

# **FROM REPORTS TO REALITY: SCRUTINIZING TOBACCO INDUSTRY ESG CLAIMS**

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## **Executive summary**

This report examines the Environmental, Social, and Governance (ESG) strategies of tobacco companies, particularly British American Tobacco (BAT) and Philip Morris International (PMI). Both companies claim to be responsible corporate citizens but their actions reveal a significant disconnect between their ESG claims and business practices.

**Environmental (E):** Both British American Tobacco (BAT) and Philip Morris International (PMI) present themselves as environmentally responsible by focusing on sustainability initiatives like carbon neutrality and waste reduction. However, these claims overlook the massive environmental issue posed by cigarette butts, which are the most littered item globally which none of the ESG reports adequately address. Furthermore, the promotion of e-cigarettes and other non-combustible products as eco-friendly alternatives is misleading, as these products contribute significantly to plastic and electronic waste. Despite their sustainability claims, these companies continue to avoid full responsibility for the environmental damage caused by their products.

**Social (S):** BAT and PMI position their non-combustible products, such as e-cigarettes and heated tobacco, as a contribution to public health and a step toward achieving the United Nations Sustainable Development Goals (SDGs), particularly those related to health and well-being. However, in South Africa, both product use trends and marketing practices raise serious concerns about the tobacco industry's true objectives. Notably, there has been significant growth in the use of both combustible and non-combustible products, and research indicates that the highest rise in usage is among young people aged 16 to 24 and those aged 25 to 35.<sup>1</sup> Moreover, the marketing strategies for non-combustibles do not consistently align with harm reduction principles. These products are often marketed to non-smokers. Rather than being a genuine public health solution, the tobacco industry appears to be appropriating the concept of “harm reduction” primarily to increase profits and influence policymaking.<sup>2</sup>

**Governance (G):** BAT and PMI both assert that they engage transparently with regulators and policymakers to ensure that tobacco laws are effective without stifling business growth. They claim to comply with international frameworks like the WHO’s Framework Convention on Tobacco Control (FCTC), advocating for policies that balance public health and consumer rights. In reality both companies fiercely oppose the Tobacco Products and Electronic Delivery Systems Control Bill in South Africa revealing a prioritization of business interests over public health. BAT and PMI also

claim a commitment to responsible marketing, emphasizing their efforts to prevent underage access by targeting only adult consumers and restricting their ads to adult-focused social media platforms. However, evidence shows that their marketing is targeted at minors, casting doubt on their dedication to limiting youth access.

**Conclusion:** The ESG claims of BAT and PMI stand in stark contrast to their actions, which consistently prioritise business interests over environmental responsibility, public health, and youth protection. The irreconcilable conflict between public health and the tobacco industry's objectives has never been more apparent. Despite positioning themselves as responsible corporate entities, both companies engage in practices that undermine their stated commitments. These contradictions underscore the urgent need for greater scrutiny, stricter regulations, and stronger accountability measures to limit their influence on public health policy.

## **Introduction**

The Tobacco Industry has long been regarded as a pariah, with a track record of violating human rights and aggressively targeting children in its marketing efforts. Tobacco products remain the leading cause of preventable death worldwide,<sup>3</sup> contributing to significant health, environmental, economic, and social challenges that demand urgent attention. The industry is widely recognized as a major obstacle to Tobacco Control, and the implementation of the World Health Organization's Framework Convention on Tobacco Control (WHO FCTC) highlighting the inherent conflict between the interests of the Tobacco Industry and public health.

Despite the harmful impacts of the Tobacco Industry, tobacco companies still feature prominently in Environmental, Social, and Governance (ESG) indexes and corporate responsibility rankings. In 2021, British American Tobacco (BAT) was ranked 8th in the Johannesburg Stock Exchange (JSE) Socially Responsible Investment (SRI) Top 30 Index<sup>4</sup>—a glaring contradiction, considering the lethal nature of its products and the controversial corporate practices it employs to market and sell them.

At the core of ESG reporting is the expectation that companies operate with integrity—respecting human rights, protecting the environment, and upholding anti-corruption standards. ESG reporting is intended to help investors and the public assess a company's ethical practices and environmental responsibility; unfortunately, ESG reporting has also become a key tool for the Tobacco Industry to maintain a positive corporate image.

Through their portrayal as champions of sustainability and social responsibility companies like the BAT and PMI divert attention from the undeniable harm their products cause to public health and society. The very essence of their business—selling products responsible for millions of preventable deaths and hindering life-saving Tobacco Control efforts directly contradicts the principles that ESG frameworks are meant to uphold. This manipulation allows the Tobacco Industry to continue profiting while undermining public health.

This report takes a close look at the ESG claims made by BAT and PMI between 2021 and 2023. By comparing their sustainability reports with their actual business practices, it aimed to expose how these companies distort ESG frameworks for their own benefit, and the analysis revealed the gap between their stated commitments to sustainability and social responsibility and the reality of their harmful practices.

As governments, investors, and consumers increasingly demand ethical and sustainable business practices, this report seeks to shed light on the true impact of tobacco companies on society and the environment and emphasizes the urgent need for stricter regulations that hold these companies accountable for their actions.

## **Background**

There is growing pressure to hold businesses accountable for human rights violations, especially amid the ongoing business and human rights treaty negotiations. In an ideal world, corporations would respect human rights, acting with due diligence to avoid infringing on the rights of others, and they would prioritise not only financial gains but also ethical obligations.

Contrary to the statement above, the Tobacco Industry stands out as one of the most notorious for violating human rights. Tobacco is the leading preventable cause of death globally, contributing to significant health and societal problems that demand urgent attention.<sup>5</sup> The industry is a major obstacle to effective tobacco regulation, prompting the WHO FCTC to mandate that parties protect their public health policies from the commercial and vested interests of the Tobacco Industry. Holding the Tobacco Industry accountable is essential to highlight numerous human rights, including the right to health, education, access to information, and the rights of children and women, among others.

In 1999, the U.S. Department of Justice (DOJ) initiated litigation against major tobacco companies for fraudulent and unlawful conduct under the Racketeer Influenced and Corrupt Organizations (RICO) Act. By 2006, Judge Gladys Kessler found these companies guilty of violating RICO by deceiving the public about the health risks of smoking and marketing to children.<sup>6</sup> Kessler condemned their practices, stating that tobacco companies “have marketed and sold their lethal products with zeal, with deception, with a single-minded focus on financial success, and without regard for the human tragedy or social costs that success exacted.”

Despite progress in Tobacco Control, the industry continues to engage in activities that gravely violate human rights. While its profits grow, its consumers suffer and die.

In South Africa (SA), the tobacco epidemic has worsened, with smoking rates rising sharply from 19.4% in 2017 to 25.8%.<sup>7</sup> The epidemic causes approximately 40,000 deaths annually in SA and 8.7 million globally.<sup>8</sup> Despite this devastating toll, the Tobacco Industry persists, aggressively marketing harmful products and obstructing Tobacco Control efforts.

The 2023 Tobacco Interference Index for SA revealed a disturbing increase in Tobacco Industry influence, with the country’s score dropping by three points since 2021.<sup>9</sup> Tobacco companies have consistently opposed government efforts; in between 2009 and 2012, British American Tobacco South Africa (BATSA) challenged the Tobacco Products Control Act, arguing that the introduction of an advertising ban violated their freedom of expression and the right of consumers to receive information about tobacco products.<sup>10</sup> Both the trial court and the Court of Appeal ruled against BATSA, finding that the government's duty to protect public health outweighed any such rights. The Constitutional Court also dismissed BATSA's appeal, as it had no prospects of success, reaffirming South Africa's commitment to protecting, and respecting human rights and its obligations under the FCTC.

SA now stands at a crucial juncture in its fight against tobacco. The Tobacco Products and Electronic Delivery Systems Bill, 2022 (Tobacco Control Bill), under review in Parliament, represents a significant step toward stronger tobacco regulation. However, industry giants such as PMI and BAT are fiercely resisting, working to delay and dilute the Bill, further obstructing Tobacco Control efforts.

Despite their ongoing efforts to undermine Tobacco Control, these companies have cultivated a vastly different public image through ESG reporting. ESG reporting allows companies to position themselves as responsible businesses, offering governments and investors insights into their

contributions toward achieving the Sustainable Development Goals (SDGs). This report critically examines the ESG claims made by BAT and PMI from 2021 to 2023. By contrasting these claims with their actual business practices, the report exposes how these companies manipulate ESG reporting to mislead stakeholders, masking their harmful activities and obstructing effective Tobacco Control measures.

## **Methodology**

This report analyses the ESG claims of BAT and PMI. Tobacco companies often use ESG to mask the negative impact of their products and activities. The objective was to monitor, expose, and counter the industry's misinformation providing accurate information to the public and policymakers. The report focused on the industry's publicly available information between 2021 and 2023.

The main source of data collection was from the companies' ESG, integrated and annual reports. For BAT, we used its 2021 ESG report, its 2022 Combined Annual and ESG report, and its 2023 Combined Annual and Sustainability report which were available on their website. For PMI, the ESG reporting were extracted from its 2022 ESG Highlight report, and its 2021 and 2023 Integrated reports available on their website. Several key themes emerged during the data analysis from the ESG highlights (see Tables 1-3).

To highlight the reality of tobacco company activities in South Africa, Phase 2 involved an in-depth analysis by the Tobacco Industry Monitoring and Response Team (TIMR). The team examined company websites, social media platforms, and media coverage to uncover industry activities. This analysis was further enriched by the team's extensive experience in Tobacco Control, offering insights into the broader societal, environmental, and sustainability impacts of tobacco company operations.

## **Limitations**

While the ESG and integrated reports provided useful insights into the activities of tobacco and e-cigarette companies, several significant limitations were encountered. First, the companies did not consistently make ESG reports publicly available. BAT had only one ESG report from 2021, and PMI had just one ESG Highlight report. As a result, the TIMR team had to extract additional ESG data from the companies' combined annual and integrated reports.

Second, although the goal was to focus on ESG reporting specific to South Africa, the available reports were global in scope, rather than tailored to South Africa. Where South Africa was mentioned, these details were highlighted in the analysis. However, it was difficult to gather comprehensive information on the full extent of the Tobacco Industry's impact on the environment, society, and sustainability. In many cases, the TIMR team had to supplement their data with information from social media, news outlets, and regional or global sources.

Additionally, there was a time constraint, as the project had a three-month window from inception to completion. Limiting the number of documents reviewed. This timeframe included the TIMR SA team's planning, task distribution, data collection, analysis, and final report delivery.

## Key Highlights Table

### Themes

Themes (2021 – 2023)	BAT	PMI
<b>Environment</b>	<b>Climate</b>	<b>Tackle Climate change</b>
	<b>Water</b>	<b>Water</b>
	<b>Waste</b>	<b>Reduce post-consumer waste</b>
	<b>Biodiversity, Ecosystem and Afforestation</b>	<b>Forest, biodiversity, environmental management</b>

Theme (2021 – 2023)	BAT	PMI
<b>Social</b>	<b>Farmers livelihoods and communities</b>	<b>Improve the quality of life within the supply chain</b>
	<b>Human rights</b>	<b>Respect for human rights</b>
	<b>Freedom of choice</b>	<b>Maximize the benefits of smoke-free products</b>
	<b>Health rights</b>	<b>Product health impact</b>



	<b>Employees diversity and culture</b>	<b>Fostering diversity and inclusion</b>
	<b>Harm reduction</b>	<b>Developing science-based better alternatives to cigarette smoking/nicotine science</b>

<b>Theme (2021 – 2023)</b>	<b>BAT</b>	<b>PMI</b>
<b>Governance</b>	<b>Business ethics and integrity</b>	<b>Business transformation metrics</b>
	<b>Responsible marketing</b>	<b>Marketing and selling products responsibly</b>
	<b>Regulatory and Policy</b>	<b>Manage sustainability</b>
	<b>Tax transparency</b>	<b>Consumers and revenues</b>
	<b>Anti-illicit trade</b>	<b>Illicit trade prevention</b>

## SUMMARY OF FINDINGS

### Environmental Deception: Unpacking the 'E' in ESG

Tobacco companies report contributing to environmental sustainability by highlighting efforts to reduce their carbon footprint, improve waste management, conserve water, and promote biodiversity, including afforestation.

According to BAT, a major part of its strategy to reduce environmental impacts is through its non-combustible products. BAT's reports herald VUSE as the world's first carbon-neutral vape product. Vuse's sustainability plan includes minimizing unnecessary packaging and shifting 80% of its international shipments to sea transportation to cut emissions.

*“Vuse is the first-ever global carbon-neutral vape brand and it demonstrates a commitment to carbon neutrality and reducing the impact on the environment.” (BAT)<sup>11</sup>*

Additionally, BAT is part of the United Nation-backed "Race to Zero" campaign, targeting net-zero carbon emissions by 2050. It claims to be decarbonising its operational sites, reducing CO2 emissions in manufacturing, purchasing renewable energy, optimising travel routes to lower fuel use, transitioning to hybrid and electric vehicles, and introducing fuel-efficient curing technologies for contract farmers.<sup>12</sup>

Both BAT and PMI claim to be working towards reducing pollution and waste. PMI, for instance, boasts a high recycling rate of 86% for its IQOS devices.<sup>13</sup> BAT, on the other hand, aims to eliminate single-use plastics in its packaging and ensure that all packaging is 100% reusable, recyclable, or compostable by 2025.<sup>12,12</sup> BAT reports collaboration with Ocean Plastics Technologies in SA on a vapour pod recycling pilot, with its "Drop the Pod" campaign in SA collecting 1.5 million pods within the first eight months.<sup>14</sup>

More emphasis is placed on BAT's efforts to transform its vapour products, such as replacing silicone caps with pulp-based alternatives for e-liquid pods, rather than addressing the environmental impact of combustible products. Notably, the BAT's ESG roadmap does not set specific targets for cigarette butt waste. While BAT reports conducting pilot studies on paper filters, which claim to reduce the carbon footprint by 35%, their approach to addressing cigarette butt litter remains vague.<sup>12</sup> The company mentions providing bins and portable ashtrays to reduce littering and references decades of work on cigarette butt alternatives,<sup>15</sup> yet there are no clear targets or commitments. BAT also states that it has collaborated with municipal waste management specialists to develop an Extended Producer Responsibility (EPR) model for cigarette butts, but concrete plans are lacking.

Similarly, PMI focuses on reporting on its anti-littering programs and take-back programs for its smoke-free range. It claims that 86% of its IQOS devices are recycled.<sup>16</sup>

In terms of water usage, BAT claims a 27.6% reduction in water withdrawals and aims for a 35% reduction by 2025.<sup>15</sup> The company reports that it supports sustainable irrigation practices

for contracted farmers, with some plants using water treatment systems to recycle water and online systems to detect leaks.

As part of its afforestation efforts, BAT reports distributing 380 million tree saplings over the last 40 years,<sup>15</sup> claiming that more trees are planted than removed to achieve net zero deforestation. The company also reports that it supports crop diversification for its contract farmers to avoid soil depletion caused by monocropping. In 2021, BAT reported that 95% of the farmers in its supply chain grew additional crops such as wheat, rice, and vegetables, enhancing food security.<sup>12</sup>

These environmental initiatives, while appearing progressive, must be viewed critically considering the harmful impacts of tobacco production and consumption, which continue to pose significant environmental and public health challenges.

### **TI's Real Impact on the Environment!**

Cigarette filters are among the most littered plastic items globally, with an estimated 4.5 trillion cigarette butts discarded on streets and beaches each year. The cleanup costs are substantial; in South Africa alone, they amount to approximately \$117 million (R2.2 billion) annually, a burden that falls on taxpayers. This not only drains already strained public resources but also harms the environment, wildlife, and marine ecosystems. However, tobacco companies' ESG reports lack solid commitments to address this issue.

The WHO FCTC- Tenth Conference of the Parties (COP10) recognised that plastic cigarette filters are “unnecessary, avoidable, and problematic single-use plastics,” that pollute our oceans and threaten marine life.<sup>17</sup> The ongoing negotiations of the Plastic Treaty presents a crucial opportunity to address the environmental damage caused by cigarette filters and advocate for their classification as unnecessary single-use plastics in the global treaty to combat plastic pollution.<sup>18</sup>

Tobacco farming disrupts ecosystems by converting land from sustainable crops to tobacco plantations, leading to deforestation and increased carbon emissions. The industry contributes approximately 0.2% of global CO2 emissions.

Tobacco production pollutes water through excessive fertiliser use, causing nitrogen and phosphorus leaching. Discarded cigarette butts contaminate waterways, with one cigarette polluting up to 3.7 litres of water. An extensive survey and collection initiative gathered over 1,870,000 plastic waste items across 84 countries over a five-year period.<sup>19</sup> The majority of the waste consisted of single-use packaging materials, primarily from food, beverage, and tobacco products.

Burning tobacco also releases toxic chemicals, significantly compromising air quality. The World Health Organisation estimates millions of kilogrammes of tar are emitted into the environment annually.<sup>20</sup>

## Social Responsibility or Social Manipulation? Unravelling the ‘S’ in ESG

Tobacco companies are increasingly centering their social responsibility narratives around harm reduction and transformation, particularly regarding their non-combustible products and their claimed contributions to the United Nations Sustainable Development Goals (SDGs). PMI and BAT assert that their alternative products, such as IQOS, Vuse, and Glo, play a key role in achieving SDG 3 *Good Health and Well-being*. Additionally, they claim to contribute to women’s empowerment and employee welfare, emphasizing their commitment to social equity and corporate responsibility. Despite these assertions, they continue to sell cigarettes, the only consumer product that kills when used exactly as intended. *How can an industry whose core business kills millions annually claim to support global health and well-being?*

***“We are transforming for good” (PMI)<sup>21</sup>***

***“To build a better tomorrow” (BAT)<sup>22</sup>***

Both PMI and -BAT present themselves as companies undergoing transformation, using harm reduction narratives to justify their continued existence. PMI claims to be “transforming for good”<sup>23</sup> and to have a goal of “completely ending the sale of cigarettes.”<sup>23</sup>

***“A world where Tobacco Harm Reduction is both understood and accepted”  
(BATSA)<sup>24</sup>***

Similarly, BAT asserts it is “reducing the health impact of its business,” emphasizing that “sustainability has been central ‘to its operations’ for decades.” The company insists that it is “transforming” by developing “scientifically backed new products” such as Vuse, Glo, and Velo, which are marketed as less risky and more enjoyable alternatives for adult smokers.<sup>12</sup>

PMI reported that by 2023, 33 million adults were using its smoke-free products, with 28.6 million of those users opting for IQOS.<sup>29</sup> This marks an increase from 24.9 million users in 2022 and just 0.2 million in 2015. PMI emphasizes the concept of “switching,” claiming that 63% of these users (approximately 20.8 million) have switched to IQOS and “successfully stopped smoking,” asserting that its smoke-free products represent the most significant opportunity to make cigarettes obsolete.<sup>25</sup> However, it is concerning that PMI equates the use of heated tobacco products with quitting smoking.

In 2021, PMI announced its goal to become a majority smoke-free company in terms of revenue by 2025.<sup>25</sup> In 2022, it was reported that 67.9% of its revenue still came from combustible cigarettes,<sup>25</sup> and by 2023, this figure had decreased to 63.6%, indicating a gradual decline in revenue from traditional cigarettes.<sup>25</sup> PMI’s sustainability roadmap, as outlined in 2023,<sup>25</sup> aims to “intentionally phase out cigarettes” by transforming into a substantially smoke-free company by 2030 while also continuing to reduce combustible shipment volumes.

However, PMI’s approach seems contradictory. While publicly emphasizing a transition away from combustible products, the company reports intentions to maintain a “competitive position in the cigarette market” justify this position as essential to access adult smokers and finance its research and development for its smoke-free portfolio. Despite this, PMI insists that it does not intend to grow both product portfolios simultaneously but to phase out cigarettes entirely.

***“In stark contrast to those of our competitors, PMI’s value proposition is not to expand its portfolio of both combustible and smoke-free products to offer more choice to consumers” (PMI)<sup>26</sup>***

*“PMI believes that with the right regulatory encouragement and support from civil society, cigarette sales can end within 10 to 15 years in many countries” (PMI)<sup>27</sup>*

***“To accelerate the end of smoking, we: Advocate for risk-appropriate regulation and taxation” (PMI)<sup>28</sup>***

Notably, PMI identifies its top three business risks as rising taxes, stricter marketing and regulatory restrictions that could undermine its competitiveness, and the potential banning of its products. The company acknowledges that its future profitability is at risk if it fails to successfully commercialize reduced-risk products, or if regulations and taxation do not differentiate between these alternatives and traditional cigarettes.

Tobacco companies misattribute the success of tobacco control to new and emerging products. They assert that they are responsible for the decline in cigarette smoking and claim greater success than tobacco control measures.

***“Understanding sustainability as an opportunity for innovation and growth has allowed us to create products that are actively accelerating the decline of cigarette smoking, beyond what traditional tobacco control measures can achieve alone” (PMI)<sup>29</sup>***

Misattributing the success of tobacco control to new and emerging products

In South Africa, media reports have highlighted statements from the e-cigarette and tobacco industries regarding their role in reducing smoking rates—an example of industry interference in public health policy.<sup>30</sup> These assertions attempt to take credit for a decline in smoking that began well before the introduction of e-cigarettes and nicotine pouches into the South African market.

Dr. Catherine Egbe of the South African Medical Research Council (SAMRC) stresses that smoking rates in South Africa were already decreasing before e-cigarettes were introduced in 2010. “In fact, since these products became available, there has been a worrying increase

in smoking prevalence, especially among younger people. This has resulted in a rollback of the significant progress made in tobacco control over the years.”

Prof. Ayo-Yusuf Lekan, Director of NCAS, also dismisses the industry’s claims. According to Prof. Lekan, “there is no evidence to support the notion that e-cigarettes were a driving force behind the past decline in smoking rates, which occurred between 1993 (when the prevalence was about 33%) and 2003 (when it dropped to 24%). Instead, the current increase in smoking rates among youth—especially among young women—coincides with the growing popularity of e-cigarettes and other alternative nicotine products.”

BAT prominently uses the term “harm reduction” in its ESG reports, where it is highlighted as a key component of the company’s sustainability strategy. In 2023, the company reported being on track to meet its goal of generating £5 billion in revenue from new category products, with £3.3 billion in revenue, a 15.6% increase from £2.9 billion in 2022 and £2.1 billion in 2021. However, despite this, BAT continued to rely heavily on cigarette sales, reporting that it sold 555 billion cigarette sticks in 2023—an 8% decrease from the 605 billion sold in 2022. While the company presents this as part of its transformation, cigarettes still accounted for 81% of its total revenue in 2023, with only 12% from new categories and 4.2% from traditional oral products. BAT also reported a 15.6% growth in new category revenues compared to 2022.

BAT’s target is to have 50 million non-combustible product consumers by 2030, and in 2023 it reported being on track, with 23.7 million users,<sup>15</sup> up from 20.7 million in 2022<sup>31</sup> and 17.1 million in 2021<sup>12</sup>.<sup>12</sup> However, unlike PMI, BAT does not disclose whether these users have fully switched from combustible products or if they are dual users of both. Even so, there is no evidence indicating that BAT is taking steps to reduce the use of combustible products. Instead, there is an increase in the consumption of both combustible and non-combustible products, as indicated in trends on use of tobacco and nicotine products in SA.<sup>32</sup>

*“The only way to avoid these risks is not to start or to quit. However, we encourage those who would otherwise continue to smoke to switch completely to scientifically substantiated, reduced-risk alternative” (BAT)<sup>33</sup>*

*“We believe the greatest contribution we can make to society is Building a Smokeless World and reducing the health impact of our business” (BAT)<sup>34</sup>*

*“While nicotine is addictive and not risk-free, it is not the primary cause of smoking-related diseases, such as cardiovascular, respiratory diseases, and cancer” (PMI)<sup>35</sup>*

**Harm Reduction and the rhetoric of Transformation!**

In SA there has, been an increase in both combustible and non-combustible products, with non-combustibles showing the most significant growth.<sup>36</sup> Research indicates that the largest rise in the use of non-combustibles, such as e-cigarettes and waterpipes, is among young people aged 16 to 24 and those aged 25 to 35. The marketing strategies for e-cigarettes do not consistently align with the core principles of harm reduction. Moreover, these products frequently target individuals who do not use tobacco, and their adverse effects can sometimes rival those of traditional cigarettes. The Tobacco Industry appears to have appropriated the concept of harm reduction to maximize profits and influence policymakers rather than genuinely committing to its principles.<sup>37</sup>

In SA the Tobacco Industry is also opposing the proposed Tobacco Control Bill, which seeks to regulate e-cigarettes similarly to tobacco products, advocating instead for a differentiated and preferential approach—in alignment with the goals set by the Tobacco Industry in its ESG reports.

The “Social” narratives often serve to deflect attention from the ongoing sale of combustible cigarettes. The Tobacco Industry’s continued sale of cigarettes undermines any claims of contributing to SDG 3 (Good Health and Well-being). An industry that kills 8 million people annually cannot genuinely support global health goals.

Tobacco companies often position themselves as contributors to human rights and the Sustainable Development Goals (SDGs), presenting their efforts as integral to helping “society reach the SDG targets.”<sup>38</sup> BAT’s role in advancing the SDGs is especially prominent, with a dedicated section in its ESG report. BAT claims to support eight SDGs, placing particular emphasis on SDG 3 (Good Health and Well-being), promoting its new product categories as offering smokers “less risky alternatives.” Additionally, BAT claims to contribute to SDG 13 (Climate Action) through carbon-neutral operations and SDG 12 (Responsible Consumption and Production) by driving recycling initiatives and aiming for a zero-waste economy. BAT also emphasizes its adherence to international marketing principles, ensuring its products are targeted only at adult consumers while supporting youth access prevention programs, as part of its commitment to responsible business practices.

*“Our approach to human rights is aligned with UNGP and OECD Guidelines” (BATSA)<sup>39</sup>*

### **Tobacco Companies are one of the biggest Human Rights violators!**

The Tobacco Industry continue to violate children's rights, the right to health, and the right to freedom through targeted advertising, the sale of deadly and addictive products, and opposition to Tobacco Control policies that aim to save lives and promote human rights.

Tobacco infringes upon our right to life, the right to health, children's rights, women's rights, and the right to a healthy environment.

In 2017, the United Nations Global Compact (UNGC), a voluntary framework established by the UN to encourage businesses worldwide to adopt socially responsible and sustainable practices—announced the delisting of tobacco companies from its membership, effective October 15, 2017. This exclusion recognized the inherent conflict of interest between tobacco products and the promotion of human rights, public health, international security, and peace.

Without a doubt, the production, marketing, and sale of tobacco are fundamentally incompatible with human rights.

*“We support the economy and employment of South Africans” (BATSA)<sup>39</sup>*

#### **Manipulation of Employees!**

“During public consultations held by the National Assembly’s Portfolio Committee on Health in SA, it became evident that the Tobacco Industry manipulated its workforce to oppose the Tobacco Control Bill. Employees were informed that the passage of the proposed Tobacco Control bill could lead to significant job losses. In a coordinated effort, workers were bused to public consultations in large numbers, collectively raising objections based on the belief that the bill would jeopardize their livelihoods. This strategy not only highlights the industry's tactics to safeguard its interests but also raises ethical concerns about how it uses fearmongering to undermine public health initiatives.” (*Tobacco Control Advocate, South Africa*)

In one of the public hearings, the Chair of the Portfolio Committee on Health expressed concerns about participants who alleged that they were ‘paid to oppose’ proposed new anti-smoking law.<sup>40</sup>

*“40.7% of management positions held by women, exceeding our 2022 target of 40% (2021: 39.7%)” (PMI)<sup>41</sup>*



*“Our goal is to increase to 45% by 2025 the proportion of women in Management roles” (BATSA)<sup>39</sup>*

**The Facade of Empowerment!**

The Tobacco Industry claims to champion women’s empowerment, presenting themselves as advocates for gender equality. However, this narrative is undermined by their marketing strategies, which frequently target women to entice them into using their harmful products. By employing messaging centered on gender equality and empowerment, the Tobacco Industry seeks to create an illusion of support for women's rights while simultaneously promoting addictive substances that pose significant health risks.

*“In Kenya, we aim to promote farmer food security and reduce dependency on tobacco. In 2023, 100% of the farmers directly contracted by BAT Kenya participated in diversification activities, such as growing avocados in regions with sufficient rainfall, which can provide a significant additional future income” (BAT)<sup>42</sup>*

The Tobacco Industry claims to improve social welfare by reducing child labour incidents on tobacco farms and fostering sustainable livelihoods for farmers within its supply chain. BAT aims to eliminate child labour, reporting that in 2023, only 0.15% of farm incidents involved child labour, a decrease from 0.38% in 2022 and 0.70% in 2021<sup>12</sup>. The company asserts it has achieved its goal of resolving 100% of these incidents within the farming season. Meanwhile, PMI reported a 0.1% prevalence of child labour incidents among its contracted farmers and claims to have resolved 97% of such cases.

**Child labour is still a reality!**

In Zimbabwe it was noted that 26.3% of the children aged 5 – 15 years were involved in tobacco activities.<sup>43</sup>

An ongoing UK legal case involving over 10,000 Malawian claimants alleges that tobacco companies British American Tobacco (BAT) and Imperial Tobacco used child and forced labor in Malawi. The claimants argue that the companies facilitated exploitative working conditions, including trafficking workers, forcing them to build their own homes, and paying them little or nothing. Children as young as three are reportedly involved in hazardous tobacco production.<sup>44</sup>

BAT indicates that 93.3% of its farmers participating in the Thrive Supply Chain program are cultivating alternative crops for food and supplementary income to bolster food security and lessen reliance on tobacco. Conversely, PMI's goal setting does not encompass alternative livelihoods, focusing instead on ensuring a living income for contracted tobacco farmers—reportedly achieving 96% of this goal—along with meeting minimum wage standards. PMI aims for 100% of its contracted tobacco farmers to earn a living income by 2025, having increased from 73% in 2021 to 97% in 2023.<sup>25</sup> To calculate farmers' incomes, they claim to assess individual household sizes to understand their income needs and collect detailed data to pinpoint income gaps, enabling them to provide targeted support to those in need. A living wage differs from a minimum wage in that it enables employees to maintain a decent standard of living, covering expenses for goods and services while allowing for savings. It is based on local living standards. Although BAT also claims to support local farmers in SA, a female farmer received funding from the company, only for them to abruptly withdraw their support, leaving them without warning.<sup>45</sup>

## **Governance in Question: The ‘G’ in ESG**

A key governance claim from both BAT and PMI is their commitment to responsible marketing aimed at preventing underage access. BAT asserts full adherence to youth access prevention guidelines, emphasizing its use of “responsible flavours and descriptors” designed to avoid appeal to youth and associations with youth culture. BAT describes its marketing principles as responsible, accurate, transparent, and not misleading, specifically targeting adult consumers and ensuring compliance with local laws.

*“Packaging designs and descriptors that are particularly appealing to the underage should be prohibited” (BAT)<sup>46</sup>*

BAT also claims to restrict its social media content to platforms primarily used by adults, ensuring that paid content is accessible only to users who confirm they are adults.<sup>15</sup>

Similarly, PMI insists that responsible marketing is integral to its smoke-free objectives, stating that its non-combusted alternatives are intended exclusively for adult consumers who would otherwise continue using nicotine products.

*“...We do not want minors to use any tobacco product or Non-Combusted Alternative, and we do not market to minors”(PMI)<sup>47</sup>*

48

*“...We do not develop products or market them in ways that particularly appeal to minors” (PMI)<sup>48</sup>*

PMI’s marketing codes include strict restrictions on influencer usage and digital placements, prohibiting any payment or incentives for featuring non-combustible products, brand names, or branded items in entertainment content accessible to the general public—whether online, in cinemas, on television, radio, or in video games.<sup>48</sup>

*“Advertising, Marketing, and Sales materials must be placed where they are likely to reach Adult Consumers and not in places or channels frequented primarily by minors” (PMI)<sup>48</sup>*

**Hang on BAT and PMI are marketing Velo, Vuse and IQOS!**

A report titled “Sponsored by Big Tobacco” found that BAT and PMI are using social media to market their brands in more than 60 countries. It found that its ads reached 4.3 million teenagers. In South Africa, tobacco companies are increasingly targeting younger audiences through aggressive marketing strategies. The images above say it all.

Another central governance theme is regulation and policy engagement. BAT claims that “truly effective regulation can only be developed through cooperation between government and industry,” signalling its intent to stay actively involved in policy discussions and development. BAT states that it engages with policymakers, regulators, and politicians transparently and with integrity, appropriating language from the WHO FCTC. BAT states that it:

*“...respect[s] the call for transparent and accountable interaction between governments and relevant stakeholders, including the Tobacco Industry, established in Article 5.3 of the World Health Organization’s Framework Convention on Tobacco Control. We are open about what we think and always try to offer constructive solutions that will best meet the objectives of regulation while minimising any negative unintended consequences” (BAT)<sup>49</sup>*

The company reports that it actively lobbies and engages policymakers, including influencing discussions for the Tobacco Control WHO FCTC. In their 2021 ESG report, BAT highlights ongoing regulatory engagement leading up to COP9, the FCTC’s global conference, where regulation remains a key focus.

BAT underscores harm reduction as a core component of its ESG strategy and advocates for a differentiated regulatory approach for new and emerging products. It argues that failing to acknowledge harm reduction risks imbalanced regulatory frameworks. Even so, the company expresses concern that limited abilities to promote or sell these products may undermine its ESG performance and cautions that speculation or restrictive measures—such as generational sales bans—could negatively affect share prices and shareholder confidence.

In summary, the Tobacco Industry reports indicate a sustained push to shape policies, particularly those supporting a differentiated regulatory approach for new products, which they position as essential for both harm reduction and broader ESG goals.

*“By sharing our expertise, engaging transparently and with high regard for accuracy and integrity, we can make a valuable contribution to policy development relating to our industry” (BAT)<sup>50</sup>*

## **Discussion and Conclusions**

The Tobacco Industry’s Environmental, Social, and Governance (ESG) narratives, as outlined by BAT and PMI, attempt to position these companies as socially responsible and environmentally conscious stakeholders. However, a closer analysis of each component—*Environmental (E)*, *Social (S)*, and *Governance (G)*—reveals contradictions with genuine public health and environmental sustainability goals.

### **Environmental (E): Claims of Sustainable Practices Amid Ongoing Harm**

Both BAT and PMI assert their commitment to sustainable practices, aiming to reduce their environmental footprint through initiatives such as carbon neutrality and responsible waste management. A critical aspect missing from their ESG goals is the issue of cigarette butt waste, which represents the most littered item on the planet.

Tobacco Control advocates emphasize that the economic and administrative burdens of cigarette butt waste should not fall on governments or taxpayers. Instead, under principles of product stewardship and extended producer responsibility, tobacco manufacturers should bear the full financial responsibility for the collection, transportation, and safe disposal of cigarette butt waste.<sup>51</sup> At the fifth session of the INC for the plastics treaty approaches (held in 2024, Korea), there was a growing call to ban or strictly regulate all single-use plastics, including cigarette filters.<sup>52</sup> The Tobacco Industry’s environmental commitments appear selective, focusing on areas of minimal impact, such as product packaging, while neglecting the substantial harm caused by cigarette butts.

The industry also promotes non-combustible products as less environmentally damaging alternatives, suggesting that a shift toward e-cigarettes and heated tobacco devices aligns with its sustainability goals. However, this assertion is problematic, as evidence indicates that electronic devices can have significant negative environmental impacts.<sup>53</sup>

Disposable e-cigarettes and vaping pods present considerable environmental burdens due to the diverse types of waste they generate, including biohazard, plastic, and electronic waste. Some scholars argue that the potential waste load from e-cigarettes could exceed that of traditional cigarettes due to the larger number of components involved.<sup>54</sup> Countries such as the UK, France, and Germany have initiated plans to implement a total ban on disposable e-cigarettes, while Ireland has restricted their sale as an environmental measure. Consequently, claims regarding e-cigarettes being eco-friendly warrant close examination to ensure that companies are not merely engaging in greenwashing to enhance their public image.

## Recommendations

1. **Advocate for Extended Producer Responsibility:** Tobacco Control advocates should push for legislation that mandates tobacco manufacturers to take full responsibility for the lifecycle of their products, particularly concerning cigarette butt waste.
2. **Support the Regulation of Single-Use Plastics:** Advocates should align their efforts with the ongoing negotiations for the plastics treaty by emphasizing the need for the categorization of cigarette filters and other tobacco-related plastics as single-use items that must be banned or strictly regulated.
3. **Raise Awareness of Environmental Impacts:** Increase stakeholder and public awareness on the environmental consequences of both combustible and non-combustible tobacco products.

## Social (S): Conflicted Narratives on Public Health and Community Impact

A central social claim in BAT and PMI's ESG reporting is their commitment to harm reduction through the development of "smoke-free" alternatives, which they argue are designed for adult smokers who would otherwise continue using combustible cigarettes. Both companies portray harm reduction as a socially responsible effort to reduce smoking-related illnesses and mortality, positioning themselves as allies to public health.

However, harm reduction in this context is fraught with conflicts. BAT and PMI actively market these products as lifestyle items, often in ways that appeal to younger demographics. Their reports state that they take steps to prevent youth access and restrict marketing to adult consumers. Yet, public health advocates argue that the use of flavours, sleek designs, and social media marketing strategies continues to attract underage users. This reality challenges the industry's commitment to harm reduction, as younger generations are introduced to nicotine dependency through non-combustible products.

Both companies highlight their support for farming communities and efforts to alleviate poverty in regions where they operate. Yet the Tobacco Industry has historically been associated with exploitative labour practices, including child labour in tobacco fields and unfair pricing structures that disadvantage farmers. These ongoing issues raise ethical concerns and highlight a mismatch between industry narratives and the socioeconomic realities facing these communities.

Moreover, the broader public health burden associated with tobacco use, particularly in low- and middle-income countries, poses significant challenges to the industry's social claims. The healthcare costs, lost productivity and mortality associated with tobacco use strain public health systems, and this is most pronounced in low- and middle-income countries.

## Recommendations

1. **Advocate for Comprehensive Tobacco Control Policies:** Public health advocates should advocate for the adoption of comprehensive Tobacco Control policies that not only regulate traditional tobacco products but also address the emerging challenges

posed by new and emerging products. These policies should include taxation, restrictions on advertising, and funding for smoking cessation programmes.

### **Governance (G): Policy Influence and Marketing Integrity**

In the governance section, BAT and PMI emphasize a commitment to responsible marketing practices designed to restrict underage access and ensure transparency. BAT, for instance, states that it adheres to youth access prevention guidelines and uses “responsible flavours and descriptors” to avoid appealing to younger audiences. Additionally, BAT and PMI claim to restrict their social media presence to platforms predominantly accessed by adults and employ safeguards, such as age verification, to prevent minors from engaging with their content.

However, studies reveal ongoing youth interest in non-combustible products, suggesting that industry voluntary measures are insufficient to curb youth engagement. Flavoured products and youth-oriented packaging continue to attract younger consumers, raising concerns over the effectiveness of self-regulated marketing practices. This conflict between corporate governance claims and market outcomes suggests that BAT and PMI may prioritize sales growth over genuine youth protection measures, undermining the public health intent behind responsible marketing claims.

BAT and PMI claim to engage transparently with regulators to promote policies that balance public health with the rights of consumers and industry stakeholders. BAT’s statements echo language from the Tobacco Control-WHO FCTC, specifically Article 5.3, which calls for transparency and accountability in interactions between governments and the Tobacco Industry. The company asserts that its policy engagement is conducted with integrity and aims to achieve effective regulatory outcomes.

Despite this claim, both companies actively lobby against restrictive Tobacco Control measures in South Africa, advocating for differentiated regulatory treatment of non-combustible products. BAT’s engagement around the FCTC COP9 conference, as well as its lobbying for favourable policies in various markets, highlights the industry’s persistent role in attempting to shape regulatory landscapes. By emphasizing harm reduction, the industry seeks to carve out regulatory exemptions for novel products, which could weaken public health protections. This selective support for regulation suggests that the industry’s governance practices prioritize maintaining market influence over fully aligning with public health objectives.

### **Recommendation**

Restricting Tobacco Advertising, Promotion, Sponsorship, and Lobbying Activities. It is essential to acknowledge that voluntary codes of conduct have proven ineffective in curbing the Tobacco Industry's marketing practices.

1. **Impose Comprehensive TAPS Bans:** Governments should implement comprehensive bans on tobacco advertising, promotion, and sponsorship (TAPS) for both combustible and non-combustible products. These bans must encompass all forms of marketing,

including digital platforms and emerging media, to effectively limit the industry's influence on public health.

2. **Restrict industry interaction with policy makers and government:** Stricter regulations should be established through mandatory codes of conduct to govern the interactions between policy makers and or government and tobacco companies in accordance with article 5.3 of the WHO FCTC. This includes limiting interactions, and mandating transparency.

The examination of BAT and PMI's ESG narratives across Environmental, Social, and Governance pillars reveals a complex web of claims and underlying motivations. While both companies present themselves as socially responsible and committed to sustainability, the selective nature of their ESG strategies and the inherent contradictions with public health goals call into question the sincerity of their commitments.

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