



International Union Against
Tuberculosis and Lung Disease

Health solutions for the poor

Tracking Investments by financial institutions in tobacco companies:

What tobacco control advocates need to know and do about it?

August 20, 2013, Symposium14: Tobacco industry and Corporate Social Responsibility

The Union South-East Asia

International Union Against Tuberculosis and Lung Disease
(The Union)

New Delhi

This presentation

Problem: Tobacco industry's easy access to public and private funds

- Who invests in tobacco industry? *
- How tobacco industry invests?
- Who gains from sale of tobacco (from the perspective of the Big 4) ?

Possible Measures

- What is the role of FCTC and other global treaties, and Voluntary codes (IFC, Global Compact) others?

Challenges

- Where are the vested interests and complicity within governments, corporate and inter-government agencies?
- How do we delink tobacco stocks from “ethical investment”?

*** For the purpose of this presentation, I look at only cigarettes**



Tobacco is as big as a G-20 nation

(slide courtesy: Dr. C Callard, 2010)

Rank	Country	GDP \$US millions
1	United States	14,204,322
2	Japan	4,909,272
3	China	3,860,039
4	Germany	3,652,824
5	France	2,853,062
6	United Kingdom	2,645,593
7	Italy	2,293,008
8	Brazil	1,612,539
9	Russian Fed.	1,607,816
10	Spain	1,604,174
11	Canada	1,400,091
12	India	1,217,490
13	Mexico	1,085,951
14	Australia	1,015,217

Rank	Country	GDP \$US millions
15	Korea, Rep.	929,121
16	Netherlands	860,336
17	Turkey	794,228
18	Poland	526,966
	Tobacco Economy	515,000
19	Indonesia	514,389
20	Belgium	497,586
21	Switzerland	488,470
22	Sweden	480,021
23	Saudi Arabia	467,601
24	Norway	449,996
25	Austria	416,380
26	Iran, Islamic Rep.	385,143
27	Greece	356,796

Who owns tobacco industries?

(Shareholding in private cigarette companies only)

	British American Tobacco		ITC (Formerly India Tobacco Company, 23.3% owned by BAT)	
	1995	2011	1995	2011
Nominee companies	89.2	84.85	7.6	4.74
Financial Institutional, pension funds and other investors	4.8 →	7.3	28.6 →	34.3
Government (Treasury, others)	1.2 →	2.82	18 →	20.3
Promoters and shareholders	0.8	1.05	39	30.8
Others and individuals	~4	3.98	6.8	10.27

Source: Company websites

Where are tobacco companies accessing funds for growth?

ITC (Formerly India Tobacco Company)		
	1995	2011
Banks, Financial Institutions, Insurance Companies and Mutual Funds (private)	10.4	23.4
Foreign Companies and Institutional Investors	46.4	51.3
Public and Others Corporate	38.5	15.2
Government sources	4.7	10.1
Others	-	-

Source: Company website

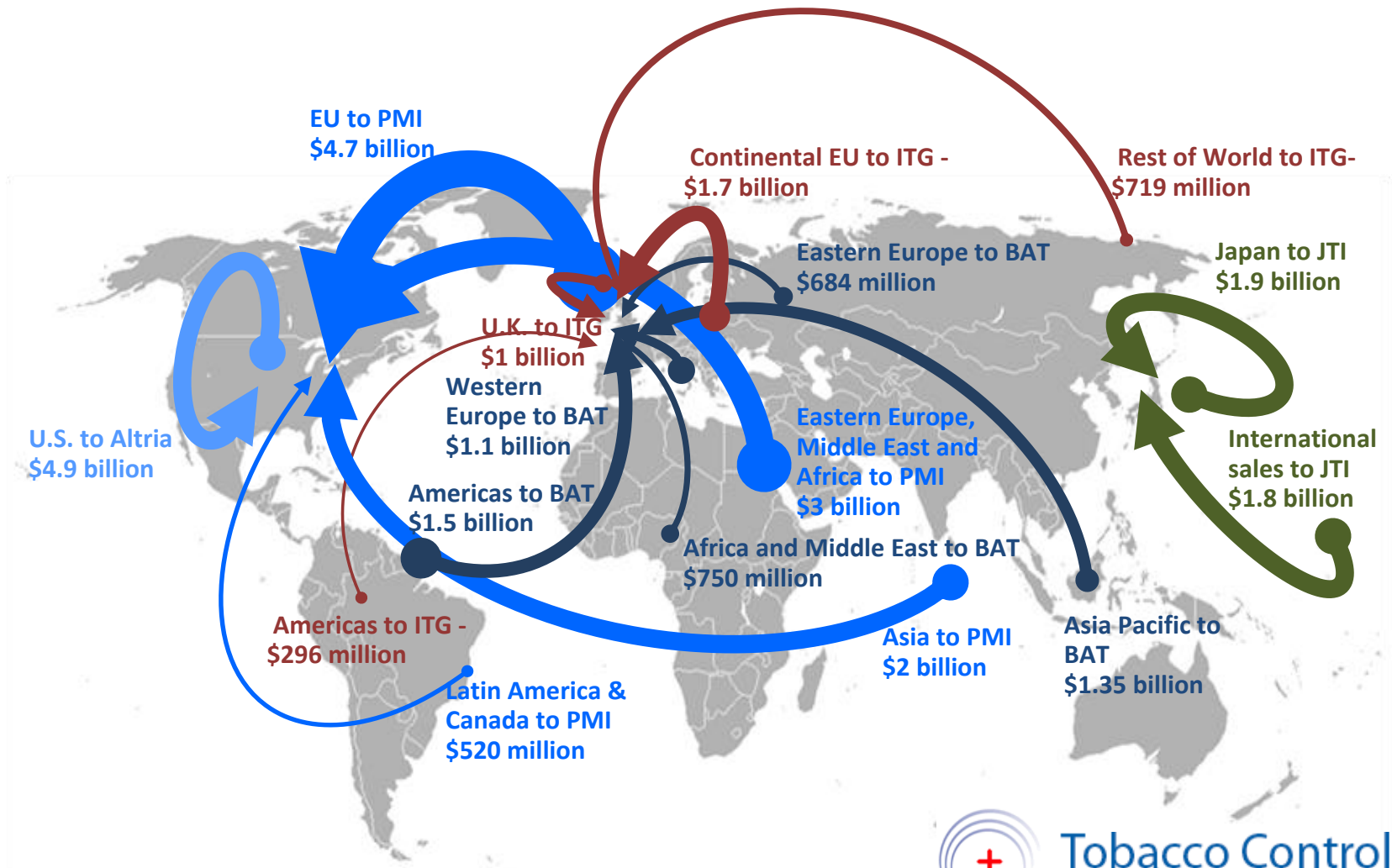
Who invests in tobacco industry?

- **Everyone** - tobacco remains an attractive proposition. Investors are attracted to the low costs, medium risks and high returns.
- **Governments** extend subsidies, invest through public sector banks and bonds, pension schemes
- **Multilateral and bilateral donors**
- **Private Banks, insurance and mutual funds**



Repatriated profits 4 companies:

US\$ 20 billion per year



Industry pre-empts tobacco control measures – uses its money to build goodwill

An example from India:

In 1996 BAT-UK instructed offices in India and Bangladesh to prepare action plans for the 'World No Tobacco Day'. ITC to highlight, " instances or cases of neglect in the areas of health. ..media stories on urban slums, which are growing at an alarming rate, bereft of sanitation etc. Or the malaise of pollution and the diseases induced by it. Or the growing, but inadequately challenged menace of AIDS.'

1996: corporate sponsorship (by ITC) of Wills Cricket World Cup (1996-99); and major civil society to support tobacco industry; see tobacco industry as a “champion” for environment and social development

1998: supports policy dialogues on environment, clean air, international negotiations

1999: Supports WWF and TERI among other national NGOs, engages with highest level officials to promotes CSR

2000: declared by UNDP as the greenest company in India

..2013: awarded at Rio+

The reward



2008



2013



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UN Development Programme and non-communicable diseases

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In her Comment (Feb 16, p 510),¹ Helen Clark from the UN Development Programme (UNDP) has overlooked the problematic association between development agencies and the tobacco industry, which continually undermines global efforts to combat non-communicable diseases (NCDs).

The tobacco industry promotes sale and consumption of addictive and disease-causing substances that fuel NCDs. Its stated and vested interests are directly opposed to public health priorities. Because of a lack of adherence to exclusion criteria and standards for partnerships, such companies largely responsible for causing the NCD epidemic have ironically become development partners of UN agencies.

The Global Environment Facility (GEF),² an initiative of the UNDP (and the World Bank), led projects in the Philippines, Panama, Uganda, and Tanzania, which received funds from tobacco companies. In Tanzania, GEF supported an afforestation programme to sustain tobacco farming.³

Partners, such as Global Business Coalition on Health⁴ and UN Global Compact, partner with corporations in the tobacco industry.⁵

The openness of the UN systems confers upon the tobacco industry an undeserved legitimacy, facilitates its access to global policy making, and ultimately distorts health priorities. UNDP's agenda to combat NCDs is thus called into question by its partnership with an industry that contributes overwhelmingly to the crisis.

We declare that we have no conflicts of interest.



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Multilateral and bilateral donors

Multilateral donors and agencies	Invest into tobacco companies	Receive investment from tobacco companies	Other forms of participation
The World Bank (IBRD)	Exclusion policy 1991	No	Not known
Other Bretton Woods	Weak exclusion policies	Yes (especially IMF)	Not known
UNDP	No exclusion policy	Yes	Yes
Other UN agencies	No exclusion policy	Yes	Yes

Bilateral and Government agencies	Invest into tobacco companies	Receive investment from tobacco companies	Other forms of participation
UK (DFID)	Exclusion policy 1991	No	Not known
UK (CDC)	Weak exclusion policy	Not known	Yes
USAID	Weak exclusion policy (1999)	Not known	Yes (USIBC, others)
German, Dutch, Belgian, French, Japanese	No exclusion policy	No (only Belgian aid)	Yes



43 of the 50 largest private banks have stake in tobacco

Most (88%) conform to voluntary codes with include tobacco as an exclusion criteria

Most European, all Aus-NZ and growing number of Japanese banks adhere to the negative screen

1	BNP Paribas	France	26,69,906	Yes	No	No	Led the Imperial Tobacco £500m sterling bond issue (21 Sept 2011)
2	Deutsche Bank	Germany	25,46,272	Yes	Yes	Yes	Advised and assisted BAT on its acquisition of an 85% stake in PT. Bentoel Tbk, Indonesia's fourth largest tobacco company; lead fund manager for BAT- offer for Compañía Chilena de Tabacos S.A. of USD 170 million , lead advisor on Reemtsma Cigarette - Imperial Tobacco Grp
3	HSBC Holdings	United Kingdom	24,54,689	Yes	Yes	Yes	HSBC country offices (South Africa, UK) have supported domestic industry in Africa
4	Barclays	United Kingdom	23,31,943	Yes	Yes	Yes	Barclays Capital is a major investor in Altria Group, Inc and Vector Group
5	The Royal Bank of Scotland Group	United Kingdom	22,75,479	Yes	No	Yes	Investments have declined, although country offices do invest and trade with tobacco companies
6	Bank of America	United States	22,68,347	No	No	No	One of the preferred banks on Philip Morris (PMI and PMUSA), Altria
7	Crédit Agricole	France	21,29,248	Yes	Yes	Yes	None. Last deal supported wasthe M&A of Moroccan government for the privatisation of Régiedes Tabacs du Maroc, the state-owned tobacco company (1.6 billion) in 2003.
8	JPMorgan Chase	United States	21,17,605	Yes	No	Yes	One of the big three which invests and repatriate tobacco revenues for all major companies
9	Industrial & Commercial Bank of China (ICBC)	China	20,32,131	Yes	No	No	No public disclosures
10	Citigroup	United States	19,13,902	Yes	No	No	Biggest investor and promoter of tobacco industry globally.
11	Mizuho Financial Group	Japan	18,90,220	No	No	No	Investor in Japan Tobacco and RJ Reynolds
12	Bank of Tokyo-Mitsubishi UFJ	Japan	16,87,313	No	No	No	Minor equity funds invest in JTI
13	ING Group	Netherlands	16,66,368	Yes	Yes	Yes	No investments since 1998
14	China Construction Bank	China	16,32,261	Yes	No	No	No public disclosures
15	Banco Santander	Spain	16,26,805	No	No	Yes	Financing of Imperial Tobacco's takeover of Altadis (2007).
16	Bank of China	China	15,79,346	Yes	No	No	No public disclosures
17	Agricultural Bank of China*	China	15,68,722	Yes	No	No	No public disclosures
18	Lloyds Banking Group	United Kingdom	15,52,245	No	No	Yes	Invests and risk manager for BAT till 2005, no major investments since.
19	Société Générale	France	15,12,657	Yes	No	Yes	Has not invested, since 2006
20	UBS	Switzerland	14,01,924	No	No	Yes	Equity funds invest in BAT and PMI

Tobacco companies exploit tax haven

Ninety-eight of the FTSE 100 companies use tax havens, including tobacco, alcohol and even state-backed banks (**Actionaid, 2011**)

Subsidiaries of the FTSE 100

FTSE100 company	Sector	Total number of offshore companies	Number of companies in tax havens	% of companies in tax havens
BRITISH AMERICAN TOBACCO	TOBACCO	731	181	24.76%
IMPERIAL TOBACCO GROUP	TOBACCO	388	92	23.71%
SABMILLER	FOOD & DRINK INVESTMENT &	367	83	22.62%



How do we follow the money?

- **Clean up the United Nations and the donor community**, remove tobacco industry as “development partner”
- Exclude tobacco industry and its investors/ supporters from global health and development debates (including SDG and NCD debate)
- Focus on existing policies that support ethical and fair business practices
 - The *UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises* with Regard to Human Rights could be the starting point for international standards for governments and multilateral institutions.
- Support transparency efforts by global civil society for corporates, MIs and governments.
 - Develop report cards on every financial institution, non-profit
- Mainstream tobacco abuse and strengthen adherence of companies to
 - IFC codes, OECD guidelines for multinational enterprises (1976), ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy and UN Global Compact
 - monitor performance of companies to adherence to codes and practices
- Include tobacco industry monitoring as part of the global tax haven debate



Recommendation

- **Monitor front groups** of tobacco industry which continue to engage in multilateral and bilateral engagements and their agencies.
- **Track government investments** in industry which defeats efforts tobacco control efforts and legitimizes the industry



Thank you



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