

MINUTES OF STRATEGY GROUP, TOBACCO PROGRAM, ICCR
August 18, 2001

Those attending in person: Greg Connolly, Dick Daynard, Michael Crosby, Ed Sweda. Yoshio Isayama who has been doing tobacco-control work in Japan attended as a guest.

Those attending by phone: Alan Blum, Eric Lindblom, Ross Hammond

The meeting began at 10:15 and continued non-stop for three hours. We began the meeting with a prayer for guidance and for healing for our confrere, John Slade, who is recuperating from a stroke.

The members accepted, without changes, the existing Mission Statement, Rationale, Goals and Actions of the Tobacco Program of ICCR.

We began with an overview of the tobacco-control movement but quite quickly began to discuss strategies for possible issues. The brunt of the meeting was spent raising issues and discussing how we could approach the issue with shareholder "handles." After this was done we discovered we had 13 issues. Mike stressed that ICCR has as its priorities regarding tobacco minors and developing nations. We then took personal time to list our top priorities, having the chance to pick up to 5 of the 13. Listed below are the issues, some of the discussion around them, and who made these priorities (in parenthesis).

1. FDA = before any "safer" product, submit to Feds (Greg, Mike).
Pre-empt on any new product: Submit for testing. Set standards for future products & claims.
Link FTC with it.
2. Law connections = those on retainer (Alan)
Consulting group. To alert hospitals and congregations as to who the TI uses. Might lose at SEC.
3. Light and Ultra-Light. Not challenge. (Alan, Dick, Greg)
Capitalize on work in Canada and EU. Inform consumers. How notions have been (ab)used.
4. Self-serving philanthropy (Ed, Eric, Dick, Mike)
Link with Czech study. Our Co has done much to improve its image. But as jury verdicts indicate, this effort has not paid off. Juries and public do not believe it has done good. Resolved: To demonstrate we really do not want minors, percent of \$. We have leverage to show "we're better." To prove our good faith. Complete waste of time.
5. Czech Study (Alan, Ross, Ed, Dick, Greg, Mike)
Stress apology was made that the Report was made, but not for the stark contents of it. Ask for parallel State by state analysis and Country by country parallels.
6. Minors (Alan, Ed, Eric, Dick, Greg, Mike, Ross)
Give the anticipated profits. The companies will not sell on Internet without strict assurances. Effect of companies' educational campaigns to youth. Take Bible's 3 points and ask for their overall effect on reduction. Based on Czech study, ask PM to inaugurate a Arthur D. Little as to how many, number of youth taking up tobacco expected to die and social savings. + The Co. no longer sponsor the following (one sponsorship a year, no outdoor ads, no magazines, formula one, sporting events, youth-oriented sponsorships. Do MSA globally. Effect of sports-sponsorship on influencing young people to smoke. Demonstrable?? Instead of company-based research, fund independent studies. Applies to other issues too.

7. Framework Convention (Ross)

PM's approach: whole-hearted approach but really "do nothing". We should state what we would want to see included. Have them endorse our goals. Could be tricky and reverberate.

8. Smuggling (Ross).

Build on developments in the EU with suits. Since we need one more year to go before we can return with a smuggling issue, we'd have to sculpt any resolution for this year on facts that the cos. misled shareholders in previous balloting. Not at that point yet.

9. Warning labels in local language (Ed, Mike, Ross)

CDC study showing this is still not being done adequately.

10. US Marlboros:

Highest levels of nitrosamines in U.S.-oriented. Again, could reverberate. Since 60% of young people use Marlboro in U.S. independent study as to why young people use the product.

11. Fundees (Eric, Others?)

Link to charitable donations. Bad press with philanthropy. Note how it is used at AGM. How much monies to lobbying groups, front groups, etc. How much to Arthur D. Little for studies. Disclose all donations. Full disclosure of donations to tax-exempt organizations. How many of these are "front" organizations, not just religious groups, etc.

12. "Personalizing" Board of Directors.

13. ETS (Dick, Ed, Eric, Greg, Mike)

Note comments of Anne Donley. Stress effect on restaurant workers; parallel with flight attendants. Only place where industry has settled.

Company specific: UST and nitrosamines: Adopt same manufacturing process as in Ravel. Be careful. Stress toxicity, nitrosamines, addictiveness, palpability.

Top Five Areas for Resolutions with Tobacco Companies:

1. Minors/PM and UST. MSA-related applied to international. **Greg responsible.**
2. Czech/PM. Since our co. has shown that . Quantify the # of deaths. Study. Lack of good faith has sustained substantial litigation. Unable to get good "handles." **Keep thinking.**
3. ETS/Industry. Call for research for occupational risk for restaurant workers, note settlement with airline workers. Since the Czech study showed. Stop bar events. **Mike responsible**
4. Self-serving phil/Industry. How company has been attacked, complete disclosure of all donations to all charitable entities in a way that will include how they fund other "front" organizations. How unsuccessful the corporate image ads have been. **Eric responsible**
5. Link issue of warning labels and "inserts" noting adverse effects/Loews, PM, RJR and UST. Insert. Public disclosure of risk. In local language. On pack and in pack. Geof Bible statement. Light/Ultra-light: Test which brands cause cancer. Test brands which cause cancer. Filter. Educate consumers. Light and UL terms under false pretenses. **Greg and Mike responsible.**

Return to Eastman Chemical with filter tow. **Mike responsible.** H. B. Fuller?

Drug stores selling tobacco under their own brands. **Alan and Mike responsible.**

Wal-Mart. **Mike responsible.** Check with Joe Cherner.

HMOs and Insurance companies. Smoke-free at Tricon (and other restaurants?). **Mike responsible.**

ENVIRONMENTAL TOBACCO SMOKE

Philip Morris (take out PM material for Loews and R. J. Reynolds)

WHEREAS—the Arthur D. Little report financed by our Company called “Public Finance Balance of Smoking in the Czech Republic stated that health care expenditures also comprise the effects of passive smoking or environmental tobacco smoke (ETS). It stated that, “based on review of recent studies in the field of respiratory diseases, that ETS causes lung cancer, chronic airways obstruction, aggravation of asthma in asthmatic children and other respiratory diseases.”

– The report distinguished between “direct health-care costs—damage to own health, and indirect health-care costs—damage caused by ETS.” In calculating the indirect costs arising from ETS the study determined “ETS-related health care costs were 10% of direct smoking-related health care costs. . .”

– In reports related to the discovery of the study our Company apologized for its release, but did not reject nor apologize for such data regarding ETS as was disclosed in the report;

-- In the most rigorous study to date researchers discovered breathing in other people’s cigarette smoke makes non-smokers 82% more likely to suffer a stroke. It also increases the risk of heart disease, heart attack, lung and breast cancer, and breathing-related diseases (*Tobacco Control*, August, 1999; *The Milwaukee Journal Sentinel*, August 18, 1999).

– A December, 1999 study by The Journal of the National Cancer Institute showed women who lived with smokers were 2.6 to 6 times as likely to develop lung cancer as those who did not live with smokers.

– In May, 2000 the National Institute of Environmental Health Sciences formally added to its list of “known human carcinogens” directly inhaled tobacco smoke;

[Drop from PM but include in Loews, RJR]:--*The Wall Street Journal* (April, 1998) noted: in its effort “to keep reports about secondhand smoke from mushrooming, the tobacco industry mobilized a counterattack in the mid-1980s to systematically discredit any researcher claiming perils from passive smoke.” This included a 1994 massive ad campaign geared to show “that the statistical techniques used by the EPA are suspect and that the studies aren’t statistically powerful enough to reveal any risk of tobacco smoke at the levels encountered by nonsmokers” (*WSJ*, June 29, 1994).

– Increasingly restaurant workers and those in other closed confinements that allow smoking are indicating health problems linked to breathing in ETS. In a similar situation of airplanes, the cigarette industry made its only settlement with flight attendants who made similar allegations. Without acting on such information, the company opens itself to more suits.

The Washington Post reported (May 9, 1997): “Tobacco giant Philip Morris systematically wooed scientists who might help the company counter the growing consensus on the health risks of secondhand tobacco smoke and ‘keep the controversy alive,’ according to a 1988 internal tobacco company document.” The data commissioned by the Company from Arthur D. Little would seem to indicate the Company now accepts such findings.

– After a massive challenge by the tobacco industry to discredit the 1993 EPA study linking environmental smoke to tobacco, *Business Week* noted: “On July 17, in the heart of tobacco country, U.S. District Court Judge William L. Osteen Sr. threw out” the study. Philip Morris said the ruling “supports our view that. . . the enactment of severe smoking

restrictions is not justified." This was declared despite the fact that the company's own director of applied research from 1976-1984 said that carcinogens called nitrosamines "were the most significant risk in lung cancer both among smokers and among nonsmokers."

RESOLVED: shareholders request the Company find appropriate mechanisms to develop and implement a continuing program to warn persons who smoke, who are exposed to ETS and who are responsible for minors who are exposed to ETS from the Company's products, that tobacco smoke is hazardous to nonsmokers and specify the nature of the hazards.

Supporting Statement

In the Master Settlement Agreement reached with 46 State Attorneys General, our Company agreed to tell the truth about dangers arising from use of our products. If you agree the time to do this regarding ETS is now, please vote "yes" for this resolution.

HMO INVESTMENTS IN TOBACCO COMPANIES

WHEREAS – as shareholders, we are concerned about investing in the tobacco industry by any health care institution, especially when the negative health effects of tobacco use are so clearly understood by health care insurers and providers;

– A March 1998 analysis by the U.S. Treasury Department found the nation loses \$80 billion a year on goods and services otherwise produced by Americans who die prematurely or retire early because of smoking-related ills.

– This Treasury study was overshadowed when a Philip Morris-commissioned Arthur D. Little International Report in 2001 showed a cost-benefit analysis of smoking and social services. It noted savings of \$24.2 million to \$30.6 million from lower costs for health care and shortened life span of smokers who die early by tobacco use. If this Report is true it would indicate that, for purely financial reasons, such investments undermine the bottom-line of our industry, to say nothing of the ethical implications.

– While Steve Parrish, Senior Vice President of Corporate Affairs for PM, responded that for the company “to commission this study was not only a terrible mistake, it was wrong” (*USA Today* 07/30/01). This apology for the Report being commissioned failed to include an apology for the facts contained in the report.

– In 1996 the AMA called for mutual funds and health-conscious investors to refuse to own stock in tobacco companies, and for those same investors to divest from stocks and bonds in tobacco companies.

-- We believe it is inconsistent for a health care company to invest in tobacco equities and yet proclaim concerns about quality healthcare. Whether or not the facts in studies such as that commissioned by Philip Morris are true or not is not the issue. The fact is that our company is invested in an industry that has a cavalier attitude toward life itself.

RESOLVED: that shareholders request the Board to initiate a policy mandating no further purchases of tobacco equities in any of the portfolios under our direct unless it can be proven that tobacco use does not cause the illnesses and deaths that have been attributed to it. If the company cannot produce such proof, it shall divest itself of all tobacco stocks by January 1, 2003.

Supporting Statement

In commenting on the huge equities of health insurers and health providers in tobacco, a July 7-9, 1995 editorial in *USA Today* declared:

major U.S. health insurers are large investors in major U.S. tobacco companies. In other words, the nation's merchants of care are partners with the nation's merchants of death. . . . These investments grate and gall. Every year, tobacco use is fatal for thousands of Americans. For insurers to provide health care for those suffering smokers on the one hand while investing in the source of their misery on the other is unconscionable. And hypocritical.

Harvard, Johns Hopkins and The Maryland Retirement and Pension Systems have divested from tobacco stocks. If you think our Company should not contribute to peoples' illness and death by investing in tobacco, vote YES for this resolution.

INSURANCE INVESTMENTS IN TOBACCO COMPANIES

WHEREAS – as shareholders, we are concerned about investing in the tobacco industry by any health care-related institution, especially when the negative health effects of tobacco use are so clearly understood by health care insurers and providers;

- A March 1998 analysis by the U.S. Treasury Department found the nation loses \$80 billion a year on goods and services otherwise produced by Americans who die prematurely or retire early because of smoking-related ills.

- This Treasury study was overshadowed when a Philip Morris-commissioned Arthur D. Little International Report in 2001 showed a cost-benefit analysis of smoking and social services. It noted savings of \$24.2 million to \$30.6 million from lower costs for health care and shortened life span of smokers who die early by tobacco use. If this Report is true it would indicate that, for purely financial reasons, such investments undermine the bottom-line of our industry, to say nothing of the ethical implications.

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- In 1996 the AMA called for mutual funds and health-conscious investors to refuse to own stock in tobacco companies, and for those same investors to divest from stocks and bonds in tobacco companies.

-- We believe it is inconsistent for insurers to invest in tobacco equities and yet proclaim concerns about health and life. Whether or not the facts in studies such as that commissioned by Philip Morris are true or not is not the issue. The fact is that our company is invested in an industry that has a cavalier attitude toward life itself.

RESOLVED: that shareholders request the Board to initiate a policy mandating no further purchases of tobacco equities in any of the portfolios under our direct unless it can be proven that tobacco use does not cause the illnesses and deaths that have been attributed to it. If the company cannot produce such proof, it shall divest itself of all tobacco stocks by January 1, 2003.

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Harvard, Johns Hopkins and The Maryland Retirement and Pension Systems have divested from tobacco stocks. If you think our Company should not contribute to peoples' illness and death by investing in tobacco, vote YES for this resolution.

**INSERTS DISCLOSING PERSONAL AND SOCIAL EFFECTS
RELATED TO USING OUR COMPANY'S TOBACCO PRODUCTS
Loews, Philip Morris, R. J. Reynolds, UST**

WHEREAS, in *Lorillard Tobacco Co. et al. v. Reilly*, Attorney General of Massachusetts, et al., the U.S. Supreme Court ruled that Massachusetts law regarding the sale of tobacco products constituted "nearly a complete ban on the communication of truthful information." Partially because of this restriction, it ruled against the Commonwealth. The Court ruled that "a speech regulation cannot unduly impinge on the speakers ability to propose a commercial transaction and the adult listeners opportunity to obtain information about products."

- Published reports about this ruling stressed the fact that "free speech" regarding the promotion and/or sale of tobacco at the point-of-purchase involved "the communication of truthful information" regarding the product.
- Our company supported the position of the Court.
- In arguing against damages related to use of our Company's products the Company has argued that consumers were fully informed as to the health-hazards connected to their use. However juries here and abroad have not agreed with such attestations, in part, because of the kinds of promotion—including those at point-of-purchase—used by our Company.
- In the Master Settlement Agreement reached with 46 States Attorneys General our company agreed to tell the truth about dangers arising from the use of our products.
- It would seem to the proponents of this resolution that, if the companies support the fact that consumers should be fully apprised of "truthful information" regarding our products, that such can be realized be a package insert detailing information regarding the product.

THEREFORE, BE IT RESOLVED that every purchase of our product, whether in unit sales (where it may be the practice), or with each package as well as carton [can or pouch], include truthful information regarding ingredients that may be harmful to the consumer's health, toxicity of the specific brand, and what detriment to life-expectancy diminishment the consumer may expect to incur from regular use of the product. The insert shall also detail the benefits that their tobacco use can incur for their particular country from the user's early demise, given use of the company's product. Furthermore it shall note the health hazards for others connected with environmental tobacco smoke, especially children.

Given the fact that our Company recognizes the health hazards involved in use of the product, we recommend that this insert shall be included with the sale of all of our tobacco products domestically as well as wherever in the world we have point-of-purchase sales. In foreign countries this shall be in the language appropriate to the area in which the sale takes place.

Supporting Statement

Our company recognizes that cigarettes [different for UST] are a drug-delivery device. With other drugs the FDA has determined that consumers be fully informed as to the effects, counter-effects and adverse warnings of the product. It seems to the filers of this resolution that such information would be another way our company might make sure those using our tobacco products are fully informed as to the consequences of using them.

EASTMAN CHEMICAL

WHEREAS Eastman Chemical is a major producer of cellulose acetate tow which is used in the manufacture of cigarette filters;

- During smoking, cigarette filter fibers become coated with carcinogen-lade deposits from cigarette smoke;
- Cellulose acetate cigarette filter fibers can dislodge from cigarettes and become transported into the lungs of consumers;
- Scientists at the Roswell Park Cancer Institute have demonstrated the presence of cigarette filter fibers like the ones this company manufactures in the lungs of smokers;
- These scientists have hypothesized that such fibers in the lungs of smokers might serve as reservoirs for carcinogens over a long period of time. This suggests that cellulose acetate filters may contribute to diseases caused by cigarettes in smokers;
- If cellulose acetate filters contribute to cigarette-caused disease, Eastman Chemical may be liable for injuries to smokers as the tobacco litigation net gets thrown wider and wider.

RESOLVED that shareholders request management to conduct a study examining possible health risks posed by our filter tows among consumers who smoke cigarettes that have cellulose acetate filters. This study shall include all information known to the company on this subject but need not involve any new primary research. The study and any recommendations that emerge from it are to be complete within one year of the annual meeting. Copies of the completed report shall be made available to requesting shareholders.

Supporting Statement

Cigarette smoke contains dozens of potent carcinogens. Cellulose acetate fibers that are supposed to trap these poisons can themselves be transported into the lung, lade with these dangerous substances. If you believe that Eastman Chemical and its shareholders should be fully appraised whether the cellulose acetate tow it sells to the cigarette manufactures is contributing to the various illnesses caused by cigarettes, please vote YES in support of this resolution.