Corporate affairs approach and issues
PMI’s approach and structure
What a difference 3 years can make

Markets where we have seen excessive fiscal or regulatory proposals during last three years (PP, POSDB, GHW70%+, ingredients ban, excessive tax increases)

PHILIP MORRIS INTERNATIONAL
It will not become easier

**EU TPD**
- 65% GHW
- Menthol ban
- Ban on innovation

**Increased ATO pressure**

**De-normalization and industry demonization**
It is not all doom & gloom

CoP5 and CoP6

FCTC
WHO FRAMEWORK CONVENTION ON TOBACCO CONTROL

Improved fiscal systems globally

Win more than we lose on regulation

Potential paradigm shift
Global CA Objectives

- RRP
- **Regulatory** – defend brand differentiation and preserve consumers right to buy and enjoy tobacco products
- Fiscal
- Illicit trade
- Normalization
- CA capacity building
Plain packaging – becoming a mainstream issue
WTO case

- Five challengers – Indonesia, Ukraine, Honduras, Dom. Republic, and Cuba
- Panel established in May 2014
- A record number of 35 countries plus the EU have applied for observer status
  - Asian observers: China, India, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan and Thailand.
- Process going forward
  - Deadline for written submissions by observer countries is **April 10, 2015**
  - Australia and the complainants will each make several submissions
  - The panel is expected to release their findings by **mid 2016**
  - Provided appeals, final ruling is not expected until 2017
Components of a preventive plain packaging plan

1. Identify the local arguments
2. Constitutional assessment
3. Trade agreements and international treaties
4. Take command over media reporting
5. Leverage international stakeholders
6. Potential process-based roadblocks
7. Coalition building
8. Support the WTO case
9. Promote the bigger issue i.e. IPR
Global CA Objectives

- RRP
- Regulatory
- Fiscal – maintain affordability, increase pricing power
- Illicit trade
- Normalization
- CA capacity building
Increased ATO focus on taxation

World No Tobacco Day theme

- 2014 - Raising taxes on tobacco
- 2013 - Ban on tobacco advertising, promotion and sponsorship
- 2012 - Tobacco industry interference
- 2011 - The Framework Convention on Tobacco Control
- 2010 - Gender and tobacco with an emphasis on marketing to women
- 2009 - Tobacco Health Warnings with emphasis on picture health warnings
- 2008 - Tobacco Free Youth (Break the tobacco marketing net)
- 2007 - Smoke-Free Environments
- 2006 - Tobacco Deadly in any form or guise
- 2005 - The role of health professionals on tobacco control
- 2004 - Tobacco and Poverty: A vicious cycle
- 2003 - Tobacco-free film, Tobacco free fashion
- 2002 - Tobacco-free sports: Play it clean
- 2001 - Second-hand smoke kills. Let’s clear the air.
- 2000 - Entertainment and Tobacco Promotion---Countering the Deception
- 1999 - Leave the Pack Behind
- 1998 - Growing up without tobacco
- 1997 - United for a tobacco free world
- 1996 - Sport and art without tobacco: play it tobacco free
- 1995 - Tobacco costs more than you think
- 1994 - Media and tobacco: get the message across
- 1993 - Health services: our windows to a tobacco free world
- 1992 - Tobacco free workplaces: safer and healthier
- 1991 - Public places and transport: better be tobacco free
- 1990 - Childhood and youth without tobacco: growing up without tobacco
- 1989 - Women and tobacco: the female smoker as added risk
- 1988 - Tobacco or Health: choose health

WHO FCTC COP6
Guidelines on Article 6 passed
Overall regional fiscal priorities

- Ensure that tobacco taxation policy remains driven by MoFs
- Safeguard national fiscal sovereignty
- Prevent regional tax initiatives (tax harmonization, earmarking)
Increase our fiscal capacity

Fiscal expertise
- Maintaining / developing PMI fiscal know-how is a prerequisite for:
  - developing successful fiscal proposals and solid argumentation at market level
  - building credibility with MoFs and other external stakeholders

Internal initiatives
- Strengthen capacity in the field of fiscal intelligence & research (driven by OC)
- Regional tobacco taxation training (planned for Q1, 2015)
- Allocation of projects to fiscal affairs managers in the markets

External
- Expansion of fiscal stakeholder base
- Structured outreach effort to international economic organizations
Global CA Objectives

- RRP
- Regulatory
- Fiscal
- Illicit trade

- **Normalization** – People, Product, Principles, Planet, Productivity
- CA capacity building
Continued efforts to support normalization

Best in class employer and processes

ALP and charitable contributions

RRPs
Sharing our story

External events

Internal communication
Achieving scrutiny on ATOs

- ATOs play a key role in driving regulatory and fiscal policies and face little scrutiny.
- We need to do a better job tracking, responding and challenging ATOs when appropriate.
- Key actions underway:
  - Global project team established
  - Specialist manager to be hired at the OC
  - AU will be Asia’s pilot market
- Each market can:
  - Identify all local ATOs
  - Begin tracking
  - Report unusual behavior
Global CA Objectives

- RRP
- Regulatory
- Fiscal
- Illicit trade
- Normalization

- CA capacity building – new tools and stakeholders
Success factors in Corporate Affairs

- Ability to play the political game
- Sufficient preparedness
Playing the political game

- Political rationale ≠ business rationale
- Roadblocks are as important as solutions
- Find the broader public interest in our issues – it’s not about tobacco
- Move tobacco issues away from MoH
- Find allies that cannot be ignored
- Allow for political cover and political wins
- All politics are local
The anatomy of today’s CA people

- Strategic thinking
- Passion & drive
- Risk taking
- Communication skills
- Political instincts
- Stamina
The importance of being prepared

- Identify consumer needs
- Concept development
- Pack & product design
- Consumer research

Key Account listings
Retailer engagement
POS merchandising
Consumer engagement

Consumer trial and take-off
The importance of being prepared

A typical brand launch in CA

- Gather facts & figures
- Stakeholder mapping
- Message development
- Establish strategic plan

Case against POSD ban

- Activate and support allies
- Grassroots mobilization
- Media campaigns
- Direct advocacy

Main difference to launching a new brand:
The launch date is outside our control

Government position / proposal
## What are we aiming for?

| No surprises | Political intelligence gathering | Early warning systems in place
| Playing the political game | Full political engagement | Right mindset – "Healthy paranoia"
| Shaping the public opinion | Media relations | Build allies across several ministries
| Utilizing the low hanging fruit | Use our own people | Ability to influence the influencers
| Alliance of credible messengers | Third party coalition building | Complete political power map
| Establishing a critical mass | Ability to mobilize broad groups | Speak the right language – be relevant
| Have the best expertise on our side | Effective use of consultants | Ability to find right spin
| The right messages | Market specific argumentation | Ability to sell stories direct & indirect
| | | Established relationships with:
| | | - Key reporters
| | | Employees
| | | Distributors
| | | Suppliers
| | | Broad business organizations
| | | Trade & retailer organizations
| | | IPR, TM, & anti-counterfeiting orgs.
| | | Think-tanks and policy groups
| | | Retailer mobilization
| | | Grower mobilization
| | | Consumer mobilization
| | | Marketing & advertising organizations
| | | International Relations (PMI Office)
| | | Lobbyists
| | | Door-openers
| | | Strategists
| | | Spin doctors
| | | One-liners for PMI and allies
| | | Message testing research
| | | Impact assessment studies
| | | Legal opinions
PMI’s position on regulation

Health Effects of Smoking

Smoking causes serious disease and is addictive.

More than 5,000 chemicals — or smoke constituents — are formed when tobacco is burned. More than 100 of these smoke constituents have been identified by public health authorities as causes or potential causes of smoking related diseases, including cardiovascular disease (heart disease), lung cancer, and chronic obstructive pulmonary disease (emphysema, chronic bronchitis). Smokers are far more likely to become sick with one of these diseases than non-smokers. In addition, smoking is addictive, and it can be very difficult to stop smoking.

These are the views of leading scientific and public health organizations around the world. They are also the views of Philip Morris International.

There are a broad variety of conventional combustible cigarette brands available on the market with varying features (style of the cigarettes, taste, tar or nicotine yields etc.). Smokers should not assume that any of these features means that one cigarette is less harmful or addictive than another.

For more detailed information about what scientific and public health organizations are saying about the health effects of smoking, please refer to the links on the right of this page.

Smoking causes serious disease and is addictive.
PMI’s position on regulation

We support:
- Advertising and marketing restrictions
- Public place smoking restrictions
- Descriptor restrictions (e.g. ‘low-tar,’ ‘light,’ ‘ultra-light,’ ‘medium’ or ‘mild’)
- Health warning labels
- Ingredients testing and reporting
- Regulation of “Reduced Risk Products”
- Harm Reduction
- Media and education campaigns on smoking
- Youth access prevention programs

We do not support:
- Plain packaging
- Point-of-sale display bans
- Excessive health warning sizes
- Ingredients bans
Drivers of regulation

WHO FCTC

Anti-tobacco organizations

Country leaders

Big pharma

World Health Organization

Bloomberg Philanthropies

Canada

Australia

gsk

Pfizer

NOVARTIS

Johnson & Johnson
FCTC: a regulatory runaway train

- PMI supported the enactment of the FCTC in 2003.

- However, anti-tobacco extremists within the WHO and the larger anti-tobacco community expanded the original provisions of the FCTC via issuance of guidelines / policy recommendations which are non-binding and increasingly extreme and out of scope.

- Examples:
  - Extreme – In CoP5, draft guideline proposed regulating seasons for planting tobacco; provisions applying a one-size-fits-all model in tobacco taxation
  - Out-of-scope – regulating ENDS in CoP6
FCTC: areas we support

- Laws that strictly prohibit the sale of tobacco products to minors
- Regulation of public smoking
- Mandate the placement of health warnings on tobacco product packaging
- Development of a regulatory frameworks to govern less harmful products
- Support the use of reasonable tax and price policies to achieve public health objectives provided that they do not result in increased illicit trade
- Media and education campaigns on smoking
FCTC: a regulatory runaway train

- Public exclusion
- Media exclusion
- Groups denied observer status on the basis of suspicion (Eg. Interpol)
- Wi-Fi deliberately disconnected / delegates were incommunicado
- Health delegates without credentials were allowed entry and provided fake badges
FCTC and beyond: “Endgame” strategies

Explore unique facets of the tobacco burden in low and middle income countries
Integrate tobacco control into the broader health and development agenda
Deliberate on ideas for tobacco endgame for global and regional translation
Gain global insights on current tobacco endgame theory and capacity needs
Assess opportunities for collaboration and donor support for tobacco endgame interventions
Make channels for knowledge sharing in tobacco endgame strategies
Envision an effective way forward for a tobacco-free world

‘Endgame’ is a strategic plan to reduce prevalence within a set period (E.g. < 5% globally by the year 2025.)
• De-normalizing tobacco use

Proposed strategies:

- Phasing out tobacco usage, by proposing that individuals born in or after the year 2000 have their supply of tobacco restricted.
- Prohibition on sale of food items containing tobacco or nicotine as ingredients.
FCTC and beyond: “Endgame” strategies

A study published in the New Zealand Medical Journal reveals that despite plain packaging and tax increases, tens of thousands of Kiwis will still be smoking by 2025.

 radical proposals to achieve NZ Smoke-Free 2025

- Tax increases (10% annually) + intensified existing evidence-based interventions
- Forcing tobacco firms to phase out nicotine
- Restricting tobacco sales to pharmacies
- Subsidizing less harmful alternatives such as e-cigarettes
- Profit tax*
Preparing for CoP7
CoP7 will be held in India

- India offered to host the seventh session in 2016 which was not confirmed.
- There is no definitive venue yet for CoP7 to be announced at least until 2015.

- Host country provides logistical support (e.g., accommodation, transport arrangements, venue for meetings, visa services, etc.)
- Host country’s role vis-à-vis the agenda isn’t clear.
- Host country will be pressured for a tobacco control “announceable”.
Push for a balanced delegation

Goal for CoP7

5 MoHFW and 1 Customs officials

CoP6

MoHFW, Customs, Commerce & Industry, Agriculture, Finance, External Affairs

CoP7

Ministry of Health & Family Welfare
Department of Health & Family Welfare

Government of India
It has happened in the past

Farmers seek inclusion in global body on tobacco crop control

More than 2 lakh registered tobacco farmers from India have asked for representation in the global working group under the United Nations Framework Convention on Tobacco Control (FCTC) which is expected to take up the issue of crop size reduction next year. Tobacco farmers organisations have pointed out that in the 5th Conference of Parties (COP) under FCTC, held in November 2012 in Korea, an agreement on reducing global crop size could not be arrived at due to lack of representation from farmers.

"India was represented only by health ministry officials, who have inadequate knowledge about the tobacco crop. This led to the FCTC proceedings that undid the gains that tobacco farmers have made in recent years," said BV Muni, president of the Karnataka Tobacco Growers Association.

"As a beneficiary of tobacco farming, farmers are best placed to share their perspective on crop size reduction. An agreement without farmers may not be enforceable," said Muni.

Business Line

Tobacco farmers geared up at WHD meet

A delegation of 50 farmers from Madhya Pradesh, Chhattisgarh and Jharkhand are participating in the 7th World Health Day (WHD) meet being held at the Indian Institute of Tropical Meteorology in Pune, the venue for the event.

"Farmers are gearing up for the WHD with a focus on spreading awareness about the importance of tobacco control," said a farmer from Madhya Pradesh.

"We are using the event as an opportunity to showcase our produce and also to promote our cause," said another farmer.

Business Line

Indian farmers want say in global talks on tobacco crop control

K V Kurmanath

HYDERABAD, Jan 23: Indian tobacco growers have asked the Government to ensure a berth for them in the global talks that seek to put a clamp on tobacco crop, aloud and not being taken as members of the Indian delegation at the recent talks at Rome recently, the tobacco growers demanded that they need to be heard as they are the key stakeholders.

They asked for representation in the Working Group being currently constituted to draft recommendations on Articles 6.7 and 6.8 of the Framework Convention on Tobacco Control (FCTC) at the 6th Conference of Parties (COP 6) to be held next year.

"These articles are aimed at reducing the tobacco crop size across the globe, keeping in view the resistance to this crop," the farmers said.
Engage the Prime Minister

Likely roles for PM Modi in CoP7:
- Attend the opening ceremony and deliver a speech
- Private meeting with WHO Dir. Gen. Dr. Margaret Chan

Engagements with PM Modi:
- Not to exclude media and the public
- Not to allow enactment of extreme anti-tobacco measures in the lead to CoP7
Ensure public/farmers are let in

In CoP6:
- The public – including farmers’ organizations - were excluded from observing the proceedings.
Ensure the media are let in

In CoP6:
- Media were also excluded starting on the 2nd day of the conference.
- No clear explanation was given except for the fact that they could have connections with the tobacco industry and therefore could undermine the items/decisions being discussed.
What CoP7 would require?

Learning from CoP6:

- PM Russia was responsible for hosting a Coordinating Room for 42 persons.

- This required the full time presence of 2 Managers and 2 CA executives who did nothing but run documents plus IS support.

- Tapping the resources of the PR team that helped arrange ITGA's news conference, etc.
What lies ahead

National plan
- Develop and execute a campaign to establish balanced positions and representation from India at COP meeting.
- Develop and execute a campaign to preempt Indian government’s plans to use COP meeting as a platform for announcing new extreme regulation.

Support to global plan
- Identify opportunities for gathering intelligence during the COP meeting.
- Identify and coordinate with local media agency to:
  - support PMI’s communications plan around COP meeting;
  - facilitate media engagement of third-party stakeholders (e.g. tobacco farmers, harm reduction advocates...) with reporters for international and local media; and
  - support the organization of potential stakeholder events around COP meeting.
The anti-tobacco movement
Changing our lexicon

“TCA”
Tobacco elimination *not* tobacco control

"The Conference *built on the expanding global narrative of the tobacco endgame...*"
Movement profile
At a minimum at least US$1 billion have been channeled to ATOs globally over the last decade.
Big: Leading Indian ATOs

| Organization | Founded in 1992, HRIDAY is a Delhi-based organization of health professionals, social scientists and lawyers, engaged in advocating various issues on health awareness among the youth. It is well connected domestically and abroad. In 2013, it was a major partner in the International End Game Conference held in New Delhi from September 10-12. |
| Activities | Information sharing to advance anti-tobacco objectives, coalition building, public health advocacy, conferences/workshops, media campaigns |
| Key issues | Tobacco control, alcohol control, diet and physical activity, diabetes, road safety, environment |
### Big: Leading Indian ATOs

#### Organization
VHAI is a federation of 27 State Voluntary Health Associations, linking together more than 4500 health and development institutions across the country making it one of the largest health networks globally. Although a multi-issues organization, it devotes huge attention to tobacco control. It established the **Resource Centre for Tobacco Free India** which is an initiative to support a strong anti-tobacco lobby in India.

#### Activities
Information sharing to advance anti-tobacco objectives, coalition and capacity building, media campaigns, research, mass mobilizations

#### Key issues
Tobacco control, NCDs, COTPA amendments
Report: Nicotine replacement product sales to reach $6.2 billion worldwide by 2018

AUGUST 16, 2012 | BY MICHAEL JOHNSEN
**The Robert Wood Johnson Foundation**

**Financial Statements**

*December 31, 2013 and 2012*

<table>
<thead>
<tr>
<th>(In Thousands)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$494,521</td>
<td>$509,349</td>
</tr>
<tr>
<td>Cash equivalents held as collateral</td>
<td>$165,022</td>
<td>$267,500</td>
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<tr>
<td><strong>Investments at fair value</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Johnson &amp; Johnson common stock</td>
<td>$1,198,079</td>
<td>$1,012,100</td>
</tr>
<tr>
<td>Other equity investments</td>
<td>$7,715,087</td>
<td>$7,409,320</td>
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<tr>
<td>Fixed income investments</td>
<td>$329,655</td>
<td>$603,945</td>
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<tr>
<td>Program related investments, net</td>
<td>$10,772</td>
<td>$10,000</td>
</tr>
<tr>
<td>Reserve on pending unsecured obligations</td>
<td>$3,819</td>
<td>$21,610</td>
</tr>
<tr>
<td>Investment redemption receivable</td>
<td>$172,854</td>
<td>-</td>
</tr>
<tr>
<td>Investment purchase made in advance</td>
<td>$10,000</td>
<td>-</td>
</tr>
<tr>
<td>Interest and dividends receivable</td>
<td>$189</td>
<td>$1,360</td>
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<tr>
<td>Cumulations receivable</td>
<td>$10,771</td>
<td>$15,880</td>
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<tr>
<td>Other assets</td>
<td>$52,184</td>
<td>$52,838</td>
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<tr>
<td><strong>Total assets</strong></td>
<td><strong>$10,148,659</strong></td>
<td><strong>$8,527,734</strong></td>
</tr>
</tbody>
</table>

**Investments**

At December 31, 2013 and 2012, the cost and fair values of the investments are summarized as follows:

<table>
<thead>
<tr>
<th>(In Thousands)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td><strong>Fair Value</strong></td>
<td></td>
</tr>
<tr>
<td>Johnson &amp; Johnson common stock 13,000,000 shares</td>
<td>$11,063</td>
<td>$1,160,678</td>
</tr>
<tr>
<td>VPI &amp; PDI net 2012</td>
<td>$11,063</td>
<td>$1,160,678</td>
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<tr>
<td>Other equity investments</td>
<td>$2,502,087</td>
<td>$4,308,315</td>
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<tr>
<td>Global equities</td>
<td>$3,613,138</td>
<td>$3,933,963</td>
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<tr>
<td>Alternative investments - limited partnerships</td>
<td>$2,731,167</td>
<td>$2,440,002</td>
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<tr>
<td>Fixed income investments</td>
<td>$320,851</td>
<td>$603,899</td>
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<tr>
<td><strong>Total investments</strong></td>
<td><strong>$6,545,055</strong></td>
<td><strong>$8,280,225</strong></td>
</tr>
</tbody>
</table>

**Note:**

RWJ Foundation owns 13,000,000 common shares of J & J valued at US$1.2 Billion.
"Glocal"

| **Framwork Convention Alliance (FCA)** | The Framework Convention Alliance (FCA) is a global organization working for the full implementation of the FCTC. |
| **HealthBridge** | Health Bridge is a Canadian-based international NGO that implements anti-tobacco projects and activities in Vietnam, India, and Bangladesh. |
| **International Union Against Tuberculosis and Lung Disease** | The International Union Against Tuberculosis and Lung Disease is one of the major partners of the Bloomberg Initiative and it has managed over 110 projects approved in 35 countries. |
| **World Lung Foundation** | The World Lung Foundation is another major partner of the Bloomberg which collaborates with local ATOs and governments in countries worldwide. |
| **RTI International** | RTI International is a US-based research institution that conducts studies on wide-ranging topics including tobacco. |
| **CDC Foundation** | CDC Foundation conducts the Global Adult Tobacco Survey (GATS) to monitor adult tobacco use, exposure to second-hand smoke, quit attempts, etc. |
| **Global Bridges** | Global Bridges is a US-based organization that lists the “building of global network of healthcare professionals and organizations” as one of its key objectives. |
| **International Tobacco Control Policy Evaluation Project** | The International Tobacco Control Policy Evaluation Project is a research institution which studies and surveys a variety of tobacco-related issues. |
| **Institute for Health Metrics and Evaluation (IHME)** | The Institute for Health Metrics and Evaluation (IHME) is both a research organization and an academic department at the University of Washington. Its focus based on its website is health measurement tracking and health development. |
“Glocal”: Americanization and professionalization

Jobs

Country Director, Indonesia (Jakarta, Indonesia)

Summary Description

The Campaign for Tobacco-Free Kids (CTFK) seeks nominations and applications for a strategic, seasoned, and politically astute Country Director to lead CTFK's efforts to promote strong tobacco control legislation and implementation in Indonesia. CTFK is a leading civil society organization dedicated to the fight to reduce tobacco use and its deadly toll in the United States and around the world. Qualified candidates will understand and have proven experience promoting policy change and will be a strategic partner to grantees, partners, and funders in preventing the devastating health impacts of tobacco use.
“Popular”

68% “Yes” to banning all tobacco products

Source: PMI CA Leading Indicator Monitor
Movement strategies
Strategies overview

- Geographic focus
- Obstacles as defined by *them*
- Evolving strategies
  - Tax
  - Foreign aid
  - E-cigarettes and other reduced risk products
Geographic focus: Asia

Focus Countries:
- Pakistan
- China
- India
- Bangladesh
- Thailand
- Vietnam
- Philippines
- Indonesia

Source: http://www.tobaccocontrolgrants.org/Pages/2/About-the-BI-Grants-Program
From 2012-2014, Asia is the recipient of 65% of Bloomberg's anti-tobacco funding.
Bloomberg: tightening focus on CN, IN, BD, ID

New Roadmap, post-2013:

- Russia
- China
- India
- Bangladesh
- Indonesia

Source: http://www.bloomberg.org/program/public-health/tobacco-control/#progress
## Bloomberg donations to Indian ATOs

<table>
<thead>
<tr>
<th>GROUP</th>
<th>FOCUS</th>
<th>AMOUNT (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population Services International</td>
<td>Smoke-free</td>
<td>220,000</td>
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<tr>
<td>Shikhsit Rojgar Kendra Prabandhak Samiti (SRKPS)</td>
<td>Capacity building</td>
<td>124,000</td>
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<tr>
<td>State Tobacco Control Cell - Gujarat</td>
<td>Tobacco control policy</td>
<td>103,101</td>
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<tr>
<td>Voluntary Health Association of India</td>
<td>Tobacco control policy</td>
<td>183,000</td>
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<tr>
<td>Healis- Sekhsaria Institute for Public Health</td>
<td>Gutka ban</td>
<td>28,460</td>
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<tr>
<td>HRIDAY</td>
<td>Tobacco control policy</td>
<td>140,000</td>
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<td>Directorate of Public Health and Preventive Medicine, Government of</td>
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<td>162,000</td>
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<tr>
<td>Tamil Nadu</td>
<td>Tobacco control policy</td>
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<td>Madhya Pradesh Voluntary Health Association</td>
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<td>Institute of Public Health - Karnataka</td>
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<td>Kerala Voluntary Health Services</td>
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<td>Voluntary Health Association of India</td>
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<tr>
<td>Rajasthan Voluntary Health Association, Jaipur</td>
<td>Tobacco control policy</td>
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</tbody>
</table>
### Bloomberg donations to Indian ATOs

<table>
<thead>
<tr>
<th>GROUP</th>
<th>FOCUS</th>
<th>AMOUNT (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Himachal Pradesh Voluntary Health Association</td>
<td>Tobacco control policy</td>
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<td>Population Services International</td>
<td>Tobacco control policy</td>
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<td>Socio Economic and Educational Development Society (SEEDS)</td>
<td>Smoke-Free and Capacity Building</td>
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<tr>
<td>State Anti-Tobacco Cell - Karnataka</td>
<td>Tobacco control policy</td>
<td>222,348</td>
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<tr>
<td>Department of Health - MIZO</td>
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<tr>
<td>The Union South - East Asia Office</td>
<td>Tobacco control policy</td>
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<tr>
<td>Uttar Pradesh Voluntary Health Association</td>
<td>Smoke-Free</td>
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<td>Voluntary Health Association of Assam</td>
<td>Capacity building and Tobacco control policy</td>
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<td>Institute of Public Health - Karnataka</td>
<td>Tobacco Control Policy</td>
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<td>Voluntary Health Association of India</td>
<td>Tobacco control policy</td>
<td>218,685</td>
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<tr>
<td><strong>TOTAL BLOOMBERG DONATIONS</strong></td>
<td></td>
<td><strong>3,966,458</strong></td>
</tr>
</tbody>
</table>

**From 2012 to present approximately US$4 million were channeled to Indian ATOs**
Obstacles as defined by ATO leaders

- Political preoccupation with other issues, e.g. GFC.
- Reports of tobacco tax revenue but not social costs.
- Misperceived concerns about economic losses.
- Cross pressures due to the presence of state tobacco companies.
- Domestic litigation and the use of trade and investment treaties.
ATOs’ strategies

- Continued industry de-normalization

- Fiscal and economic strategy
  - Socio-economic costs of tobacco farming
  - Crop diversification and alternative employment
  - Economic benefit analysis of tobacco, e.g. tax + jobs

- Foreign aid strategy
  - National development plans
  - UN Development Assistance Framework
  - UN Millennium Development Goals
  - “Cash on delivery aid” aka rewards

- E-cigarettes strategy

- Integrating tobacco control with other NCD priorities
- Bolstering funding for ATOs
Increasing ATO focus on political and fiscal issues

“A new framework is needed... moving from a purely medical perspective to a perspective that incorporates political, economic and financial considerations.”

Tobacco control in Asia
May 2013
McKay, Ritthipakdee, Reddy,
For the first time in 27 years, a tax focus for WNTD

2014 - Raising taxes on tobacco
2013 - Ban on tobacco advertising, promotion and sponsorship
2012 - Tobacco industry interference
2011 - The Framework Convention on Tobacco Control
2010 - Gender and tobacco with an emphasis on marketing to women
2009 - Tobacco Health Warnings with emphasis on picture health warnings
2008 - Tobacco Free Youth (Break the tobacco marketing net)
2007 - Smoke-Free Environments
2006 - Tobacco: Deadly in any form or disguise
2005 - The role of health professionals on tobacco control
2004 - Tobacco and Poverty: A vicious cycle
2003 - Tobacco free film, Tobacco free fashion
2002 - Tobacco-free sports: Play it clean
2001 - Second-hand smoke kills. Let's clear the air.
2000 - Entertainment and Tobacco Promotion---Countering the Deception
1999 - Leave the Pack Behind
1998 - Growing up without tobacco
1997 - United for a tobacco free world
1996 - Sport and art without tobacco: play it tobacco free
1995 - Tobacco costs more than you think
1994 - Media and tobacco: get the message across
1993 - Health services: our windows to a tobacco free world
1992 - Tobacco free workplaces: safer and healthier
1991 - Public places and transport: better be tobacco free
1990 - Childhood and youth without tobacco: growing up without tobacco
1989 - Women and tobacco: the female smoker as added risk
1988 - Tobacco or Health: choose health
Attacks on our fiscal arguments and allies
Fiscal and economic strategy: PH sin tax debate

2008

The word “tobacco” does not appear even once in ADB’s long range strategic plan to alleviate poverty.

2010-2011

WHO SEARO identifies ADB as a “priority” target for “regional advocacy”.

2012

ADB releases report calling higher tobacco taxes a “win-win” measure for fiscal space and health.
Fiscal and economic strategy: sustained pressure

Philippine sin tax experience offers lessons for East Asia region – global panel

MANILA — The “seven wins” of the Philippines’ sin tax law for the youth, the poor, health, economy, farmers, governance, and future are now raising the interest of international organizations and other governments in the Asia-Pacific Region.

This was a central theme that emerged in a recently-concluded East Asia and Pacific Regional workshop on Tobacco and Alcohol Tax Reform held last week at the Sofitel Hotel, Manila.

“Tobacco (and alcohol) taxation is truly a win-win policy. A win for revenues, and a win for public health. Tobacco kills 5.4 million persons worldwide every year. Unless urgent action is taken, the annual death toll can rise to more than 8 million by 2030. The reason why so many of us attended the workshop reflects the importance and urgency of the issue — as well as the effectiveness of taxation as an instrument in reducing it,” said Jim Brumby, World Bank Sector Manager for Poverty Reduction and Economic Management.

“I would like to acknowledge the monumental success of the Philippine government in pushing through with the sin tax reform. The workshop was held here in the Philippines in large part because of the interest that countries in the region — and beyond — have shown in these reforms,” Brumby said.

The regional workshop was organized by the World Bank— with the support of international organizations such as the World Health Organization, the Asian Development Bank, the Campaign for Tobacco-Free Kids, the Southeast Asia Tobacco Control Alliance, and the International Union against Tuberculosis and Lung Disease — and was attended by government officials and civil society representatives from ten Asia-Pacific countries.

In the workshop, Department of Health (DOH) Secretary Enrique Ona lauded the first year of implementation of R.A. 10351 for bringing about the “largest financing growth in the history of the Department” — a 57.9-percent expansion in the DOH’s 2014 budget over that in 2013.

“It is still too early to determine the public health impact of RA 10351, but this has greatly increased excise tax collections translating into a significant increase in funding for our health programs,” Secretary Ona said. “The future looks bright for our program of Kalusugang Pangkalahatan or universal health care. The expanded fiscal space for health has already allowed us to enrol an additional 9.6 million families for 2014 to the National Health Insurance Program.”
Foreign aid strategy: messaging

“Alarming smoking habits in poor nations”

Financial Express, India
18 August 2012

- **Aspirational messaging to political elites**: high smoking rates are endemic to developing societies; part of the journey to becoming economically and politically independent is to reduce tobacco use.
Foreign aid strategy: the cash *quid pro quo*

Tonga
Foreign aid strategy: cash on delivery

- COD is an “outcome driven bottom-up approach” to FCTC implementation.

- Funder and recipient enter into a contract where parties agree to a desired outcome and fix a payment for each unit of confirmed progress.

- Stages of achievement trigger certain sums of aid money.

- The recipient is free to spend payment according to its own need.
E-cigarettes strategy: attack industry, play to fear

- “1950s and 1960s” marketing
- Dual use leads to heavier smoking, inhibits quitting
- Not proven to help people quit

Background Paper on E-cigarettes
(Electronic Nicotine Delivery Systems)

Rachel Grana, PhD MPH
Neal Benowitz, MD
Stanton A. Glantz, PhD

Center for Tobacco Control Research and Education
University of California, San Francisco
WHO Collaborating Center on Tobacco Control

Prepared for
World Health Organization
Tobacco Free Initiative

December 2013
WHO activity

- Same restrictions as for conventional cigarettes for public place use, minimum age, sale, advertising

- Ban use of characterizing flavors, co-branding, dual-use marketing, unsubstantiated cessation claims

- Regulate e-cigarettes to set standards for product performance in order to minimize risks to users and bystanders, with the fresh air as the relevant comparator, not cigarette smoke

- Address consumer refillable e-cigarettes

- No country should be compelled to permit the sale of e-cigarettes
Divided public health community

The New York Times

A Hot Debate Over E-Cigarettes as a Path to Tobacco, or From It

Dr. Michael Siegel, a hard-charging public health researcher at Boston University, argues that e-cigarettes could be a beginning of the end of smoking in America. He sees them as a disruptive innovation that could make cigarettes obsolete, like the computer did to the typewriter.

But his former teacher and mentor, Stanton A. Glantz, a professor of medicine at the University of California, San Francisco, is convinced that e-cigarettes may erase the hard-won progress achieved over the last half century in reducing smoking. He predicts that the modern age gadgetry will be a glittering gateway to the deadly, old-fashioned habit for children, and that adult smokers will stay hooked longer now that they can get a nicotine fix at their desks.
The attack on ‘heat not burn’ has yet to begin

CEASE FIRE
a new era begins.

HEALTH WARNING TO BE PLACED HERE
Summary
The good news

- The ATOs’ pivot towards political, economic and fiscal arguments suggests that we’re on the right track with our government affairs, fiscal affairs and communications strategies.

- The ATOs will find it much harder to fight on profound questions of economics, law, intellectual property, agronomy and constitutional rights.

- On e-cigarettes and other reduced risk products:
  - We’ve got a great story to tell;
  - There are divisions within the anti-tobacco movement; and
  - E-cigarette users are more willing to fight back than smokers.

- ATOs play weak defense.
Gaps remain

- ATOs still have considerable political capital that has been built up over the years and a significant financial advantage.

- Our CA presence/ability to execute is limited in 3 key ATO target markets: India, Bangladesh and China.

- We're still building ASEAN-wide counterweights to SEATCA, the major ATO in Asia.

- We lack ideological think tanks and taxpayers' organizations in many markets.
Plain packaging
What is plain packaging?

Plain packaging bans the use of all design and branding features from all tobacco packaging, including the stick.
The face of tobacco retail in Australia under PP
Plain packaging threats are spreading
Rationale

Objectives of plain packaging

(a) reduce the appeal of tobacco products to consumers

Objectives of plain packaging

(b) increase the effectiveness of health warnings on the retail packaging of tobacco products

Objectives of plain packaging

(c) reduce the ability of the retail packaging of tobacco products to mislead consumers about the harmful effects of smoking or using tobacco products.
What they promised

"Plain packaging was as much about stopping our kids from taking up smoking as it is about encouraging existing smokers to quit. We are confident that plain packaging will reduce the number of smokers in the future."

Former AU Health Minister Tanya Plibersek

Section 3 (1), Chapter 1 of the *Tobacco Plain Packaging Act of 2011*, states:

"The objectives of this Act are:
(a) to improve public health by:
(i) discouraging people from taking up smoking, or using tobacco products; and
(ii) encouraging people to give up smoking, and to stop using tobacco products; and
(iii) discouraging people who have given up smoking, or who have stopped using tobacco products, from relapsing; and
(iv) reducing people's exposure to smoke from tobacco products; xxx"
It hasn’t worked
It hasn’t worked

The National Drug Strategy Household Survey 2013 confirms reports:

- The decline in daily smoking rates between 2010 and 2013 from 15.1% to 12.8% is “continuing a downward trend from 1991”, i.e. the same trend as before plain packaging was implemented.

- Plain packaging has had no impact on the objective to reduce youth smoking prevalence. Youth smoking prevalence increased between 2010 and 2013. After a decade of declining, the NDSHS data report smoking rates among the 12-17 years olds going up from 2.5% in 2010 to 3.4% in 2013.

- Health warnings motivated significantly fewer smokers to change their behavior in 2013 after plain packaging was implemented (11.1%) than in 2010 before it was implemented (15.2%).
There is no empirical support for the plain packaging policy. To date, the ‘success’ of the plain packaging policy has rested on very imperfect indicators – for example, the number of individuals calling Quit services and the like.

There is no evidence to suggest household expenditure on tobacco has changed. From an economic perspective, plain packaging could lead to increased tobacco consumption.

There is evidence to suggest that tobacco consumers are substituting to cheaper brands of cigarette.

To the extent that branding disappears it also becomes easier for counterfeit or illegal tobacco to enter the Australian market.
It hasn’t worked

The Sydney Morning Herald

“Teenagers in NSW are purchasing illegal, original-branded cigarette packets, claiming the original packaging makes them “cooler”.

Fifteen-year-old student Rosie said the original packaging detracted from the effectiveness of plain packaging.

“It just makes people more excited about original packaging,” she said, “It helps that they are cheaper.”
Significant impact on the industry
Price segments reflecting consumer switching behaviour

Source: Infoview Industry Exchange (IMS)
Changing mix of illicit

Consumption of illicit tobacco products by category, 2007 – 2013

Share of illicit tobacco consumption, 2012 – LTM H1 2014

Notes: (a) Counterfeit and contraband estimations are unavailable for 2007
(b) The 2012, LTM H1, FY 2013 H1, 2014 results for illicit are calculated using the consumer survey for unbranded and the empty pack survey for contraband and counterfeit

Sources: (1) KPMG analysis
(3) PriceWaterhouseCoopers, Australia’s Illegal Tobacco Market, 2007, 2009
(4) MS Intelligence Research, Empty pack survey, Q2 2013 and Q4 2013
Trade and financial risk
Trade and financial risk

2. Australia's Plain Packaging Arbitration: The Investor/State Dispute Mechanism under the Australia-Hong Kong Bilateral Investment Treaty (BIT)

BIT Case

- Could reach as high as US$4 billion to US$5.3 billion – the biggest claim against Australia so far.
- Decision on jurisdiction – 2nd half of 2015
- Decision on the merits - 2017

3. Australia's Plain Packaging Litigation: Challenges through the WTO

WTO Cases

- Indonesia, Ukraine, Honduras, the Dominican Republic, and Cuba are seeking WTO dispute panel rulings arguing Australia's plain packaging law violates global trade rules.
- Challenges to plain packaging under WTO Law under:
  - the General Agreement on Tariffs and Trade (GATT) 1994.
  - the Agreement on Technical Barriers to Trade (TBT).
  - the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS).
- The complaints by all five countries against Australia are ongoing:
  - The WTO Director-General established dispute panels for the five countries on May 5, 2014.
  - Challenges to plain packaging have drawn the support of US business groups like the US Chamber of Commerce, the National Association of Manufacturers, and the United States Council for International Business.
- AU faces a lose-lose situation: If it loses, it should repeal the PP law or face retaliation. If it wins, PP is legitimized and could be imposed on other products.
- Decision by the Panel-mid-2016
Booming black market
Booming black market

Key Findings:

- Illegal tobacco use in the last 12 months has increased from 13.5% to 14.3% of total consumption.

- AU$1.2 billion in tobacco excise taxes were lost to illicit trade.

- The mix of illicit trade is changing rapidly.
Booming black market

Data from Australia’s Custom and Protection Service confirm the rising cases of illicit trade in Australia. In 2013, the number of detections increased by 69% and illicit cigarettes by 42%.

In the same year, the duty evaded amounted to AUS$151 million which was a 21% increase from 2012 figure.
Pain for law abiding retailers
Pain for law abiding retailers

- 77% of small retailers had suffered a negative impact on their business;
- 90% had to now spend increased time to serve customers;
- 59% increase in the frequency of staff giving the wrong products to customers; and
- 50% of general trade retailers pointed to a negative effect on the level of service to non-tobacco customers.

Source: Roy Morgan Research, October 2013.
Fighting back on ingredients
Regulatory overview

Ingredient bans, display bans, oversized health warnings
Ingredients bans

- Canada
- EU
- Brazil
- Turkey (filters)

Broad (2)
Menthol (2)
Key ATO arguments ...

Should be banned
Proposed ban

Section 5(3)(e)
"No person, shall-
(e) use additives in any form that can impart, intensify,
modify or enhance the flavor or increase dependence of
cigarettes or any other tobacco products."

The Committee “felt that the concern of the civil society to prohibit flavoring
of tobacco or tobacco products by adding additives to promote its use or
dependency should also be addressed.”
No evidence that ingredients make tobacco more addictive

There is **no evidence** that additives enhance the addictiveness of nicotine and therefore of tobacco.

EU Scientific Committee on Emerging and Newly Identified Health Risks (2010)

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**Chart 3.1: Quit ratios in EU27 states**

<table>
<thead>
<tr>
<th>Quit ratio, %</th>
<th>Blue bars - predominantly Virginia</th>
<th>Red bars - predominantly Traditional blended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average</td>
<td></td>
</tr>
</tbody>
</table>

Source: IMS, AC Nielsen, Eurobarometer

**Chart 3.2: Quit ratios in other countries**

<table>
<thead>
<tr>
<th>Quit ratio %</th>
<th>Blue bars - predominantly Virginia</th>
<th>Red bars - predominantly Traditional blended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average</td>
<td></td>
</tr>
</tbody>
</table>

Source: IMS, AC Nielsen, WHO, national sources

Oxford Economics (2012)
Ingredients don’t promote tobacco use

Chart of Smoking Prevalence and Market Share of Traditional Blended Products (EU 27)

Ingredients don’t promote tobacco use

Adult Population (15+) who are daily Smokers - US vs. Canada

Source: OECD Health Data

No ingredients (Virginia market)

With ingredients (traditional blended market)
Ingredients do not make tobacco more harmful

...cigarettes claimed to be without additives and made of "organic" tobacco have never been demonstrated to be less dangerous or addictive than [cigarettes with ingredients].

WHO (2006)

...tobacco additives have only occasional and limited effects on cigarette mainstream smoke composition, which are almost never reflected in the results of toxicological in vitro assays or in vivo studies.

Klus et al. (2012)
Consequences

Illicit Trade

If menthol cigarettes are prohibited, anyone who can find a way to obtain and sell these cigarettes may do so and, because the profit potential is significant enough, organized crime will utilize its in-place smuggling networks to distribute the contraband.

United States Fraternal Order of Police (2013)

Growers suffer

... without ingredients, demand for Burley would virtually disappear, leaving no economically viable alternative crop for its farmers.

ITGA
International Tobacco Growers' Association

PHILIP MORRIS INTERNATIONAL
**Article 9**

*Regulation of the contents of tobacco products*

The Conference of the Parties, in consultation with competent international bodies, shall propose guidelines for testing and measuring the contents and emissions of tobacco products, and for the regulation of these contents and emissions. Each Party shall, where approved by competent national authorities, adopt and implement effective legislative, executive and administrative or other measures for such testing and measuring, and for such regulation.

**Article 10**

*Regulation of tobacco product disclosures*

Each Party shall, in accordance with its national law, adopt and implement effective legislative, executive, administrative or other measures requiring manufacturers and importers of tobacco products to disclose to governmental authorities information about the contents and emissions of tobacco products. Each Party shall further adopt and implement effective measures for public disclosure of information about the toxic constituents of the tobacco products and the emissions that they may produce.

**Requirements:**

*Test, Measure, Disclose*
Display bans

Adopted (14)

- Finland
- Iceland
- Ireland
- Norway
- UK
- BVI
- Canada
- Panama
- Croatia
- Kosovo
- Russia
- Australia
- Mauritius
- New Zealand
- [Thailand]
Key ATO arguments ...

Display leads to smoking by:

- Normalizing tobacco
- Triggering impulse purchases
- Making quitting more difficult
- Contributing to initiation
No effect on smoking

**Iceland**

- no statistically significant effect on smoking prevalence
  - Padilla (2010)

**Ireland**

- no statistical evidence that the POSD ban has affected the volumes of cigarettes sold
  - Meschi (2012)
It is clear that there is no evidence that the tobacco display ban, which has been in effect since 2007, has reduced tobacco consumption.

Nova Scotia Provincial Court
## Consequences – Impact on retailers

<table>
<thead>
<tr>
<th>Description of economic cost</th>
<th>New South Wales</th>
<th>Victoria/Western Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>One-off costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refitting</td>
<td>$5000-$10,000</td>
<td>$5000-$10,000</td>
</tr>
<tr>
<td>• new tobacco storage area allowing for a new restocking method</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• refitting of area previously used for tobacco stock</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total one-off costs</td>
<td>$5000-$10,000</td>
<td>$5000-$10,000</td>
</tr>
<tr>
<td><strong>Recurring costs (annual)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional transaction time</td>
<td>$6,000 to $12,000</td>
<td>$4000 to $10,000</td>
</tr>
<tr>
<td>• transaction time estimates provided in tables 8 and 9 for New South Wales, Victoria and Western Australia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• 200 packets of cigarettes sold on average</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• average staff wage is $20.00 per hour</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restocking</td>
<td>$3.500 - $7,500</td>
<td>$3.500 - $7,500</td>
</tr>
<tr>
<td>• staff time dedicated to restocking to avoid incidental viewing increases by 30-60 minutes per day</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td>$100 - $300 in the first year with an estimated annual cost of $30- $60 for subsequent years</td>
<td>$100 - $300 in the first year with an estimated annual cost of $30- $60 for subsequent years</td>
</tr>
<tr>
<td>• new store procedures must be imparted to each staff member- 30-60 minutes of practical training</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• a medium sized store will employ approximately 10 staff. Turn over is 30% (lower bound estimate)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indicative Estimate of Total recurring economic cost per Convenience Store</td>
<td>$9,530 - $19,560</td>
<td>$7,530-$17,560</td>
</tr>
</tbody>
</table>

*Deloitte Consulting (2009)*

Cigarettes under the counter lead to bankruptcy.

Croatian Retailers
Consequences – Anti-competitive

There is no doubt that ... a display ban will remove the use of positioning as a competitive measure between the producers.
Norwegian Ministry of Health (2007)
Health Warnings (75/75+)

Adopted (6)

Canada
Uruguay

Australia
Brunei
Nepal
Thailand
Most countries: HWs between 30/30 and 50/50
Health warnings: A comparison

Adult smoking prevalence

Data sourced from OECD Health Data 2012 available at: http://www.oecd.org/els/healthpoliciesanddata/oecdhealthdata2012-frequentlyrequesteddata.htm
Our position

Warning smokers and nonsmokers about the serious adverse health effects of smoking is a fundamental objective of tobacco regulation and has been a core component of government tobacco policy for decades in many countries. We support this policy.

PMI.com
Ad bans

- The emphasis on advertising bans and similar regulations in the public health literature is misplaced.
- More effective policies need to be sought.
- Studies [of advertising bans] are deficient in so many respects that the big question is whether there's any influence of marketing at all, especially in the mass media.
- The American Medical Association and the World Health Organization are among the organizations that uncritically cite these studies in their advocacy.

The Pennsylvania State University, Alcohol and Tobacco Advertising Bans Don’t Work, August 16, 2010
THANK YOU