

CONTROLS ON KEY INPUTS UNDER ARTICLE 6.5 OF THE PROTOCOL TO ELIMINATE ILLICIT TRADE IN TOBACCO PRODUCTS

Report by the Tobacco Control Research Group
(TCRG) for the Working Group on Article 6.5.

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Summary

Key Findings

- The four key inputs identified by research undertaken by the Convention Secretariat - tobacco leaf, cigarette filters, cigarette papers, and tobacco manufacturing machinery, involve a diverse set of actors extending beyond tobacco companies.
- Effective regulation requires visibility over supply-chain actors which is an area currently lacking transparency. The Tobacco Supply Chain Database is a useful resource— capturing 124 independent filter suppliers, 79 paper manufacturers, and 244 machinery and equipment suppliers, globally.
- Current, largely unrestricted, availability and movement of key inputs can facilitate illicit trade as insufficient controls on key inputs create opportunities for illicit product diversion.
- Controls of key inputs are feasible, with examples including the UK has implemented licensing, due diligence, record-keeping and enforcement systems for both raw tobacco and manufacturing machinery, and Ukraine restricts imports of cigarette papers and filters to licensed tobacco manufacturers.
- Control of key inputs could generate benefits that contribute to broader health, environmental and sustainable development objectives, in addition to illicit-trade prevention.
- Tobacco industry interference is a barrier, with the industry having worked to influence the Protocol negotiations, mobilise third-party actors and promote industry-developed tracking and tracing systems, or supply chain control systems.

Policy Implications

- In considering appropriate action with regard to the control of key inputs under Article 6.5, the Meeting of the Parties may wish to consider a range of approaches. These could include narrower measures aimed at ensuring legality, transparency and oversight through licensing, due diligence and record-keeping, as well as broader measures intended to reduce the availability of key inputs. Significant suppliers of key inputs include companies where tobacco-related products represent only a small part of their overall business activity. As such, regulation will likely need to extend beyond entities whose primary business is tobacco.
- Controls may be most effective when targeted at specific points where inputs become identifiable and traceable e.g. papers and filters enter the supply chain primarily during manufacturing.
- Independence, transparency and disclosure mechanisms could serve as potential safeguards against industry influence.

Background

The Working Group's remit is to present conclusions and, where appropriate, to propose recommendations on actions for the next MOP to consider in relation to Article 6.5 of the Protocol. The aim is to strengthen control over four specific key inputs, identified by research as essential to the manufacture of tobacco products: tobacco leaf, cigarette filters, cigarette papers, and tobacco product manufacturing equipment.ⁱ

This report responds to a request from the Convention Secretariat for the Tobacco Control Research Group (TCRG) to provide information on the mapping and distribution of actors involved in supplying the four key inputs to the tobacco product supply chain. The TCRG is a multidisciplinary, international research group, whose remit includes examining how tobacco companies influence health and related policies and what follows draws from the collective expertise of the TCRG's delegation for the Working Group.

Additionally, this report includes some consideration of what effective control for each input could involve, drawing from short case studies, and outlines the importance of safeguarding against industry interference, focusing on the working group's deliberations through to the development of any resulting policy measures. We hope that the information ahead will aid members of the working group as they continue their deliberations in advance of the next MOP.

Considerations regarding the control of key inputs

Before exploring effective control mechanisms, an important consideration is to explore how 'control' could be understood, given that this is not pre-established in Article 6.5., noting that the Protocol gives the Meeting of the Parties the responsibility to establish what controls should be put in place for key inputs. Narrowly, control would involve monitoring and regulating key inputs throughout the supply chain with the aim of ensuring that activities throughout this process are legal. A broader approach, stemming from the objectives of the Protocol and Article 15 of the WHO FCTC broadly, may involve the aforementioned measures in addition to efforts to control key inputs with the goal of reducing the overall supply / availability of tobacco products.

The current availability and largely free movement of key inputs across the global tobacco supply chain is also known to create opportunities for illicit trade. The availability of raw tobacco, for example, has been identified by the European Commission as a precondition for illicit manufacture, with inadequate controls making it easier for parallel supply chains to develop, resulting in tobacco being diverted to illicit factories.ⁱⁱ As such, reducing availability of inputs, in addition to strengthening controls over them, would create opportunities for reducing illicit trade.

In other words, rather than solely regulating how key inputs move through the supply chain, a broader approach could seek to influence the scale of that supply chain, for example by restricting the number of actors involved and/or the quantity of key inputs available. Using licencing as an example- a narrow purpose of such a measure could be to ensure that a key input is recorded throughout the supply chain and moves legally through it, and a broader purpose could be that licences are used to also restrict how many operators engage with that input / constrain the quantity of it within the supply chain.ⁱⁱⁱ

A broader approach could also explore how control measures for key inputs could align with Sustainable Development Goals (SDG), given that multiple SDGs beyond solely SDG 3 on good health and well-being, are likely relevant here. Restricting the use of key inputs should

reduce their availability and thus capacity to produce income for illicit trade. Efforts to control the supply of one of the four inputs- cigarette filters- are ongoing in many jurisdictions with a complete filter ban about to take effect in Santa Cruz County in California, for example (January 2027).^{iv} The tobacco industry has been active in interfering globally in the development of policy to restrict filters e.g. industry-linked observers attending UN plastic treaty negotiations.^v Filters have at times been exempted from single use plastic bans reflecting industry arguments that there is not a non-plastic alternative.^{vi} However, independent evidence suggests that filters do not protect health and can be counterproductive as people who smoke think they make smoking healthier, thus reducing the incentive to quit, which lends support to a complete ban.^{vii}

The other key inputs also have resource implications. The tobacco industry has manipulated the tobacco plant to produce leaves with ideal nicotine and sugar levels for addiction and profitability and, for the Virginia variety of leaf, they require farmers to cure the tobacco by heating it in a barn; in Africa this is leading to deforestation of the ecosystem rich Miombo woodland.^{viii} Commercial market research suggests cigarette papers are chiefly made from wood (69%) hemp (19%) and flax (12%)^{ix} thus supplanting more useful endpoints for these crops and land. In addition, papermaking is a particularly water intensive industry.^x Machinery manufacture and use also has resource and greenhouse gas emission implications.^{xi} Thus controlling the production of these other supply chain inputs would have positive environmental impacts in addition to reducing potential for illicit trade leakage.

While the report focuses primarily on a narrower approach to control, reflected in the examples discussed, the Working Group may wish to consider broader approaches where this is supported by the Article and consistent with the objectives and purpose of the Protocol. This could provide Parties with a stronger basis for addressing the range of measures that may be necessary to give effect to the Article. We recognise that it is ultimately for the Working Group to consider and for Parties to determine which control measures they think are most appropriate in the context of Article 6.5.

Mapping the Tobacco Supply Chain

The Tobacco Supply Chain Database^{xii} can be used both to understand the general structure of the tobacco supply chain globally, to identify companies involved and their geographies and to identify supply chain presence within a specific country. The database also provides an indication of the scale of activity associated with tobacco leaf, tobacco machinery and tobacco paper by compiling UN data on import and export volumes and value. Trade information is situated within the context of deaths attributed to smoking, population size and tobacco taxation

TCRG members reviewed academic literature and tobacco-industry publications to identify the main stages of the tobacco supply chain and the products and services within it.^{xiii} Companies and their locations were then identified through searching of publicly available information, primarily industry publications and websites.^{xii}

It should be noted that the database is ultimately a map of actors identified through publicly available evidence, rather than a complete overview of every company involved. Similarly, if an actor does not appear on the database, it does not mean that they are not involved in the supply chain, but rather simply that they were not identified during data collection.

The database captures the various stages of the tobacco supply chain from agriculture (growing tobacco). primary processing (preparing the leaf), secondary processing (manufacturing tobacco products). logistics (moving tobacco), retail and marketing (selling

tobacco), research and development (creating new ways to profit from tobacco), accessories (lighters, ashtrays etc), financing and business services (investing to raise tobacco profits) to disposal of cigarette butts and other tobacco waste. For each stage it identifies the types of actors involved e.g.- farmers, manufacturers, distributors, etc. For more details see table 1 in the Annex.

Insight from the supply chain database for control of the four key inputs (leaf, machinery, filters, papers)

The four inputs occupy different positions within the database's supply-chain framework, indicating that tailored controls for each stage may be beneficial. For example, leaf passes through the entire supply chain, and machinery is required at most stages, whereas filters and papers are principally introduced during secondary processing.

Focusing on leaf, the supply chain database provides details of all transnational tobacco industry subsidiaries and the subsidiaries of the two major transnational leaf companies Universal Leaf and Pyxus. These companies contract farmers to grow tobacco leaf and then sell the leaf to tobacco product manufacturers. We found evidence of subsidiaries in about 30 countries each for both of these leaf companies.^{xiv} There is also information on smaller leaf companies such as Star Agritech and Premium Tobacco. There are 124 examples of independent companies supplying filters and filter components in addition to the transnational tobacco subsidiaries. In addition, we identified three or four subsidiaries of each transnational tobacco company producing or supplying filters.

There are 79 examples of independent companies making papers. These include papers that are components of factory-made cigarettes and papers that are sold separately for roll your own tobacco. There are 244 examples of independent companies supplying machinery and equipment including knives, conveyor belts and software/digital services.

An important consideration across this data is that certain actors can be major players in the tobacco supply chain, despite tobacco-related activities being only one part of their wider business. For example, Körber is a diversified technology group operating across multiple industries and is also a global market leader in tobacco manufacturing machinery.^{xv} As such, it would be beneficial for controls to be applied beyond solely actors whose primary business is tobacco.

Our monitoring within the supply chain database indicates there has been some consolidation of major players, for example among cigarette paper and tobacco machinery manufacturers in recent years, reducing numbers of companies involved. Nevertheless, the supply chain database indicates substantial numbers of companies are involved with each input.

The supply chain database also provides information on how the commercial sector interacts with controlling tobacco products including testing safety and efficacy of agrichemicals for tobacco farming, laboratory assessment of tobacco products, manufacturing machinery for product controls such as tax stamping machines and counterfeit protection systems including hologram application, producing items themselves such as tamper evident carton sealing tape and security stamping, carrying out traceability and authentication and undertaking research to improve systems (see table 2 in the annex for examples). Further insight could be gained by understanding how such firms market themselves to customers and shareholders for example presenting themselves as 'brand protection,' high tech or undermining of illicit trade.

Care will need to be taken to identify the relevant stage in the supply chain where controls will be most relevant and effective, as this may not always be with the original producer. Controls may benefit from focussing on where inputs become easier to identify, for example, leaf buyers, suppliers of papers/filters, businesses that make, sell, or dispose of manufacturing equipment, etc.

TCRG research examining 80 independent companies contained in the database found that only 31% mentioned their tobacco supply-chain contribution in annual reporting, highlighting a potential issue with public disclosure of such links.^{xvi} As such, the supply chain database is a useful tool for identifying potential supply chain actors that may otherwise be difficult to identify, alongside information on the geography of these companies, and, where possible, on any linked companies/subsidiaries. This is important as effective control will require regulators to have a clear understanding of which entities are involved in the tobacco supply chain, where they are located, and how they connect to other companies eg. subsidiaries. TCRG consulted tobacco supply chain digests, company annual reports and webpages, and local and industry online news articles.

Given that capacity-building is included within the Working Group's mandate, it should be noted that maintaining an understanding of a non-static supply chain will require resource and capacity- issues that have been identified as barriers to implementation of the Protocol.^{xvii}

Measures on due diligence and record-keeping covered in the Protocol could serve as helpful resources for furthering such understandings due to their requirements for actors to collect and maintain specific information on supply-chain activities and relationships.^{xxxix xviii xix}

^{xii}On tobacco leaf specifically, TCRG research using data collated for the database identified transnational tobacco and leaf-company subsidiaries carrying out agricultural activities in 47 countries and primary-processing activities in 51 countries.^{xx}

The supply chain database can be used to track changes in exports and imports of these of tobacco leaf, cigarette paper and tobacco machinery by country over time from 2010 onwards. Currently the supply chain database does not include leaf harvest volumes or values. FAO does collect this information. In 1961 the top ten leaf producing countries grew 68% global tobacco. This rose to 76% in 2000 and further to 81% in 2004. In addition, leaf growing has moved away from high income western countries in Western Europe and North America to Asian and more recently African countries (See figure 1 in the annex).

In 1961, High Income Countries produced 1.5 billion tons of tobacco leaf annually or 47% of global production, and by 2016 this had declined to 8% of global production, showing a shift toward LMIC production for that input.^{xxixxii} Since 2012-2024, global leaf production declined by 19% whereas in Africa leaf production rose by 9%.^{xxiii}

Data on cigarette or other tobacco product production, or the production of the other key supply chain Inputs is not readily available in a consistent manner globally so over time comparisons are difficult.

The supply chain database collates tobacco-related changes over time for companies in narrative form with some case studies available.^{xxiv} All indications suggest a general movement away from Western Europe and North America to the global south. If there was interest and resource available, we have potential to make a more systematic analysis.

Case studies for control of key inputs

Two case studies (the UK and Ukraine) which, when combined, cover some control mechanisms for each of the four key inputs are detailed in the Annex. As the TCRG has not conducted dedicated research on the effectiveness of specific supply chain control measures, it should be noted that these examples were selected to concisely demonstrate the feasibility of such measures, rather than intended to demonstrate best practice.

Case study: the UK's approach to controlling raw tobacco and manufacturing machinery

Tobacco leaf

The UK's Raw Tobacco Approval Scheme^{xxv} serves as an example of how controls can be applied to raw tobacco, with the policy reflecting several components of the Protocol, namely licensing, due diligence, record-keeping and enforcement (Box 1 in the Annex).

Tobacco machinery

The UK's Tobacco Products Manufacturing Machinery Licensing Scheme^{xxvi} requires holding of a licence to manufacture, purchase, or possess such machinery (Box 2 in the Annex).

Case study: Ukraine's controls over cigarette papers and filters

Ukraine's Law No. 3817-IX^{xxvii} ^{xxviii} is an example of controls of cigarette papers and filters intended for industrial production. These inputs may be imported only by entities holding a licence to manufacture tobacco products. A This system ensures there is a limited group of authorised importers, which makes it easier for the STS to identify any unlawful imports. (Box 3 in the annex)

Tobacco industry interference

Safeguarding against tobacco industry interference is an important consideration and is necessary both during the working group's deliberations as well as for the development and implementation of any future supply chain control measures. Forms of industry interference might include; aiming to directly influence policy makers/get a seat at the table in policy discussions, opposing regulation, pushing for voluntary / non-legally binding measures instead of effective independent controls, and the creation^{xxix} and promotion of industry-funded data, without transparent disclosure.^{xxx}

Various transnational tobacco and tobacco leaf companies have commercial interests in tobacco growing and primary processing, including through subsidiaries and contractual relationships with farmers, and the tobacco supply chain also includes various commercial partners with tobacco companies as well as companies financially dependent on supplying to tobacco manufacturers.^{xvi} ^{xx}

Such relationships within the tobacco supply chain can contribute to the industry's ability to influence policy outcomes. TCRG research^{xx} has found that countries where more transnational tobacco and leaf companies were involved in in-country tobacco growing or manufacturing, tended to score worse on the Global Tobacco Industry Interference Index- an output produced by the Global Center for Good Governance in Tobacco Control that

assesses how effectively governments implement Article 5.3 of the WHO FCTC.^{xxxii} Opportunities for interference could take place via tobacco boards which promote tobacco growing and form links with decision makers. Such decision makers may specialise in trade or finance with less understanding of the WHO FCTC than those who directly engage in tobacco control. Tobacco companies also engage in corporate social responsibility providing them with an aura of respectability despite these activities being motivated primarily by profitability rather than efficacy.

Additionally, companies mobilise supply chain actors presenting company interests as being the independent interests of supply chain actors (eg. farmers and retailers) as part of their efforts to interfere in policy. Supply-chain actors can be presented as voices distinct from tobacco companies themselves, for example farmer or retailer associations, while advancing policy influence efforts that are beneficial to tobacco manufacturers, and often financially supported and/or coordinated by them. The use of such actors as a third-party technique, is well-documented.^{xxxiii} Examples from [Tobacco Tactics](#), a knowledge exchange platform providing accessible research and monitoring on tobacco control and tobacco industry interference, include, the Tobacco Retailers Alliance, which presents itself as representing independent retailers, despite being funded by the Tobacco Manufacturers' Association,^{xxxiv} the International Tobacco Growers' Association (ITGA) which mobilised farmers around COP4 to oppose proposed WHO FCTC measures, framing them as threats to farmers' livelihoods^{xxxv} and, more recently, the President of the Federazione Italiana Tabaccai, which represents Italian tobacco retailers, criticising regulatory proposals by WHO and the European Commission ahead of COP 11.^{xxxvi}

Ahead of COP11 and MOP4, tobacco companies and industry-linked organisations sought to influence national positions by claiming that tobacco control policies will cause harm to farmers, employment and government revenue.^{xxxvii} Such arguments have been used by the industry and linked actors since at least the negotiations of the WHO FCTC,^{xxxviii} appearing frequently in the lead up to COPs and MOPs since.^{xxxix}

The industry's response to Article 8 of the Protocol, which requires Parties to develop tracking and tracing systems for tobacco products in order to strengthen transparency in the tobacco supply chain,^{xxxix} demonstrates that transnational tobacco companies are willing to work collaboratively in efforts to undermine independent policy measures relating to the tobacco supply chain. This is evidenced via the example of Codentify- an industry-developed system, that the major transnationals worked collaboratively to promote to governments (Box 4 in the Annex).

Industry efforts to influence the Protocol can indeed be traced back to the very beginning of the Protocol's development. TCRG analysis of internal tobacco company documents found that BAT identified a potential future Protocol relating to illicit trade as a threat as early as 2003, well in advance of formal negotiations for such a Protocol beginning in 2007. While the company privately regarded the Protocol as a significant threat, it publicly presented itself as supportive of efforts to tackle illicit trade. BAT documents suggest that, during negotiations for the establishment of the Protocol, BAT obtained draft texts before they were publicly available and appeared to pay a government delegate to support its positions within the negotiations.^{xl}

Observer notes

in relation to policy options for controlling key inputs

As noted previously, policy options that could be applied to the key inputs vary in scope, depending on how Parties choose to approach 'control' in the context of the Protocol. This section briefly identifies some policy options based on both a narrow and then broader approach to control.

Narrowly, control could include measures which prioritise the legality of transactions within the supply chain and the transparency of actors within it. Licencing measures, requiring actors involved in key inputs to obtain authorisation, would be one way of achieving this. Licencing could be applied alongside due diligence requirements, drawing from Article 7, which could require actors to verify the legitimacy of their supply chain activities, and record-keeping measures, drawing from Article 9 e.g. actors maintaining key information on their business e.g. quantities produced, sold, etc.

A broader approach could go beyond monitoring and accountability measures and seek to ultimately reduce the availability of key inputs. Licencing schemes, for example, could include measures to restrict the number of actors able to supply a specific input, going beyond solely oversight of existing suppliers, to actively limiting supply. On tobacco leaf specifically, controls could be combined with measures to support transition away from tobacco growing towards more sustainable alternatives, in line with WHO FCTC Articles 17 and 18.

Further, Parties could consider applying controls to materials used in the manufacture of key inputs, rather than solely to the key inputs themselves. For example, controls could be applied to cellulose acetate tow- a material used in the manufacture of most cigarette filters.

With a broad approach, a long-term goal could be to include eliminating the availability of some key inputs altogether. Cigarette filters, for example, could be prohibited entirely. While this would require broad collaboration among different disciplines and leveraging of ongoing global frameworks and initiatives, the approach could be justified in the context of comprehensive regulation of tobacco products e.g. WHO FCTC Articles 2.1 on forward-looking interventions, 9 and 10 on product regulations, 18 on concern for the environment and 19 on the accountability and liability of the tobacco industry. If an immediate ban is not feasible, Parties could implement a plan to phase them out over time. Information campaigns could be developed to provide a clear explanation for the rationale of the ban, to build public support, and to ensure that the industry does not co-opt this policy measure for their reputational gain. Tobacco users could be supported in quitting with approved cessation tools of proven efficacy and safety.

in relation to safeguarding against tobacco industry interference

The examples outlined in this report demonstrate that the tobacco industry has a track record of trying to influence policy by utilising tobacco supply chain actors, while also proactively working to shape regulations specific to the tobacco supply chain. Such efforts started before a Protocol was even established and continued through to the implementation stage. Companies may seek to influence the development of measures relating to Article 6.5., their implementation, and any post-implementation oversight measures that may be put in place.

As such, protecting the development, implementation, and oversight of Article 6.5 measures from the commercial and vested interests of the tobacco industry, consistent with Article 5.3 of the WHO FCTC^{xli} and Article 4.2 of the Protocol is important.^{xxxix} Below are some

observations which draw from the implementation guidelines of Article 5.3 as well as TCRG research outputs. Given that the Working Group already operates within existing safeguards intended to protect treaty processes from tobacco-industry interference, the considerations below are not intended to replace those arrangements but rather to identify potential gaps in the context of regulation on the tobacco supply chain, specifically.

- Application of Article 5.3 safeguards for any measures that may stem from Article 6.5, throughout the regulatory process- from policy development, through to implementation, oversight, and evaluation. Given transnational tobacco company reliance on third parties, and the involvement of independent companies in the manufacture of supply chain inputs, such measures could cover interactions with organisations or individuals acting on behalf of, or furthering the interests of, the tobacco industry. Attention should be given to supply chain actors whose commercial interests may align with those of the tobacco industry.

- Requiring adequate disclosure of affiliations with the tobacco industry for any policy processes. Organisations and individuals contributing to a policy measure relating to Article 6.5, for instance by providing evidence or services, could be required to disclose any relevant relationships to the industry (financial or otherwise). Such requirements could apply not just to tobacco manufacturers, but also to any actor involved in the tobacco supply chain e.g. leaf merchants, technology and machinery providers, retailers' organisations, etc.

- Protecting deliberations and evidence from industry interference. In addition to maintaining existing safeguards throughout the Working Group's deliberations e.g. restricting non-public documents and discussions to authorised participants, any industry-supplied evidence can be treated in accordance with FCTC/COP8(18), which encourages Parties to adopt policies to prevent the use of tobacco industry affiliated research outputs in policy development.^{xlii} Further, independent monitoring of environmental impact of supply chain inputs e.g. deforestation from leaf/paper/filters, chemicals and pollution from manufacture, and use collected data to counter misleading or false claims from the industry e.g. biodegradable filters could be beneficial.

- Further counter misleading industry narratives including via. extending public and policymaker education on cigarette filters as a health and environmental hazard, including on package warnings. Assure dissemination of information on misconceptions about the composition of filters, that they do not protect against many of the risks of smoking and that their main function is to sustain cigarette consumption. The EU Single Use Plastics Directive requires that filters are labelled as a single use plastic.^{xliii}

- Ensuring that mechanisms to design, implement and oversee any policies are independently led by governments, legally enforceable, and protected from industry interference. This could involve emphasising the role of public authorities in determining how a measure will operate and be monitored, rather than such actions lying with actors affiliated with the tobacco supply chain. Where work is outsourced, any potential contractors should be investigated to ensure that they do not have links (financial or otherwise) with the tobacco industry. Further, authorities could be discouraged from entering into any agreements or partnerships with actors benefitting from the tobacco supply chain.

- Providing disclosure and due-diligence tools to support with the above ensuring that implementation and oversight of any policies stemming from Article 6.5. are transparent and independent. This could involve requiring that key decisions are made public eg. any approved providers, that independent mechanisms are in place for monitoring and evaluation any adopted policies and highlighting useful resources that Parties can draw from to support in identifying industry-affiliated actors.

In relation to mechanisms for resourcing future measures

Effectively implementing controls on key inputs would have resource implications for Parties and the Protocol provides a number of mechanisms through which such costs could be met. Article 36.7. states that “Parties may require the tobacco industry to bear any costs associated with a Party’s obligations to achieve the objectives of this Protocol, in compliance with Article 5.3 of the WHO Framework Convention on Tobacco Control”, meaning that Parties can require the tobacco industry to bear the costs for fulfilling their obligations in relation to Article 6.5. Article 36.8 further requires Parties, subject to domestic law, to endeavour to achieve self-financing of Protocol implementation- including through taxes and other forms of charges on tobacco products. Taken collectively, the Articles provide a basis through which revenues generated from tobacco products or the tobacco industry can contribute to the costs of implementing the Protocol, including Article 6.5. This approach is also consistent with the broader ‘polluter pays’ principle, which proposes that the costs of preventing and addressing harms be paid by those responsible for generating them, rather than by governments and wider society.^{xliv} Related research has examined fiscal and regulatory mechanisms for reducing excessive tobacco industry profits and increasing the contribution made by tobacco companies, including through taxation, levies and price regulation.^{xlv}

Further, licensing systems that may be established could themselves provide a mechanism for recovering costs associated with their administration and enforcement as Article 6.3(c) provides for Parties to monitor and collect any licence fees that may be levied and to consider using these revenues to fund effective administration and enforcement of the licensing system, or for public health or other related activities. FCTC/MOP4(5), Licensing (Article 6 of the Protocol), reinforced this point by inviting Parties to continue efforts to monitor and collect licence fees, where applicable, that may be used for these purposes.^{xlvi}

Annex

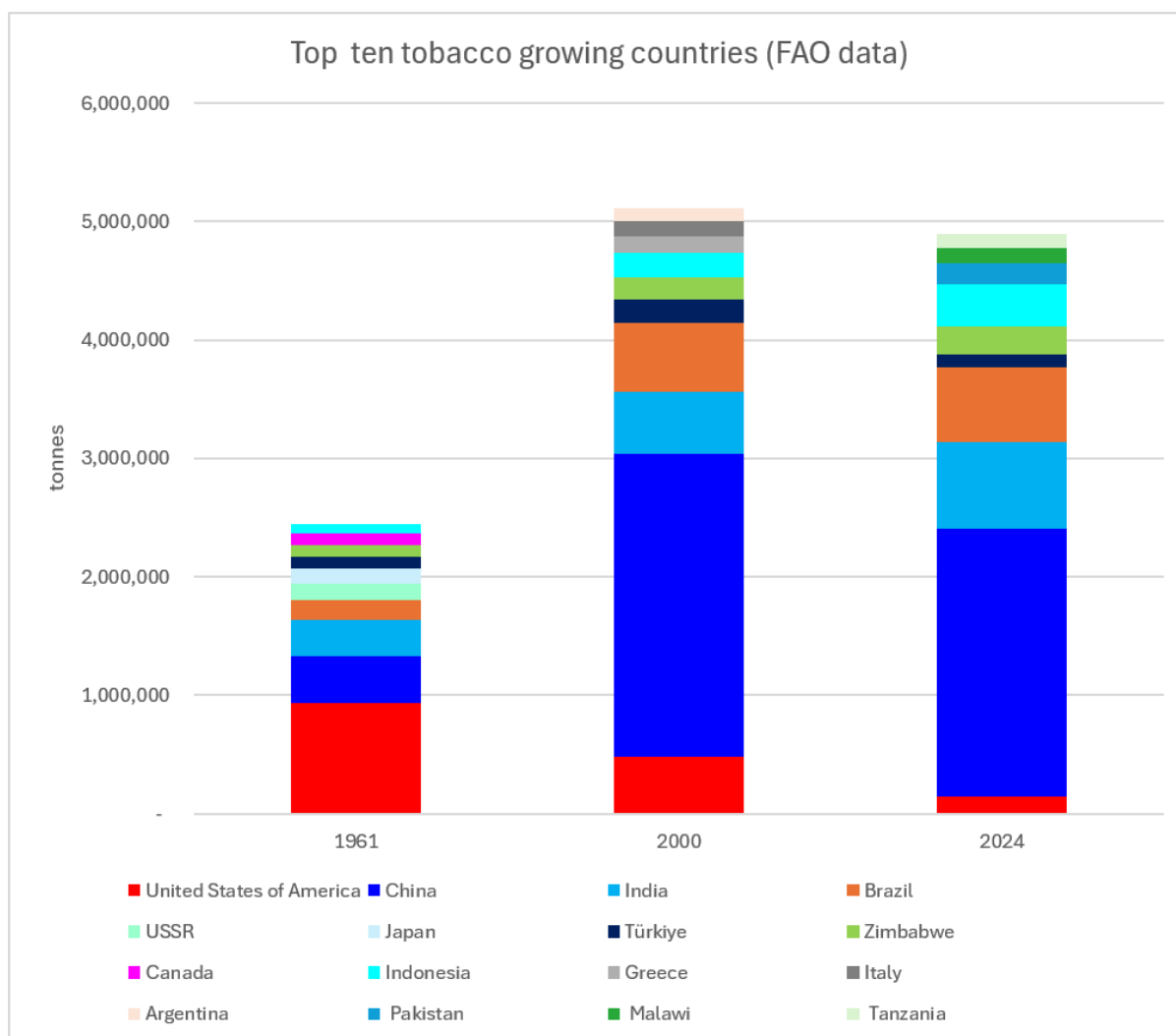
Table 1: Supply chain steps

Tobacco supply chain steps		
Agriculture	Following two months in a seedbed, seedlings are transplanted to the field. Once a flower grows, new growth is removed to promote leaf expansion and maintain quality. After harvest, plants are cured. Flue and fire curing requires wood or coal for heating. Tobacco can be grown by independent farmers who sell their tobacco via auctions. Other farmers hold contracts with companies who provide farming resources and guarantee to buy the crop. However, the price of the crop is not guaranteed, making profits volatile. Tobacco can also be grown on tobacco company owned estates. Tobacco production is labour intensive and has been linked to the use of child labour and 'green tobacco sickness' among farmers.	Farmers, leaf dealers, leaf suppliers, manufacturers, transport, distribution and wholesale actors.
Primary processing	Cured tobacco plants are graded and blended. Threshing removes the leaves from the stem. The tobacco is then redried.	Leaf processors.
Secondary processing	Primary processed tobacco leaves are transformed into final products and packaged. Some products require additions. For example, cigarettes require the addition of papers and filters.	Manufacturers.
Retail & marketing	Advertising and product promotion to establish and raise tobacco sales. There are legal restrictions on marketing in many countries.	Retailers, sales, reps.
Use	Consumption of products that have travelled through the supply chain.	Consumers
Disposal	Cigarette ends or butts take a long time to decay and leach chemicals as they do so. Tobacco companies have mostly avoided being held responsible for these costs.	Refuse collectors
Logistics, Transport & Warehousing	Involves the distribution of tobacco products, including warehousing and transport of the cured plants from the farmers to the primary processing plants, leaves from the primary processing factories to the secondary processing factories, and finished products to wholesalers and, eventually, to retailers. Leaf dealers, buyers, middlemen and suppliers can create value as they move tobacco to and from the primary processing stage, but they can also extract value by taking advantage of farmers' lack of pricing information and access to markets. Middlemen and wholesalers may similarly extract value between manufacturing and retailing.	Leaf dealers, leaf suppliers, transport, wholesale and distribution actors.

Table 2: Examples of companies contributing to controls for tobacco products

Company	Security related supply	Head quarters
Coesia Group	Subsidiary (GD): manufactures security stamping	Italy (Bologna)
Heinen Koehl	Has a manufacturing facility in Trier which makes machinery for Track & Trace	Luxembourg (Wecker)
Aiger Engineering	Manufactures cigarette Tax Stamping Machines	Bulgaria (Plovdiv)
ProCo-STIS Limited	Provides spares and upgrades for machinery for:tax stamping	UK
Domino	Coding and marking for soft packs, hard packs, pouches and tins cases and bundles	UK
Marden Edwards	Manufactures logistics track and trace machinery	UK (Wimbourn, Dorset)
Monovi	Track and trace support	Turkey (Izmir)
Steuer GmbH	Manufacture machines for printing cigarette packets, cigar labels using hologram application and cold foil transfer for product security	Germany
BMJpaperpackaging	Conducting research on Security papers	Indonesia (Jawa Barat)
Delfort	security printing	Austria
Bsecure Smart Security Solutions Ltd.	"SecuSystem machine-readable counterfeit protection system. SecuSystem is based on inks with unique optical properties... The largest segment of BSecure's market is brand protection...Bsecure's customers include... tobacco products" "Bsecure protects your product all the way from the product to its packaging (primary and secondary) and throughout the supply chain"	Israel
Crane Authentication	provides traceability and authentication to the Regie in Lebanon ----- Subsidiary De La Rue formerly provided track and trace for the British government	USA
SGS S.A.	AGRICULTURE (FARMING) Tests efficacy and safety of fungicides, insecticides, herbicides and nematocides for tobacco crops for Kenyan government SECONDARY PROCESSING (FINAL TOBACCO PRODUCT MANUFACTURE) Provides certificates of Laboratory Assessment of Tobacco Products (Poland) LOGISTICS, TRANSPORT & WAREHOUSING Operates track and trace systems for tobacco products	Switzerland (Geneva)
Tesa AG	Produce tamper evident carton sealing tape with a customer individual imprint for packaging	Germany
Videojet Technologies	Thermal Transfer Overprinting (TTO), Laser Marking Systems, Label Printer Applicator	USA(Illinois)

Figure 1: Change in leaf growing volumes of the top ten countries over time



Note – full data from figure 1 included in table below

Tobacco growing countries	Tonnes of tobacco grown in 1961	Tonnes of tobacco grown in 2000	Tonnes of tobacco grown in 2024
United States of America	935,000	477,750	147,520
China	395,854	2,563,854	2,257,793
India	307,000	520,000	727,203
Brazil	167,839	579,727	637,749
USSR	134,000		
Japan	126,900		
Türkiye	101,407	200,280	108,000

Zimbabwe	99,890	190,242	236,815
Canada	95,127		
Indonesia	85,800	204,329	353,386
Greece		137,039	
Italy		129,937	
Argentina		114,509	
Pakistan			184,982
Malawi			119,957
Tanzania			117,464
Total leaf grown by top 10	2,448,817	5,117,667	4,890,870
Total leaf grown globally	3,589,662	6,697,914	6,040,801
Global leaf grown by Top 10	68%	76%	81%

Box 1: the UK's approach to controlling tobacco leaf

The UK has a Raw Tobacco Approval Scheme^{xlvii} where 'Raw tobacco' refers to the leaves and any other part of a non-living tobacco plant.

Under the scheme, those undertaking an activity involving raw tobacco must apply for approval to the government authority responsible for customs (HMRC). However, there are limited exemptions for certain products or amounts e.g. small quantities, waste kept for horticultural purposes.

Information that applicants are required to provide includes, their activities, suppliers, customers and stock-control systems. Applicants also undergo a "fit and proper" test, where HMRC checks, among other things, the applicant's tax compliance, record-keeping and relevant convictions. Approved suppliers must ensure that their UK customers have also been approved by HMRC and suppliers must retain key records for six years (eg. sales, production, import and export records, etc.). Non-compliance can result in approval being lost, financial penalties, and/or forfeiture of tobacco. Further, any large transactions (exceeding 50 kg) require verification from HMRC.

Box 2: the UK's approach to controlling tobacco machinery

The UK's Tobacco Products Manufacturing Machinery Licensing Scheme^{xlviii} requires those involved in the manufacture, purchase, or possession of relevant machinery to first obtain a licence. The scheme applies to tobacco manufacturers as well as those who manufacture, sell, import, or export machinery, as well as to business that undertake repairs on such machinery.

When applying for a licence, operators must provide HMRC with key information about each machine eg. serial number, premises, etc. When a licence has been granted, licence holders must inform HMRC in advance of a machines' key activities eg. manufacture, purchase, sale (including re-sale), destruction, etc. Licence holders must also record the movement of any machinery and retain proof when a machine is destroyed. Such records must be stored for 6 years, and HMRC may request to inspect them at any point alongside also potentially visiting premises as part of compliance checks. Failing to adhere to any of these requirements may result in machinery being seized, penalties and/or licences being revoked.

Box 3: Ukraine's controls over cigarette papers and filters

Ukraine's Law No. 3817-IX^{xlix} is administered by the country's State Tax Service (STS). Cigarette papers and filters may be imported only by entities holding a licence to manufacture tobacco products. An importer of such inputs must be a licensed tobacco manufacturer and any imported papers and filters must be intended for the importer's own licensed manufacturing activity and so actors are not permitted to distribute the inputs to any other actors.

It should be noted that the law does not cover any domestic production of such inputs.

Box 4: Tobacco industry collaboration to promote Codentify

Codentify was system developed by Philip Morris International (PMI) and then licenced to British American Tobacco (BAT), Imperial Tobacco, and Japan Tobacco International (JTI) as part of a co-ordinated effort to lobby governments to adopt an industry-developed measure for tracking products in the supply chain, rather than an independent one. Within the Codentify system, tobacco manufacturers generated codes and retained control over key supply-chain data, thus undermining the ability for government authorities to independently run the system.ⁱⁱ Such concerns led to the Convention Secretariat declaring that the system was not Protocol compliant and that Parties should not adopt it in their efforts to adhere to Article 8. This lack of independence is compounded by evidence of significant technical limitations with the system, (eg. potential for cloned codes to be reusedⁱⁱⁱ) as well as evidence that the system is highly inefficient as an authentication mechanism.ⁱⁱⁱⁱ

Nonetheless, the major transnationals continued to promote the system to governments across the world- establishing a front group, the Digital Coding and Tracking Association (DCTA), in an effort to present the system as independent.^{Error! Bookmark not defined.} DCTA policy engagement efforts were often not transparent about the organisation's affiliations with major transnationals- for instance, in a 2015 submission to the European Commission's consultation on tobacco traceability and security features, the DCTA described itself as an association promoting technical standards and digital supply-chain solutions and did not disclose that it had been established by and was made of up of representatives from BAT, Imperial Tobacco, JTI and PMI.^{iv} Codentify was later sold to Inexto- a company that subsequently presented itself as independent, despite its membership consisting of multiple former industry staff, including those directly involved in the development of Codentify.^{Error! Bookmark not defined.} ^v

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