

A black and white photograph of a 'WALL ST' sign, likely from the New York Stock Exchange, set against a blurred background of a building facade.

WALL ST

HOW DO INVESTORS RATE SMOKING IN MOVIES?

On October 3, 2017, investment managers representing more than \$64 billion in assets called on **Comcast, Sony, Time Warner, Twenty-First Century Fox, and Viacom** to “eliminate tobacco depictions in youth-rated films” and to implement the R-rating for future tobacco imagery by June 2018.* Why? It pays to read the fine print:

For decades, US tobacco companies paid out millions of dollars to put smoking in movies. Over the past fifteen years, researchers in a dozen countries have confirmed that on-screen tobacco imagery recruits millions of kids to smoke.

As a result, the US Surgeon General, the World Health Organization (WHO), US Centers for Disease Control and Prevention, and dozens of state Attorneys General have demanded that film companies halt this toxic exposure. In August 2017, seventeen leading US health organizations gave the entertainment industry a June 2018 deadline to R-rate smoking. **India and China** already discourage smoking in both domestic and imported films and video programming.

Investors have long had the option to screen tobacco companies out of their portfolios. Now, with the CDC projecting one million deaths among today’s kids from exposure to tobacco on screen, investors also want to divest from media companies that persist in exposing kids to toxic tobacco imagery (see box).

Besides mortal risks to kids, there are risks to shareholders.

Risk #1 | US tobacco giants have been convicted of civil racketeering in federal court and have paid out billions of dollars to settle litigation. Media companies, warned years ago by state Attorneys General that they knowingly harm children each time they release a movie with smoking, may also face costly **legal action and liabilities.**

Risk #2 | Hollywood now looks for growth outside the United States. But 181 other nations are parties to the WHO Framework Convention on Tobacco Control (FCTC). Article 13 of the FCTC obligates nations

to halt tobacco promotion in entertainment media. Since 2002, nearly 60 percent of US films have featured smoking. How much will films with smoking be worth in **tomorrow’s ancillary marketplace?**

Risk #3 | Less concerned by sexual imagery, other countries often youth-rate films that are R-rated in the United States. This down-rating likely boosts the films’ box office gross, but also increases kids’ tobacco exposure. When *all* films with smoking are adult-rated, as WHO advises, any **box office windfall** from today’s down-ratings will vanish.

Do you know where your money is?

TobaccoFreeFunds.org is a fast, free way to X-ray your funds portfolio to uncover tobacco holdings, both tobacco companies and the entertainment companies whose films promote smoking.

TOBACCO RATINGS BY AS YOU SOW, A NON-PROFIT ORGANIZATION. FUND HOLDINGS DATA FROM MORNINGSTAR.

Risk #4 | Since 2010, an estimated \$3.7 billion in public subsidies have been awarded to top-grossing films with smoking. Both WHO and the CDC say **films with smoking should be ineligible** for tax credits and other incentives.

A simple, voluntary solution.

Major studios have shown that they can reduce smoking in their largest-budget, youth-rated films. But gains are often reversed from year to year. And, as the CDC recently reported, the industry as a whole has made no progress since 2010. MPAA-member companies should update the R-rating by June 2018 to get smoking out of films rated G, PG, and PG-13. Smart investors follow a simple rule: When you’re in a hole, stop digging. It’s time for film industry leaders, finally, to keep kids safe.

* Download the complete text of the fund managers’ letter to media CEOs at bit.ly/AYS-100317.

One little letter will save a million lives.

Smoking in movies kills in real life. Smokefree Movie policies—the R-rating, anti-tobacco spots, certification of no payoffs, and an end to brand display—are endorsed by the World Health Organization, American Medical Association, American Academy of Pediatrics, American Cancer Society, American Heart Association, American Lung Association, Americans for Nonsmokers’ Rights, American Public Health Association, Breathe California, Campaign for Tobacco-Free Kids, Los Angeles County Dept. of Public Health, New York State Dept. of Health, New York State PTA, Truth Initiative and many others. This ad is sponsored by Smokefree Movies, UCSF School of Medicine, San Francisco, CA 94143-1390.



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