MEXICO

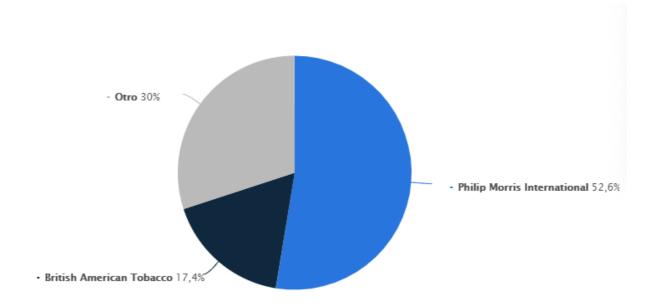
2021

TOBACCO INDUSTRY INTERFERENCE INDEX

Introduction

Mexico is a democratic federal republic with 128 million people. In the Latin American region, it is the second most populous country, only after Brazil. It has a government headed by Andrés Manuel López Obrador, its president, who has a parliamentary majority in the Congress of the Union, although this year the Chamber of Deputies is renewed.

The distribution of the cigarette market, with data from 2019, the most recent, is as follows:



This year, Mexico's rating has worsened, mainly because the level of industry participation in policy development has increased, with clear examples of direct interference by representatives or allies of the tobacco industry in the Chamber of Deputies during the parliamentary process of approval of the reform to the General Law for Tobacco Control. The presidency of the Economy Commission and the Ministry of Economy itself has taken up industry arguments to obstruct the progress of the reforms. Besides, more reform initiatives favor industry interests, with lax regulations towards electronic nicotine delivery systems and heated tobacco products.

From January 2020 to March 2021, CSR activities during the pandemic have also increased, mainly due to direct donations from the tobacco industry to the governments of Jalisco and Nuevo Leon.

The fact that Codentify, a coding system developed by Philip Morris International, continues to be used by the Tax Administration Service for the authentication of cigarettes is still a matter of concern. The company continues to be present in actions against illicit trade, and continues to be a partner of the "Jóvenes Construyendo el Futuro" program.

In transparency measures, although the Ministry of Health maintains vigilance of Article 5.3 in its interactions with the tobacco industry, there is no due protection with a Code of Conduct that applies to the institution itself and extends to other ministries. Besides, since September 2020, neither the Senate of the Republic nor the Chamber of Deputies has updated their lists of lobbyists.

Electoral legislation is not adequately protected against conflict of interest, through full disclosure of contributions by the tobacco industry to candidates or political parties. This is especially relevant this 2021 when the Chamber of Deputies will be renewed. In the report, there are cases of conflict of interest such as the participation of Alfonso Romo in the decisions of the Ministry of Economy or the revolving doors with Roberto Campa, who had already been identified in the previous report. Another alert is Yeidckol Polevnsky, mother of Shirley Almaguer, who is seeking a position as a federal deputy in 2021.

Finally, the section on preventive measures remains in the same terms as in the previous report, with a Code of Conduct proposed by the Ministry of Health, but still not approved. The Code of Ethics for Public Servants of the Federal Government remains in force to avoid any form of contribution or gift from private individuals.

Mr. Erick Antonio Ochoa Director, Salud Justa MX

I. INDUSTRY PARTICIPATION IN POLICY DEVELOPMENT

Concerning the previous report, this section increased its interference score due to the influence of the tobacco industry on the public policy design process in the Congress of the Union, especially in the Economy Commission of the Chamber of Deputies, which organized a forum with representatives and allies of Philip Morris and British American Tobacco.

On the other hand, regarding the total number of initiatives to reform the General Law for Tobacco Control, from January 2020 to March 2021, 11 proposals for lax regulation of nicotine delivery systems were presented. This represents a growth compared to the previous report when there were 4 initiatives with that objective. These proposals benefit the tobacco industry in its search for new markets and consumers.

CONADIC continues with the implementation of letters of declaration of no conflict of interest and the government, in general, does not accept any tobacco industry representative in the COP delegation.

2. INDUSTRY CSR ACTIVITIES

In 2020, CSR actions increased, especially linked to some type of assistance or donation for patients with COVID. In Jalisco, Philip Morris made donations of medical instruments for the care of patients with COVID and participated in the launch of the "AcelerAndo Jalisco" program, with the consent and intervention of the state government. British American Tobacco (BAT) participated in the #UNIRyDAR movement, an initiative led by the Secretary of Health of Nuevo León, and also donated food in Guadalupe, a municipality in the state.

3. BENEFITS TO THE INDUSTRY

This section maintains the scores from the previous report because there continue to be no delays or postponements in the implementation of tobacco control regulations. The Tax Administration Service still does not provide information on the production, distribution, importation, or manufacture of tobacco products, based on the information provided in the security codes.

4. UNNECESSARY INTERACTION

This report documents unnecessary interactions, especially in the Chamber of Deputies. The president of the Economy Commission in that legislative body, Congressman Fernando Galindo, as well as Sergio Roberto Huerta Patoni, General Director of Legislation at the

Ministry of Economy, as well as representatives and allies of the tobacco industry, presented their objections to compliance with the FCTC in Mexico.

Codentify, a coding system developed and promoted by Philip Morris International, continues to be used by the Tax Administration Service. The company's collaboration with the federal government is also in illicit trade. Besides, the tobacco company continues to be an ally of the federal government in the "Jóvenes Construyendo el Futuro" program.

5. TRANSPARENCY

National legislation does not require public disclosure of government interactions with industry, although the Ministry of Health maintains its oversight of FCTC Article 5.3 by videotaping any meetings with representatives of the tobacco industry or its allies. Transparency worsened in Congress, because both the Senate and the Chamber of Deputies, since September 2020, have not updated their registry of lobbyists.

6. CONFLICT OF INTEREST

National electoral legislation does not prohibit contributions from the tobacco industry, or any entity associated with parties, candidates, or campaigns.

This section documents the conflicts of interest of Alfonso Romo, former Chief of the Office of the Presidency and now a consultant to the Ministry of Economy, who was president of La Moderna, a tobacco company that was acquired by British American Tobacco (BAT), as well as Roberto, current Director of Corporate Affairs of FEMSA (Coca Cola) and who was former Undersecretary of the Interior. Besides, a warning is placed on the probable election of Yeidckol Polenvsky, who has family ties with Shirley Almaguer, current Director of Regulatory Affairs of BAT.

7. PREVENTIVE MEASURES

In the preventive measures, it is highlighted how there are no procedures to record interactions of the tobacco industry or its representatives with the government, although the Ministry of Health has shielded its meetings. The Code of Conduct for Public Servants for the strict surveillance of article 5.3 of the FCTC, designed years ago by the same Ministry, has not been approved and implemented to serve other institutions of the Federal Executive. On the other hand, there are still no regulations for the transparency of the tobacco industry's expenditures in marketing, lobbying, philanthropic activities, etc. However, the provisions of the Code of Ethics for Public Servants of the Federal Government, which prohibits officials from receiving any contribution or gift from private individuals, are still in force.

Recommendations

In Mexico, it is still necessary to strengthen the presence of Article 5.3 of the WHO Framework Convention on Tobacco Control (FCTC), especially in the Congress of the Union and in some agencies such as the Ministry of Economy, in order to know how regulatory proposals are weakened if interference by the tobacco industry is allowed to the process of reviewing and updating the General Law for Tobacco Control, our base order for compliance with the provisions of the FCTC. In addition, it is appropriate to strengthen the action of internal comptrollers to punish legislators or officials who violate codes of ethics, especially those provisions that seek to inhibit conflict of interest.

With the increase in initiatives that favor the industry, now documented with respect to the previous report, it is still necessary to provide information on actors linked to the industry, as well as interference mechanisms, which affect regulatory processes in the Congress of the Union.

Our country needs to take action on CSR activities. The General Law for Tobacco Control does not clearly define how such activities should be considered advertising. This is a pending reform that should be promoted in the Congress of the Union. It has been done but none is in force now. It could even be assessed how much those restrictions should be considered in state regulations, to limit examples such as those of Jalisco or Nuevo Leon that are documented in this report.

About the benefits to the industry, the reform of the Law on the Special Tax on Production and Services, as well as the general rules for coding systems in cigarette packaging, continue to remain pending, so as not to leave any loophole for the interference of the tobacco industry. It is unacceptable that the Government of Mexico continues to use a coding system whose property rights are not independent of the tobacco industry (Codentify, a coding system developed and promoted by Philip Morris).

The Congress of the Union is vulnerable to updating the register of lobbyists, with a clearer definition of interests and resources used. Transparency about meeting minutes, support given, materials provided, etc. By industry, its representatives or lobbyists, remains a major issue. The same vulnerability remains in force with some agencies such as the Ministry of Economy, whose argument takes sides in favor of the industry.

On the conflict of interest, there is still a long way to go. With the cases reported in this report, not only does greater exposure be needed, but measures that inhibit these behaviors and make transparent relationships, family ties, professional or commercial relationships, etc.

Finally, new preventive measures must be taken to prevent the tobacco industry from financing parties and candidates. In addition, the industry must provide information on spending on marketing, lobbying and philanthropic activities, on a mandatory basis.

2021 Tobacco Industry Interference Index Results and Findings

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INDICATOR I: Level of Industry Participation in Policy-Deve	lop	me	nt			
1. The government accepts, supports or endorses any offer for						
assistance by or in collaboration with the tobacco industry ² in				2		
setting or implementing public health policies in relation to				3		
tobacco control³ (Rec 3.1)						

On March 26, 2021, Sergio Roberto Huerta Patoni, General Director of Legislation and Consultation of the Ministry of Economy, participated in the Open Parliament "Análisis de las Diversas Iniciativas que Reforman y Adicionan Artículos de la Ley General para el Control del Tabaco" (Analysis of the Various Initiatives that Reform and Add Articles of the General Law for Tobacco Control), a forum convened by the Economy Commission of the Chamber of Deputies led by Congressman Fernando Galindo Favela.

Huerta Patoni's opinions during the forum, expressed on behalf of the Ministry of Economy, regarding initiatives to improve compliance with the WHO Framework Convention on Tobacco Control (FCTC) in Mexico, focused on requesting that "the regulations to be issued be compatible with the international treaties on economic matters that Mexico has signed; that is, to avoid implementing unnecessary obstacles to trade or discrimination between similar products".

The forum not only brought together representatives of the industrial and commercial chambers allied to the tobacco industry (Alianza Nacional de Pequeños Comerciantes; Asociación Nacional de Tiendas de Autoservicio y Departamentales; Confederación de Cámaras Nacionales de Comercio, Servicios y Turismo; American Chamber of Commerce of México; Cámara Nacional de la Industria Restaurantera y de Alimentos Condimentados; del Consejo Nacional Agropecuario y, Cámara Nacional de la Industria de la Transformación), There were also direct representatives of the tobacco industry, such as the Mexican Association of Cigar Manufacturers, the Rural Association of Regional Collective Interest of Tobacco Producers, a representative of tobacco producers in Nayarit, as well as spokespersons and entrepreneurs of electronic nicotine delivery systems. In a previous version of confirmed speakers, Juan de Dios Bátiz, vice-president of external relations for Latin America of Juul Labs, was scheduled to participate, but in the end he did not attend (see attached file). For a sample of the links of the industrial chambers, see the communiqué of the National Association of Self-Service and Department Stores, which supports the institutional position of Philip Morris Mexico on the current ban on electronic nicotine delivery systems (available at https://antad.net/philip-morris-mexico-regulacion-si- prohibicion-no-retailers-mx/).

¹ The term "government" refers to any public official whether or not acting within the scope of authority as long as cloaked with such authority or holding out to another as having such authority

² The term, "tobacco industry' includes those representing its interests or working to further its interests, including the State-owned tobacco industry.

³ "Offer of assistance" may include draft legislation, technical input, recommendations, oversees study tour

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4. The government nominates or allows representatives from the

delegates. (i.e. COP 4 & 5, INB 4 5, WG)⁴ (Rec 4.9 & 8.3)

tobacco industry (including State-owned) in the delegation to the

COP or other subsidiary bodies or accepts their sponsorship for

⁴ Please annex a list since 2009 so that the respondent can quantify the frequency, http://www.who.int/fctc/cop/en/

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The government has no tobacco industry representative in the COP delegation, at least in the preparatory meetings.

INDICATOR 2: Industry CSR activities

- 5. A. The government agencies or its officials endorses, supports, forms partnerships with or participates in so-called CSR activities organized by the tobacco industry. (Rec 6.2)
 - B. The government (its agencies and officials) receives contributions⁵ (monetary or otherwise) from the tobacco industry (including so-called CSR contributions). (Rec 6.4)

The state governments of Jalisco and Nuevo Leon, where Philip Morris Mexico and British American Tobacco are headquartered, respectively, have received donations from these companies.

On May 12, 2020, during the most difficult months of the first wave of COVID-19 infections in the country, Philip Morris Mexico delivered 22 electric beds, 20 vital signs monitors for intensive care, and 2 mechanical ventilators to the Angel Leaño Hospital, administered by the Jalisco State Government, in addition to 13,200 meals for the System for the Integral Development of the Family - Jalisco (*DIF-Jalisco*) and 250 thousand dollars donated to the Together for Health initiative, for protective equipment for medical personnel (see https://expansion.mx/empresas/2020/06/12/philip-morris-dona-equipo-medico-a-hospital-de-jalisco). In his annual report, the governor of Jalisco, Enrique Alfaro acknowledged that he received 4 million, 786 thousand, 44 pesos from Philip Morris Mexico, as a donation to the state government, consisting of 22 beds, 20 monitors, 12 ventilators, 16 monitor bases, and 2 ventilator kits (see https://coronavirus.jalisco.gob.mx/donaciones/). This account appears to have included previous donations received in May 2020.

On February 17, 2021, Philip Morris Mexico, the Universidad Anáhuac México, and the Wadwani Foundation launched the AcelerAndo Jalisco Program, an action to "contribute to the economic reactivation of the state and strengthen the resilience of companies" (see press release at https://iqos.another.co/lanzan-philip-morris-mexico-la-universidad-anahuac-mexico-y-la-fundacion-wadhwani-convocatoria-para-participacion-de-pymes-en-el-programa-acelerando-jalisco). The launch of this program was attended by Nora Martín, General Director of Innovation and Business and Social Development of the Ministry of Innovation, Science and Technology of the Government of Jalisco. There, the collaboration of the state government with the tobacco company was acknowledged.

In May 2020, the Secretary of Health of Nuevo León, Manuel de la O Cavazos, highlighted that British American Tobacco (BAT) was part of the solidarity movement #UNIRyDAR to address the COVID-19 crisis in the state (see http://www.3ersector.mx/noticias-2018/21-osc/9601-en-nuevo-leon-destacan-contribucion-del-movimiento-solidario-unir-y-dar.html). That month, the mayor of Guadalupe, Nuevo León, María Cristina Díaz

⁵ political, social financial, educations, community, technical expertise or training to counter smuggling or any other forms of contributions

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Salazar, acknowledged that BAT had cooperated with the donation of 8,000 food supplies to be shared among families affected by the COVID-19 health emergency (https://www.portalmexico.mx/noticias-empresas-se-solidarizan-en-guadalupe-donan-8-mil-apoyos-alimentarios/). In the past, as a federal deputy, María Cristina Díaz Salazar had already been denounced for favoring the interests of the tobacco industry (see A.Guerrero, A. Madrazo; J.Cruz and T. Ramírez; *Identificación de las estrategias de la Industria tabacalera en México; Centro de Investigación y Docencia Económicas* (CIDE); 2012. Available at: http://www.cide.edu/publicaciones/status/dts/DTEJ%2051.pdf), a position she maintained even as senator of the republic since July 13, 2016 she presented an initiative for smoke-free spaces throughout the country, which she withdrew days later (available at

 $\frac{\text{http://sil.gobernacion.gob.mx/Archivos/Documentos/2016/07/asun_3396776_20160727_1}{469632100.pdf}).$

INDICATOR 3: Benefits to the Tobacco Industry

6. The government accommodates requests from the tobacco industry for a longer time frame for implementation or postponement of tobacco control law. (e.g. 180 days is common for PHW, Tax increase can be implemented within 1 month) (Rec 7.1)

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No records were found of requests to delay implementation or postpone tobacco control regulations.

7. The government gives privileges, incentives, exemptions or benefits to the tobacco industry (Rec 7.3)

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As documented in the previous report, the Tax Administration Service (SAT) still does not provide information on the production, distribution, importation, or manufacture of cigars, based on the information provided by the security codes or the tax returns filed.

8. Top level government officials (such as President/ Prime Minister or Minister⁶) meet with/ foster relations with the tobacco companies such as attending social functions and other events sponsored or organized by the tobacco companies or those furthering its interests. (Rec 2.1)

The president of the Economy Commission of the Chamber of Deputies, Congressman Fernando Galindo, summoned representatives of the tobacco industry during the month of March 2021 to give their opinion on the reforms to the General Law for Tobacco Control, as outlined in the answer to question I of the questionnaire. Sergio Roberto Huerta Patoni, General Director of Legislation and Consultation of the Ministry of Economy was summoned to the meeting and presented his objections to the progress of compliance with the FCTC in Mexico.

⁶ Includes immediate members of the families of the high-level officials

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9. The government accepts assistance/ offers of assistance from the tobacco industry on enforcement such as conducting raids on tobacco smuggling or enforcing smoke free policies or no sales to minors. (including monetary contribution for these activities) (Rec 4.3)				3		

Codentify, the coding system developed and promoted by Philip Morris International, continues to be used by the Tax Administration Service. In 2020, a presentation by Kevin Welding of the Institute for Global Tobacco Control at John Hopkins University describes how this authentication system was found in 95% of the company's packaging, being significantly less in other tobacco companies (see the presentation at https://www.globaltobaccocontrol.org/sites/default/files/welding_codentify.pdf).

Also, in October 2020, Philip Morris Mexico included in a statement distributed in the country for the presentation of its second sustainability report, that they collaborated with the federal government in the destruction of more than 29 million illicit cigars and the seizure of 11.6 tons of illegal tobacco (https://iqos.another.co/philip-morris-mexico-presenta-su-informe-de-sustentabilidad-y-renueva-su-compromiso-para-alcanzar-unfuturo-libre-de-humo). The full report is available at https://pmidotcom3-prd.s3.amazonaws.com/docs/default-source/sustainability-reports-and-policies/pmi-integrated-report-2019.pdf

10. The government accepts, supports, endorses, or enters into partnerships or agreements with the tobacco industry. (Rec 3.1)

NOTE: This must not involve CSR, enforcement activity, or tobacco control policy development since these are already covered in the previous questions.

Philip Morris continues to be a partner in the federal government's "Jóvenes Construyendo el Futuro" program, in the industrial training category, to add intern talent to their company. In promoting their activities they have even uploaded videos to YouTube, such as https://talentoaplicado.mx/jovenes-construyendo-el-futuro_2019/videos/. An account of PMI Mexico and other companies can be seen on the "Talento Aplicado" platform, an initiative of the Business Coordinating Council, available at https://talentoaplicado.mx/jovenes-construyendo-el-futuro_2019/videos/. With the pandemic, it seems that information on these collaborations has ceased to be updated.

INDICATOR 5: Transparency II. The government does not publicly disclose meetings/ interactions with the tobacco industry in cases where such interactions are strictly necessary for regulation. (Rec 2.2)

Current legislation does not require the government to publicly disclose interactions or meetings with the tobacco industry. However, the Ministry of Health maintains its vigilance to Article 5.3, especially with the videotaping of any meetings with tobacco industry representatives or allies. Organizations of manufacturers or marketers of

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electronic nicotine delivery systems have been critical of the Ministry origid enforcement of FCTC Article 5.3. However, it is unknown whether	er tl	ne l	1 ini	stry	of	•
Economy, whose ownership changed at the beginning of 2021, has the	sam	е рі	rovi	sioi	n.	
12. The government requires rules for the disclosure or registration of tobacco industry entities, affiliated organizations, and individuals acting on their behalf including lobbyists (Rec 5.3)				3		
For the federal or state governments there is no specific regulation that registration of meetings between industry representatives or their lobb		•			ials.	•
Unlike the previous report, where the registry of lobbyists in the Senat was available, this information has not been updated for the third year of from September 2020 to date (see https://www.senado.gob.mx/64/padr). In the Chamber of Deputies, the information has not been updated for either (available at http://pot.diputados.gob.mx/Obligaciones-de-Ley/Arradron-de-cabilderos).	of th con_ or th	ne L <u>de</u> ne s	egi: <u>ca</u> am:	slat <u>bild</u> e pe	ure <u>ero</u> erio	, <u>)S</u>
INDICATOR 6: Conflict of Interest						
13. The government does not prohibit contributions from the tobacco industry or any entity working to further its interests to political parties, candidates, or campaigns or to require full disclosure of such contributions. (Rec 4.11)						5
The General Law of Electoral Institutions and Procedures, as last amend 2020, does not prohibit contributions from the tobacco industry (see http://www.diputados.gob.mx/LeyesBiblio/pdf/LGIPE_130420.pdf).	ded	on	Ар	ril	3,	
14. Retired senior government officials form part of the tobacco industry (former Prime Minister, Minister, Attorney General) (Rec 4.4)				3		
Alfonso Romo, former Chief of the Office of the Presidency of the Rep president of the tobacco company <i>La Moderna</i> during the eighties, whice British American Tobacco at the end of the nineties. The biggest risk reascendancy over the current Secretary of Economy (see	h w ema	as a	ıcqı thai	t he		•

Clouthier, who took office in December 2020.

Also, as stated in the previous report, Roberto Campa, the current Director of Corporate Affairs of FEMSA (Coca Cola) is a former Undersecretary of the Interior. On regulatory issues, the tobacco industry presents the same position, the same allies, even very similar arguments to the sugar-sweetened beverage and non-nutritious food industry.

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 Current government officials and relatives hold positions in the tobacco business including consultancy positions. (Rec 4.5, 4.8, 4.10) 			2			
Yeidckol Polevsnsky is the mother of Shirley Almaguer, current director affairs of British American Tobacco Mexico, and leader of the food, be sector of the National Chamber of the Transformation Industry (CAN past report, she was included for being President of the MORENA part represents a risk because she is listed as a plurinominal congressional comparty for the period 2021-2024. It is not certain that she will win occupies one of the first places on the party's list, it is most likely that seat in Congress as of September of this year.	vera ACI ty ai and , bu	ge, NT nd r idat t giv	and RA) now ce fo	tol). In she she that	bac the e hat t sh	e ne
INDICATOR 7: Preventive Measures						
16. The government has put in place a procedure for disclosing the records of the interaction (such as agenda, attendees, minutes and outcome) with the tobacco industry and its representatives. (Rec 5.1)				3		
There is none, although it is being developed, led by the Ministry of He	alth	١.				
17. The government has formulated, adopted or implemented a code of conduct for public officials, prescribing the standards with which they should comply in their dealings with the tobacco industry. (Rec 4.2)					4	
Years ago, the Ministry of Health proposed a Code of Conduct for Pul which certain criteria would be established to avoid or protect the interest tobacco industry, giving it maximum publicity, for example. However, to been approved for the Ministry itself and even less has it been implementations of the federal Executive.	erac his	tior cod	ns o e ha	f th	e ot	
18. The government requires the tobacco industry to periodically submit information on tobacco production, manufacture, market share, marketing expenditures, revenues and any other activity, including lobbying, philanthropy, political contributions and all other activities. (5.2)			2			
There is periodic information on cigarette production and taxes paid by the National Institute of Statistics and Geographic Information (INEGI) and the Ministry of Finance, respectively. However, there is no regulation for transparency in marketing expenses, lobbying, philanthropic activities, etc.						
19. The government has a program / system/ plan to consistently ⁷ raise awareness within its departments on policies relating to FCTC Article 5.3 Guidelines. (Rec 1.1, 1.2)					4	

 $^{^{7}}$ For purposes of this question, "consistently" means: a. Each time the FCTC is discussed, 5.3 is explained. AND b. Whenever the opportunity arises such when the tobacco industry intervention is discovered or reported.

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No, although the Ministry of Health proposed it for years, it has not be	en ap	oprov	ed.	
20. The government has put in place a policy to disallow the acceptance of all forms of contributions/ gifts from the tobacco industry (monetary or otherwise) including offers of assistance, policy drafts, or study visit invitations given or offered to the government, its agencies, officials and their relatives. (3.4)		2		

There are mandatory provisions in the Code of Ethics for Public Servants of the Federal Government to avoid conflict of interest throughout the government of the republic and to avoid any contribution or gift from private individuals (see https://dof.gob.mx/nota_detalle.php?codigo=5549577&fecha=05/02/2019). However, the sanctions do not seem clear, which has weakened their implementation.

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ANNEX A: SOURCES OF INFORMATION

TOBACCO INDUSTRY ACTIVITY

LOCAL TOBACCO COMPANIES

Top 5 Tobacco Companies/distributors	Market Share and Brands	Source

TOBACCO INDUSTRY FRONT GROUPS

Top 5 Tobacco Industry Representative	Type (Front Group/ Affiliate/ Individual)	URL

NEWS SOURCES

Top 5 Newspaper/Dailies	Type (Print/Online)	URL