Geneva.
- <sup>2</sup> *Ibid.*
- <sup>3</sup> *Ibid.*
- <sup>4</sup> Republic of the Philippines Department Civil Service Commission and Department of Health (CSC-DOH) Joint Memorandum Circular 2010-01: Protecting the Bureaucracy Against Tobacco Industry Interference. <http://www.tobaccocontrollaws.org/files/live/Philippines/Philippines%20-%20JMC%202010-01%20-%20national.pdf>
- <sup>5</sup> All definitions was cited from the classics of Carroll, A. 1999. *Corporate Social Responsibility: An Evolution of Definitional Construct*. Business and Society, Vol. 38/3. Howard Bowen, whose definition cited first, was an expert who has been deigned as “the Father of Modern CSR”. Notice that he made this definition in 1953, strengthened by the views of experts who followed later, and still considered as relevant until today.
- <sup>6</sup> Refer to Clark, T. and Grantham, K. 2012. *What CSR is not: Corporate Social Irresponsibility*, in Ralph Tench, William Sun, Brian Jones (ed.) *Corporate Social Irresponsibility: A Challenging Concept* (Critical Studies on Corporate Responsibility, Governance and Sustainability, Volume 4); also, Tench, R, Sun, W, and Jones, B. 2012. *The Challenging Concept of Corporate Social Irresponsibility: An Introduction* within the same collection of writings.
- <sup>7</sup> For example, this terminology was used in 77. Daube, M. 2012. *Alcohol and Tobacco*. Australian and New Zealand Journal of Public Health. 36/2.
- <sup>8</sup> One of the articles that used this term is Lal, P. 2013. *International Aid, Tobacco, and Tobacco Epidemic – Are Aid Agencies Culpable for Investing in Sin Sectors Like Tobacco?* Tropical Medicine and International Health, 18/3.
- <sup>9</sup> This definition is found in Wilson, A. and West, C.. 1981. *The Marketing of ‘Unmentionables’*, Harvard Business Review, 51/1. This definition has been cited often in writings in relation to controversial industries. Among others, Lindorff, M., Jonson, E., and McGuire, L. 2012. *Strategic Corporate Social Responsibility in Controversial Industry Sectors: The Social Value of Harm Minimisation*. Journal of Business Ethics, 110; juga Kilian, T. and Hennigs, N. 2014. *Corporate Social Responsibility and Environmental Reporting in Controversial Industries*. European Business Review, 26/1.
- <sup>10</sup> Refer to Leipziger, D. 2010. *The Corporate Responsibility Code Book. Revised Second Edition*. Greenleaf Publishing. Sheffield.
- <sup>11</sup> Cited from Palazzo, G., and Richter, U. 2005. *CSR Business as Usual? The Case of the Tobacco Industry*. Journal of Business Ethics, 61. This writing is a development from a previous publication of Pallazo, G., and Richter, U. 1996. *CSR Business as Usual? The Case of the Tobacco Industry*. University of Lausanne, Institute of International Management, Working Paper No. 0515.
- <sup>12</sup> The latest report published by BAT (British American Tobacco). 2014. *Value Shared: A Tobacco Company for 21st Century*. British American Tobacco. There were also two other reports published earlier with a focus on a different issue, that is the *Sustainability Focus Report 2013: Integrity* dan *Sustainability Focus Report 2013: Harm Reduction*. Since the beginning, the reports from BAT are considered inadequate in representing an objective condition, and therefore became a target of comments. One of them was ASH, Christian Aid, Friends of the Earth. 2004. *BAT’s Big Wheeze—The Alternative British American Tobacco Social and Environmental Report*. ASH, Christian Aid, Friends of the Earth.
- <sup>13</sup> <http://www.pmi.com/eng/pages/homepage.aspx>
- <sup>14</sup> In parts of <http://www.pmi.com/eng/sustainability/pages/sustainability.aspx> , issues related to environmental performance, climate change, good farming practices, village community, and safety at work can be read. While in parts of [http://www.pmi.com/eng/research\\_and\\_development/pages/research\\_and\\_development.aspx](http://www.pmi.com/eng/research_and_development/pages/research_and_development.aspx) explains briefly the current work of R&D, efforts to understand the mechanism of emerging diseases as a result of tobacco consumption, as well as the evaluation on harm reduction. However, there is not a single part that can be found concerning an open confession of its product consumption.
- <sup>15</sup> Refer to <http://www.imperial-tobacco.com/index.asp?page=5>. Various issues concerning environmental impacts can be found in a high level of openness. However, in terms of social impacts and specifically on consumers were not sufficiently explained.
- <sup>16</sup> <http://www.jti.com/how-we-do-business/corporate-social-responsibility1/overview/> is a special part of the JTI website that explains its understanding on CSR. From this section, please download their latest CSR report that utilizes the seven ISO 26000 subject cores as their main report structure. However, again they do not explain what are the expectations of ISO 26000 and if they have fulfilled those expektations. The issues concerning CSR



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reporting by the tobacco industry is very heavy, as expressed in Moerman, L. and Van der Laan, S. 2005. *Social Reporting in the Tobacco Industry: All Smoke and Mirrors?* Accounting, Auditing and Accountability Journal, 18/3.

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<sup>18</sup> Shafey O, Eriksen M, Ross H, Mackay J. *The Tobacco Atlas 3rd Ed.* Atlanta, GA: American Cancer Society; Bookhouse group, Inc. 2009

<sup>19</sup> World Health Organization, Regional Office for South-East Asia; 2008

<sup>20</sup> For the epidemic evidences of tobacco consumption, refer to e.g. WHO. 2013. *WHO Report on the Global Tobacco Epidemic 2013: Enforcing Bans on Tobacco Advertising, Promotion, and Sponsorship*. WHO. Geneva. The calculations for the economic loss from tobacco consumption is available in WHO. 2011. *Assessment of Economic Costs of Smoking*. WHO. Geneva.

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<sup>22</sup> Palazzo and Richter. 2005. *CSR Business as Usual? The Case of Tobacco Industry*.

<sup>23</sup> Refer to Oreskes, N. and Conway, E. 2010. *Merchants of Doubt: How Handful of Scientists Obscured the Truth on Issues from Tobacco Smoke to Global Warming*. Bloomsbury Press. New York. Also, Michaels, D. 2008. *Doubt is Their Product: How Industry's Assault on Science Threatens Your Health*. Oxford University Press. Oxford. Tactical mapping is shown in Saloojee, Y. and Dagli, E. 2000. *Tobacco Industry Tactics for Resisting Public Policy on Health*. Bulletin of the World Health Organization, 78/7. On the other hand, on how the tobacco control activists do advocacy based on their knowledge, also refer to Derry, R., Waikar, S. 2008. *Frames and filters: Strategic Distrust as Legitimation Tool in the 50-Year Battle between Public Health Activists and Big Tobacco*. *Business and Society*, 47/1.

<sup>24</sup> To understand the denialism strategy, refer to 3 articles written by Diethelm and McKee, i.e. (1) McKee, M. and Diethelm, P. 2010. *Reading between the Lines: How the Growth of Denialism Undermines Public Health*. *British Medical Journal*, 341. (2) Diethelm, P. and McKee, M. 2009. *Denialism: What is It and How Should Scientists Respond?* *European Journal of Public Health*, 19/1. And, (3) Diethelm, P. and McKee, M. 2006. *Lifting the Smokescreen: Tobacco Industry Strategy to Defeat Smoke Free Policies and Legislation*. *European Respiratory Society and Institut National du Cancer, France*. Specifically for tactics targeted to passive smoker cases, also refer to Kuhn, J. 2012. *Passive Smoking and "Denialism": Motives and Strategies of Denial of Scientific Evidence*. *Prevention*, 35.

<sup>25</sup> Cummings, K., et al.. 1991. *What Scientists Funded by the Tobacco Industry Believe about the Hazards of Cigarette Smoking*. *American Journal of Public Health*, 81.

<sup>26</sup> Carter, S. 2002. *Mongoven, Biscoe & Duchin: Destroying Tobacco Control Activism from the Inside*. *Tobacco Control*, 11. Also refer to Francey, N. and Chapman, S. 2000. *"Operation Berkshire": The International Tobacco Company Conspiracy*. *British Medical Journal*, 321. These two articles reveal the evidence of massive sabotage on the tobacco control movement.

<sup>27</sup> Mamudu, H., Hammond, R., and Glantz, S. 2008. *Project Cerberus: Tobacco Industry Strategy to Create an Alternative to the Framework Convention on Tobacco Control*. *American Journal of Public Health*, 98. Also refer to McDaniel, P. Intinarelli, G., and Malone, R. 2008. *Tobacco Industry Issues Management Organizations: Creating a Global Corporate Network to Undermine Public Health*. *Globalization and Health*, 4/2.

<sup>28</sup> As an example: (1) Bates, C. and Rowell, A. No Year. *Tobacco Explained: The Truth about the Tobacco Industry ... in Its Own Words*. ASH. And, (2) ASH, Christian Aid, Friends of the Earth. No Year. *BAT in Its Own Words*. ASH, Christian Aid, Friends of the Earth. For the case of Australia, Chapman, S. and Carter, S. 2003. *"Avoid Health Warnings on All Tobacco Products for as Long as We Can": A History of Australian Tobacco Industry Efforts to Avoid, Delay and Dilute Health Warnings on Cigarettes*. *Tobacco Control*, 12/Supplement 3. The case in the Czech Republic is written in Shirane, R., et al.. 2012. *Tobacco Industry Manipulation of Tobacco Excise and Tobacco Advertising Policies in the Czech Republic: An Analysis of Tobacco Industry Documents*. *PLoS Medicine*, 9/6.

<sup>29</sup> Kozlowski, L. and Edwards, B. 2005. *"Not Safe" is Not Enough. Smokers Have a Right to Know More Than There is No Safe Tobacco Product*. *Tobacco Control*, 14/Supplement 2.

<sup>30</sup> Cai, Y., Jo, H., and Pan, C. 2012. *Doing Well by Doing Bad? CSR in Controversial Industry Sector*. *Journal of Business Ethics*, 108.

<sup>31</sup> Refer to e.g. Andersson, K., and Frandsen, A. 2010. *The Nucleus of CSR – Creating and Communicating Strategic Corporate Social Responsibility Agenda in a Controversial industry*. Lund School of Economics and Management, Lund University. Lund.

<sup>32</sup> Refer to Clark, T. and Grantham, K. 2012. *What CSR is not: Corporate Social Irresponsibility*; juga Tench, R, Sun, W, and Jones, B. 2012. *The Challenging Concept of Corporate Social Irresponsibility: An Introduction as*

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mentioned before. Another example is from Kotchen, M. and Moon, J. 2012. *Corporate Social Responsibility for Irresponsibility*. The B.E. Journal of Economic Analysis and Policy, 12/1.

<sup>33</sup> TRC. 2011. *Fake CSR: The Hidden Tactic of Tobacco Industry*. TRC Research Update, 3/2.

<sup>34</sup> Visser, W. 2011. *Exposing the CSR Pretenders: PR, Not Sustainability, is on the Rise as the Driving Force Behind Many Corporate CSR Campaigns*. Quest for CSR 2.0 Series. Downloadable at <http://www.csrwire.com/blog/posts/188-exposing-the-csr-pretenders>.

<sup>35</sup> Refer to Gray, J. 2012. *Misadventures of an Irresponsible Investor*. Rotman International Journal of Pension Management, 5/2.

<sup>36</sup> This is proven in Lovelock, J. 2007. *The Revenge of Gaia: Earth's Climate Crisis and The Fate of Humanity*. Basic Books. London. Comparison with various power plants have resulted in a conclusion that Nuclear Power Plants has the lowest accidents and deaths.

<sup>37</sup> Levitt, S. and Dubner, S. 2005. *Freakonomics. A Rogue Economist Explores the Hidden Side of Everything*. Harper Perennial.

<sup>38</sup> *Dow Jones Sustainability Indices Methodology* document as an example. States that negative screening covers "...alcohol, tobacco, gambling, armaments, cluster bombs, firearms, landmines, adult entertainment as well as exposure to nuclear power generation and nuclear power sales." This document can be downloaded at [www.sustainability-indices.com/](http://www.sustainability-indices.com/).

<sup>39</sup> Refer to Kilian, T. and Hennigs, N. 2014. *Corporate Social Responsibility and Environmental Reporting in Controversial Industries*. Also, Kotchen, M. and Moon, J. 2012. *Corporate Social Responsibility for Irresponsibility*.

<sup>40</sup> Jo, H., and Na, H. 2012. *Does CSR Reduce Firm Risk? Evidence from Controversial Industry Sector*.

<sup>41</sup> Cai, Y., Jo, H., and Pan, C. 2012. *Doing Well by Doing Bad? CSR in Controversial Industry Sector*.

<sup>42</sup> Coombs, W. and Holladay, S. 2012. *Managing Corporate Social Responsibility: A Communication Approach*. Wiley-Blackwell. West Sussex.

<sup>43</sup> Chapman, S. 2004. *Advocacy in Action: Extreme Corporate Makeover Interruptus, Denormalising Tobacco Industry Corporate Schmoozing*. *Tob Control* 2004;13:445-447 doi:10.1136/tc.2004.010025.

<sup>44</sup> R. Smith. 2001. *For and Against: Should Nottingham University Give Back Its Tobacco Money?* British Medical Journal, No 322. This has become an international mass media attention, like the BBC, which published a report: *University Attacked over Tobacco Money* <http://news.bbc.co.uk/2/hi/business/1055365.stm>.

<sup>45</sup> GlobeScan, 2007. *Corporate Social Responsibility Monitor 2007, Global Public Opinion on the Changing Role of Companies*.

<sup>46</sup> SustainAbility and GlobeScan, 2011. *The Sustainability Survey 2011: Key Challenges and Industry Performance*. It needs to be noted here that in contrast with the GlobeScan survey in 2007 that uses general stakeholders, in the 2011 survey, 512 sustainability experts from all over the world were asked for their opinion.

<sup>47</sup> Meyer, C. and Kirby, J. 2012. *Standing on the Sun. How Explosion of Capitalism Abroad will Change Business Everywhere*. Harvard Business Review. Boston. Chapter 4 in the book titled *Embracing Externalities* is the reference chapter.

<sup>48</sup> A few relatively new research articles among others are: Dhooge, 2012. *A Fire in the Global Village: Teaching Ethical Reasoning and Stakeholder Interests Utilizing Tobacco* (Journal of Legal Studies education, Vol. 29/1); Lee, et al., 2012. *The Vector of the Tobacco Epidemic: Tobacco Industry Practices in Low and Middle-Income Countries* (Cancer Causes Control No. 23); Young, et al., 2012. *Changing the Tobacco Use Management System: Blending Systems Thinking with Actor–Network Theory* (Review of Policy Research, Vol. 29/2).

<sup>49</sup> A Crane, D. Matten and L. Spence (eds), 2008. *Corporate Social Responsibility, Readings and Cases in a Global Context*.

<sup>50</sup> Palazzo, G. and Richter, U. *CSR Business as Usual? The Case of the Tobacco Industry*.

<sup>51</sup> Fooks, G., et al.. 2013. *The Limits of Corporate Social Responsibility: Techniques of Neutralization, Stakeholder Management and Political CSR*. Journal of Business Ethics, 112.

<sup>52</sup> McDaniel, P. and Malone, R. 2012a. *"The Big WHY": Philip Morris' Failed Search for Corporate Social Value*. American Journal of Public Health, 102.

<sup>53</sup> CTFK. 2014. *Tobacco Fact-sheet: Tobacco Companies Engage in CSR to Promote Company Interests*. Premium Times, Apr 14.

<http://www.premiumtimesng.com/resources/158719-tobacco-fact-sheet-tobacco-companies-engage-csr-promote-company-interests.html>

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- <sup>54</sup> Overview of the UN Global Compact; <http://www.unglobalcompact.org/aboutthegc/>
- <sup>55</sup> BAT: How we manage human rights; [http://www.bat.com/group/sites/uk\\_9d9kcy.nsf/vwPagesWebLive/DO9DLL8F?opendocument&SKN=1](http://www.bat.com/group/sites/uk_9d9kcy.nsf/vwPagesWebLive/DO9DLL8F?opendocument&SKN=1)
- <sup>56</sup> Framework Convention Alliance, Comment on High Level Panel Report; 2013 [http://www.fctc.org/images/stories/FCA\\_comment\\_High\\_level\\_Panel\\_report.pdf](http://www.fctc.org/images/stories/FCA_comment_High_level_Panel_report.pdf)
- <sup>57</sup> UN Global Compact: Tobacco Company Policy; [http://www.unglobalcompact.org/HowToParticipate/Business\\_Participation/tobacco\\_company\\_policy.html](http://www.unglobalcompact.org/HowToParticipate/Business_Participation/tobacco_company_policy.html)
- <sup>58</sup> UN Framework and the Global Compact: Guiding Principles on Business and Human Rights; [http://www.unglobalcompact.org/issues/human\\_rights/the\\_un\\_srsg\\_and\\_the\\_un\\_global\\_compact.html](http://www.unglobalcompact.org/issues/human_rights/the_un_srsg_and_the_un_global_compact.html)
- <sup>59</sup> [http://www.humanrightsimpact.org/news/newsitem/npage/1/article/1st-international-conference-on-corporate-social-responsibility-business-and-human-rights-iccsrbhr/?tx\\_ttnews\[backPid\]=769&cHash=b80510a7bc21c421422cedba069c1adc](http://www.humanrightsimpact.org/news/newsitem/npage/1/article/1st-international-conference-on-corporate-social-responsibility-business-and-human-rights-iccsrbhr/?tx_ttnews[backPid]=769&cHash=b80510a7bc21c421422cedba069c1adc)
- <sup>60</sup> USA Vs Philip Morris USA <http://www.tobaccocontrolaws.org/litigation/decisions/us-20121127-u.s.-v.-philip-morris-usa>
- <sup>61</sup> Tobacco and Human Rights, ASH US; <http://ash.org/programs/tobacco-human-rights/#sthash.IWRy2Tx1.dpuf>
- <sup>62</sup> Child labour in tobacco cultivation in the ASEAN region; <http://www.saveourfarmer.org/site/media/pdf/ChildLaborFinal2013.pdf>
- <sup>63</sup> Saveourfarmer website; <http://www.saveourfarmer.org/>
- <sup>64</sup> Child labour in tobacco cultivation in the ASEAN region; <http://www.saveourfarmer.org/site/media/pdf/ChildLaborFinal2013.pdf>
- <sup>65</sup> <http://www.thejakartapost.com/news/2014/05/17/hm-sampoerna-lay-4900-workers-market-share-shrinks.html>
- <sup>66</sup> <http://phnompenhairport.wordpress.com/key-actors/okhna-siv-kong-triv/>



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