

**BAT social report revisited:
ASH Comes to BAT**

October 2002
Stan Shatenstein*

“Open about listening and responding,” claims BAT

Open about what? Listening and responding to whom?

On July 4, 2002, British American Tobacco (BAT) released its Social Report 2001/2002¹, a first such effort for the world's second-leading tobacco multinational. BAT claims the Social Report is "part of a serious commitment to embedding the principles of Corporate Social Responsibility in the British American Tobacco group."

BAT's UK home office was joined in the Social Report exercise by subsidiaries in thirteen other countries, representing all geographic regions: Africa and the Middle East: South Africa, Uganda, Zimbabwe; America-Pacific: USA; Asia-Pacific: Australia, Hong Kong, Malaysia², Sri Lanka; Europe: Germany, Hungary, Russia; Latin America and Caribbean: Argentina, Brazil.³

BAT does business in 180 countries. It leads all competitors in more than 65 nations, and holds a market share of 15.1 per cent of global tobacco sales. By any reasonable measure of accounting, BAT should be held responsible for more than 15 per cent of all premature disease and death associated with the use of tobacco products.

Action on Smoking and Health (ASH) has been aware of BAT's social reporting efforts since these began in 2001. ASH provided information in some depth to BAT's social auditors but declined to engage in direct dialogue with the company for three main reasons: We were unable to see any outcome that would benefit the public health agenda; we found no evidence of good faith or candour on BAT's behalf, and we judged that the entire process was being badly managed.

In anticipation of the release of the BAT Social Report, ASH published British American Tobacco – The other report to society⁴, in June 2002. This document assesses BAT's previously stated positions on Corporate Social Responsibility,⁵ as well as its observable business practices in areas we see as integral to social and ethical reporting for a tobacco company.

In our 'other report', we make a number of recommendations (Annex 1) for an ethical societal approach to tobacco in which human life and well-being is given priority over business interests. It is our belief that BAT support for a truly ethical agenda is highly unlikely because most of our recommended measures destroy shareholder value in BAT, though they do protect and promote a public health agenda. Nothing in the BAT Social Report persuades us we were in any way mistaken in our views.

The present document may be read as a complement to ASH's other report to society. We have made detailed study of BAT's Social Report and found numerous specific instances where BAT has refused to answer questions related to smoking's impact on health and others concerning Big Tobacco's implication in possibly criminal misconduct. BAT has also made vague, unverifiable promises of good actions in its Social Report. By pointed contrast, the firm has detailed specific concerns on behalf of its shareholders, placing these interests far above the needs of BAT's most vulnerable and important stakeholders - smokers, their families and society.

To produce its Social Report, BAT adopted the AA1000 Standard promoted by AccountAbility⁶ (Institute for Social and Ethical Accountability). The primer guidance on AA1000 gives a good outline of the purpose and scope of such reporting:

The key elements of social and ethical accounting

- Planning - understanding mission and values, and identifying stakeholders and issues;
- Stakeholder engagement and dialogue - understanding what matters about performance;

* Contributing Editor, Tobacco Control; Editor, GLOBALink News & Information, shatensteins@sympatico.ca

- Measurement - building comparable, understandable and reliable information;
- Reporting and disclosure - finding ways to communicate and gather feedback;
- Auditing, verification and quality assurance - building credibility and trust with stakeholders;
- Commitment to improve performance - making real change - social, environmental and economic;
- Embedding - building social and ethical accounting into mainstream operations, systems and policy-making.

We have evaluated BAT's performance against the AA1000 criteria it pledged to respect and have found the company measurably, demonstrably wanting:

- BAT has only vaguely identified its most important stakeholders and failed to plan for the responsible execution of an ethical corporate mission;
- BAT continues to deny and obfuscate the harm associated with its products, rendering the firm incapable of engaging in meaningful dialogue with all stakeholders;
- BAT is capable of reliably measuring its corporate activities but has long hid research on the deleterious effects of smoking, as well as data on its own implication in the worldwide smuggling of tobacco products, thereby grossly failing to provide reliable information to consumers;
- BAT is in full possession of the means to report and disclose the above-mentioned information but has consistently refused to do so;
- BAT may engage in honestly-audited business practices in some areas, but has shown itself incapable of building credibility and trust when it knowingly promotes the sale of deadly products;
- BAT does show commitment to improved economic performance, but concomitant social and environmental efforts would be at cross-purposes to those economic interests that BAT shows no signs of abandoning;
- BAT can only embed social and ethical accounting into mainstream operations, systems and policy-making if it shows a willingness to forego economic interests for the ethical and physical betterment of society. No such willingness has been demonstrated in the past and none appears in British American Tobacco's Social Report 2001/2002.

In 2002, BAT is celebrating its centenary, what it simply calls "100 years of truly multinational operations." We consider this a triste anniversary marking 100 years of multinational, multifarious harm to society. In the following pages, we look at BAT's Social Report, one section at a time, and tally the enormous, unrighted wrongs.

Foreword is forewarned

The BAT Social Report is 156 pages long and each section, each page, contains statements that are either demonstrably false or obfuscatory. Our other report to society correctly anticipated most BAT positions, so we will now tackle only the most egregiously misleading remarks. The Forewords by BAT Chairman Martin Broughton and Managing Director Paul Adams set the tone for the Social Report 2001/2002, opening a window through which we observe BAT's true corporate and social priorities.

Herewith some of the many claims made by BAT and our interpretation of them:

<p>Martin Broughton [MB], Chairman and CEO, British American Tobacco [BAT]:</p> <p>"Tobacco products pose real risks to health, and our industry can be seen as controversial."</p>	<p>Action on Smoking and Health [ASH]:</p> <p>In a 156-page document devoted to the principles of social reporting, BAT consistently fails to identify the full list and magnitude of smoking's "risks to health", nor does BAT indicate its degree of agreement with health authorities' evaluations of those risks. The tobacco industry cannot passively "be seen as controversial". It is an incontrovertibly controversial practice to manufacture, market and promote the use of products that presently kill more than three million people annually, a figure set to rise to ten million per year by 2020.⁷</p>
<p>MB: "We therefore believe it is all the more important that our business is managed responsibly and in line with the reasonable expectations of our stakeholders."</p>	<p>ASH: Close examination of the Social Report and of BAT's long-standing business practices will yield ample evidence of irresponsible corporate behaviour. BAT's</p>

	<p>definition of reasonable expectations differs from that of the vast majority of stakeholders, particularly those whose interests are moral and social, not pecuniary. BAT never identifies a "reasonable" target for reducing the appalling death rates associated with tobacco use.</p>
<p>MB: "This is our first social report and it is part of a serious commitment to embedding the principles of Corporate Social Responsibility (CSR) in the British American Tobacco Group."</p>	<p>ASH: Corporate cultures can and do change, but BAT has a decades' long history of misdeeds that includes document shredding, collusion in smuggling and marketing to minors. Seeing no changes in business practices prior to or following the report's release, we remain unconvinced that the report marks a turning point in BAT's business practices.</p>
<p>MB: "In approaching social reporting, we knew that we would have to work to overcome barriers to trust."</p>	<p>ASH: Mr. Broughton mentions barriers as if they were tiresome obstacles that pop up on the road to social harmony. In fact, BAT and the world's other leading tobacco firms have erected the barriers to trust themselves by dint of the very denials and obfuscation chronicled here and in our other report to society. If BAT does not admit any past wrongdoing, and certainly offers no apologies for those misdeeds, why should critics simply wipe the slate clean and ignore 40 years of the most terrible mendacity?</p>
<p>MB: "Fewer than 20 of the FTSE 100 companies report on social performance and fewer than half of those say they work to the AA1000 Standard or the Global Reporting Initiative guidelines. We have opted to work to both, and to incorporate face-to-face stakeholder dialogue, rigorous independent verification, and a thorough approach in which individual Group companies and British American Tobacco p.l.c. produce their own reports."</p>	<p>ASH: In the United States, many DJIA (Dow Jones Industrial Average) companies are currently in disrepute and the stock market shaken due to the firms' shoddy accounting practices. The American financial crisis has repercussions on the FTSE and other global exchanges, affecting consumers around the world. If BAT and individual Group companies subject themselves to rigorous independent verification of accounting practices, then we applaud their initiative. However, all practices and products must be subject to that thorough scrutiny. If BAT produces a scrupulously honest ledger sheet, it will have to account for the cigarette smuggling by which it has so handsomely profited and in which it has been directly implicated. The firm will also have to provide a proper assessment of future liabilities arising from its past conduct (most of which it still denies, and therefore cannot fairly assess). There must be "rigorous independent verification" of what the BAT Group companies know about the risks associated with smoking and what they have done and now intend to do to responsibly minimise that risk.</p>
<p>MB: "We are grateful to our external advisers for a great deal of expert guidance. They confirm that we are following a best practice path. We are also grateful to our UK dialogue moderator, the Rt. Rev. Dr. David Jenkins, and the facilitator, the Rev. Dr. Charles Yeats of Durham Ethics."</p>	<p>ASH: The low rates of participation by invited stakeholders may in part reflect dissatisfaction with the clumsy conduct of Durham Ethics, as reviewed in our 'other report', and again justifies our lack of faith in BAT's chosen interlocutors⁹. The individuals involved presented naïve and patronising assessments of the expected perspectives of stakeholders.</p>
<p>MB: "We have worked for a century in diverse countries and cultures to engage with the many government, community, scientific, employee, consumer and supplier constituents who form the world in which we operate. We have long valued partnerships and the perspective that others can bring to everything we do."</p>	<p>ASH: BAT's 'engagement' across the globe has left a wide swath of deforested land, misappropriated resources, subservient governments, distorted science and sick, dying and dead consumers. Which of those partnerships has BAT valued the most? Whose perspective is truly of interest to BAT? What is remarkable about statements like this is a complete absence of remorse or concern for the impacts of BAT's primary activity.</p>
<p>MB: "It is a matter of great regret to me that in recent</p>	<p>ASH: This statement provides overwhelming evidence</p>

years, achieving dialogue with some of our stakeholders has become more difficult, particularly in developed countries. It concerns me, too, that this has occurred at a time when society's expectations of business have increased, especially for large transnationals like ours operating in the 'globalised' economy."

of the gulf that divides BAT and its executives from the mainstream of society. One important and salutary factor making the dialogue more "difficult" has been the release of millions of pages of the company's internal documents over the past few years. These damning Guildford¹⁰ documents have created a 'truth machine' that destroys the frail web of public relations positions that BAT has used to buffer its basic operation from a rising tide of hostile public opinion. Mr. Broughton and his colleagues have never offered sincere regrets for the millions of deaths attributable to the use of their company's products, but the CEO does regret difficulties in "achieving dialogue". It is the position of ASH that, were BAT to make good-faith efforts to reduce the levels of initiation and continued consumption of tobacco products, we could hope to engage in constructive dialogue on how to achieve mutually sought goals. However, the present objectives of BAT are inimical to the interests of public health. It is extremely revealing that Mr. Broughton admits that the difficulties in achieving stakeholder dialogue occur primarily in developed countries. Does Mr. Broughton count on stakeholders in less-developed countries to more easily accept BAT's blandishments because hard-pressed governments are more willing to take BAT money; health information is scarce, tobacco control advocacy even rarer and tobacco advertising money able to silence the media? One of the biggest threats to BAT is 'globalisation'. The globalisation of health advocacy, science, and legal expertise is already motivating some developing countries, including Thailand, Brazil and South Africa, to lead in the fight against the global tobacco industry.. This is the reason, above all, why BAT fears and seeks to undermine the WHO Framework Convention on Tobacco Control¹¹ (FCTC). What if every country in which BAT operates started to move towards best practices¹² in tobacco control?

MB: "We have much to offer in helping to address the problems that concern our stakeholders, including supporting soundly-based tobacco regulation and reducing the impact of tobacco consumption on public health."

ASH: Whatever BAT says about reducing tobacco consumption, virtually every action it takes is aimed at increasing it. As documented in our other report to society, BAT has consistently opposed higher tobacco taxes, effective marketing restrictions and smoke-free workplaces and public places, despite the fact these are proven, sound measures that reduce "the impact of tobacco consumption on public health." BAT and the other tobacco multinationals stand in strident opposition to the strongest regulatory measures under consideration in FCTC draft proposals.¹³ BAT's alternative "sound basis" on which regulation should be based is a mish-mash of measures known to be ineffective or counter-productive. While there are broad controversies about putatively "reduced risk" cigarettes, the surest, least controversial way to diminish tobacco's harmful impact is to reduce cigarette consumption. Although it claims a willingness to settle for a larger piece of a shrinking pie, BAT has taken no initiative that would stimulate a reduction in sales.

MB: "Some say that 'tobacco and responsibility' just don't go together - that a business can't be responsible if its products can harm people. However,

ASH: We consistently say that 'tobacco and responsibility' go together dreadfully well – something as dangerous as tobacco demands the highest

<p>our products are legal and no government seeks prohibition.”</p>	<p>standards of responsibility. Our entire objection to BAT's current exercise is anchored in the firm's unwillingness to accept responsibility for either the harm caused by its products or for its efforts to thwart legitimate regulation. Again, Mr. Broughton's words betray BAT's true position, one inimical to socially responsible action. He says his company's products "can harm people." In fact, almost every user is harmed in some way – whether by addiction, damage to pulmonary and cardiovascular health, reduced fitness, added illness and reduced productivity – to name just a few of the multiple morbidities. For one in two the harm is fatal¹⁴. We also question Mr. Broughton's need to even raise the spectre of prohibition, a policy sought neither by our organisation nor by any other private or public agency involved in tobacco control. The fact that the product is 'legal' does not confer any special rights to BAT. It simply means that Mr Broughton and his colleagues are not arrested for making, selling, marketing or using the product. Tobacco's legality also does exculpate BAT of common law violations arising from its conduct.</p>
<p>MB: “The millions of consumers who buy tobacco and the thousands of farmers who grow it are not about to vanish.”</p>	<p>ASH: We agree with Mr. Broughton on this point, but have radically different ideas of how to responsibly reduce the numbers of tobacco-dependent consumers and farmers. We want to help smokers towards successful cessation efforts. They will "vanish" from the ranks of smokers, but continue to thrive as healthier human beings. We also want farmers to grow alternate crops and wean themselves from their economic dependence on resource-exhausting tobacco plants. What does BAT have in store for customers and farmers?</p>
<p>MB: “We believe the very nature of our products reinforces the need for a responsible approach to managing them. We also think it would be self-defeating if CSR were to become an exclusive club, admitting only businesses judged 'safe and pure'. Who would be the gatekeepers, and how would the toughest issues be addressed constructively? CSR is a challenge in a business involving risky products. But living by its principles is a challenge we are ready and willing to accept.”</p>	<p>ASH: Again, we agree with BAT on the need for a responsible approach to management of tobacco products. Can this be done by a firm that refuses to accept the addictive nature of its products or to state clearly the risks involved in smoking? BAT is not even at first base in CSR. Where is true responsibility when a firm cannot say what's wrong with its products or whether they are even defective at all? No organisation has claimed the status of principal gatekeeper for the CSR process. It is and should be open to all. We simply argue that it's a futile exercise as conducted by BAT. Few goods and services are 'safe and pure', but none are as unsafe or adulterated as cigarettes and other tobacco products. There is a gigantic mismatch between the responsible conduct demanded by the products' nature and what BAT offers as CSR</p>
<p>MB: “So we are not about to 'shut up shop'. We will go on dealing with the issues. We will go on working to adapt to the world in which we do business, however difficult it may be, and however suspiciously some of our more trenchant critics regard us.”</p>	<p>ASH: We have no fear that BAT will be forced to 'shut up shop' any time soon. Its aggressive marketing activities in 180 countries are bound to continue. We are proud to count ourselves among BAT's "more trenchant critics" – and part of a growing global chorus of disapproval. We are not 'suspicious'; we are clear and evidence-based in expressing our criticisms of BAT, as our other report to society shows. The difficulty for BAT and all tobacco companies is that they must adapt to the world by publicly recognising the enormous harm they presently inflict on the populace. However, the firms are gagged by lawyers who fear that truthful admissions will</p>

	<p>create legal openings for the millions of injured customers left in tobacco's wake. When the truth hurts that much, it is no surprise that BAT reverts to mendacity and obfuscation in its public pronouncements.</p>
<p>MB: "I hope, and believe, that if we can continue engaging with more of our stakeholders, including our critics, they will find us open minded and willing to play a real part in solutions to the issues that concern them. We do not always know what the right solutions may be but through dialogue with our stakeholders we aim to continue finding out."</p>	<p>ASH: ASH and others have attended BAT shareholder meetings, negotiated with politicians and informed the public. We have proposed measures based on the best possible evidence and our efforts have met vigorous resistance from BAT and the rest of the tobacco industry. We may not have all the answers, but we have seen BAT engage in obstructionist activities for decades and are unconvinced by anything in the firm's social report that there is any new effort underway. We have provided BAT with an honest and documented critique of its operations: we believe that is a more useful contribution than sitting at a table listening to evasive pieties uttered by its executives. We have had our say, the ball is now firmly in BAT's court.</p>
<p>MB: "We do not see CSR as about 'PR spin' or window dressing. It is about ensuring best practice in all aspects of our business conduct. We are committed to working to build trust, to listening and responding, and to balancing contrasting stakeholder expectations with each other and with our proper commercial goals."</p>	<p>ASH: Martin Broughton's own words confirm that the BAT Social Report 2001/2002 is nothing but an exercise in 'PR spin'. If the phrase "proper commercial goals" can reasonably be translated as a desire to maximise shareholder benefit, then we are indeed confronted with an exercise in "window dressing". Tobacco products kill when used precisely as intended by the manufacturer. BAT will be unable to make the "social, environmental and economic" changes demanded by the AA1000 if it cannot balance stakeholder interests in favour of public health.</p>
<p>Paul Adams [PA], Managing Director, BAT:</p> <p>PA: "I have readily accepted the role of championing CSR and social reporting throughout the Group. I see it as an opportunity, like our aspiration to launch potentially reduced exposure products, or our move to marketing with less mass media and more one-to-one relationships with adult smokers, that will help us further in taking account of society's concerns."</p>	<p>ASH: Mr. Adams' opening comments cast a very thick pall of smoke. He admits that BAT's launch plan for "potentially reduced exposure" cigarettes is only an "aspiration", not something realistic or a verifiable product. Is this the "opportunity" to which social reporting is being compared? We are even more sceptical and alarmed about BAT's move to "one-to-one relationships" with smokers. The company constantly and consistently seeks new smokers to replace those who quit or die. In the face of limited, ineffectual, mass media restrictions on advertising, BAT will go further under the radar with its stealth marketing campaigns and scant regard for societal concerns.</p>
<p>PA: "We recognised that some stakeholders would be unwilling to engage with us at all. We understand that trust can be fragile and difficult to build. It was disappointing that in this first cycle we did not make as much progress as I had initially hoped but with hindsight it was perhaps inevitable. Certainly for us, the emphasis in this initial stage was more on listening and learning than on hasty action plans."</p>	<p>ASH: We would like to be privy to the full breadth and depth of Mr. Adams' hindsight. We wonder if he hasn't come to see that stakeholders like ASH have had good reason to be "unwilling to engage", finding nothing upon which to build. Stakeholders' are justified in being suspicious of BAT's motives in securing their participation as a remark by a BAT spokesman indicated. Asked how the industry's opponents might be encouraged to debate with BAT, Brendan Brady, public affairs spokesman for BAT Australia said that the company would use the social reporting process to "find out who wants to talk to us" and that "If we find people who don't want to talk to us, we can effectively embarrass them into talking to us". BAT would then be in a position to "establish our license to operate".¹⁵ If this is BAT's true intention, is it any wonder that trust is difficult to build?</p>

<p>PA: "I do not yet know our destination but my own involvement has convinced me that the journey we have begun is one we must undertake. We are genuinely committed to engaging transparently with our stakeholders and to seeking ways that may enable the more reluctant amongst them to discuss their views with us, however critical. I hope that if some stakeholders do not trust British American Tobacco, they may be able to trust the process to which we have committed ourselves, involving the highest standards for reporting to society that our external advisers could identify."</p>	<p>ASH: If we are to be considered among those "reluctant" stakeholders, in what ways does BAT propose to engage us? Our views on BAT's business are clear and public. The reporting standards may be clear, but if BAT is allowed to selectively apply them to only certain aspects of its operation, then the exercise will indeed be futile.</p> <p>Before anyone in the health field commits their time, they have to ask: "how does this bring down cancer and heart disease?" and "would I better spend my time confronting BAT's lies about passive smoking while working to secure smoke-free environments?"</p>
<p>BAT: "Looking forward, we know that dialogue and reporting are ultimately about actions. We ask that, now and in years to come, you judge us not by the swirl of words around our industry but by our actions. For our part, our companies aim to work continuously to manage the business to the high standards of corporate conduct and transparency expected of responsible businesses in a challenging age."</p>	<p>ASH: Each age presents its own challenges, but BAT is presently being judged on the basis of its poor past performance around the world. Mr. Adams refers to a "swirl of words" as if this were some natural phenomenon over which the company has no control. In fact, BAT is reaping the whirlwind sown by its own corporate misdeeds. The swirl of words is really a blizzard of tens of thousands of scientific, economic and legal analytical papers and commentary that reveal – inconveniently for Mr. Adams – the true nature of his company and its product.</p>

Video quotes: The pictures never lie

Paul Adams is also one of the featured speakers in a series of video interviews that accompany the online release of the BAT Social Report 2001/2002. Although BAT has posed its executives in the most favourable light possible, some of their spoken words are as revealing as those in the written report, perhaps more so.

<p>PA: "Well, I think the business ethics community believe that [social reporting is] of value to companies in terms of helping improve their share price and therefore there is shareholder value in it. My view is that any modern, large multinational needs to be open, transparent and accountable to society."</p>	<p>ASH: What a deadly confusion! Mr. Adams baldly admits that BAT's vaunted goals of openness, transparency and accountability will only allow the firm to better be able to meet shareholders' needs. There is nothing unethical about making money per se, but there is great cause for alarm when a social reporting exercise proves nothing more than a cover for the pursuit of shareholder profits.</p>
<p>PA: "I found [the social reporting experience] very interesting, very rewarding and occasionally humbling. I mean, to see yourselves as others see you, and our stakeholders are not always unqualified fans of ours, that is, in itself, quite a humbling experience. And so I learned a lot, and it was well worthwhile listening to them."</p>	<p>ASH: Humility is a good thing, but where has Mr. Adams been hiding? Did he really not know that there's broad societal revulsion at his firm's efforts to lure and maintain customers whose lives would be infinitely better without BAT's products? Can one imagine his reaction had he heard from those of us who were unwilling to engage in the charade? How humbling would it have been to be serenaded by a laryngectomy choir?</p>
<p>Michael Prideaux, director of corporate and regulatory affairs, BAT:</p> <p><i>"We've been addressing difficult issues and communicating about them with people for years but what is new is doing it in a systematic and verified process. I think that no other company is doing it as thoroughly as we are, and that's important because we have to accept that our products are risky, that they can harm people, and that our industry tends to be seen as controversial. It's therefore absolutely</i></p>	<p>ASH: Mr. Prideaux's comments are mostly of interest for their clarion echo of the words of Chairman Broughton, right down to formulated words and phrases obviously contrived by defence lawyers. The tobacco industry is "seen as controversial." According to the executive-speak, this may or may not have occurred for any justifiable reason. How can one possibly address the social issues raised by the use of tobacco products when the industry perception is only that there's an appearance of controversy, but not legitimate controversy itself? In fact, much of the controversy is</p>

<p><i>essential then that we're seen to be operating our business with integrity."</i></p>	<p>manufactured by tobacco firms as an alternative to unequivocal scientific, social and economic critiques of their businesses.</p>
<p>Susan Ivey, president and CEO, Brown & Williamson [B&W]:</p> <p><i>"Hearing people and hearing their perceptions, as opposed to just what one reads in the media or the conclusions that we may draw ourselves was a fairly narrow manufacturer's view of what was going on in the public arena about the tobacco industry. So, the opportunity to listen to those stakeholders and to craft and adapt your strategy as necessary is a real benefit of the social reporting process."</i></p>	<p>ASH: Like Martin Broughton at BAT, Ms. Ivey sees B&W trying to "craft and adapt" its strategy. There's no commitment to save lives, only to make the company a more aware player in the "public arena".</p>
<p>Jacques Kruger, Regional Director, Africa & Middle East, BAT:</p> <p><i>"Social reporting also provides us the opportunity to tackle the controversy around our industry, head on, and to demystify our business... We also learned that we can balance our marketing strategies with what they [stakeholders] expect from us, how we should conduct our business... We think it's very important that those who do not agree with our industry are also involved in this process and we will try everything in the future to get them involved so that we can hear their views as well."</i></p>	<p>ASH: From John O'Groats to the Cape of Good Hope, the strategy is the same, and the cynicism as well. What is there to demystify about the manufacture and sale of tobacco? Demystifying is what we do! The whole marketing operation is aiming to associate smoking with glamour, fashion, wealth, style, youth, sport, 'attitude', masculinity, femininity, speed, travel, relaxation, sex, mystique, etc., etc. We respectfully point out that BAT markets a highly addictive drug, delivered by inhalation of highly toxic smoke, and created by burning dried leaves wrapped in paper – with a few extra ingredients to make it more addictive, easier to get used to, and less unpleasant to the taste..</p> <p>What balance can be found between profitable marketing strategies and the socially responsible conduct of BAT's business? We at ASH are not shy about expressing our views, but are not desperate to be heard in a BAT-concocted forum. We await the company's good-faith efforts to stop seeking new customers and to help those already addicted to its products.</p>
<p>The BAT video presentations end with the following strapline:</p> <p>"Open about listening and responding."</p>	<p>We have listened to BAT, found its actions grossly wanting, and respond as we must. We denounce British American Tobacco's day-to-day activities and its transparently ill-intended social reporting exercise. We provided extensive input to BAT's process, but almost all was ignored or glossed over. We would, for example, like BAT to respond point-by-point to detailed allegations put forward about the company's involvement in smuggling. But the firm has declined to do so. We would like BAT to respond to our questions about the evidence base for its Youth Smoking Prevention initiatives – it has not, because there is none. We would like BAT to stop denying that passive smoking causes no harm when the evidence so clearly points the other way, however inconvenient it is for them. We would like BAT to acknowledge that high tobacco taxes are good for health, and that marketing bans have to be near total to be effective. To the extent the company ever responds to these established arguments, its approach is to commission self-serving consultants' reports that try to create controversy when the matter is basically settled. There is a long list of situations in which BAT does not like what it hears; does not want to listen and would rather cover its</p>

Devilish details

British American Tobacco defines a stakeholder as "any person or organisation on whom our business impacts or whose actions impact on us. Broadly this means governments, regulators, politicians, consumers; investors; employees; commercial and trade partners; scientific and medical community; local communities; welfare, family, education and religious groups; NGOs; campaigner/pressure groups." However, of 167 individual stakeholders or representatives of stakeholder organisations invited to attend UK dialogue sessions at Church House, only 34 individuals or representatives accepted and attended. And BAT gives no indication as to how many of those present were what the firm euphemistically labels consumers. They were, and are, better known as addicted customers, and their interests were not addressed.

BAT cannot be held directly responsible for stakeholders' refusal to attend but, based on past company behaviour, the poor turnout was a fair and warranted result. Stakeholders clearly and fairly perceived that the exercise would be meaningless. BAT admitted it could understand if certain stakeholders "expressed concern that their attendance might give rise to criticism." In fact, our main concern was the waste of valuable time and resources on an exercise in futility. The appallingly low 20.36% participation rate does guarantee that the effects of the 'dialogue' will be derisory. It is a statistical near certainty that BAT was able to fill its 156-page report with nothing more than the vague concerns of its own executives and employees, along with those of a bare smattering of disinterested stakeholders.

For that reason, only a few specific social report statements are reviewed here. BAT has had a free hand to craft messages that merely reiterate earlier remarks, vetted by company lawyers, and available for some time on the Corporate Social Responsibility (CSR) web page¹⁶. A close comparison of the CSR material and BAT's Social Report statements on key "Issues around smoking" (See Chapter 2: 2.1 The risks of smoking, consumer information and public smoking; 2.2 Can the risks be reduced?; 2.3 Tackling under age smoking; 2.4 Marketing - communicating responsibly with consumers; 2.5 Tobacco regulation and lobbying; 2.6 Contraband and counterfeit.) reveals no recommendations of substance. None. BAT simply quotes participating stakeholders and integrates those comments into reiterations of corporate policy. (See: "Our response to stakeholders", pp. 54, 60, 66, 74, 85, 97, 104.)

Therefore, BAT's flaccid, often specious promises, having been attacked in our other report to society, need not be reassessed in full here. We do examine details of what BAT considers to be its specific, post-report proposals for action.

<p>BAT: What we learned in the first cycle: "What stakeholders in the 'west' expect us to do in developing nations can differ markedly from the expectations of citizens in developing nations themselves." (p. 24)</p>	<p>ASH: We believe this to be BAT coded regret and annoyance at the fact that stakeholders in the 'west' have been exposed to smoking's ills for a longer time and, thus, wish to see non-western countries avoid the more tragic consequences of high tobacco consumption. There have been brilliant examples of resistance to the industry in non-western countries like South Africa and Thailand¹⁷, the latter of which was not part of the social report process, but these efforts have been more the exception than the rule.</p>
<p>BAT: The risks of smoking, consumer information and public smoking: "Along with the pleasures of smoking come real risks of serious diseases and smoking can be difficult to quit. Governments throughout the world have based their tobacco policies on this knowledge and have long been very active in informing the public accordingly. But tobacco companies, including our Group, have been accused of denying that smoking is risky and denying that it is addictive. (p. 26)</p>	<p>ASH: This is an old statement, but we question how it is possible for BAT to emerge from a social reporting effort still clinging to it. Accusations' of risk denial, made by ASH and others, are still valid when BAT refuses to enumerate or quantify "real risks" or to accept the addictive nature of its products.</p> <p>The 'pleasures' of smoking are certainly questionable, when so many smokers report that they would like to quit¹⁸ and regret ever starting. Discussing 'pleasure' when referring to an addictive drug, is distorting – heroin users report 'pleasure' from the action of opiates on brain chemistry. The same devastating form of 'pleasure' applies to nicotine addiction.</p>

<p>BAT: There is also debate about Environmental Tobacco Smoke (ETS), also known as 'passive smoking'. Some say it poses health risks, and others, including ourselves, say there is no convincing evidence that ETS is a cause of chronic diseases such as lung cancer. (p. 26)</p>	<p>ASH: This is the flat-earth theory of risk assessment. BAT cannot make scientifically indefensible statements¹⁹ and expect to be taken seriously. Too much is at stake. A recent report²⁰ by the International Agency for Research on Cancer (IARC) was as definitive as could be. A 29-member panel of experts reviewed more than 50 studies, from the last 25 years, that examined the lung cancer risk of involuntary smoking in never smokers. The IARC expert panel found sufficient evidence "to conclude that involuntary smoking is a cause of lung cancer in never smokers." The question is 'what would convince BAT?' The company's trick is simply to raise the evidentiary hurdle higher every time a new authoritative assessment concludes that passive smoking causes cancer and heart disease in exposed adults. It is a game any polluter or killer can play, but it is basically a game, albeit one with deadly consequences.</p>
<p>BAT: We openly state that, put simply, smoking is a cause of certain serious diseases. We acknowledge that this is the most appropriate viewpoint for consumers and public health authorities. (p. 27)</p>	<p>ASH: If this is "the most appropriate viewpoint for consumers and public health authorities," then why isn't it good enough for BAT? What did the company learn in the social reporting process that dissuaded it from agreeing with this perspective? About which disease risks is BAT 'open'?</p>
<p>BAT: Magnitude of the risks of smoking: "Professor Sir Richard Peto, a world renowned researcher in the field of epidemiology, estimates that of those who start smoking regularly in their teenage years and keep on smoking steadily, half will die from a disease as a result of smoking... Our views on these types of extrapolations were given to the House of Commons Health Committee²¹ in our Supplementary Memorandum of 28 February 2000". (p. 34)</p>	<p>ASH: Why does BAT treat Professor Peto's unimpeachable research as one man's "extrapolations" when his multicentre, international research team's devastating estimates are accepted, and are continually being amplified, by the broad scientific community? The timing of BAT's offhanded dismissal of Sir Richard's epidemiological "extrapolations" is extremely telling. While Professor Peto calculates^{22 23 24 25} that "tobacco will kill about 100 million of the 0.3 billion [Chinese] males now aged 0-29", BAT is currently busy, in the post-social report period, trying to capture a major share of the Chinese tobacco market^{26 27}. Successful BAT marketing techniques will only make a terrible situation worse should BAT set up shop in collaboration or competition with the Chinese government monopoly, the China National Tobacco Corporation (CNTC). The Commons Health committee assessed all the evidence and issued a ringing condemnation of BAT and other companies,. noting that "Tobacco companies are commercial enterprises whose imperatives have nothing in common with the public health community. Their past records of denial and obfuscation militate against any claims they may make towards scientific objectivity." ²⁸</p>
<p>BAT: Tackling under age smoking: "We acknowledge that our involvement in YSP [Youth Smoking Prevention] activity is a concern for some stakeholders and we accept that we should refrain from some types of activity in countries where local stakeholders strongly believe we should not be involved. Wherever our YSP activities are supported, we are committed to continuing with them." (p. 46)</p>	<p>ASH: We have discussed BAT's False youth smoking prevention initiatives in our other report to society²⁹ and in a more detailed report Danger! PR in the playground³⁰. And, as a result, we have asked BAT to stop these programmes immediately. We question why BAT would refrain from implementing programmes if they really are effective. BAT has shown no compunction about following its own corporate interests and ignoring critics when that course of action proved profitable. We must fairly conclude that BAT only maintains its phoney initiatives when no one resists. This is another mark of BAT's double standard. The firm</p>

will avoid involvement in countries where health advocates have been able to educate governments about designed-for-failure YSPs. By contrast, BAT will not hesitate to use its poison marketing practices in countries that have not yet been alerted to their true nature. Is this social responsibility or social injustice?

Don't look back - or ahead?

In the social report's final section, Looking ahead (p. 110-112), BAT outlines some of its intentions for the next reporting cycle. We do not find a single, specific, encouraging company initiative, and we detail here some of the more egregious failures of its social reporting.

BAT: Specific actions for us following this cycle include: Risks of smoking and consumer information: "In response to dialogue, our companies will take steps to enhance their efforts to communicate about the risks of smoking, including considering setting up local websites similar to the global corporate site with information on smoking and health and links to independent sources of information..."

ASH: BAT's current websites are nothing more than lawyerly 'plausible denials' and phantom pseudo-acceptance of smoking's ills. More websites of this sort will enhance BAT's courtroom defences but do nothing for public health. In its own words, BAT should provide a straightforward account of the science of smoking and health of the type widely available in the scientific literature and from respected organisations like the Royal College of Physicians of London, the US Surgeon General, the IARC and others. It only needs to do this in one place in the world. The truth applies universally.

BAT: Public smoking: Pursue dialogue with stakeholders to establish what role, if any, we should have in providing advice to parents not to smoke around young children, especially babies, and advising smokers to be considerate of those with conditions such as asthma.

ASH: What dialogue is required to do the right thing? Is there any credible argument against categorical advice opposing any and all exposure to second-hand smoke regardless of age or medical condition? If passive smoking is harmless, as BAT suggests, then why this advice?

BAT: Welcome suggestions from our stakeholders on how we can encourage the AIR (Atmosphere Improves Results) campaign and the UK Health and Safety Executive to co-operate effectively in developing practical ventilation solutions.

ASH: There is no acceptable ventilation "solution"³¹. BAT can only be viewed as having reported responsibly to society when it includes an admission of this fact and abandons support of the phoney, industry-sponsored AIR campaigns. The use of ventilation is a way of imposing costs on hospitality businesses in response to groundless fears, created by BAT and others, that smoke-free environments will somehow drive away customers. In fact, where smoke-free environments have been guaranteed through clean indoor air legislation, this has proved workable, popular with consumers and profitable for the businesses involved. It has been bad for tobacco companies because it encourages quitting.^{32 33}

BAT: Tobacco regulation and lobbying: "Seek to explore with our stakeholders ways for us to be more involved in the regulatory debate without being accused of subversion."

ASH: The fox is not to be left in charge of the henhouse. Self-regulation by the tobacco industry has been a public health catastrophe of the highest magnitude. The industry has rightfully been excluded from negotiations towards the Framework Convention on Tobacco Control³⁴ (FCTC) and its self-pitying complaints regarding accusations of "subversion" should leave no one moved. To avoid accusations of subversion, we recommend BAT put an end to its undermining behaviour. It is remarkable that the company can make this comment without referring to its legal challenge to the EU directive 2001/37/EC³⁵ that provides better health warnings and bans misleading branding.

<p>BAT: Contraband and counterfeit: "Our companies will continue and enhance their efforts in helping governments to stamp out contraband and counterfeit and the market conditions which allow contraband and counterfeit to flourish."</p>	<p>ASH: The role of BAT and its subsidiary firms in global tobacco smuggling has been well documented.^{36 37} This social report position is irresponsible and disingenuous.</p>
<p>BAT: A way forward? "In the next social reporting cycle, we hope to develop greater shared understanding of the areas that are our primary responsibility, the areas where responsibility can and should be shared with others and the areas that are the primary responsibility of others, but where we may be able to influence constructively. We would hope that we could move to a third cycle where there would be objective evaluation of our performance in the areas of our primary responsibility and the potential to seek partners with whom we can contribute to addressing issues and developing solutions in the areas of shared responsibility."</p>	<p>ASH: Faced with BAT's continuing refusal to act responsibly, we can only ask if there will be a fourth cycle in which something truly meaningful happens. We look forward to a social report filled not with vague notions about shared responsibilities, but with concrete BAT proposals that will lead to a progressive reduction in the number of smokers in every age group and in all countries. There is no mystery about what the company needs to do, it just needs to get on with it.</p>

The PowerPoint and the Weak Points

Far more revealing than the Social Report is a series of PowerPoint presentations also recently loaded onto the BAT website³⁸. More than 20 slide shows are offered, several from the Financial Analysts' Visit to Montreal and others from the Salomon Smith Barney European Roadshow to London and St. Petersburg.

In a Global Marketing Review, Jimmi Rembiszewski, BAT Global Marketing Director explains the "new world of marketing": "Most critical change is the transition from mass to one-to-one or consumer dialogue marketing." The characteristics of this "consumer dialogue", according to Mr Rembiszewski, are: "Greater use of retail as a communications medium (retail media); Product and pack become more critical to support brand positioning elements (charcoal filter); Consumer targeting becomes more precise (opinion leaders); Distribution becomes more precise (channel specific route planning)." He adds that one of two "key areas of focus" is to develop "a new generation of potentially reduced exposure products with mass appeal." BAT officials are reminded to meet "The Positioning Challenge" and "Resist the urge to be "just like Marlboro".

These slides clarify BAT positions that might otherwise remain hidden behind the haze of the Social Report 2001/2002. Should any doubts linger, here is what Martin Broughton had to say³⁹ when asked to comment on BAT's healthy interim report for the first half of 2002: "I think it shows confidence in our future prospects. It shows the strength of the company. I think it also is trying to impress upon the market, generally, the strength of dividends, the importance of dividends..... So we are trying to indicate to the market that that is what we are offering, sustainable good dividend growth."

How can British American Tobacco attain "sustainable good dividend growth" and still act in a socially responsible fashion towards all stakeholders? This is the circle that cannot be squared. It is the circle formed at the tip of every cigarette sold by British American Tobacco.

1 British American Tobacco, Social Report 2001/2002, July 2002. [[view report](#)] [[download PDF](#)]

2 British American Tobacco Malaysia, Social Report 2001 - 2002, June 2002. [[view report](#)] [[PDF](#)]

3 Souza Cruz Social Report 2001. . [[view](#)] [[PDF](#)]

4 Action on Smoking and Health (London), British American Tobacco – The other report to society, June 2002. [[view report](#)] [[PDF](#)]

5 British American Tobacco, Corporate Social Responsibility. Updated 15 July 2002. [[view](#)]

-
- 6 AccountAbility. *Social and ethical accounting, auditing and reporting*, 2000 [[view PDF](#)]
 - 7 World Health Organisation. Investing in Health Research and Development. Report of the ad-hoc committee on health research relating to future intervention options. Geneva: WHO, 1996. Cited in: SCOTH, *Report of the Scientific Committee on Tobacco and Health*. March 1998. [[view](#)]
 - 8 Health Committee, The tobacco industry and the health risks of smoking, June 2000. Supplementary memorandum by Action on Smoking and Health, Tobacco Smuggling (TB 18B) [[view](#)]
 - 9 Clive Bates (ASH) three letters to Revd Charles Yeats and Former Bishop of Durham David Jenkins (Durham Ethics), July-September 2001. [[view](#)]
 - 10 Guildford Documents, National Clearinghouse on Tobacco and Health (Canada), Accessed 11 August, 2002 [[view background](#)] [[search documents](#)]
 - 11 World Health Organization (WHO), Framework Convention on Tobacco Control (FCTC). Accessed 11 August, 2002. [[view](#)]
 - 12 Centers for Disease Control and Prevention (CDC), Best Practices for Comprehensive Tobacco Control Programs, August 1999 [[view executive summary](#)] [[download report](#)]
 - 13 New Chair's text of a framework convention on tobacco control, FCTC, July 2002. [[view](#)]
 - 14 Cancer Research UK, Reducing your risk. Updated 29 July 2002. Accessed 11 August, 2002. [[view](#)]
 - 15 The Challenge of Change. BAT Australia, 2001
 - 16 British American Tobacco, Corporate Social Responsibility. Accessed August 1, 2002. [[view](#)]
 - 17 Action on smoking hots up, Karnjariya Sukrung, Bangkok Post, 27 May 2002. Accessed on Action on Smoking and Health Foundation (Thailand) website, August 1, 2002. [[view](#)]
 - 18 Scientific Committee on Tobacco or Health. Smoking Kills - A White Paper on Tobacco: Chapter 4, Smoking and adults. The Stationery Office, 10 December 1998 [[view report](#)]
 - 19 . Action on Smoking and Health (London), British American Tobacco – The other report to society, June 2002. Impact of passive smoking. [[view](#)]
 - 20 International Agency for Research on Cancer, Involuntary smoking, 5. Summary of Data Reported and Evaluation, Vol. 83, June 2002. [[view](#)]
 - 21 British American Tobacco. *Supplementary Memorandum*. House of Commons Health Select Committee Inquiry, 28 February 2000. [[view](#)]
 - 22 Peto, R, et al. Emerging tobacco hazards in China: 1. Retrospective proportional mortality study of one million deaths, *BMJ*. V. 317:1411-1422, 21 November 1998. [[view](#)]
 - 23 Peto, R, et al. Emerging tobacco hazards in China: 2. Early mortality results from a prospective study, *BMJ*. V. 317:1423-1424, 21 November 1998. [[view](#)]
 - 24 Lopez, AD. Counting the dead in China, *BMJ*. V. 317:1399-1400, 21 November 1998. [[view](#)]
 - 25 World Bank, News Release No. 99/2008/S. Medical study predicts 100 million tobacco deaths among young Chinese, November 19, 1998. [[view](#)]
 - 26 AFX News, Ananova. BAT could become first foreign cigarette maker to take stake in China firm, July 29, 2002. [[view](#)]
 - 27 Measure, S . BAT insists China plans on track, *The Independent*, 31 July 2002. [[view](#)]
 - 28 The tobacco industry and the health risks of smoking. Report of the Health Committee. The Stationery Office, 5 June 2000

-
- 29 . Action on Smoking and Health (London), British American Tobacco – The other report to society, June 2002. False youth smoking prevention initiatives. [[view](#)]
 - 30 Action on Smoking and Health. Danger! PR in the playground, October 2000. [[view report](#)] [[download PDF](#)]
 - 31 American Nonsmokers' Rights Foundation. Don't Buy the Ventilation Lie, April 16, 2001. [[view](#)]
 - 32 Chapman, S et al. The impact of smoke-free workplaces on declining cigarette consumption in Australia and the United States. Am J Public Health, 1999; 89: 1018-23 [[View abstract](#)]
 - 33 Fichtenberg, CM and Glantz, SA. Effect of smoke-free workplaces on smoking behaviour: systematic review. BMJ 2002; 325: 188-91 [[View Abstract](#)]
 - 34 Framework Convention on Tobacco Control, Intergovernmental Negotiating Body. Accessed, August 1, 2002. [[view reports](#)]
 - 35 Directive 2001/37/EC, European Parliament and of the Council, 5 June 2001. Accessed 11 August, 2002. [[view](#)]
 - 36 Action on Smoking and Health. Tobacco smuggling. Accessed August 1, 2002. [[view reports](#)]
 - 37 International Consortium of Investigative Journalists, Tobacco Companies Linked To Criminal Organizations In Lucrative Cigarette Smuggling, March 3, 2001. [[view reports](#)]
 - 38 British American Tobacco, Investor Presentations, March-June 2002. Accessed August 2, 2002. [[view](#)]
 - 39 Martin Broughton, Executive Chairman, British American Tobacco. British American Tobacco - interim results, July 30, 2002. Accessed on [Cantos.com](#) website, August 2, 2002. [[view](#)]