Whitewashing a harmful business:
Review of tobacco industry’s CSR activities in ASEAN
May 2021

Southeast Asia Tobacco Control Alliance
INTRODUCTION

The tobacco industry (TI) conducts corporate social responsibility (CSR) activities, a form of sponsorship, across the ASEAN region to promote itself as a caring industry despite the many diseases and deaths its business causes. The top four transnational tobacco companies, Philip Morris International (PMI), British American Tobacco (BAT), Japan Tobacco International (JTI), and Imperial Brands, are tactical about their CSR contributions. To deflect criticisms, they target the most vulnerable in the population, such as the poor, as beneficiaries of their programs and conduct charity activities during natural disasters to win the appreciation and endorsement of government officials.

What the industry spends on its CSR activities is miniscule compared to its huge profits and the costs and suffering it inflicts on society. For this small expenditure, the industry wins much more in the form of public appreciation and government approval. CSR contributions are also a loophole the industry exploits when tobacco advertising, promotion, and sponsorship are prohibited or restricted.

According to the WHO Framework Convention on Tobacco Control (FCTC), tobacco-related CSR activities are a form of sponsorship and should be denormalized\(^1\) and banned.\(^2\) The money tobacco companies spend on CSR activities are part of their marketing expenditure and should not be considered as donations to charity.

TI-sponsored CSR activities are used to whitewash tobacco harms and access high level officials and policy makers. In the ASEAN region, to date Lao PDR, Myanmar, and Thailand have banned CSR activities by the tobacco industry (Table 1), while other countries have partial restrictions.

Table 1: Status of ban on tobacco industry-related CSR activities\(^3\)

<table>
<thead>
<tr>
<th>Article 13 Guidelines</th>
<th>BN</th>
<th>KH</th>
<th>ID</th>
<th>LA</th>
<th>MY</th>
<th>MM</th>
<th>PH</th>
<th>SG</th>
<th>TH</th>
<th>VN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ban on CSR activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision of financial or other support to events, activities, individuals or groups</td>
<td>Ban</td>
<td>×</td>
<td>×</td>
<td>Ban</td>
<td>×</td>
<td>Ban</td>
<td>×</td>
<td>×</td>
<td>Ban</td>
<td>×</td>
</tr>
<tr>
<td>Contributions from tobacco companies to any other entity for &quot;socially responsible causes&quot;</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>Ban</td>
<td>×</td>
<td>Ban</td>
<td>×</td>
<td>×</td>
<td>Ban</td>
<td>×</td>
</tr>
</tbody>
</table>

This report reviews the TI’s tactic of framing its CSR activities not as sponsorship but as a “contribution” to society to divert attention away from the harmful nature of its business and its responsibility for diseases and deaths. This tactic creates a positive response among the public and the government and brings the industry closer to policy makers. It gets their attention and provides a sense of legitimacy for the industry to speak on tobacco control policies. A review of TI-related CSR activities in the ASEAN region for the past decade (2010-2020) reveals how the TI exploited the COVID-19 pandemic, natural disasters, the poor, children, and the Sustainable Development Goals (SDGs) to promote itself. Policy recommendations are provided as a way forward to deal with this problem.
I. COVID-19 Pandemic: big opportunity for TI to conduct its CSR activities

During the COVID-19 outbreak, the TI has stepped up its CSR activities across the ASEAN region. A number of TI-CSR activities have been identified since March 2020, especially in five ASEAN countries: Indonesia, Malaysia, Myanmar, Philippines, and Vietnam, which are also important TI markets. For example, in Indonesia, top tobacco companies, PT Gudang Garam and PT Djarum, donated an ambulance to the Red Cross and funds to the taskforce working on COVID-19 prevention, respectively. In Malaysia, JTI donated funds to an NGO initiative, ‘MyKasih’, to support people affected by the pandemic. In Myanmar, the cheroot producers association made a donation to government bodies to support their work related to COVID-19. In Vietnam, Vinataba, a state-owned enterprise, made donations to a hospital to fight COVID-19.

The Philippines' Joint Memorandum Circular (JMC) between the Civil Service Commission and Department of Health (CSC-DOH JMC 2010-01) restricts interaction between government officials and TI to only when strictly necessary. By this JMC, government officials are not permitted to endorse CSR activities. However, during the pandemic, TI donations were accepted and endorsed by the health sector and enforcement agencies. For example, in March 2020, LT Group, which is the holding company of Fortune Tobacco Corporation and Philip Morris Fortune Tobacco Corp. (PMFTC), donated medical supplies and personal protective equipment (PPE) to government agencies. In April 2020, the Jaime V. Ongpin Foundation Inc. (JVOFI), which is funded by PMFTC, donated PPEs to the City of Baguio, Baguio-PNP (Philippine National Police) and PNP-National Headquarters (Photo 1) publicized on Facebook.

Photo 1: JVOFI's donation to the City of Baguio, Baguio-PNP and PNP-National Headquarters

Media coverage from August to September 2020 shows JVOFI conducted 11 CSR activities, either through PMFTC’s EMBRACE programme or in collaboration with the LT Group. Most of them involved donation of medical supplies to government agencies and health sectors, including Philippine Army and healthcare workers in Camiguin (Photo 2). See appendix 1, for TI-CSR for pandemic in ASEAN in 2020.

Photo 2: JVOFI and PMFTC’s Embrace donated personal protective equipment to healthcare workers in Camiguin
TI vaccine development: harming and protecting public health simultaneously?

Although the TI continues to sell products that cause diseases and deaths during the pandemic, PMI and BAT announced they are developing a vaccine for COVID-19. This announcement received media coverage across the globe contributing towards building the public image of the TI.\textsuperscript{14, 15}

Philip Morris Investments B.V. (PMIBV), a PMI subsidiary, holds an approximately one-third equity stake of Medicago, a Quebec-based biopharmaceutical company, and has supported the company’s innovative plant-derived research and development focused on vaccines. PMIBV and Mitsubishi Tanabe Pharma Corporation (MTPC), a major shareholder of Medicago, provide the financial support to the company to develop the COVID-19 vaccine.\textsuperscript{16} BAT supports Kentucky BioProcessing, Inc, its subsidiary company, to develop the COVID-19 vaccines.\textsuperscript{17}

The COVID-19 pandemic has been a phenomenal health disaster globally in many countries, leaving low-resourced countries more vulnerable. However, accepting donations or other assistance from the TI makes governments even more susceptible to the bidding of the tobacco industry, as stated by Tobacco Tactics, "Such CSR behaviour during the pandemic has been described as a ‘Trojan Horse’, gifted by the tobacco industry with less-than-altruistic intentions."\textsuperscript{18} Although governments are expected to secure a vaccine the soonest to protect their people, it would be prudent to avoid collaboration with TI as it violates WHO FCTC Article 5.3. Since there are choices available for COVID-19 vaccines, governments can consider vaccines that are not linked to the TI, a business that is already responsible for the death of more than 8 million people a year globally.\textsuperscript{19}

II. Hijacking the SDGs to promote the tobacco industry as a partner

Transnational tobacco companies have aligned their CSR activities to several of the Sustainable Development Goals (SDGs) of the United Nations to add more legitimacy and lift the profile of their CSR activities (Figure 1). The 17 SDGs of the 2030 Agenda for Sustainable Development officially came into force on 1 January 2016,\textsuperscript{20} with governments committing to implementing them through long-term plans based on partnerships. In 2017, the UN Economic and Social Council (ECOSOC), adopted through a resolution a Model Policy for Agencies of the UN System on Preventing Tobacco Industry Interference, encouraging its members to develop and implement their own policies.\textsuperscript{21} The UN Development Programme (UNDP), which is in the forefront of implementing the SDGs, has a clear policy of non-engagement with the TI.\textsuperscript{22} However, the TI has continued unabated to associate its CSR programs with the SDGs, and its documents are peppered with the term “sustainability”. These past several years, the TI has been talking up “sustainable agriculture”, “sustainable communities” and “sustainable environment”.\textsuperscript{23}
PMI created a program, “Business for 2030”\textsuperscript{25}, claiming its CSR activities are aligned directly to SDG 2: Zero Hunger, SDG 3: Good Health and Well-being, SDG 5: Gender Equality, and SDG 6: Clean Water and Sanitation. In reality, tobacco use undermines public health and sustainable development. Tobacco products and the tobacco business conflict with almost all of the SDGs. Especially SDG 3 which aims to achieve good health for all through implementation of the FCTC and reducing tobacco use. However, PMI has hijacked and distorted the objective of SDG 3 to promote its smoke-free world campaign with an aim to convince smokers that they cannot quit smoking and so to switch to its “smoke-free” products,\textsuperscript{26} which are a range of electronic smoking devices (ESD), including heated tobacco products (HTP) and electronic nicotine delivery systems (ENDS). This completely ignores WHO advice that all forms of tobacco are deadly, and HTPs expose users to toxic emissions many of which can cause cancer.\textsuperscript{27}

BAT tactically chose 10 December 2020 - UN Human Rights Day - to launch its own report on human rights which claims to be aligned with the UN Guiding Principles Reporting Framework with focuses on improving farmer livelihoods, securing the long-term sustainability of rural communities, and ensuring the health and welfare of all employees.\textsuperscript{28} However, also in December, a legal claim was filed in the UK against BAT and Imperial Tobacco for profiting from child labor, exploitation, and dangerous conditions on tobacco farms in Malawi,\textsuperscript{29} based on a Guardian exposé in 2018.\textsuperscript{30} In November 2019, the US suspended tobacco imports from Malawi based on child labor allegations\textsuperscript{31} but allowed limited importation from Malawi to resume in June 2020.
III. CSR activities on natural disaster and education to engage with the poor and youth

The TI exploits natural disasters and the weakness of government policy to deal with unexpected natural disaster to implement its CSR activities. In 2018–2019, PMI spent about USD 2 million to organize CSR activities related to disasters in Indonesia and the Philippines.32, 33

Despite the International Red Cross Federation having a policy of non-engagement with the tobacco industry, PMI gave USD 96,712 to the Philippine Red Cross in 2019 to organize training programs on first aid, basic life support, and workplace disaster risk reduction and management. JVOFI received USD 354,122 to assist communities to prepare for emergencies and disasters.34

In Indonesia, PMI gave USD 118,000 to Kappala Foundation for rebuilding a vocational school destroyed by earthquake and USD 87,421 to Skala Indonesia for temporary shelters and sanitation in earthquake-damaged areas.35 TI-CSR activities related to natural disasters usually target the poor in local communities. The poor are also predisposed to smoke.

Over four years (2016 to 2019), PMI spent USD 26,763,295 in CSR activities related to education in Indonesia, Malaysia, the Philippines and Thailand (Table 2). Indonesia, where PMI has the largest cigarette market, received the bulk of such CSR money. Despite comprehensive bans on tobacco sponsorship in Malaysia and Thailand, PMI still spent CSR money in those countries.

Table 2: PMI’s CSR activities related to education from 2016 to 2019 (USD)36

<table>
<thead>
<tr>
<th>Country</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Total per country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>4 (5,276,886)</td>
<td>7 (5,440,031)</td>
<td>5 (5,300,395)</td>
<td>3 (5,120,380)</td>
<td>19 (21,137,692)</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1 (150,000)</td>
<td>1 (199,162)</td>
<td>1 (198,987)</td>
<td>-</td>
<td>3 (548,149)</td>
</tr>
<tr>
<td>Philippines</td>
<td>4 (1,764,273)</td>
<td>3 (870,373)</td>
<td>3 (830,947)</td>
<td>4 (306,067)</td>
<td>14 (3,771,660)</td>
</tr>
<tr>
<td>Thailand</td>
<td>3 (251,000)</td>
<td>2 (245,000)</td>
<td>3 (240,000)</td>
<td>3 (569,794)</td>
<td>11 (1,305,794)</td>
</tr>
<tr>
<td>Total USD</td>
<td>7,442,159</td>
<td>6,754,566</td>
<td>6,570,329</td>
<td>5,996,241</td>
<td>26,763,295</td>
</tr>
</tbody>
</table>

A 2015 study on TI-CSR activities in Indonesia found that CSR programs in education are a sophisticated way for the TI to influence academic institutions, scientists, and society.37, 38 Some scholars who received research grants or scholarships from tobacco companies have become public officers, such as governors, parliamentarians, and university presidents.39 “As the scholarship recipients are highly talented students, some of them have had good careers and a great influence in society.”40 Hence, TI spending on education-related CSR activities is a tactical investment that the TI reaps later. This tactic is also observed in Thailand41 which has strong tobacco control policies.

In Malaysia the 2019 ‘back to school program’ (Program Kembali Ke Sekolah) of non-profit Yayasan Salam was officiated by then political secretary of the Prime Minister and attended by the Chief Minister of Kedah. The backdrop for the event carried the logos of Philip Morris Malaysia (PMM), Yayasan Salam and a government department. On its Facebook page (Photo 3) Yayasan Salam thanked PMM for its sponsorship and the Prime Minister’s political secretary for supporting the program.42
Thailand previously banned only the publicity of CSR activities by the tobacco industry, but now the Thai Tobacco Product Control Act 2017 (TPCA) bans the tobacco industry from conducting CSR activities. Section 35 of the TPCA states that “No business operator and related person shall sponsor or support person, group of persons, state agency or private organization in any of the following manners:

1. to create image of tobacco products, manufacturer or importer of tobacco products
2. to effect or potentially effect the intervention of tobacco products control policy
3. to advertise tobacco products, manufacturer or importer of tobacco products
4. to promote tobacco consumption.

“The provisions of paragraph one shall not apply to the act among business operators, related persons and those involved in the tobacco products manufacturing and trading process or donation or humanitarian aid in the event of severe disaster. No person shall disseminate activity or news to publicize the activity under paragraphs one and two.”

According to TPCA, which came into force in July 2017, all types of TI-CSR activities are prohibited. However, PMI and Philip Morris Thailand Ltd (PMTL) continue to provide regular monetary contributions to the Population and Community Development Association (PDA) to conduct CSR activities focusing on education for vulnerable children, including children of tobacco farmers (Table 3). In 2019, funds to PDA more than doubled compared to 2018. The Ministry of Public Health of Thailand is currently investigating if PDA is in violation of the TPCA.

Table 3: PDA's projects funded by PMI and PMTL

<table>
<thead>
<tr>
<th>Name of Project</th>
<th>Funding</th>
<th>Activities</th>
<th>Year(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women Development Program</td>
<td>PMTL</td>
<td>Organizing a workshop to develop the potential of 800 women in tobacco</td>
<td>2015-2019</td>
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<tr>
<td></td>
<td></td>
<td>growing areas in Nan, Phayao, Roi Et and Maha Sarakham</td>
<td></td>
</tr>
<tr>
<td>After School Program</td>
<td>PMI</td>
<td>Organizing a training camp on science, technology, engineering and</td>
<td>2017-2019</td>
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<tr>
<td></td>
<td></td>
<td>mathematics for children of tobacco farmers during the harvest, to protect</td>
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<td></td>
<td></td>
<td>them to become workers in the tobacco fields. The implementation areas are</td>
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<td></td>
<td></td>
<td>in 13 provinces.</td>
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</tbody>
</table>
IV. More targeted strategy for CSR investment to ensure business sustainability

Monitoring of TI-CSR activities in the ASEAN region between 2009 and 2020 shows that the TI is now more strategic in selecting its recipients. PMI, for example, has reduced or stopped handing out grants to small organizations while increasing or maintaining its grants to only a few big and high-profile non-governmental organizations (NGOs) that are well connected with policymakers in each country.

Yayasan Salam Malaysia has been one of PMI’s CSR recipients since 2011 and has become the sole recipient since 2013. PMM funds Yayasan Salam Malaysia annually for its “Back to school” program which is launched and officiated by senior government officials.

In Thailand, PMI regularly provides CSR funding to the PDA, a well-known non-profit organization focusing on community development, whose Board of Directors consists of senior policymakers, medical doctors and academics, who were in government, parliament, universities or other agencies taking a leading role in the development of Thailand. PDA’s founder, Mr. Mechai Viravaidya, is a famous activist, who has received many awards including the Prince Mahidol Award for Public Health (2009). Out of 15 projects, PDA received funds from PMI to launch 14 projects, and in the past 4 years, 93% of PMI’s total CSR fund in Thailand, amounting to USD 1,367,794, went to PDA.

In the Philippines, JVOFI is a major funding recipient and partner of Embrace, the CSR arm of PMFTC. Out of 22 projects, JVOFI received funds from PMI to launch 15 projects. Between 2016 and 2019, two thirds (63.57%) or USD 5,647,214 of PMI’s total CSR fund in the Philippines went to JVOFI. JVOFI used the CSR funds for education, women empowerment and social welfare. In 2019, PMFTC conducted at least 24 of its so-called CSR activities, most of which were in partnership with the Philippine National Police, local government units, local government politicians, and representatives in Congress.

This focus on fewer organizations reflects the TI’s expectations of its recipients to support it to buy goodwill, credibility and earn political mileage. The Malaysian Salam Foundation is well connected with policymakers and a network with several countries in Asia Pacific, including the Philippines, Vietnam and Indonesia - the key TI markets in ASEAN. Like PDA, JVOFI’s Board of Trustees are executives working in various socio-economic sectors, including agriculture and higher education. The TI targets beneficiaries who can help promote the industry and lobby policymakers for positions supportive of the TI. Hence, CSR activities are not genuine philanthropy but a marketing strategy of the TI and a means to interfere with TI regulatory policy.
RECOMMENDATIONS

**General recommendations:**

1. CSR activities by the tobacco industry should be prohibited by law.
2. The tobacco industry should be strictly prohibited from conducting any CSR activities that concern children or the education system, both public and private.
3. Government officials and departments should reject grants from and partnerships with the tobacco industry.
4. Government agencies and international institutions and organizations should publicize their official position on non-partnership with the tobacco industry, such as on their websites.

**Specific recommendations to governments related to the COVID-19 pandemic:**

1. Do not grant any rescue package (e.g. tax breaks) to the tobacco industry or collaborate with the TI in COVID-19 vaccine development.
2. Utilize the COVID-19 pandemic to promote quitting of all forms of tobacco use.
3. Increase tobacco taxes as the tobacco business is doing well and growing during the pandemic.

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8 The Global New Light of Myanmar. 26 March 2020
11 Jaime V. Ongpin Foundation Inc. Facebook page. 1 April 2020. Available at: https://bit.ly/3opqO7T
26 Ibid.
29 Davies, R. BAT and Imperial tobacco firms profited from child labour, law firm alleges. The Guardian. 18 December 2020. Available at: https://bit.ly/35sHHfn
44 Population and Community Development Association. (2020). PDA project list [webpage]. Available at: https://pda.or.th/pda-projects-list/
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53 Jaime V. Ongpin Foundation Inc. (Undated.) Board of Trustees. Available at: https://jvofi.org/about/board-of-trustees/
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www.tobaccowatch.seatca.org