Lifting the Veil of Tobacco Industry’s Corporate Charity in the ASEAN 2023
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About SEATCA
SEATCA is a multi-sectoral non-governmental alliance promoting health and saving lives by supporting ASEAN countries to accelerate and effectively implement the evidence-based tobacco control measures contained in the WHO Framework Convention on Tobacco Control. Acknowledged by governments, academic institutions, and civil society for its advancement of tobacco control in Southeast Asia, the WHO bestowed upon SEATCA the World No Tobacco Day Award in 2004 and the WHO Director-General’s Special Recognition Award in 2014. SEATCA is an official NGO Observer to the WHO FCTC Conference of Parties and a co-initiator of the Global Center for Good Governance in Tobacco Control (GGTC).

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Introduction

Governments worldwide, in alignment with the World Health Organization (WHO) Framework Convention on Tobacco Control (FCTC), are putting in place increasingly comprehensive bans on tobacco advertising, promotion and sponsorship.¹ In their relentless pursuit of profit and market dominance, tobacco companies have resorted to more insidious strategies to keep their products in the public eye. This shift is exemplified by the widespread use of corporate social responsibility (CSR) activities as a strategy for promoting the tobacco industry as a good corporate citizen. In this interplay between profit and public image, tobacco companies engage in CSR initiatives to divert attention from the diseases and deaths brought about by their products. This not only secures a cloak of goodwill and publicity but also affords them access to government officials and influence over policy development, facilitating regulatory capture³ and leading to policies that align more with corporate interests than public welfare, thereby impeding the effective implementation of effective tobacco control measures.

According to the WHO, the tobacco industry's CSR activities constitute an “inherent contradiction,”² as its fundamental activities clash directly with the social equity goals embedded in public health policies addressing tobacco control. The industry's business model casts a long shadow over the United Nations' Sustainable Development Goals (SDGs), undermining progress across a spectrum of critical areas. The tobacco industry continues to market itself as a champion of sustainable development and environmental protection, perpetuating a façade that stands in stark contrast to its harmful impact on poverty, hunger, health, education, gender equality, economic growth, environmental protection, and inequality.

Across the ASEAN region, the top transnational tobacco companies—Philip Morris International (PMI), British American Tobacco (BAT), Japan Tobacco International (JTI), and Imperial Brands—deploy their CSR contributions to paint a caring façade on an industry responsible for diseases and deaths of millions, socio-economic hardships of families and communities, including exploitation of tobacco farmers, and large-scale damages to our planet. CSR activities targeting the vulnerable, such as the economically disadvantaged, allow these companies to deflect criticism and secure the endorsement of government officials. Despite the industry's colossal profits, their funds allocated to CSR activities are minuscule in comparison, offering a mere pittance to society in exchange for considerable public appreciation and governmental approval. This maneuver also serves as a loophole, exploited by the industry when faced with restrictions on advertising, promotion, and sponsorship.

Why does the tobacco industry engage in CSR activities?

The tobacco industry's CSR activities are not benevolent gestures, but rather are calculated maneuvers to advance its corporate objectives. They cultivate a favorable public image, which enhances the industry's reputation, promotes brand loyalty, and attracts investors. This intentional effort to engender positive perception serves as a means to not only garner consumer trust but also deflect attention from the inherent risks associated with its products.

¹ Regulatory capture refers to the phenomenon of government agencies, created to serve the public interest, aligning with and serving instead the interests of the industries they regulate, as a result of deliberate efforts on the part of those industries to co-opt the agencies.
Furthermore, these endeavors contribute to its agenda of gaining political advantage. By investing in CSR, the industry aims to establish alliances to exert influence within the political sphere, thereby shaping regulatory policy in a manner that aligns with its business interests. In addition, the industry also uses CSR activities as a tool to promote its brand and paint it with a veneer of societal acceptability, counteracting the impact of tobacco control campaigns.

**FCTC recommends to denormalize and ban CSR activities of the tobacco industry**

The WHO FCTC recognizes tobacco-related CSR activities as a form of sponsorship, urging their denormalization and outright ban. Corporate funds directed towards CSR by tobacco companies are not benevolent donations but a deliberate component of their marketing expenditure. In the ASEAN region, Lao PDR, Myanmar, and Thailand have taken bold steps by banning tobacco industry-sponsored CSR activities.

- FCTC Article 5.3 Guidelines call on Parties to “de-normalize and, to the extent possible, regulate activities described as “socially responsible” by the tobacco industry, including but not limited to activities described as “corporate social responsibility” (Recommendation 6).
- FCTC Article 13 Guidelines on banning tobacco advertising, sponsorship and promotions recommend:
  - The Parties should **ban** contributions from tobacco companies to any other entity for “socially responsible causes”, as this is a form of sponsorship.
  - Publicity given to “socially responsible” business practices of the tobacco industry constitutes advertising and promotion, hence should be **banned**.

### Tobacco Industry Exploitation through Corporate Giving in the ASEAN region

**Table 1: Philip Morris International CSR Activities, 2019-2022**

<table>
<thead>
<tr>
<th>Country</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Orgs*</td>
<td>USD</td>
<td>Orgs*</td>
<td>USD</td>
</tr>
<tr>
<td>Indonesia</td>
<td>16</td>
<td>5,972,145</td>
<td>17</td>
<td>8,007,835</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1</td>
<td>83,870</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Philippines</td>
<td>8</td>
<td>2,927,906</td>
<td>2</td>
<td>13,405,967</td>
</tr>
<tr>
<td>Thailand</td>
<td>4</td>
<td>582,794</td>
<td>1</td>
<td>478,164</td>
</tr>
<tr>
<td>Vietnam</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>96,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>29</strong></td>
<td><strong>9,566,715</strong></td>
<td><strong>21</strong></td>
<td><strong>21,987,966</strong></td>
</tr>
</tbody>
</table>

*Number of organizations funded by PMI to undertake CSR activities

2022 shows a notable decline of almost 50% in PMI’s CSR contributions across Indonesia, Malaysia, Philippines, and Thailand compared with figures from the preceding year. While the USD 12.3 million allocated to CSR initiatives may seem substantial, it pales in comparison (0.03%) to the company’s USD 31.8 billion net revenue during the same period.
Of notable importance is the distribution of these contributions, with the Philippines getting the largest share (USD 7,404,496 in 2022). This allocation, primarily to the Jaime V. Ongpin Foundation, Inc. (JVOFI), surpasses the cumulative CSR disbursements in all other ASEAN nations combined. In Thailand, the CSR fund is coursed through farmers associations.

A discernible trend over recent years reveals an overall reduction in the number of organizations receiving sponsorship from PMI, although it is contributing to a few more in Malaysia and Thailand. This consolidation of its CSR funds in fewer organizations may indicate that PMI is being more selective in its CSR focus issues or creating the appearance of a more significant impact with its contribution.

Since the WHO FCTC calls for a ban on tobacco-related CSR, BAT is using the term “corporate social investment” (CSI) instead of CSR to describe its charitable programs. In 2022, BAT spent £12.79 million (USD 16,137,719) on such programs, covering issues ranging from crop diversification to women’s empowerment and rural development. It does not specify names of fund recipients or amounts given to them.

JTI refers to its CSR activities as “sustainability initiatives” and reportedly contributed USD 51 million in 2022. The company targets to invest USD 600 million in CSR between 2015 and 2030.

JTI partners with high profile Non-Government Organizations (NGOs) to ride on their status and lift the status of its own CSR initiatives. In Vietnam for example, it has partnered with Habitat for Humanity. In Cambodia, JTI’s CSR covers a range of activities such as forest conservation, donations of essential items to vulnerable families, and installation of a water tower. Since 2016, it has funded APOPO, an international NGO working on clearing landmines in Cambodia.

BAT’s promotion of its Environment, Social, and Governance (ESG) initiatives include a concentrated effort on environmental protection, improvements in farmers livelihoods, upholding human rights, and fostering community support. CSR programs of the tobacco industry not only establishes a positive public image but also secure access to policymakers. In Vietnam, BAT uses CSR programs to bolster its public image by contributing to causes such as environment and poverty alleviation.

Imperial Brands, another British multinational tobacco company, operates in Lao PDR, Indonesia, Malaysia, and the Philippines. With other transnational tobacco companies, it supports the Eliminating Child Labour in Tobacco Growing Foundation (ECLT), which describes itself as an “independent foundation” and claims to “tackle the root causes of child labour by improving access to education and providing alternatives to childhood working.” In reality, ECLT is governed and funded by tobacco companies. Furthermore, the tobacco industry is built on exploitative labor practices, including child labor, and its involvement in ECLT is simply a CSR strategy.

Korea, Tomorrow, and Global Corporation (KT&G) has a “social contribution strategy” under the slogan “Imagine a better tomorrow.” It targets to achieve a cumulative contribution of KRW 10 billion (USD 7.5 million) from 2022 – 2025. Its activities include installation of smoking rooms and cigarette butt collection boxes and distribution of portable ashtrays. The company has a project called KT&G Sangsang University, which extends scholarships to university students in 13 regions across South Korea. In 2022, KT&G Sangsang University signed a Memorandum of Understanding with Binus University in Indonesia to increase support for Binus University students.
Business is good for the tobacco industry

Table 2: How much money did Big Tobacco earn in 2022?

<table>
<thead>
<tr>
<th>Company</th>
<th>Net revenues in 2022 (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philip Morris International</td>
<td>31.8 billion</td>
</tr>
<tr>
<td>British American Tobacco</td>
<td>35 billion</td>
</tr>
<tr>
<td>Japan Tobacco Inc.</td>
<td>30 billion</td>
</tr>
<tr>
<td>Imperial Brands</td>
<td>10 billion</td>
</tr>
<tr>
<td>KT&amp;G</td>
<td>763.4 million</td>
</tr>
</tbody>
</table>

PMI increased its net revenues in 2022 to USD 31.8 billion, USD 400 million more than its 2021 net revenue of USD 31.4 billion. Despite publicly acknowledging the harms of cigarette smoking, the bulk of PMI’s revenues continue to be from cigarette sales. In 2022, PMI’s cigarette revenues (USD 21.6 billion) accounted for more than two-thirds of its total net revenues, while its revenues from Electronic Smoking Devices (ESDs) (USD 10.2 billion) accounted for only 32.1%. Clearly, PMI’s strategy is to maintain its stronghold in the cigarette market while also promoting and profiting from ESDs, consistent with a long-term plan of initiating and maintaining nicotine addiction, regardless of the severe health consequences associated with these products.

BAT’s revenue of GBP 22.65 billion (USD 35 billion) represents a 7.7% increase for 2022, compared with its 2021 financials. JTI reported that its profit for 2022 is at JPY 442.5 billion or almost USD 30 billion. This represents an astounding 30.8% year-on-year increase compared to 2021.

Status of ban on tobacco-related CSR activities

The ASEAN has a varied regulatory landscape for tobacco industry CSR. Brunei, Lao PDR, Myanmar, and Thailand lead the way by banning such activities, while other ASEAN countries only have partial restrictions such as banning the publicity of tobacco industry CSR (Table 3).

In Indonesia, Philippines, and Vietnam, the tobacco industry CSR activities persist, providing tobacco companies a strategic platform to cast themselves as good corporate citizens. In Indonesia, the tobacco and e-cigarette groups engage in CSR activities such as donations and environmental events. For example, the Tobacco Authority of Thailand (TAOT) organized the project “See, Taste, Shop, Chiang Rai Tobacco” as a New Year’s gift to the people of Chiang Rai. The event had an area for trading agricultural crops of Chiang Rai. BAT in Malaysia collaborated with Universiti Teknologi Mara (UiTM), a public university, in a cleanup across beaches in Selangor, Negeri Sembilan, Melaka, Perak and Pahang in 2022.

II Malaysia’s new law, Control of Smoking Products for Public Health Act 2023, which was enacted in December 2023, prohibits CSR of the tobacco industry.
Recommendations

In light of the intricate challenges posed by tobacco industry CSR activities, these recommendations provide clear guidance to policymakers to implement the requirements of Article 5.3 and Article 13 and prioritize public health.

- Governments should prohibit CSR activities by the tobacco industry, without exception, such as for calamity or pandemic relief, since they are a form of tobacco sponsorship and policy interference.
- Public officials should be transparent and accountable in their interactions with the tobacco industry.
- Government agencies should reject grants and partnerships with the tobacco industry and publicize their official policy of non-collaboration.
- Governments should denormalize tobacco-related CSR activities as recommended in the WHO FCTC Article 5.3 Guidelines.
- NGOs and the academe should advocate for policy changes to ban tobacco industry CSR. They can also assist the government in monitoring, reporting, and exposing violations.

Endnotes
1 World Health Organization Framework Convention on Tobacco Control, Article 13, Tobacco advertising, promotion, and sponsorship (2003).
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24 Net profit of 105.4 million pounds converted to USD (March 2024), KT&G Financial Information, Available at https://en.ktng.com/ktgfinancial/cmsCd=CM0042
30 Tobacco Authority of Thailand. TAOT organizes the project “See, Taste, Shop, Chiang Rai Tobacco” as a New Year’s gift to Chiang Rai people. Available at https://www.thaitobacco.or.th/2022/12/0035645.html
A Healthy, Sustainable, Tobacco-Free ASEAN