

Tobacco Industry Profile – Russia (June 2010)

Intended Uses of Report

This document is intended as background information for developing presentations, educational and training materials, and for use in media messaging. We suggest that you copy directly from this document to materials that you are developing (be sure to maintain citations). You are encouraged to add relevant local information so that you have ready facts for these purposes.

Russia acceded to the World Health Organization’s Framework Convention on Tobacco Control (FCTC) in June 2008 and is now obligated to adopt and implement effective legislation aimed at reducing tobacco use and tobacco smoke exposure.¹ One of the FCTC’s guiding principles is that participation of civil society is essential in achieving the policy objectives contained within the Convention.² The FCTC also recognizes that “there is a fundamental and irreconcilable conflict between the tobacco industry’s interests and public health policy interests.”³ Civil society can play an essential role in raising awareness about the tobacco industry – its goals, its size and operation, its strategies to promote its products, and to thwart the adoption and implementation of strong tobacco control policies by gaining influence and credibility with policy makers and the public at large. Accordingly, tobacco control advocates should educate policy makers about the tobacco industry and its deadly products in their campaigns to achieve priority policy initiatives contained within the FCTC.

Evidence from Section 4 (Tobacco Industry Promotion and Sponsorship) of this report can be used to support comprehensive bans on all tobacco advertising, promotion, and sponsorships as specified in FCTC Article 13 and its guidelines. Section 5 (Corporate Social Responsibility) can also be used to support alignment with FCTC Article 5.3 guidelines calling for the denormalization and regulation of purported “socially responsible” activities carried out by the tobacco industry. We suggest that you add examples to these sections of the report as you find them to ensure that you have a ready resource to access as the need for this type of information arises in your policy campaigns. When adding examples, be sure to properly document the activity with a citation that includes a link to the reference as well as the date and location of the activity.

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1. Introduction

The tobacco industry is one of the most profitable industries in the world. To market their deadly products, tobacco companies use their enormous wealth and influence both locally and globally. Even as advocacy groups and policy makers work to combat the tobacco industry's influence, new and manipulative tactics are used by tobacco companies and their allies to circumvent tobacco control efforts. It is important for tobacco control advocates to know which companies are present, how and where they operate, the types and quantity of products sold, and marketing tactics used to sell tobacco products. By being informed about all aspects of the tobacco industry within a country, advocates are better equipped to fight the tobacco industry and its allies on multiple levels.

It is important to note that the tobacco companies typically report market data annually at least several months after the end of the fiscal year. By its nature, annual market data reported by analysts and tobacco companies are one or two years old. Therefore, general trends, forecast data, and tobacco industry positioning within the market contained here are the most recent we are able to obtain from tobacco analysts, Euromonitor International, and other sources.

2. Overview of the Tobacco Industry in Russia

Russia is the world's third largest tobacco market by volume.⁴ Russia's tobacco market is unique in that all four of the major transnational tobacco companies (TTCs) operate in the country, with all of the big manufacturers investing in facilities, brands, marketing and distribution.⁵ Since 2001, local ownership market shares have decreased dramatically from 42% of the market in 2001 to 7% in 2009.⁶

Also, more than in other tobacco markets, there is huge diversity in cigarette brands across the country. This is due in part to the presence of and competition between the TTCs and also due to the complicated distribution, retailing and marketing of tobacco products in Russia. For example, the country is so large that it spans eleven time zones across Central Europe, Eastern Europe and Asia; thus, new product launches require more time to be deployed into every part of the country.⁵

Retail volume sales have increased by over 30% (31.6%) in the last ten years from 290 billion sticks in 1999 to 382 billion sticks in 2009.⁶

Historic Russian Market Size- Retail Volume (billion sticks)

| 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|-------|-------|-------|-------|-------|-------|-------|-------|------|-------|-------|
| 290.4 | 320.4 | 330.4 | 335.4 | 336.4 | 345.4 | 370.4 | 380.4 | 373 | 393.5 | 382.2 |

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Company Shares in Russia- Retail Volume (%)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|----------------------------------|------|------|------|------|------|------|------|------|------|
| Russia | | | | | | | | | |
| Cigarettes | | | | | | | | | |
| Japan Tobacco Inc | 14.2 | 15.5 | 16.7 | 16.9 | 17.6 | 17 | 36 | 36.9 | 37.5 |
| Gallaher Group Plc* | 12.8 | 14.3 | 15.6 | 16 | 16.8 | 17.6 | - | - | - |
| Philip Morris International Inc | 18.8 | 20.8 | 23.3 | 24.9 | 26.3 | 27 | 27 | 26.2 | 26.4 |
| British American Tobacco Plc | 10 | 12.3 | 14.5 | 14.4 | 14.7 | 17.9 | 18.9 | 19.6 | 19.6 |
| Imperial Tobacco Group Plc** | - | 3.3 | 4.3 | 4.6 | 5.1 | 5.7 | 5.7 | 9 | 8.5 |
| Altadis SA | 0.5 | 0.6 | 0.7 | 8.1 | 7.2 | 5.3 | 3.6 | - | - |
| Balkanskaya Zvezda ZAO | 8.1 | 7.9 | 7.8 | - | - | - | - | - | - |
| Reemtsma Cigarettenfabriken GmbH | 3.1 | - | - | - | - | - | - | - | - |
| Donskoi Tabak OAO | 10.5 | 7.7 | 4.4 | 4 | 3.6 | 3.5 | 3.9 | 4 | 4.3 |
| KT&G Corp | - | - | - | - | 0.1 | 0.7 | 0.9 | 0.9 | 0.9 |
| Tabakprom | 5 | 4.2 | 3.8 | 3.3 | 2.6 | 1.2 | 1.3 | 1.1 | 0.6 |
| Nevo-Tabak ZAO | 1.8 | 1.8 | 1.9 | 1.5 | 1.1 | 0.7 | 0.7 | 0.5 | 0.4 |
| Bulgartabac Holding Group | 1.6 | 1.4 | 1.1 | 0.8 | 0.6 | 0.4 | 0.4 | 0.3 | - |
| Others | 13.7 | 10.3 | 6 | 5.4 | 4.2 | 3.1 | 1.6 | 1.4 | 1.8 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

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* Acquired by JTI in 2007

** Reemtsma was acquired by Imperial Tobacco in 2002. Altadis was acquired by Imperial Tobacco in 2008; Balkanskaya as a subsidiary of Altadis now falls under Imperial Tobacco⁷

Transnational Tobacco Companies in Russia

According to tobacco market analysts, all four of the major TTCs are making steady gains in the market.⁵ The dominating presence and nature of these TTCs further threatens public health because of the powerful companies' competitive efforts to reach young consumers and emerging female smokers, which ultimately increases smoking prevalence in the markets where they operate.

- As TTCs gain control of emerging markets like Russia, they may drive down cigarette prices and raise advertising and promotional spending, which in turn increases the rate of consumption in a country.⁷
- The TTCs use their immense economic and political influence to weaken tobacco control policies globally.⁸
- Even in the current global financial crisis, the TTCs are considered by analysts as generally recession-resilient,⁹ enabling the companies to continue their competition for a larger share in emerging markets such as Russia.
- The TTCs can increase profits by streamlining manufacturing, distribution, and marketing processes, which can reduce unit costs for a cigarette,¹⁰ especially where in-country manufacturing allows access to cheaper labor and transportation costs.¹¹

Japan Tobacco International (JTI)- *The country of Japan is the majority shareholder in JTI and the company is headquartered in Geneva, Switzerland. JTI is ranked fourth in the global tobacco market.*¹²

- JTI is the leading cigarette manufacturer in Russia with 37.5% of the market in 2009. After acquiring the Gallaher Group in 2007, JTI more than doubled its market share in the country, overtaking long time leader Philip Morris International.⁶
- Between 2007 and 2009 JTI's market share increased by 4.2%.⁶
- In 2009 JTI was well positioned in Russia because of its strong mid-price brands. Despite the recession and the resulting down trading, JTI continues to increase its share of Russia's cigarette market.¹³
- JTI operates under two companies in Russia:¹⁴
 - **Japan Tobacco International-** One of the first TTCs to invest in Russia and has been present in the country since 1992.
 - **Liggett-Ducat-** The local company was originally purchased by Gallaher Group in 2000 and has many popular local brands. JTI acquired this company with its acquisition of Gallaher and uses it as one of its main local distributors.
- Russia is a key market for JTI and the company will continue to concentrate on marketing its global flagship brands. Once JTI has established its brands in Russia it will be easier for the company to gain recognition in nearby markets like Ukraine.¹⁵

Philip Morris International (PMI)- *PMI is a U.S. company with headquarters in Lausanne, Switzerland. PMI is ranked second in the global tobacco market behind the China National Tobacco Company.*¹²

- PMI ranks second in the Russian cigarette market with 26% of the market in 2009.⁶
- Russia is PMI's largest market and is still considered an emerging market that PMI specifically targets to improve the growth of the company.^{16 17}
 - "Russia [is] one of the key drivers of PMI's strong overall results during the first half of 2008" according to Leo McLoughlin, Managing Director of PMI Affiliates in Russia.¹⁸
- When Russia was part of the USSR, PMI signed an Agreement on Scientific and Technical Cooperation allowing production of PMI brands under its license in the USSR between 1977 and 1986. In 1992, PMI opened its first representative office in Moscow.¹⁹
- PMI operates through three entities in Russia, but is generally known as Philip Morris International.¹⁹
 - **Philip Morris Sales and Marketing Ltd. -** Has about 100 offices throughout the country.
 - **AO Philip Morris Kuban-** A manufacturing facility acquired in 1993 and opened for production in 2000.
 - **ZAO Philip Morris Izhora-** Construction of factory began in 1998 and production started in 2000.
- In 2009 PMI produced 390 billion cigarettes in its Russian factories.²⁰
- In 2008, PMI was the leader in the premium-priced cigarette segment, but as consumers down trade to cheaper brands, PMI continues to prosper because of its strong portfolio of brands in all cigarette segments.²⁰
- PMI continues to introduce new products and profit from the Russian market despite tough economic conditions.²⁰
 - In a presentation to Morgan Stanley, PMI's CEO Louis Camilleri stated that "Our business momentum [in Russia] continues unabated, the distribution network, which over the years has been consolidated, is working efficiently and effectively

and we continue to enjoy strong trade relationships...we remain bullish on our prospects in Russia.”²¹

British American Tobacco (BAT)- *BAT is a British company headquartered in London, England. BAT is ranked third in the global tobacco market.*¹²

- British American Tobacco Russia (BAT Russia) is the third largest manufacturer in Russia and is steadily gaining ground in the cigarette market, particularly in Moscow.²² In 2009, BAT controlled 20% of the Russian cigarette market.⁶
- Between 2001 and 2009 BAT Russia’s market share increased by 96%, from 10.0% to 19.6%.⁶
- BAT Russia entered the country in 1994 after acquiring local tobacco factories. All cigarettes sold in Russia are manufactured in the country and 9.4% of the total cigarettes manufactured in Russia are exported.²²
- BAT Russia is a key contributor to BAT’s international success and the country continues to be an important market that BAT focuses on.^{5 23}

Imperial Tobacco- *Imperial is a British company headquartered in Bristol, England. Imperial is ranked fifth in the global tobacco market.*¹²

- Imperial Tobacco has been in Russia since taking over the local company Reemtsma Cigarettenfabriken in 2002. In 2008, Imperial also acquired Altadis SA, bringing its total market share to 9%.²⁴
- Since entering Russia in 2002, Imperial’s market share has more than doubled, from a 3.3% share in 2002 to 8.5% in 2009.⁶
- For 2009, Imperial reported that sales in Russia have remained relatively stable despite the economic recession.²⁵
- Imperial owns brands under local company names **Reemtsma** and **Baklanskaya Zvezda**, a company that was inherited after acquiring Altadis.²⁵

Other TCCs in Russia

- *KT&G Corp* is a Korean company that entered the Russian market in 2005 and has seen growth due mainly to its presence in the slim cigarettes category.⁶ KT&G is constructing a factory in central Russia which is expected to open in 2010.²⁶
- *Bulgartabac* is the Bulgarian state-owned tobacco company. Its presence in Russia is very small and decreasing.⁶

Local Tobacco Companies in Russia

Local tobacco companies in Russia are quickly disappearing from the market. Since the collapse of the Soviet Union in 1991 and the opening of Russia’s economy, TTCs have aggressively targeted and exploited the emerging market.²⁷ Local ownership of the Russian cigarette market shares have decreased by over 80% since 2001 and now control only 8% of the market share.⁶

Donskoi Tabak (DT)

DT is the largest local tobacco company in Russia and is a part of the local agricultural holding group Agrocom Group.

- DT has been producing cigarettes in Russia since the 1850s.²⁸

- Since 1999 when the company had a 12% market share, the company has slowly been losing its hold on the market due mostly to its focus on economy cigarettes which have fallen in popularity. Between 2001 and 2009 DT's market share decreased by 59%.⁶
- DT manufactures some Liggett Ducat brands under license from JTI.²⁹
- DT has focused on building up mid-priced and premium brands, a strategy that has increased the company's production by 7% over the first nine months of 2009.³⁰
- In March 2010, DT announced that it would be reducing its product range. Instead of introducing new brands, the company will focus on increasing the production of its top-selling brands.³¹

Tabakprom – a tobacco manufacturers' association

Tabakprom, also known as The Association of Manufacturers of Tobacco Products, is a non-governmental organization that was formed in 1997. The main goal of the organization is to protect the rights and interests of its members in Russia and abroad.³²

- The association represents 12 tobacco factories including BAT, DT, JTI, and Imperial Tobacco.³³
- PMI left the trade association in 2005 over disagreement about how taxes should be structured in Russia.³⁴
- Tabakprom owns the rights to *Prima* cigarettes, which had less than a 0.5% market share in 2009.⁶

3. Leading Cigarette Brands Promoted in Russia

The tobacco industry aggressively advertises its brands in order to attract new smokers and to encourage current smokers to switch brands.³⁵⁻³⁷ In 2004, cigarette companies spent \$60 million USD on advertising in Russia.³⁸ According to industry analysts Euromonitor International, the TTCs are focusing on promoting slim and superslim cigarettes, as well as "low tar, low nicotine" brands.³⁹ In 2009, *Winston* had the largest market share in Russia (9%), followed by *LD* (6%) and *Bond Street* (5%) respectively.⁶

Ownership of Major Brands

| Company | Major Brands ¹ |
|--|---|
| Japan Tobacco International/ Liggett-Ducat | Winston (1), LD (2), Ducat (8), Pyotr 1 (10), Sovereign, Sobranie, Troyka, Glamour, Camel, Mild Seven, Magna, Salem, North Star, Russkiy Stil, Kosmos, More |
| Philip Morris International | Bond Street (3), L&M (7), Chesterfield (9), Marlboro, Parliament, Optima, Next, Virginia Slims |
| British American Tobacco Russia | Kent (4), Yava (5), Pall Mall (6), Alliance, Vogue, Viceroy, Lucky Strike, Dunhill |
| Imperial Tobacco/ Reemtsma/ Balkanskaya Zvezda | Maxim, West, Balkan Star, Davidoff, R1, Gauloises, Zolotoe Koltso |
| Donskoi Taback | 21 Vek, Kiss, Nasha Marka |
| Tabakprom | Prima |
| KG&T | Esse, Zest |

¹Numbers refer to the brand's market position by retail volume in 2009 (©2010 Euromonitor International)

Market Share of Top Ten Russian Brands, 2009 - Retail Volume (%)

| Brand | Company | 2009 |
|-------------------|---------------------------------|------|
| Russia | | |
| Cigarettes | | |
| Winston | Japan Tobacco Inc | 9.4 |
| LD | Japan Tobacco Inc | 6.4 |
| Bond Street | Philip Morris International Inc | 5.4 |
| Kent | British American Tobacco Plc | 4.1 |
| Yava | British American Tobacco Plc | 3.9 |
| Pall Mall | British American Tobacco Plc | 3.8 |
| L&M | Philip Morris International Inc | 3.6 |
| Dukat | Japan Tobacco Inc | 3.5 |
| Chesterfield | Philip Morris International Inc | 3.3 |
| Pyotr 1 | Japan Tobacco Inc | 3.1 |

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TTCs are Aggressively Targeting Women and Girls with Slim and Superslim Cigarettes

Tobacco companies target women and girls with aggressive and seductive advertising that exploits ideas of vitality, independence, emancipation, sex appeal, and slimness.⁴⁰⁻⁴¹ The tobacco industry understands that “female smokers see their pack as being as much a design accessory as their mobile phone, shoes or handbag” and that they are a primary target for such packaging redesigns.⁴² Tobacco companies began successfully targeting women in the U.S. in the 1920s,⁴³ and now they are exporting their marketing expertise across the globe.⁴² In Russia, women are being targeted through slim and superslim segments, flavoured and scented cigarettes, and brightly colored feminine packaging.

In 2009, Russia was the largest market worldwide for slim/ultra slim cigarettes.⁴⁴ In just three years, from 2006 - 2009, slim cigarette sales increased by 91% and accounted for 13% of the total cigarettes sold in Russia in 2009.⁶ In 2007, more than half of the new or relaunched and redesigned cigarettes were slims and superslim brands, including *Virginia Slims Uno* by PMI and *Glamour* by JTI.⁴⁵

- *Virginia Slims Uno*, premium cigarettes, are sold in packaging that resembles a box of perfume. The pack comes in black or white, allowing consumers to purchase based on their “mood”.
 - Women are not only targeted by the pack design but also by the marketing campaign where “innovative programs for *Virginia Slims UNO* extend the brand experience from well established to new, under-exploited venues, such as beauty parlors and nail salons.” - McLoughlin¹⁸



- After taking over the Gallaher Group, JTI profited greatly from the acquisition of the *Glamour* brand. *Glamour* superslims are sold in lipstick packs and the brand was able to become a top-selling superslim brand only two years after its launch, due mainly to it selling at half the price of its main competitors.⁴⁶ In one product review, *Glamour* is described as follows: “every woman wants to be glamorous...Glamour cigs are the perfect combination of grace and elegance. Even the packs have a fashionable style.”⁴⁷

- PMI renovated their mid-priced *Muatti Slims* brand in 2008, advertising heavily to women. The *Muatti* packaging has a jeweled surface and was very successful right after the relaunch, “gain[ing] rapid acceptance among adult female smokers.”¹⁸
- In an effort to build mid-priced and premium brands, DT in collaboration with Innovation Tobacco Company (a British company) launched the *Kiss* brand. Brand variants include flavored cigarettes like *Fresh Apple* and *Strawberry*, as well as *Kiss*



Subway advertisement for Muratti Slims that reads “precious facets of your style.” (Feb 2009)

Superslims, a less expensive slim cigarette.

- “*Kiss* brand is designed especially for successful ladies that prefer original things. *Kiss* cigarettes help underline individuality and femininity of its smokes. This tobacco product reflects women’s nature from all sides: attractiveness, slimness, perfection and excellence of design. This cigarette product is only for individual and self-confident ladies. It is a very stylish thing.”- Product review.⁴⁸



- *ESSE Black* and *ESSE Silver* superslims, launched in 2009 by KG&T, are very popular in Russia where they are targeted towards “stylish and glamorous fashionistas ages between 25-30 years old.”, according to Euromonitor International.³⁹

TTCs are Launching “Light” and “Low-tar” Cigarettes that Mislead Consumers about the Adverse Health Effects of these Products

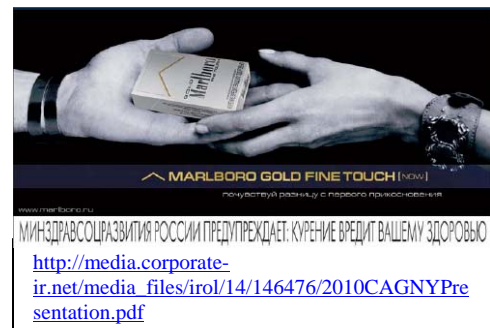
As consumers become more aware of the health risks associated with tobacco use, tobacco companies have created new products and tactics to counteract consumer knowledge. One such tactic is the use of misleading terms on tobacco product packaging, such as “light” and “low-tar”, designed to encourage health-concerned smokers to switch cigarette brands to those they perceive as safer rather than quit.⁴⁹ The reality, however, is that “light” and “low-tar” cigarettes are no safer than regular cigarettes.⁴⁹

As of 2008, the Russian law allows for misleading descriptors to be printed on cigarette packs as long as the pack contains a disclaimer about the misleading descriptor.⁵⁰

- In the last ten years, the market share of high-tar cigarettes (more than 10mg tar) has declined from 72% in 1999 to 23% in 2009, while the market share of “low-tar” cigarettes (between 4 and 6mg tar) rose from 5% to 25%.⁶
- In 2009, cigarettes categorized as “low-tar” or “ultra low-tar” made up 30% of the total cigarette market in Russia and generated almost 40% of the total retail value in 2009.⁶

Examples of “low tar” products promoted in Russia:

- In July 2009, PMI introduced *Marlboro Gold Touch* (6mg tar) and *Marlboro Fine Touch* (4mg tar) in Moscow and by December the brand gained a 0.5% market share.²⁰



- *Glamour 1, Glamour 3 and Glamour 5* produced by JTI are all “low tar” variants with the same tar levels. When a descriptor ban is in place, companies often use numbers or color-coding instead of descriptors like “light” and “low” to advertise products that mislead consumers on the health risks of smoking. Neighbouring Ukraine, which is an export target for JTI, passed a strict descriptor ban in 2005.^{15, 51}



<http://popsop.com/29490>

МИНЗДРАВСОЦРАЗВИТИЯ РОССИИ ПРЕДУПРЕЖДАЕТ:
КУРЕНИЕ ВРЕДИТ ВАШЕМУ ЗДОРОВЬЮ

- JTI expanded its number one selling brand with *Winston XS Blue* (6mg tar) and *Winston XS Silver* (4mg tar). The sleek new brand was launched in Moscow and St. Petersburg in November 2009.⁵²⁻⁵³
- In 2007, BAT launched the *Kent Nanotek* line of products in Russia. *Nanotek* slim cigarettes are presented in sleek, compact packaging and have “activated charcoal filters.” The use of images of filters and the term “charcoal filter” has been found to mislead consumers to believe that the new technology makes these products healthier than other products.⁵⁴

- In 2007 the brand was available in two “low tar” variants: *Kent Nanotek Neo* (black pack, 4mg tar) and *Kent Nanotek Infinia* (silver pack, 1mg tar). By 2008 the brand variants were made available color coding and a number to express tar levels (*Blue Futura 8, Silver Neo 4, and White Infinia 1*).⁵⁵⁻⁵⁶



Содержание в одной сигарете: 4/0,3; 1/0,1 мг никотин/никотин
Телефон горячей линии: 8-800-200-KENT

МИНЗДРАВСОЦРАЗВИТИЯ РОССИИ ПРЕДУПРЕЖДАЕТ:
КУРЕНИЕ ОПАСНО ДЛЯ ВАШЕГО ЗДОРОВЬЯ

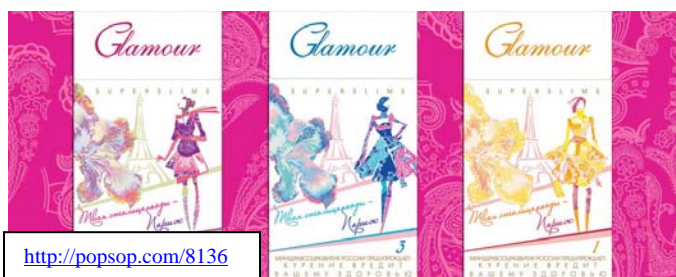
<http://www.sostav.ru/news/2007/04/28/r6/>

4. Tobacco Industry Promotion and Sponsorship

Tobacco companies sponsor parties, concerts, sports teams, and sporting events that associate tobacco with desirable places, situations or physical qualities. This tactic weakens tobacco control efforts, because tobacco companies continue promoting their products and tobacco use in the presence of existing bans on direct advertising⁵⁷ and advertise their products with no requirement for accompanying health warnings.⁵⁸ Examples of strategic promotions and sponsorships include music and concert events, sports sponsorships, and arts and cultural events. According to market analyst Euromonitor International, after the 2007 outdoor advertising ban, tobacco companies in Russia shifted their focus from traditional advertising venues to promotional activities at the point-of-sale and sponsoring events.⁴⁵

Examples of tobacco promotion and sponsorship in Russia:

- In 2009, *Glamour* released special edition packs of its “low tar” variants for the “Paris is your capital of fashion” campaign. The main prize of the four month promotion was a trip to Paris to go shopping with a professional master of style.⁵⁹



- *Vogue* cigarettes, BAT's premium slim brand, is an annual sponsor for the Kinotavr Film festival, the largest outdoor film festival held in Sochi, Russia. In 2009, BAT planned to premier their newly redesigned *Vogue Les Ephemeres* packs. Graphically designed by French artist Etienne Bardelli aka Akroe, the sleek new packs were being promoted with a large party much like a movie would be.⁶⁰⁻⁶¹



- In 2009, *Camel* (produced by JTI), held its third annual Godskitchen Camel Urban Wave, a music festival for electronic music. The festival was held in Moscow and featured popular club DJs.⁶²

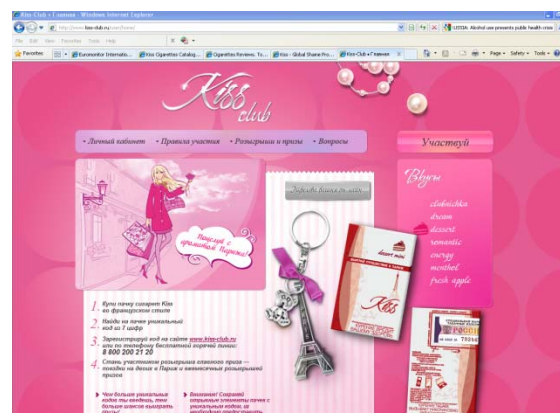
- The *Kiss Club* website is set up to be attractive to young women and teenage girls. In years past, the website has held forums that give advice about how to deal with teachers, parents and boyfriends.⁶³

- From December 2009 through June 2010, the *Kiss Club* website is promoting their product with prize drawings for pink iPods, iPhones, and Apple computers. The grand prize is a trip to Paris for two. To enter the drawing, contestants must buy promotional packs of *Kiss* cigarettes.⁶⁴

5. Corporate Social Responsibility (CSR)

Tobacco companies maintain CSR programs in an effort to counter negative attention regarding their deadly business. By donating funds to noble causes, the perception of tobacco companies by the public and policy makers improves. The true goals of industry-sponsored programs have been revealed through internal tobacco industry memos released to the public by U.S. legal settlements. CSR programs⁶⁵:

- Serve the industry's political interests by preventing effective tobacco control legislation.
- Marginalize public health advocates.
- Preserve the industry's access to youth.
- Create allies and preserve influence for the industry among policymaking and regulatory bodies.
- Defuse opposition from parents and educators.
- Bolster industry credibility.



Examples of CSR Public Relations Activities in Russia

- In 2008 PMI donated over half a million dollars to charity groups in Russia⁶⁶

PMI Charitable giving in Russia, 2008

| Organization | Project Name | US\$ | Giving Area |
|---|---|--------------------|----------------------------|
| Krasnoar Regional Fund of Population Social Support | Rehabilitation centers and WWII veterans support | 470,000 | Hunger and extreme poverty |
| Leningrad Oblast Fund for Social Protection | Support of professional education for orphans | 7,400 | Education |
| Leningrad Oblast Fund for Social Protection | Support for Poor | 13,991 | Hunger and extreme poverty |
| Leningrad Oblast Fund for Social Protection | Delivery of food sets for Leningrad blockade veterans | 20,450 | Human/Social services |
| Volgograd Oblast Fund for Social Protection | Support for WWII veterans | 10,000 | Human/Social services |
| Foundation for Cultural Programs SWASH | Matching PMI's Zhora employees gifts | 647 | Matching gift |
| Sverdlovsk Oblast Women's Union | Support of the Union's charitable programs | 34,311 | Human/Social services |
| Charitable Fund "Uchastie" | Social rehabilitation program for orphans | 15,848 | Education |
| TOTAL | | 572,647 USD | |

Source: PMI 2008 charitable giving. Available from

<http://www.philipmorrisinternational.com/global/downloads/CI/List%20of%20charitable%20contributions%202008.pdf>

- In 2008, as part of its long-term sponsorship of the Mariinsky Theatre in Moscow, JTI acted as the main sponsor of the theatre's 225th anniversary. The program featured scenes from operas, ballets and world premiers of shows that have taken place at the Mariinsky.⁶⁷
- In 2006, Donskoi Tabak allocated 1.6 thousand roubles to charities and sponsorships.⁶⁸ DT's CSR activities include⁶⁹:
 - Academic scholarships
 - Supporting recreational camps for children
 - A medical clinic for employees and their families
 - A Victory Day celebration to honour World War II veterans
- BAT Russia is involved in many different educational programs, including "My Choice", which teaches "responsible decision-making to teens" and is supported by the Public Council on the Problem of Underage Smoking.⁷⁰ More examples of BAT Russia's CSR activities can be found here: www.batrussia.ru

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| Appendix A- Company Executives and Contact Information of the Major Tobacco Manufacturers in Russia |
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Japan Tobacco International

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