

# POINT BY POINT RESPONSES TO QUESTIONS PUT TO PHILIP MORRIS INTERNATIONAL BY THE CHANNEL 4 ‘DISPATCHES’ PROGRAMME

## Channel 4 Dispatches: The Secrets of Big Tobacco: Has Philip Morris International Really Given Up Smoking?

The program looks at Philip Morris International's (PMI) "Unsmoke" campaign and the principles that underlie it, including the company's stated aim to "replace cigarettes with smoke-free products as soon and fast as possible." It also looks at the marketing of IQOS as a "reduced risk" alternative to smoking and the plan to deliver "a smoke free future." The programme also examines whether these principles are reflected in PMI's global marketing strategy. Within this, it looks at the continued focus of PMI on the sale and promotion of conventional cigarettes in Indonesia where PMI affiliate Sampoerna is a prominent brand. The programme also explores PMI and Sampoerna's involvement in public health policy and regulation.

Attribution: Dr Moira Gilchrist BSc (Hons) Pharmacy, PhD Pharmaceutical Sciences, PMI's Vice President, Strategic & Scientific Communication:

"Globally, Philip Morris International is committed to achieving what governments and the public health community challenged us to do: develop a less harmful product. To this end, PMI has invested billions of dollars in science and technology to achieve that precise objective. If people who smoke are denied accurate information—or worse yet, are deceived—about less harmful alternatives, the vast majority will simply continue to smoke cigarettes. We have faced a number of similar, and seemingly coordinated, allegations recently. To set the record straight we have addressed allegations made against us on our website: [PMI.com](https://www.pmi.com). We invite everyone to learn the facts, study our science and arrive at their own conclusions.

In the UK, Philip Morris supports the Government's commitment to make England smoke-free by 2030. To realise this ambition, millions of current smokers need to be persuaded to quit altogether or switch to less harmful alternatives. Critical to this will be putting in place a regulatory framework that ensures smokers have the facts about alternatives and that tobacco companies are pushed to phase out cigarettes. And we have made this point time and time again to MPs, civil servants, local councillors, journalists and the broader public. What this story really shows is that Philip Morris has been consistent in its efforts to make smoke-free 2030 a reality."

# 1. Public trust in PMI:

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there have historically been issues of trust surrounding Big Tobacco companies. The programme will explore such concerns around trust and PMI, including its recent attempts to “normalize” the brand and offer alternatives to smoking.

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We are not asking anyone to trust us. All we ask is that people examine the scientific evidence and judge us on our actions.

The proof of our commitment to end the sale of cigarettes is in the numbers:

- Smoke-free products are now almost a fifth of our business—up from zero five years ago
- Since 2008, we have invested \$7.2 billion to develop and scientifically substantiate smoke-free alternatives

- Nearly 10 million adults have completely stopped smoking cigarettes and switched to our electrically heated tobacco system, which is now available in 52 markets

- Whilst cessation is clearly the best option, our market research across many countries indicates that 80% of adults who smoke want better alternatives

- In 2019, 71 percent of our commercial spend was dedicated to smoke-free products

**These facts are the real story.**

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The programme will refer to the notorious public denials of Philip Morris executives – as late as 1994 – in relation to the damaging and addictive properties of cigarettes despite the overwhelming scientific evidence of which they were aware.

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Referring to events that took place almost 30 years ago to discredit our efforts today, is at best disingenuous and at worst risks perpetuating the outcome that no one wants: a world with a billion smokers in the decades to come. Your plan to use

this framing clearly demonstrates bias and that you do not intend to deliver an objective, impartial assessment of the topic of the “safety of alternatives to traditional smoking”

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It will also refer to the 2006 United States federal legal case against a number of tobacco companies including Philip Morris USA (an Altria company) which concluded that those companies had repeatedly and knowingly lied to the public about the dangers of smoking: “Cigarette

smoking causes disease, suffering and death. Despite internal recognition of this fact, Defendants have publicly denied, distorted and minimized the hazards of smoking for decades.” Judge Kessler also referred to “a massive 50 year scheme to defraud the public” by those companies.

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The U.S. federal legal case referenced was issued in a civil case brought by the U.S. government against the major U.S. cigarette manufacturers and their parent companies. Neither Philip Morris International Inc. (PMI) nor any PMI affiliate was a defendant in the case. The case was based on a unique U.S. federal statute and centered on allegations concerning the U.S. cigarette industry during the 1950s through the 1990s. The 2006 trial court decision is contrary to the vast majority of decisions in tobacco litigation in the U.S. and around the world.

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The programme notes that Philip Morris International (PMI) was spun off from Altria in 2008, and away from the jurisdiction of the US courts.

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We note that you intend to allege that the 2008 spin off in which Altria disposed of its shares in PMI was to enable PMI to escape the jurisdiction of the US Courts. This is a false and extremely prejudicial allegation, suggesting that PMI had something to hide and/or fear from US justice. It is without any factual basis; quite apart from

anything else, Philip Morris International Inc., our ultimate parent company, is incorporated in Virginia, United States, is listed on the New York Stock Exchange and maintains its corporate headquarters at 120 Park Avenue, New York.

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The programme will refer to an internal PMI corporate strategy document from 2014 which described a policy of “normalization” to “establish PMI as a trusted and indispensable partner.” PMI appears to have devised an ingenious corporate strategy designed to protect its profits in a world that’s increasingly hostile to tobacco.

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The negative characterization of “normalize” misses the point that hundreds of millions of adults who will otherwise keep smoking should have access to better alternatives.

We are working every day to demonstrate that we have science and technology that is already proving indispensable in helping adults who would otherwise continue to smoke switch away from cigarettes.

To move forward in the best interests of public health and adult smokers, we believe that tobacco policies should continue to focus on keeping people from starting to smoke and on helping people quit. An essential third element is to ensure that adults who continue to smoke have access to, and information about, smoke-free products that are a much better choice.

For example, a [recent study](#) from the American Cancer Society showed that in Japan the introduction of our electrically heated tobacco system has caused cigarette sales to decline five times faster than before its introduction, without increasing overall tobacco use [PMI Sustainability Report 2018, p33]. This was accomplished without a major change in national tobacco control policy.

## 2. Concerns about PMI's 'Smoke free future' and alternative products, including IQOS and "heat not burn"

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The programme will question the veracity and truthfulness (particularly given big tobacco's history of deceit and image management) of PMI's mission to deliver a "smoke free future" and its so-called reduced risk alternatives as part of its apparent goal to normalize and detoxify the brand.

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We are transitioning our Company, our industry, and the world away from cigarettes. Our communications and regulatory engagement strategy is completely and transparently aligned with this aim.

We understand the scepticism towards our industry and have become accustomed to vocal mischaracterizations of how we make our views known.

We are working to provide better alternatives to smoking, which is a well-recognized element of tobacco control.

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PMI has created its own smoking replacement – IQOS – which has been the subject of considerable scrutiny and scientific criticism.

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We have transparently made our science on IQOS publicly available and have submitted it to government agencies around the world.

We proactively sought scrutiny.

In 2019, the U.S. Food and Drug

Administration (FDA), who looked at the totality of the available science—including that of PMI and "critics" of the products—authorized the product for sale in the United States after finding it to be "appropriate for the protection of public health" following a thorough and almost two-year long scientific review.

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We have interviewed an executive at Action on Smoking and Health (ASH), a public health charity, who says of PMI: "Philip Morris says it wants to end smoking but it only wants to do it by establishing a replacement market because otherwise basically its business comes to an end. They say they only want to sell these replacements products to smokers ... but if we genuinely end smoking then they're going to have to start selling these replacement products to non-smokers, because otherwise they'll go bust".

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The premise of this allegation is wrong. Smoking rates are declining worldwide, but there are still more than a billion people on the planet who smoke today. The World Health Organization predicts that there will still be the same number in 5 years' time. These people deserve access to the better alternatives that exist right now.

PMI's message—which is a reflection of its key corporate positions—is clear and simple:

- If you don't smoke, don't start.
- If you smoke, quit.
- If you don't quit, change.

For PMI, the long-term business opportunity is to convert adult smokers who would otherwise continue to smoke cigarettes to better alternatives. As of December 2019, we estimate IQOS is being used by close to 14 million legal-age smokers, with close to 10 million of these fully converted and another 4 million in various stages of conversion.

PMI's 'Good Conversion Practices' policy serve as the company's bedrock for encouraging adult smokers to switch while working to prevent unintended use in the countries where we sell smoke-free products that do not burn tobacco. In our IQOS stores, we refuse to offer these products to people who have never smoked or those who have quit smoking. We are also clear that these products are not risk-free or a safe alternative to cigarettes. Similarly, our marketing standards are rooted in the principle that we market and sell our products to adult smokers.

When reviewing the available data, the FDA, as part of its scientific review process to grant Premarket Tobacco Product Application authorization (PMTA) of IQOS for commercialization in the US, noted: "available data, while limited, also indicate that few non-tobacco users would be likely to choose to start using IQOS, including youth."

A

PMI say that in conventional cigarettes it is the burning of tobacco which releases harmful chemicals. PMI claim that by heating rather than igniting tobacco, IQOS releases not smoke, but what they call aerosol. In relation to the 'heat not burn' product IQOS, PMI claim: "the levels of harmful chemicals are significantly reduced."

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The burning of tobacco **produces the vast majority** of harmful chemicals in cigarette smoke, and by eliminating the burning process—as is the case with smoke-free products—the levels of harmful chemicals generated can be significantly reduced compared with cigarette smoke. It is accurate that by heating rather than

burning tobacco, what IQOS emits is not smoke but an aerosol. Additionally, compared to cigarettes smoke, the levels of harmful chemicals in the IQOS aerosol are significantly lower.

Please verify these facts, at [pmiscience.com](https://www.pmiscience.com)

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The programme questions this claim and features comment from Dr Reto Auer, primary care physician and clinical researcher at the University of Bern. He is the lead author of a study of IQOS in 2017. His team felt the smell of the product was similar to burnt tobacco and they conducted comparative tests. He told us: "We compared what comes out of the IQOS and of a conventional cigarette. There were the same toxic compounds, in less quantity in the IQOS. However it was the same toxic compounds... So we're looking at carbon monoxide. ... We're looking at tar ... This is the main component that produces cancer."

R

It is misleading to highlight this study without placing equal prominence on the U.S. FDA's conclusions about this study.

The FDA's review of the Research Letter from Auer and his colleagues and also personal communications with the authors, concluded that:

"Auer et al conducted the analysis over two consecutive days and some of the data included too few replicates. Data published in the article lack the appropriate number of replicates, and do not include testing of some compounds in cigarettes, such as acenaphthene. In addition, the identity of some of the compounds, such as acenaphthene, cannot be confirmed since the method used is not selective. The data published is not considered adequate for comparing the levels of HPHCs between the IQOS products and combusted cigarettes. There are significant analytical issues in the Auer study, such as lack of testing reference samples, low number of replicates, lack of selectivity on some analytical methods. In comparison, we have not identified specific issues with the applicant's [PMI's] methods."

<https://www.fda.gov/media/110387/download> (see page 13).

And: "...the [FDA] chemists concluded the data published by Auer et al. are not considered adequate for comparing the levels of [harmful and potentially harmful constituents] between the IQOS

products and [conventional cigarettes] due to analytical issues – specifically lack of testing reference samples, low number of replicates, and a lack of sensitivity on some analytical methods.

<https://www.fda.gov/media/124247/download> (see page 21).

Regarding claims about Carbon Monoxide, the FDA also concluded: "Removal of the warning: "SURGEON GENERAL'S WARNING: Cigarette Smoke Contains Carbon Monoxide." from the required warnings to be displayed on the product package labels and advertisements under FCLAA. Based on a fair evaluation of all material facts, the warning is misleading with respect to these products which, although categorized as cigarettes, do not produce carbon monoxide above environmental levels and do not increase CO-related health risks."

<https://www.fda.gov/media/124247/download> (see page 98)

They also noted this in their press release: <https://www.fda.gov/news-events/press-announcements/fda-permits-sale-iqos-tobacco-heating-system-through-premarket-tobacco-product-application-pathway>

We are clear in our communications that IQOS is addictive and is not risk-free. Using "Tar" as a measure of harmfulness of a product has no scientific ground and is deceptive. "Tar" is simply the total weight

of solid and liquid residue in cigarette smoke after the weight of nicotine and water has been subtracted and fails to give any indication about the composition of the material, in particular the amount of harmful and potentially harmful chemicals. This is why many governments and public health organizations have supported removing “Tar” measurements as being misleading to consumers. For

instance, the World Health Organization (WHO), in a report ([https://www.who.int/tobacco/publications/prod\\_regulation/trs989/en/](https://www.who.int/tobacco/publications/prod_regulation/trs989/en/)) on the scientific basis for tobacco product regulation, rejected the usefulness of including tar indications for consumers: “Tar need not be measured, as it is not a sound basis for regulation, and the levels can be misleading”.

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We will make clear that Auer believes there are no safe minimum limits for some of these type of chemicals and that more independent research needs to be done about the health consequences of IQOS.

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We do not claim that IQOS is risk-free or safe.

It is a better alternative for adults who would otherwise continue to smoke. It is not an alternative to quitting altogether. The best choice any smoker can make is to quit tobacco and nicotine altogether.

Compared to the smoke of a reference cigarette, IQOS emits on average 95% lower levels of harmful chemicals.

We welcome further independent peer-reviewed studies on IQOS.

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We will inform our viewers that PMI disagree with Dr Auer's study and its outcome and took the unusual step of writing a letter in this regard dated 6th June 2017 and signed by Moira Gilchrist, to Dr Auer's supervisors. The letter

includes the following passage: “We respectfully request that you instruct the authors to urgently retract the inaccurate and damaging Research Letter and re-conduct the study at an accredited laboratory using validated methods.”

R

The reliability of Dr Auer's research letter has been questioned by highly respected institutions, including the FDA.

Dr. Gilchrist wrote to Dr. Auer's supervisors and Dr. Auer himself. PMI's Chief Scientific Officer, Prof. Manuel Peitsch also wrote to the journal's editor [\[link\]](#) to express our concerns about the study methodology and conclusions. Additionally, independent experts also expressed concerns about the research letter [\[link\]](#)

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He makes clear that PMI invited them and that they would take care of the cost of it. Auer says: “So what they recommend is basically that we work with them, right? So you can, you can do independent research as long as you use our method and you sure you interpret it our way.”

R

We invited Dr. Auer to choose a suitably qualified laboratory to re-conduct his study. We would have had no role in his research save for offering to reimburse the cost, should he so wish. Our letter said:

“We respectfully request that you instruct the authors to urgently retract the flawed, inaccurate and damaging Research Letter and re-conduct the study by an

accredited laboratory using validated methods that are appropriate to quantify the constituents under investigation. PMI would be happy to reimburse the costs of this new study, either directly or by facilitating the collection of donations from IQOS consumers, who would doubtless be interested in receiving validated results from an independent and credible institution.”

It is unfortunate that he did not take up our offer.

Despite the serious concerns raised by PMI, other independent experts and the U.S. FDA, the authors (Auer) has neither reproduced the study using appropriate methods, nor have they retracted the study.

Non-industry funded studies on e-cigarettes and other harm reduction products are not without controversy. In a recent USA Today [article](#), Ivan Oransky,

a physician and medical journalist who runs the [website Retraction Watch](#), spoke out about the quality of some academic science. In relation to a recently [retracted paper](#) on e-cigarettes, he said “Glantz’s study shows the positions and funding sources of authors don’t assure accuracy. There are far more retractions from academic laboratories without pharmaceutical industry funding than from the industry-backed ones.” He added that “industry researchers know they are under scrutiny, while advocates seldom evoke the same skepticism.”

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There are concerns regarding the apparent decision of PMI to focus resources on IQOS more than e-cigarettes. Dr. Reto Auer says, for example: “You ought to ask Philip Morris why they’re not investing more in e-cigarettes ... because it looks like e-cigarettes are safer than the IQOS... You don’t make much money with the e-cigarette. With these IQOS in Switzerland its taxed way less than a conventional cigarette, but it’s sold the same price... so I don’t need a PhD in Economics to understand that this is interesting for the tobacco industry to invest in the IQOS instead than in e-cigarettes.»

R

PMI recognizes that combustion and the production of smoke is the primary cause of smoking related disease, therefore is developing a portfolio of products that deliver nicotine without burning tobacco. Some of these products use heated tobacco and others do not and are more similar to e-cigarettes.

The idea is to maximize the number of current adult smokers who switch to smoke-free products completely, and therefore need products that are less harmful and satisfy adult smokers enough so that they abandon cigarettes.

The two principal categories of smoke free alternatives are heated tobacco, which makes up around 70% of the total international retail value of \$23 billion, and e-vapor at 30%, all based on our latest estimates. We also note that heated tobacco is growing faster than e-vapor, helped by the quality of consumer experience and consequent better rates of conversion away from cigarettes.

In keeping with this portfolio approach, we have commercialized e-cigarettes in parallel with IQOS for several years. We have recently announced that later this year we plan to launch the latest generation of e-cigarette products, IQOS Veev at scale in Europe.

Many adult smokers have switched to e-cigarettes and abandoned cigarette smoking, but many have not. The best option is to quit, but for those smokers who don’t, a product that more closely mimics the smoking experience (sensory, taste, ritual, etc.), may be an alternative they would switch to. What is most important is that adult smokers have access to a range of products that they are able to switch completely and abandon cigarettes.

71% adults who use IQOS have switched to our electrically heated tobacco system completely and stopped smoking cigarettes.

A

**[ADDITIONAL QUESTION RECEIVED 20/02/2020]**

the programme will question the safety of alternatives to traditional smoking. For example, we understand that e-cigarettes can addict their users to nicotine, but vaping is generally recognised to be far less harmful than smoking cigarettes. (a) As you know, we have interviewed Mr Auer about his research. (b) We have also interviewed an executive at ASH who, asked why Philip Morris is focussing on IQOS if the health case for IQOS is less clear cut than it is for e-cigarettes,

said: "Profitability. IQOS will be much more profitable. Its put billions into development of IQOS to make sure that it can't be easily counterfeited and that it replicates the smoking experience and that it can be sold at a level that means that they can make the same excessive profits then make on cigarettes in the longer term. That's why they're not interested in vaping, because vaping is a much more competitive market - you can buy cheap products that are easy to use and effective that really undercut the ability of companies like Philip Morris to make the big profits they want to make".

R

(a) We have provided a comprehensive response regarding the veracity of Dr Auer's claims and the U.S. FDA's conclusions about this study. To ensure fair and impartial journalism, it is only reasonable that Dispatches places equal or greater prominence on the scrutiny that his study.

(b) This is factually incorrect.

PMI has commercialized e-cigarettes in parallel with IQOS for several years. We have recently announced that later this year we plan to launch the latest generation of e-cigarette products, IQOS Veev at scale in Europe.

Many adult smokers have switched to e-cigarettes and abandoned cigarette smoking, but many have not. For these smokers a product that more closely mimics the smoking experience (sensory, taste, ritual, etc.), may be an alternative they would switch to. What is most important is that adult smokers have access to a range of products that they are able to switch completely and abandon cigarettes.

71% adults who use IQOS have switched to our electrically heated tobacco system completely and stopped smoking cigarettes.

Further, ensuring that IQOS and its components cannot be easily counterfeited protects the population from using it with products that have may have been produced by unscrupulous producers or illicitly traded.

### 3. Concerns regarding Juul and PMI's marketing strategy regarding IQOS

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We do not own Juul, we have no investment in Juul and are a completely separate company from Altria. A simple web search would have confirmed this.

It is highly misleading to suggest that PMI endorses or has a similar marketing strategy to Juul.

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To contextualize this matter, we explain that PMI's former parent company, Altria, with which it retains corporate links, owns 35% of one of the most popular brands – JUUL, which, in its early days was blatantly marketed at young people. These ads stopped after Altria bought its share but JUUL retains a mass youth market.

R

This attempt to “contextualize” is highly misleading and false there is no relationship between PMI and JUUL. PMI is a wholly separate company from Altria and we have no relationship or

commercial interest whatsoever with their investment in Juul or with Juul itself. For questions regarding Juul, please contact Juul.

A

It is noted that PMI say IQOS is marketed exclusively at adult smokers. The programme includes footage of an IQOS launch event available online which feature attractive young people.

R

You have not provided the footage on which you seek our comment.

our marketing standards are rooted in the principle that we market and sell our products to adult smokers.

We market and sell IQOS to adults who would otherwise continue smoking. It is possible for legal aged smokers to be attractive. Just because some appear to be young adults does not mean that they are children or that we market to youth. PMI's 'Good Conversion Practices' policy serve as the company's bedrock for encouraging adult smokers to switch while working to prevent unintended use in the countries where we sell smoke-free products. In our IQOS stores, we refuse to offer these products to people who have never smoked or those who have quit smoking. We are also clear that these products are not risk-free or a safe alternative to cigarettes. Similarly,

In Japan, the largest IQOS commercial market and the first country where the product was commercialized, we are encouraged by the results of a recent study conducted under a Japanese Ministry of Health research grant, which showed that 0.1% of high-school students were daily users of heated tobacco products.

We have not been presented with any evidence to show that there is any issue with unintended use among youth in any of the 52 markets where IQOS is currently available.

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In a recent Stanford University study, the authors considered IQOS and the Unsmoke campaign as linked. The programme features comment from Professor Robert Jackler from Stanford Research Into The Impact of Tobacco Advertising. He says: "Early in 2019 Philip Morris International

was splashing advertisements and press announcements ... that they were giving up cigarettes ... However, when you look at this ... it really is a means of promoting IQOS. It is an advertising campaign for IQOS. If they really meant what they said ... why does it continue to push Marlboro throughout the world?"

R

We have not seen this study since you have not provided it to us nor has it been published as far as we are aware, and therefore cannot comment.

Our vision is that one day smoke-free products will replace cigarettes. The sooner the world transitions away from cigarettes, the sooner we can stop making them.

However, we doubt that there is anything PMI could say or do that Dr. Jackler, and others who criticize our scientific commitment and smoke-free vision, would ever find satisfactory

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Professor Robert Jackler says of Altria and PMI: "What I perceive is that is a joining of the 3 major tobacco brands and companies, Altria, PMI and JUUL... They have Marlboro, the leading regular cigarette. They have IQOS the leading heat not burn and they have Juul, the leading vapour product – at least in the United States... I can easily foresee, Philip Morris International, Altria and Juul seeking global dominance across traditional tobacco and emerging ...categories of products."

R

We are very concerned by the apparent recognition in your letter (first paragraph of section (c)) that the contribution of Professor Jackler (the apparent source of the allegations of an international conspiracy between PMI, Altria and Juul) is inaccurate. It appears that, in order to provide his allegations with some 'cover', you intend to allege continued 'corporate links' between us and Altria/Juul, as if this in some way substantiates what Professor

Jackler says. As to this, we note (a) that a 'corporate link' is not the same thing at all as a joined up international strategy operated by Altria, PMI and Juul ("They have IQOS...they have Juul..") and (b) you do not substantiate at all what these links are said to be<sup>1</sup>. Rather, this appears to be an attempt to use Professor Jackler's inflammatory contributions at any cost, regardless of their accuracy.

<sup>1</sup> In the interests of transparency, we note that Altria is the distributor of IQOS product in the USA, under a commercial license and distribution agreement. That is an arms' length relationship with a third party, and not a 'corporate link' of the kind which would justify Professor Jackler's baseless allegations.

## 4. Concerns regarding PMI's involvement in UK public health policy and regulation.

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The programme looks at concerns that PMI may be attempting to influence the UK's product regulations and health policy, including by use of its 'reduced risk' products.

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PMI supports the Government's commitment to make England smoke-free by 2030. To realise this ambition, millions of current adult smokers need to be persuaded to quit altogether or switch to less harmful alternatives. Critical to this will be putting in place a regulatory

framework that ensures adult smokers have the facts about alternatives and that tobacco companies are pushed to phase out cigarettes. We have made this point time and time again to MPs, civil servants, local councillors, journalists and the broader public.

A

b) The programme will include comments from an industry watchdog's forthcoming report: "PMI's claims are a massive PR exercise intended to enable it to access the policy circles from which it had been excluded, and to design future policies in its own interests.»

R

Dispatches has not revealed who this "industry watchdog is". However, we believe that the "watchdog" you refer to is 'Expose Tobacco'. This is not an independent watchdog, rather part of a campaign coordinated by American special interest groups, all of whom are seemingly funded by the same source—Bloomberg Philanthropies—dedicated to just one mission. Under the guise of promoting public health, they are working to rob adults who smoke of their right to choose scientifically substantiated better alternatives to continued smoking.

Since 2008 PMI has invested \$7.2 billion to develop and scientifically substantiate smoke-free alternatives. As of December 2019

- Nearly 10 million adults have completely stopped smoking cigarettes and switched to our electrically heated tobacco system, which is now available in 52 markets
- Whilst cessation is clearly the best option, our market research across many countries indicates that 80% of adults who smoke want better alternatives
- In 2019, 71 percent of our commercial spend was dedicated to smoke-free products

This scale of investment over a long timescale demonstrates clearly that this is far from a "PR exercise".

There is growing recognition among governments, scientists, and public health experts that scientifically substantiated smoke-free alternatives—in combination with existing measures to prevent initiation and encourage cessation—can play an important role in addressing the global public health issue of smoking. PMI believes that there needs to be an open, informed debate with all sides involved.

Decisions on the future of public health are often made behind closed doors without any public accountability or scrutiny.

To move forward in the best interests of public health and adult smokers, we believe that tobacco policies should continue to focus on keeping people from starting to smoke and on helping people quit. An essential element is to ensure that adults who continue to smoke have access to, and information about, smoke-free products that are a much better choice.

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The programme will refer to an internal PMI document from 2018. This outlines what seems to be PMI's proposed regulatory framework for the UK after exiting the EU, including the repeal of parts of the tobacco products directive, the removal of the cap on nicotine strengths in e-liquids, and the loosening of advertising restrictions around e-cigarettes and heated tobacco products.

R

We proposed a comprehensive approach which would put in place a regulatory framework with the objective of enabling adult smokers to have access to and accurate information about smoke-free alternatives, while pushing tobacco companies to phase out cigarettes through a tobacco transition fund paid for by the industry. With respect to

advertising regulations, we believe they should enable adult smokers to receive accurate information about smoke-free products. We market our products responsibly and wholeheartedly support efforts to prevent access to these (and any) tobacco or nicotine containing products by minors.

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In reference to the same document, the programme mentions the aim of creating a new product category called "Considerably Less harmful Novel Smokeless Tobacco Products" which would seemingly be subject to less stringent advertising regulations. It is noted that this is likely intended to cover PMI's IQOS products.

R

The UK Government has endorsed the principle of harm reduction and has encouraged smokers to switch to less harmful alternatives, if they don't quit tobacco and nicotine altogether. Unfortunately the regulations governing tobacco and nicotine products are

outdated and inconsistent. We support the creation of a new product category that is future-proofed and for which any communication of the products would be restricted to specifically targeting adult smokers.

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The programme also features an additional internal document from 2018. This outlines a proposal for a £1 billion "tobacco transition fund" to "support a smoke free UK". This would be raised through a levy on tobacco companies according to their market share over a period of ten

years. The document suggests the fund would be overseen by the Tobacco Harm Reduction Commission which would "hold regular meetings bringing together all stakeholders" including the Department of Health, HMRC, tobacco manufacturers, civil society and expert witnesses.

R

If the Government were to establish a tobacco transition fund, based on contributions based on the tobacco companies' market share, it would only be natural that companies meet with regulators to share data and demonstrate progress in relation to the fund's objective for the industry to phase out cigarettes. This would ensure accountability and transparency.

A

In reference to the documents, an executive at Action on Smoking and Health (ASH), says: "Well I mean they're absolutely extraordinary because basically what they've done is stolen our idea .... of a polluter pays levy on tobacco manufacturers to fund the end of smoking, ...but buried within this proposal is a sort of poisoned pill where they get

what they want out of it, which is relaxation of the advertising rules ...Its a trade-off and they want to have a seat at the table in developing the policy and oversight of the spend and that's completely unacceptable. ... It's all about switching smokers to alternative products... so it feeds their market ambitions and not ours, which is to end smoking properly."

R

Really...? It doesn't matter who came up with the idea as long as it helps the 7.2 million smokers in the UK to abandon cigarettes for good.

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The programme also notes that in an email accompanying the documents, reference is made to discussions with an unnamed MP. In October, 2018, some months after the documents appear to have been drafted, Labour MP

Kevin Barron unsuccessfully put forward a bill containing many of the same proposals, and encouraging the government to partner with the tobacco industry. The executive from ASH says, "I think there are questions to be asked about how it's so similar, how that came to be."

R

None of these ideas are new. What this shows is that we are putting our words into actions with practical solutions that will help the Government achieve its commitment to make England smoke-free by 2030.

## 5. Concerns regarding the promotion of conventional cigarettes in Indonesia, its appeal to a younger market

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The programme will raise the apparent contradiction in PMI's mission to deliver a "smoke free future" and promotion of 'less harmful' alternatives in the developed world, compared to its activities internationally, where there appears to be no intention to stop or end smoking. We query whether if PMI really wanted to save lives, the best way to stop people smoking would be to stop selling and advertising cigarettes. Indonesia is a particularly lucrative market for PMI and other big tobacco companies, where around 60% of men and 20% of all 13-15 year olds smoke.

R

As PMI—and the world—transitions away from cigarettes towards smoke-free products, PMI intends to maintain its market position.

Our vision is that one day smoke-free products will replace cigarettes. The sooner the world transitions away from

cigarettes, the sooner we can stop making them.

Our leadership position in the cigarette market gives us greater ability to convert adult smokers to smoke-free products and generates the revenues to fund our rapid transformation.

A

We note that public health policy regulation and promotion of cigarettes is more relaxed in Indonesia than the UK and that cigarette adverts are still permitted on television, with some restrictions.

R

National Governments hold the responsibility to develop and implement their own regulation. Some allow

advertising. Some do not. PMI complies with these regulations.

A

A commercial for A Mild is referenced which appears to appeal to a younger market<sup>2</sup>. Sampoerna is an affiliate of PMI and subsidiary of PT Philip Morris Indonesia.

<sup>2</sup> [https://www.youtube.com/watch?v=CU-uMbk4p1jQ&list=PLVvf9sPkL6kolZCMJg-fLO80cowKh\\_RuG&index=7](https://www.youtube.com/watch?v=CU-uMbk4p1jQ&list=PLVvf9sPkL6kolZCMJg-fLO80cowKh_RuG&index=7)

R

PMI only markets cigarettes to legal-aged smokers.

- PMI does not use images that have particular appeal to minors, including youth-oriented celebrities or cartoons.

- PMI does not use models who are or who appear to be under the age of 25.

- PMI only places advertising in media channels, venues or events that are not directed to minors and whose audience is reasonably estimated to be at least 75% adults.

- Advertising on television, in radio broadcasts, or in cinemas only appears in the later evening hours.

- PMI does not place advertising on the front or back cover of a printed publication for general circulation or general circulation to the trade. Not a single cigarette appears in the advert.

"Go ahead people" and "tapi gue jadi" are both campaign executions for our brand AMild. The advertising is aimed at legal-aged smokers and placement of our adverts across different channels follow local regulation and PMI's marketing code.

In addition, when it comes to in-store point-of-sale materials placement, Sampoerna includes the youth access prevention program campaign materials.

A

The film features an interview with one local anti-tobacco campaigner who shows the reporter a Sampoerna-owned website, [www.amild.id](http://www.amild.id), which promotes the A Mild (Sampoerna) brand. The website features a video of what appears to be a social media influencer in Indonesia. The campaigner says: "These young people actually they become the ambassadors of ... A Mild... They go inside of our lifestyle, everything that we love, everything that we do and then at the end some of us young people think we cannot live without them".

R

It is hard to comment on a matter that we have not seen. If you will provide us with more information, we will follow up and respond accordingly.

Our websites for adult smokers cannot be accessed without prior age verification.

These are constructed as access-controlled sites that are accessible only to residents of a particular country.

We do not use social media for advertising, direct communications or unbranded communications related to combustible tobacco products.

A

The campaigner also shows Instagram pages carrying the hashtag #GueDecide. Social media like Instagram is known to attract young people. Referring to the hashtag, he says: "This is actually based on the international campaign for Marlboro...As you can see people are posting their posts you know with this 'I decide' hash tags. Some of them are in a club... having so much fun".

R

It is hard to comment on a matter that we have not seen. If you will provide us with more information, we will follow up and respond accordingly.

We do not use social media for advertising, direct communications or unbranded communications related to combustible tobacco products.

A

The campaigner also raises concerns about Sampoerna's advertising banners close to schools. We visited Bogor City and noted that a shop in the street of Karedenan, Cibinong displayed a banner advertising A Mild, close to the SMK N 1 Cibinong school, the National Senior High School 2 Cibinong and the SMK BINA TEKNOLOGI Cibinong. The slogan said "The others are like this and I'm like this" which the campaigner commented was "a subtle message that when you smoke you're different from the others, you're cooler". He went on: "If Philip Morris is really aiming for a smoke free world and trying to stop people from you know smoking cigarettes... then do not advertise you know

R

It is hard to comment on a matter that we have not seen.

We have not been provided with details so we have not been able to look into any details that are being alleged regarding any possible contractual relationships. If you will provide that information, we will follow up and respond accordingly.

As a matter of policy, we do not place outdoor advertising where the advertising is readable from facilities attended or frequented primarily by minors.

We are committed to doing our part to prevent underage use of nicotine and tobacco products.

PMI neither owns nor has any means of control over the vast majority of the retail points of sale around the world where people buy our products.

However, we recognize that when we have the opportunity—for instance with our direct trade partners—we have a responsibility to set robust standards and to work with them to guard against sales to underage purchasers. We have developed a set of tools for our affiliates to use to work more closely with their trade partners to guard against sales to underage purchasers, such as model clauses for contracts with trade partners, written communication to retailers reinforcing PMI's commitment to not

in front of schools like that". We understand that the shopkeeper received payment directly from Sampoerna which is part of Philip Morris International - for this advertising.

sell its products to minors and PMI's products will comply. expectation that all retailers who sell PMI

A

Reflecting on Sampoerna's advertising activities, the campaigner says: "This is not a brand who's trying to make a smoke free world. This is a brand who is trying to attract more young people ...to be smokers .... We cannot trust them."

R

'You should develop a safer product.' For decades, that is what governments and the public health community have told the tobacco industry. PMI has invested billions of dollars in science and technology to achieve that precise objective.

We understand the scepticism towards our industry and have become accustomed to vocal mischaracterizations of how we make our views known. Our vision is that one day smoke-free products will replace cigarettes. The sooner the world transitions away from cigarettes, the sooner we can stop making them.



## 6. Concerns regarding lobbying in Indonesia

A

Indonesia has not signed up to international conventions that forbid tobacco companies from involvement in public health policy.

R

We assume here that you are talking about the Framework Convention on Tobacco Control, in which case it is absolutely incorrect to suggest that it prohibits tobacco company involvement in public health policy. This is a frequent mischaracterization. Such a prohibition is not supported by the letter, nor the spirit, of the Treaty.

The Treaty actually says:

“In setting and implementing their public health policies with respect to tobacco control, Parties shall act to protect these policies from commercial and vested interests of the tobacco industry in accordance with national law.” [FCTC article 5.3]

A

The programme notes that the Indonesian government recently introduced a 23% rise in excise tax on tobacco products, a rise which Sampoerna appear to have opposed. A statement from Sampoerna directors was reported at the time to have said that: «It will definitely disrupt the tobacco ecosystem.»<sup>3</sup>

<sup>3</sup> <https://uk.reuters.com/article/indonesia-tobacco/indonesia-finance-minister-defends-plan-to-raise-cigarette-prices-idUKL3N2672NC>

R

Although the announcement of the increase in cigarette excise tax made on 13 September 2019 was very surprising, Sampoerna respected the President's decision. At present, we are working to determine how to manage the impact of the increase. While we are waiting for the details of the excise tax policy to be officially released, we intend to submit two recommendations to the Government to support the continuity of employment.

ability for small cigarette manufacturers to be able to compete in the market. This policy gap provides space for large companies to sell international-brand white cigarette made by machines paying excise rates equivalent to the excise tariffs for the hand-made clove cigarette (SKT) brand. This competition creates pressure on the labor-intensive SKT segment and causes the government to lose state revenue from excise duty.

**First**, the government has consistently shown its support for Small and Medium Enterprises (SMEs) through various programs including tax facilities. Criteria for SMEs are outlined in the SME Bill No. 20/2008 which stipulates that the Small Business has an annual sales revenue of at most Rp 2.5 billion, while the Medium Enterprises Rp 2.5 billion to a maximum of Rp 50 billion. Both of these criteria are the threshold provisions of a company to get ease in terms of regulation and taxation to develop their SMEs.

In Sampoerna's view, a better policy would be to set the excise group of companies based on the total volume of machine-made cigarettes produced. This will make large companies pay the proper cigarette excise tax, namely at high excise rates for machine-made cigarettes. For example, if a company produces more than three billion machine-made cigarettes per year, regardless of the type of cigarettes, this company must pay the highest excise tax on machine cigarettes.

However, this does not apply to tobacco manufacturers as there are large companies that earn more than Rp. 10 trillion and produce billions of cigarettes per year, but pay low cigarette excise tax rates. The low cigarette excise tax rates were originally designed to provide the

This policy was already planned by the government and included in the Minister of Finance Regulation in 2017, but it is unfortunate that it was never implemented. Sampoerna believes that now is the time for the Government to close the policy gap, optimize state revenue, provide protection for SKT

workers, and ensure fair competition in the national tobacco products industry.

**Second,** around 80% of Sampoerna's 65,000 direct and indirect workforce are SKT employees. Of the total SKT workforce, 75% of the total SKT workers work in companies that pay the highest excise tax. Given that SKT products require twice as much tobacco and clove as SKM, the Government can support the SKT community, including farmers and workers, by minimizing the increase in SKT excise tax and maintaining the current tax structure of the SKT segment. The

SKT segment has been under pressure for years and is in fragile condition. Any changes to the excise tax system and SKT structure will exacerbate an already difficult situation.

By implementing the two recommendations above, the Government can help the industry to mitigate the impact of the 2020 excise tax increase, especially the SKT segment, and support the livelihoods of those involved in the tobacco industry, including tobacco and clove farmers, workers and retailers.

A

We spoke to a Jakarta-based academic who has studied lobbying by Sampoerna and other tobacco firms, who says: "They are the enemy in the battle of the smoking... We have the highest rates of smokers among males in the world. And the very fundamental thing is we do not have any regulations to protect our tobacco control regulations from the interference of the industry... They're pushing the retailers to sell their brand more and more and more. When they sell more .... they can produce more so you can see that there is no intention for them to stop or to end smoking Indonesia... It's business as usual."

R

Our ambition is to transition smokers out of cigarettes and into better tobacco products. However, we are just at the beginning of this journey in Indonesia. The company is committed to raising awareness and educating Indonesian stakeholders – the government, scientific and public health community, industry participants, and most importantly, legal age smokers (LAS) – about smoke-free products. We know this process will take time and its success will depend on numerous variables, such as consumer preferences, the right products, government support and regulations.

IQOS is now present in Indonesia, albeit at small scale. We have begun introducing IQOS to communities of Indonesian adult smokers as part of our commitment over time to bring smoke-free products everywhere adults are smoking cigarettes. Approximately 95 percent of adult smokers in the country primarily smoke clove cigarettes. This dynamic is unique to Indonesia. Heated tobacco products like IQOS are different than cigarettes and as we do not have a clove product in our portfolio, understanding how Indonesian smokers will use and react to IQOS will be critical in our efforts to successfully convert adult smokers who would

otherwise continue to smoke to smoke-free alternatives.

We're also starting to see more interest and support for better alternatives to continued smoking being shown by officials and stakeholders. Government ministers, provincial governors, religious groups, public health experts and academic researchers have all begun to voice support for these alternatives.

While the smoke-free journey will progress, we will also continue work to address youth smoking. Since 2013, we have partnered with the retail community on an initiative called the Retail Access Prevention Program (RAPP) – a youth-smoking prevention program that now involves 120,000 retailers across the country. The program works to raise awareness with business partners, retailers and the general public about the need to prevent youth access to cigarettes. The RAPP is implemented through educational activities with our business partners, including placing youth smoking prevention materials in the retail environment. We're committed to this program with an objective to expand this to 300,000 retailers in the next three years.

A

The programme reports that in a country where many farmers and retailers depend on tobacco, Sampoerna wields enormous influence. In light of

this some anti-tobacco activists in Indonesia feel strongly that Sampoerna uses that influence not to combat smoking, but to actively encourage it and protect its profits.

R

This has been answered in the responses to 6 (b) & 6 (c)