

## Why people should consider not investing in the tobacco industry

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**Dr. Bronwyn King, Founder and CEO at [Tobacco Free Portfolios](#), and [Maxime Carmignac](#), Managing Director Carmignac Gestion Luxembourg - UK Branch, explain what the Tobacco-Free Finance Pledge is, what supporting this initiative means, and why investors should favour divestment for this sector.**

**Could you summarize what the Tobacco-Free Finance Pledge is doing?**

**Bronwyn King:** The [Tobacco-Free Finance Pledge](#) was launched on the sidelines of the UN General Assembly in 2018, in collaboration with three UN agencies and with the support of the Governments of France and Australia.

There are now almost 200 Signatories – major mainstream financial institutions with combined assets of >US\$16 trillion. The Pledge demonstrates that there is a growing community of finance leaders who recognise that global challenges require global solidarity. Dr Tedros summed it up perfectly when he delivered his address at the launch of the Pledge: “We cannot fight tobacco on one hand and finance it on the other”.

**For investors like Carmignac, what does it mean to be a supporter of the Tobacco-Free Finance Pledge?**

**Maxime Carmignac:** As a tobacco-free asset management company, being a supporter has come very naturally to us. Dr Kings’ organisation and her staff have shown true leadership in the implementation of tobacco exclusions by encouraging major actors to follow suit. We are proud to be associated with this initiative that concretely contributes to make finance more sustainable.

## Why do people continue to invest in the tobacco industry?

**B.K.:** Most people are unaware they have any financial interest in tobacco, yet via pension plans or other investments, many are investing in Big Tobacco. For decades, the finance sector has treated tobacco companies just like any other companies, yet the medical community, governments, teachers, and parents go to extraordinary lengths to protect children from falling victim to the insidious reach of tobacco company marketing. When made aware, people overwhelmingly reject affiliations with tobacco companies, including CEOs, Board Directors, investors, and pension fund members alike.

## Why did Carmignac chose to exclude tobacco?

**M.C.:** Long before responsible investing was trendy, my father decided not to support the tobacco industry because he felt strongly that the whole industry was a net cost to society. Given that cigarettes kill two-thirds of smokers, we favour other defensive sectors in times of financial market volatility, as we only invest in companies with a sustainable business model and which are in line with our values and principles. In addition, as the industry struggles with declining smoking rates, higher taxes and strict regulations in developed countries, emerging markets have been providing a breath of fresh air for tobacco companies, which is undermining the credibility of some marketing campaigns around “creating a smoke-free world”.

## In terms of limiting environmental harm, is tobacco divestment part of an investors’ path to achieving Net Zero?

**B.K.:** While the devastating health consequences of tobacco are widely understood, few people appreciate that tobacco also has profoundly negative environmental impacts. For example, tobacco filters – made of cellulose acetate - are the number one ocean plastic and enter the food chain after dissipating into microplastics. Tobacco farming is highly water intensive and causes 5% of deforestation in low- and middle-income countries. When it comes to carbon emissions generated, tobacco has a similar footprint to entire countries – like Peru or Israel. Going tobacco-free is a meaningful step on the journey to Net Zero. It demonstrates commitment and progress towards an important goal and is an excellent place to begin when designing Net Zero frameworks. There is simply no room for tobacco in a Net Zero world.

## Why should investors favour divestment and not engagement for this sector?

**M.C.:** The United Nations and the WHO explicitly reject engagement with tobacco companies due to the fundamental conflict of interest between tobacco and the human right to life and the human right to health. At Carmignac, we prefer engaging on specific themes: climate change, empowerment and leadership namely. Our view is that progress will not be achieved by dialogue with these companies because the only acceptable outcome would be to abandon their main source of profits. Just like there is no safe use of this product, even for the passive consumers, there is no sound investment in these companies, for us as active managers.

To learn more about our responsible investment approach,

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