



"James Middleton"  
<dynamco@netvigator.com>

To <irc\_secretariat@irc.gov.hk>

cc

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2012/03/29 下午 09:50

Subject FW: CTALetterLegcoMarch12

Urgent

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**From:** James Middleton [mailto:dynamco@netvigator.com]

**Sent:** 28 March, 2012 09:00

**To:** ceeo@ce-elect-office.hk

**Subject:** FW: CTALetterLegcoMarch12

**From:** James Middleton [mailto:dynamco@netvigator.com]

**Sent:** 02 March, 2012 13:34

**To:** 'pid@legco.gov.hk'

**Subject:** CTALetterLegcoMarch12

Dear Legco,

please pass to the Honorable Members.

kind regards,

James Middleton

Chairman

[www.cleartheair.org.hk](http://www.cleartheair.org.hk)



CTALetterLegcoMarch12.pdf



Legco

Dear Members,

2nd March 2012

In the light of recent press articles wherein the Chief Executive Donald Tsang and his wife were alleged to have stayed on board the Golden Toad luxury yacht in Macau owned by Charles HO Tsu-Kwok, (the owner of Hong Kong Tobacco Company Ltd), I feel I must bring to your attention the relevant contents of the FCTC Treaty that binds Hong Kong and its officials. This is remarkable given that in the 2012 Budget, just 16 days earlier there were no tobacco control measures announced to extend the tobacco excise tax and thereby put smoking beyond the reach of youth. A previous recent Thematic survey revealed an increase in smoking by the targeted U19 age group and the fact that Hong Kong tobacco retail prices lag way behind other 1st world countries such as Australia, Ireland, New Zealand, New York and Singapore; yet all this was ignored by the hierarchy decision makers. Our Government decision makers are supposed to have a duty of care for the health of Hong Kong citizens rather than consorting with tobacco company owners.

Getting tobacco control policy, legislation and taxation passed used to be easier in the days of the pre-1997 administration which listened to its advisors. The sticking points in the post-1997 administrations have always been difficult to identify, but they clearly lie with the top decision makers notwithstanding the multiple advisory submissions from the Department of Health, COSH, eminent medical professors, nurses and NGO's which were arrogantly ignored.

**FCTC and Hong Kong:** China ratified the WHO Framework Convention on Tobacco Control (FCTC) in 2005 (after the establishment of Hong Kong's MPF system), and specifically stated that Hong Kong and Macau were included in this legally binding UN treaty.

***Article 5.3 of the FCTC states: "In setting and implementing their public health policies with respect to tobacco control, Parties shall act to protect these policies from commercial and other vested interests of the tobacco industry in accordance with national law."*** This applies to all sectors of government.

The Guidelines for Implementation are available at:

[http://whqlibdoc.who.int/publications/2011/9789241501316\\_eng.pdf](http://whqlibdoc.who.int/publications/2011/9789241501316_eng.pdf)

GUIDING PRINCIPLES for the implementation of Article 5.3 state:

**Item 4.10 Parties should not allow any official or employee of government or of any semi/quasi-governmental body to accept payments, gifts or services, monetary or in-kind, from the tobacco industry.**

All Item 4:

**EASTWOOD CENTRE 8/F ∞ 5, A KUNG NGAM VILLAGE ROAD ∞ SHAUKEIWAN HONG KONG**

**TEL: 26930136 ∞ FAX: (+852) 26027153 ∞ EMAIL: [chair@cleartheair.org.hk](mailto:chair@cleartheair.org.hk) [www.cleartheair.org.hk](http://www.cleartheair.org.hk)**

**(4) Avoid conflicts of interest for government officials and employees.**

The involvement of organizations or individuals with commercial or vested interests in the tobacco industry in public health policies with respect to tobacco control is most likely to have a negative effect. Clear rules regarding conflicts of interest for government officials and employees working in tobacco control are important means for protecting such policies from interference by the tobacco industry.

Payments, gifts and **services, monetary or in-kind**, and research funding **offered by the tobacco industry to government institutions, officials or employees can create conflicts of interest.** **Conflicting interests are created even if a promise of favourable consideration is not given in exchange, as the potential exists for personal interest to influence official responsibilities as recognized in the International Code of Conduct for Public Officials adopted by the United Nations General Assembly and by several governmental and regional economic integration organizations.**

<http://unpan1.un.org/intradoc/groups/public/documents/un/unpan039934.pdf>

*Recommendations*

4.1 Parties should mandate a policy on the disclosure and management of conflicts of interest that applies to all persons involved in setting and implementing public health policies with respect to tobacco control, including government officials, employees, consultants and contractors.

4.2 Parties should formulate, adopt and implement a code of conduct for public officials, prescribing the standards with which they should comply in their dealings with the tobacco industry.

4.3 Parties should not award contracts for carrying out any work related to setting and implementing public health policies with respect to tobacco control to candidates or tenderers who have conflicts of interest with established tobacco control policies.

4.4 Parties should develop clear policies that require public office holders who have or have had a role in setting and implementing public health policies with respect to tobacco control to inform their institutions about any intention to engage in an occupational activity within the tobacco industry, whether gainful or not, within a specified period of time after leaving service.

4.5 Parties should develop clear policies that require applicants for public office positions which have a role in setting and implementing public health policies with respect to tobacco control to declare any current or previous occupational activity with any tobacco industry whether gainful or not.

*Guidelines for implementation: Article 5.3*



### ARTICLE 5.3

4.6 Parties should require government officials to declare and divest themselves of direct interests in the tobacco industry.

**4.7 Government institutions and their bodies should not have any financial interest in the tobacco industry, unless they are responsible for managing a Party's ownership interest in a State-owned tobacco industry.**

**4.8 Parties should not allow any person employed by the tobacco industry or any entity working to further its interests to be a member of any government body, committee or advisory group that sets or implements tobacco control or public health policy.**

<http://www.bauhinia.org/publications/BFRC-HC-FR-EN.pdf>

"Developing and Financing Hong Kong 's Future Healthcare."

<http://www.bauhinia.org/>

social environment in Hong Kong – what would be the appropriate social policies, in areas such as (c) environmental protection, education, labour, immigration, transport, medical and health, **Notwithstanding 4.8 Charles HO Tsu -Kwok is the Protector of the tycoon funded Bauhinia Foundation.**

4.9 Parties should not nominate any person employed by the tobacco industry or any entity working to further its interests to serve on delegations to meetings of the Conference of the Parties, its subsidiary bodies or any other bodies established pursuant to decisions of the Conference of the Parties.

4.10 Parties should not allow any official or employee of government or of any semi/quasi-governmental body to accept payments, gifts or services, monetary or in-kind, from the tobacco industry.

4.11 Taking into account national law and constitutional principles, **Parties should have effective measures to 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.**

Yours sincerely,

*James Middleton*

Chairman

EASTWOOD CENTRE 8/F ∞ 5, A KUNG NGAM VILLAGE ROAD ∞ SHAUKEIWAN HONG KONG

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"James Middleton"  
<dynamco@netvigator.com>

To <irc\_secretariat@irc.gov.hk>

cc

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2012/03/29 下午 09:52

Subject FW: TsangHoTsuKwoknohilite same document with underline instead of highlites

Urgent

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**From:** James Middleton [<mailto:dynamco@netvigator.com>]

**Sent:** 28 February, 2012 13:19

**To:** 'pid@legco.gov.hk'

**Subject:** TsangHoTsuKwoknohilite same document with underline instead of highlites



TsangHoTsuKwoknohilite.pdf



Legco Members

28<sup>th</sup> February 2012

## Hong Kong's Chief Executive is revealed to have travelled and stayed on a tobacco tycoon's yacht.

Charles Ho Tsu-Kwok is the owner of Hong Kong Tobacco Company Ltd.

The Hong Kong Government chose not to increase tobacco tax in the 2012 budget whilst in possession of glaring evidence that the U19 youth age group smoking prevalence had increased in 2011 and whilst in possession of data showing the retail price of cigarettes in other first world countries far outstrips the retail price in Hong Kong.

The Financial Secretary has previously publicly acknowledged the fact that increasing tobacco excise tax is the single most important measure a Government can take to prevent youth smoking by making the cost beyond their reach.

The Financial Secretary answers to the Chief Executive on policy matters.

The Hong Kong Government is bound by the WHO's Framework Convention on Tobacco Control Treaty which has strict guidelines on Government officials' interaction with the tobacco industry.

We urge Legco members to question the Chief Executive as to why he is prima facie in breach of this major international FCTC Treaty by his actions in Macau just 16 days after the Budget was announced and whether this friendship influenced Hong Kong Government policy on tobacco control measures, or rather the total lack thereof, in the recent Budget.

Yours sincerely,

*James Middleton*

Chairman

[http://www.who.int/fctc/guidelines/article\\_5\\_3.pdf](http://www.who.int/fctc/guidelines/article_5_3.pdf)

### ***Purpose, scope and applicability***

6. Use of the guidelines for implementation of Article 5.3 of the Convention will have an overarching impact on countries' tobacco control policies and on implementation of the Convention, **because the guidelines recognize that tobacco industry interference**, including that from the State-owned tobacco industry, **cuts across a number of tobacco control policy areas**, as stated in the Preamble of the Convention, articles referring to specific tobacco control policies and the Rules of Procedure of the Conference of the Parties to the WHO Framework Convention on Tobacco Control.

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7. The purpose of these guidelines is to ensure that efforts to protect tobacco control from commercial and other vested interests of the tobacco industry are comprehensive and effective. Parties should implement measures in all branches of government that may have an interest in, or the capacity to, affect public health policies with respect to tobacco control.

8. The aim of these guidelines is to assist Parties<sup>2</sup> in meeting their legal obligations under Article 5.3 of the Convention. The guidelines draw on the best available scientific evidence and the experience of Parties in addressing tobacco industry interference.

10. The guidelines are applicable to government officials, representatives and employees of any national, state, provincial, municipal, local or other public or semi/quasi-public institution or body within the jurisdiction of a Party, and to any person acting on their behalf. Any government branch (executive, legislative and judiciary) responsible for setting and implementing tobacco control policies and for protecting those policies against tobacco industry interests should be accountable.

11. The broad array of strategies and tactics used by the tobacco industry to interfere with the setting and implementing of tobacco control measures, such as those that Parties to the Convention are required to implement, is documented by a vast body of evidence. The measures recommended in these guidelines aim at protecting against interference not only by the tobacco industry but also, as appropriate, by organizations and individuals that work to further the interests of the tobacco industry.

12. While the measures recommended in these guidelines should be applied by Parties as broadly as necessary, in order best to achieve the objectives of Article 5.3 of the Convention, Parties are strongly urged to implement measures beyond those recommended in these guidelines when adapting them to their specific circumstances.

***Principle 1: There is a fundamental and irreconcilable conflict between the tobacco industry's interests and public health policy interests.***

13. The tobacco industry produces and promotes a product that has been proven scientifically to be addictive, to cause disease and death and to give rise to a variety of social ills, including increased poverty. Therefore, Parties should protect the formulation and implementation of public health policies for tobacco control from the tobacco industry to the greatest extent possible.

***Principle 2: Parties, when dealing with the tobacco industry or those working to further its interests, should be accountable and transparent.***

14. Parties should ensure that any interaction with the tobacco industry on matters related to tobacco control or public health is accountable and transparent.

***Principle 3: Parties should require the tobacco industry and those working to further its interests to operate and act in a manner that is accountable and transparent.***

## RECOMMENDATIONS

17. (2) Establish measures to limit interactions with the tobacco industry and ensure the transparency of those interactions that occur.

(4) Avoid conflicts of interest for government officials and employees.

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18. Agreed measures for protecting public health policies with respect to tobacco control from commercial and other vested interests of the tobacco industry are listed below. **Parties are encouraged to implement measures beyond those provided for by these guidelines, and nothing in these guidelines shall prevent a Party from imposing stricter requirements that are consistent with these recommendations.**

1.2 Parties should, in addition, raise awareness about the tobacco industry's practice of using individuals, front groups and affiliated organizations to act, openly or covertly, on their behalf or to take action to further the interests of the tobacco industry.

**(2) Establish measures to limit interactions with the tobacco industry and ensure the transparency of those interactions that occur.**

**20. In setting and implementing public health policies with respect to tobacco control, any necessary interaction with the tobacco industry should be carried out by Parties in such a way as to avoid the creation of any perception of a real or potential partnership or cooperation resulting from or on account of such interaction.** In the event the tobacco industry engages in any conduct that may create such a perception, Parties should act to prevent or correct this perception.

#### *Recommendations*

**2.1 Parties should interact with the tobacco industry only when and to the extent strictly necessary to enable them to effectively regulate the tobacco industry and tobacco products.**

2.2 Where interactions with the tobacco industry are necessary, Parties should ensure that such interactions are conducted transparently. Whenever possible, interactions should be conducted in public, for example through public hearings, public notice of interactions, disclosure of records of such interactions to the public.

**(4) Avoid conflicts of interest for government officials and employees.**

22. The involvement of organizations or individuals with commercial or vested interests in the tobacco industry in public health policies with respect to tobacco control is most likely to have a negative effect. Clear rules regarding conflicts of interest for government officials and employees working in tobacco control are important means for protecting such policies from interference by the tobacco industry.

23. Payments, gifts and **services**, monetary or **in-kind**, and research funding offered by the tobacco industry to government institutions, officials or employees can create conflicts of interest. Conflicting interests are created even if a promise of favourable consideration is not given in exchange, *as the potential exists for personal interest to influence official responsibilities as recognized in the International Code of Conduct for Public Officials adopted by the United Nations General Assembly and by several governmental and regional economic integration organizations.*

#### *Recommendations*

**4.1 Parties should mandate a policy on the disclosure and management of conflicts of interest that applies to all persons involved in setting and implementing public health policies with respect to tobacco control, including government officials, employees, consultants and contractors.**

**4.2 Parties should formulate, adopt and implement a code of conduct for public officials, prescribing the standards with which they should comply in their dealings with the tobacco industry.**

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**4.10 Parties should not allow any official or employee of government or of any semi/quasi-governmental body to accept payments, gifts or services, monetary or in kind, from the tobacco industry.**

5.3 Parties should require rules for the disclosure or registration of the tobacco industry entities, affiliated organizations and **individuals acting on their behalf, including lobbyists.**

## SCMP - Tycoon defends Tsang's yacht trip

Lai Ying-kit  
2:45pm, Feb 27, 2012

*Sing Tao News* chairman Charles Ho Tsu-kwok said he had done nothing wrong when he gave Chief Executive Donald Tsang Yam-kuen a lift from Macau to Hong Kong on his luxury yacht.

After confirming media reports that he gave Tsang the ride earlier this month, he said the trip did not involve any transfer of interests or “government-business collusion”. He said Tsang paid HK\$500 for the trip, and **the ride was something a person would do for a friend.**

“The boat trip was not specifically intended for Tsang. My boat would have had to go back [to Hong Kong] anyway. Would it be illegal to give a ride to a friend?” he said.

Tsang has faced accusations he may have breached bribery laws by accepting trips on yachts and jets owned by his tycoon friends. He has also come under fire over a lease on a Shenzhen penthouse flat owned by a mainland property mogul.

The chief executive earlier admitted that during one private visit to Macau **from February 17 to 19, he and his wife, Selina Tsang Pou Siu-mei, “stayed” on a yacht at a friend’s invitation.**

Tsang said he paid for the trip “at the market price” – the equivalent of a ferry trip – but critics said that price did not equate to a trip on a luxury yacht.



"James Middleton"  
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Subject FW: CTAlettPanelHSBudg

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**From:** James Middleton [<mailto:dynamco@netvigator.com>]

**Sent:** 26 January, 2012 08:18

**To:** 'pid@legco.gov.hk'; 'panel\_hs@legco.gov.hk'; 'budget@fstb.gov.hk'; [raymond\\_ho@dh.gov.hk](mailto:raymond_ho@dh.gov.hk)

**Cc:** 'Dr J Mackay'; 'Anthony Hedley'

**Subject:** CTAlettPanelHSBudg



CTAlettPanelHSBudg.pdf



**Legco Members  
Legco Panel on Health Services  
Financial Secretary**

26<sup>th</sup> January 2012

Dear Members,

The Financial Secretary has previously stated that tobacco taxation is a preventative health measure. This is true and the intention is to prevent children and youth smoking by making these toxic pathogenic products beyond affordability to them. However the last excise tax increase in 2011 was glaringly insufficient to have a significant effect.

The diabolical result is shown below: youth smoking has increased and needs to be stopped.

<b>EFFECT OF 2011 BUDGET EXCISE TAX INCREASE ON HONG KONG DAILY SMOKING RATE / JUST 1 STICK PER HEAD LESS PER DAY THAN 2010</b>						
2009	2010	QTY	2011	QTY		
<b>50% EXCISE HIKE</b>	<b>NO EXCISE TAX HIKE</b>		<b>41.45% EXCISE HIKE</b>		<b>REDUCTION</b>	<b>INCREASE</b>
EXCISE HK\$ 1200 PER 1000 STICKS	EXCISE HK\$ 1200 PER 1000 STICKS		EXCISE HK\$ 1700 PER 1000 STICKS			
(2001-2008 EXCISE \$804 PER 1000 STICKS)	LEGAL EXCISE PAID STICKS	3.137462 BN	LEGAL EXCISE PAID STICKS	2.877130 BN	260,332,000 STICKS	
	EXCISE REVENUE HK\$	3,817,388,053	EXCISE REVENUE HK\$	4,372,179,904		HK\$554,791,911
			657,000 DAILY SMOKERS		1.08 STICKS PER DAY	
<9 YRS OLD CHILDREN STARTED SMOKING	<9 YRS OLD CHILDREN STARTED SMOKING					
7,600 CHILDREN	7,000 CHILDREN				600 CHILDREN	
10-19 YRS OLD YOUTHS STARTED SMOKING	10-19 YRS OLD YOUTHS STARTED SMOKING					
383,000 YOUTHS	383,900 YOUTHS					900 YOUTHS
<a href="http://www.censtatd.gov.hk/products_and_services/products/publications/statistical_report/social_data/index_cd_B1130248_dt_detail_t.jsp">http://www.censtatd.gov.hk/products_and_services/products/publications/statistical_report/social_data/index_cd_B1130248_dt_detail_t.jsp</a>						

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Hong Kong tobacco remains too affordable for our youth and the number of youth smokers in 2010 has **increased** above 2009 figures. **Tobacco excise tax needs to at least match the levels of Singapore to start to become effective in stopping youth smoking.**

Herewith please find up to date comparative tobacco prices from first world countries that are taking effective action against youth smoking. Hong Kong has a higher cost of living than the following countries yet our excise tax levels remain far lower. Please urge the Financial Secretary to make significant increases in excise levels or we will consign even more youth to a life of addiction.

PRICE COMPARISON OF CIGARETTE RETAIL PRICES JANUARY 2012 INCLUSIVE OF LOCAL TAXES						
AUSTRALIA			x-rates.com	HONG KONG		
PRODUCT	PACK SIZE	PRICE A\$	PRICE HK\$	PRODUCT	PACK SIZE	PRICE HK\$
MARLBORO	20	15.4	<b>125</b>	MARLBORO	20	<b>50</b>
MARLBORO	25	18.9	147.7			
SUPER KING	20	13	105.6			
RED FORTUNE	20	11.3	91.8			HK\$
WINFIELD	25	18.3	<b>148.6</b>	WINFIELD	20	<b>44</b>
BENSON+HEDGES	25	18.8	152.7			
PETER JACKSON	30	20.7	168			
LONGBEACH	40	26.8	217.6			
(ASH Australia)						
NEW ZEALAND		NZ\$	HK\$			HK\$
MARLBORO	20	13.8	<b>86.5</b>	MARLBORO		<b>50</b>
(stuff.co.nz)						
USA NEW YORK		US\$	HK\$			HK\$

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MARLBORO	20	15	<b>117</b>	MARLBORO	20	<b>50</b>
(NY Times)						
<b>IRELAND</b>		£				HK\$
MPPC	20	7.41	<b>89.6</b>	DOUBLE HAPPINESS	20	<b>45</b>
<b>UK</b>						
MPPC	20	6.95	<b>84</b>	VICEROY	20	<b>46</b>
<b>SWEDEN</b>						
MPPC	20	5.71	<b>69</b>	WINSTON	20	<b>44</b>
<b>FRANCE</b>						
MPPC	20	5.12	<b>61.9</b>	WEST	20	<b>42</b>
(MPPC most popular price category - product and brand will vary by country)						
( <a href="http://www.the-tma.org.uk/tma-publications-research/facts-figures/eu-cigarette-prices/">http://www.the-tma.org.uk/tma-publications-research/facts-figures/eu-cigarette-prices/</a> )						
<b>SINGAPORE</b>		S\$				HK\$
MARLBORO	20	12	<b>73.27</b>	MARLBORO	20	<b>50</b>
(7eleven)						

Yours sincerely,

*James Middleton*  
Chairman

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## NZ - Tobacco price hike to kick in

Published: 3:34PM Saturday December 31, 2011 Source: ONE News

<http://tvnz.co.nz/national-news/tobacco-price-hike-kick-in-4670985>



Cigarettes on display in a shop - Source: ONE News

Vowing to give up cigarettes may be a New Year's resolution for more smokers than usual this year as the tax on tobacco increases from the first day of 2012.

The last of the three-tiered tax increase will push the cost of the most popular brand of cigarettes to **NZ\$13.80 for a 20 pack (HK\$ 83)** and to NZ\$31 for a 30g pack of loose tobacco.

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Quitline Chief Executive Paula Snowden said January is a notoriously busy time of year and the tax increase will only increase the number of smokers looking for support. "80% of smokers wished they'd never started smoking and we expect the January tax jump will be a trigger for many to quit," said Snowden. "Those who use Quitline support are up to five times more likely to succeed than going it alone."

Snowden said the tax hike will mean smokers can look forward to saving NZ\$4500 in 2012 if they give up in time for the New Year. "For a family with one adult smoking one packet a day, that equates to a tank of petrol a week. "Over a month it's an average week's rent or a car payment -serious money out of the family budget," said Snowden.

In January 2011, 9,383 people quit smoking with the help of Quitline - almost double the number who used the service in January 2010. Anyone wanting support can call Quitline for free on 0800 778 778 or visit [www.quit.org.nz](http://www.quit.org.nz) for online support.

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"James Middleton"  
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To <irc\_secretariat@irc.gov.hk>

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2012/03/29 下午 09:54

Subject FW: MPFA Trustees/ Intermediaries - investments in tobacco stocks must be divested to comply with the International ratified FCTC Treaty

Urgent

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History:

This message has been replied to.

**From:** James Middleton [mailto:dynamco@netvigator.com]

**Sent:** 13 February, 2012 17:02

**To:** 'bc\_01\_11@legco.gov.hk.readnotify.com'

**Subject:** MPFA Trustees/ Intermediaries - investments in tobacco stocks must be divested to comply with the International ratified FCTC Treaty

## **Legco Bills Committee on Mandatory Provident Fund Schemes (Amendment) (No. 2) Bill 2011**

[bc\\_01\\_11@legco.gov.hk](mailto:bc_01_11@legco.gov.hk)

13<sup>th</sup> February 2012

Dear Members of the Bills Committee,

Please find herewith self explanatory information regarding the HKMA's instruction to its contractors to divest from all tobacco stock portfolio holdings.

Since the MPF intermediaries are about to be subjected to a statutory control regime please ensure that the prevention of unethical tobacco stock portfolio holding is included in the intermediaries' regulation and also forbid other unethical investing such as those made in weapons' manufacturers and the like.

Norway and New Zealand already divested from all tobacco portfolios as did the Canadian Province of Alberta.

Let's make Hong Kong next.

<http://www.legco.gov.hk/yr11-12/english/bc/bc01/general/bc01.htm>

*"Proposed statutory regime to control intermediaries.*

### **JUSTIFICATIONS**

#### **Setting up a statutory Mandatory Provident Fund ("MPF") intermediaries regulatory regime**

*(a) The need to replace the existing administrative regulatory arrangements with a statutory regime*

*21. At present, MPFA implements an administrative regulatory regime for MPF intermediaries through its "Code of Conduct for MPF Intermediaries". Under this administrative regime, MPFA is the standard setter and registration authority whereas HKMA, IA and SFC are, in accordance with the Memorandum of Understanding signed between them and MPFA, responsible as far as practicable for the day-to-day supervision of MPF intermediaries who are also their own regulatees under the Banking Ordinance (Cap. 155), Insurance Companies Ordinance (Cap. 41) and SFO respectively."*

**EMAIL TO MPFA and FSTB February 8<sup>th</sup> 2012**



**From:** James Middleton [<mailto:dynamco@netvigator.com>]  
**Sent:** Wednesday, February 08, 2012 16:34  
**To:** 'frederickyu@fstb.gov.hk'; 'mpfa@mpfa.org.hk'; 'NancyWong@mpfa.org.hk'; 'AliceSCTang@mpfa.org.hk'  
**Subject:** MPFA Trustees - investments in tobacco stocks must be divested to comply with the International ratified FCTC Treaty

Dear Mr Yu

Please see the self explanatory reply from the Hong Kong Monetary Authority.  
The FCTC Treaty applies to ALL departments of the Hong Kong Government which has a fiduciary duty to comply across the board and to instruct, as the HKMA has done, the MPFA and its contractors to comply and divest accordingly.

Kind regards,

James Middleton

Chairman

[www.cleartheair.org.hk](http://www.cleartheair.org.hk)

**WHO Treaty Framework Convention on Tobacco Control Article 5.3**

**FCTC Article 5.3**

[http://www.who.int/fctc/guidelines/article\\_5\\_3.pdf](http://www.who.int/fctc/guidelines/article_5_3.pdf)

**4.7 Government institutions and their bodies should not have any financial interest in the tobacco industry, unless they are responsible for managing a Party's ownership interest in a State-owned tobacco industry**

**4.10 Parties should not allow any official or employee of government or of any semi/quasi-governmental body to accept payments, gifts or services, monetary or in kind from the tobacco industry.**

**4.11 Taking into account national law and constitutional principles, Parties should have effective measures to 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.**

Yours sincerely,

**James Middleton**

Chairman

Clear the Air NGO

**From:** [frederickyu@fstb.gov.hk](mailto:frederickyu@fstb.gov.hk) [<mailto:frederickyu@fstb.gov.hk>]

**Sent:** Sunday, November 06, 2011 17:05

**To:** [dynamco@netvigator.com](mailto:dynamco@netvigator.com)

**Cc:** [NancyWong@mpfa.org.hk](mailto:NancyWong@mpfa.org.hk); [gloriachu@fstb.gov.hk](mailto:gloriachu@fstb.gov.hk); [AliceSCTang@mpfa.org.hk](mailto:AliceSCTang@mpfa.org.hk)

**Subject:** Re - MPF

Dear Mr Middleton,

Thank you for your email to the Financial Secretary below which I am authorized to reply.

We have taken the opportunity to consult the Mandatory Provident Fund Schemes Authority. As far as MPF schemes are concerned, investment of funds of MPF schemes is regulated by the Mandatory Provident Fund Schemes Ordinance and its subsidiary legislation (collectively the MPF legislation). To safeguard the accrued benefits of scheme members against undue investment risk, the MPF legislation prescribes a list of permissible investments which are subject to qualitative and quantitative requirements. **There is no specific provision under the current MPF legislation to restrict MPF funds from investing in tobacco stocks provided that the statutory permissibility requirements are met.**

Regards,  
Frederick Yu

(Financial Services and the Treasury Bureau)  CTAMPFATrustees.pdf  CTAletterBillsCommMPF.PDF

  
HKMADivestTobaccoStocks.pdf



### Approved MPF Trustees

Name of Trustee ( In English )	Name of Trustee ( In Chinese )
Ageas Trustees (HK) Limited	富通信託(香港)有限公司
American International Assurance Company (Trustee) Limited	美國友邦 (信託) 有限公司
AXA China Region Trustees Limited	安盛信託有限公司
AXA Financial Services Trustees Limited	安盛理財策劃信託有限公司
Bank Consortium Trust Company Limited	銀聯信託有限公司
Bank of Communications Trustee Limited	交通銀行信託有限公司
Bank of East Asia (Trustees) Limited	東亞銀行 (信託) 有限公司
BOCI-Prudential Trustee Limited	中銀國際英國保誠信託有限公司
China Life Trustees Limited	中國人壽信託有限公司
Cititrust Limited	
HSBC Institutional Trust Services (Asia) Limited	匯豐機構信託服務(亞洲)有限公司
HSBC Provident Fund Trustee (Hong Kong) Limited	
ING Pension Trust Limited	
Manulife Provident Funds Trust Company Limited	宏利公積金信託有限公司
MassMutual Trustees Limited	美國萬通信託有限公司
Principal Trust Company (Asia) Limited	信安信託 (亞洲) 有限公司
RBC Dexia Trust Services Hong Kong Limited	加皇達亞信託香港有限公司
Royal Bank of Canada Trust Company (Asia) Limited	加拿大皇家銀行信託 (亞洲) 有限公司
Sun Life Trustee Company Limited	永明信託有限公司

10<sup>th</sup> December 2011

Dear Sir,

#### **Mandatory Provident Fund – Trustee investments in tobacco stocks**

We hereby request all the approved trustees of the MPFA scheme to provide us with a copy of their financial reports published by the said trustees in respect of the MPF scheme, which contain the details of investments held by the constituent funds offered by the scheme.

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Specifically we are seeking information on your investments in tobacco related stocks. It seems obvious from information received that certain Hong Kong MPF Trustees have unethical investments in tobacco stocks which is contrary to the FCTC Treaty Article 5.3 Guidelines subsection 4.7. Perhaps you were not aware that-

**The said international instrument treaty binds Hong Kong Government and thereby all its subcontractors and bodies.**

The University of Hong Kong 1998 study shows that the cost to the Hong Kong taxpayer to treat the ravages of tobacco and lost productivity are HK\$ 5.3 billion per year (at 1998 treatment costs) and that when the loss of life is taken into consideration the cost to Hong Kong society is HK\$ 73 billion per year. Let us know if you want a copy of the study.

It makes little sense for MPF trustees to invest in a lethal product that kills 50% of its users when used according to the manufacturers' instructions and then have the Hong Kong Government fund the cost of treating the tragic results.

Furthermore the Tobacco Plain Packaging domino that will spread around the world has already commenced in Australia so tobacco stocks will no longer be the grim reapers' best investments

[http://www.who.int/fctc/guidelines/article\\_5\\_3.pdf](http://www.who.int/fctc/guidelines/article_5_3.pdf)

**4.7 Government institutions and their bodies should not have any financial interest in the tobacco industry, unless they are responsible for managing a Party's ownership interest in a State-owned tobacco industry.**

We provide herewith self explanatory information whereby divestment in Tobacco stocks is the best course of action :

<http://www.fool.com/investing/dividends-income/2011/06/27/time-to-quit-big-tobacco-dividends.aspx>

## Time to Quit Big Tobacco Dividends

By [Chris Baines](#) | [More Articles](#) June 27, 2011 |

Riding the U.S. tobacco gravy train has been one of the most reliable ways for an investor to get rich over the past century. Wharton's Jeremy Siegel reports that **Altria** (NYSE: [MO](#)) , formerly Philip Morris, was the best performing stock in the S&P 500 from 1957 to 2003. I believe him: They've been some of my best buys [on CAPS](#). But all good things -- or bad depending on your perspective -- must eventually draw to a close. Such is the case with U.S. tobacco stocks today. I think we are at a crossroads and it's finally time to call 'em quits.

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### **Quit your tobacco dividend addiction**

U.S. tobacco stocks have historically appealed to investors because of their dividend yields of 5% or more coupled with reliable dividend increases. But now there is reason to think those dividends are -- or soon will be -- under pressure, and simply aren't worth the risk anymore.

For the first time in the last decade, Altria's free cash flow could not cover its dividend payments last year. America's largest domestic tobacco company paid out \$2.96 billion in dividends while only generating \$2.6 billion in free cash flow. The gap was made up by the issuance of equity and debt.

Now, I'm sure an observant reader will point out that 2010's result was an aberration due to a one-time \$945 million Internal Revenue Service payment and that Altria's continuing profitability cannot be judged by it.

I totally get that (and good for you for knowing that), but even if we add back the IRS payment, the free cash flow yield is a paltry 6.3%. That provides a dangerously thin margin to be supporting a 5.7% dividend yield. **Reynolds American** (NYSE: [RAI](#)) is in a similar pickle, supporting its own dividend yield of 5.7% with a free cash flow yield of 3.6%. **Lorillard** (NYSE: [LO](#)) has more headroom.

### **There are better alternatives**

Besides, a 5.7% yield (what Altria and Reynolds both offer, and Lorillard 4.7%) simply doesn't cut it anymore. I can get that from safer telcos like **Verizon**

**Communications** (NYSE: [VZ](#)) or **AT&T** (NYSE: [T](#)), which sell their own form of addictive product. And unlike big tobacco, those two companies have ample free cash flow yields (a whopping 16.6% for Verizon and 8.1% for AT&T) to cover their dividend yields of 5.4% and 5.7%, respectively, while funding future growth.

Another alternative is junk bonds. Don't laugh. Altria, Reynolds, and Lorillard are practically junk bonds themselves, since they have a risky future, pay out most of their expected return, and have, dare I say, a finite lifetime. Junk bond ETFs like the **SDPR Barclays Capital High Yield** (NYSE: [JNK](#)) offer yields of around 8%. And they're more diversified to boot.

Last but not least, what about **Coca-Cola** (NYSE: [KO](#)) or **PepsiCo** (NYSE: [PEP](#))? They're trading at nearly identical free cash flow ratios as the tobacco companies (4.9% and 4.8%, respectively), which I've argued matters more than dividend yields. Why would I buy a moribund Altria or Reynolds when I can buy a Coke or Pepsi at a similar valuation? Plus you still get a roughly equal payout when you factor in share buybacks.

### **A picture is worth a thousand words**

But there is another reason to stay away from U.S. tobacco dividends. Starting in fall 2012, tobacco companies will have to start putting horrific pictures on every cigarette carton. While I personally doubt this will have an effect on pre-existing smokers, I do think this will discourage a great many kids from taking it up. And without new customers, big tobacco and their big dividends eventually bite the dust.

The Campaign for Tobacco-Free Kids -- an interest group that lobbies against tobacco companies -- has put together an informative factsheet detailing the effectiveness of pictorial labeling requirements in the 35 countries that already have them.

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More than 90% of Canadian youths report that pictorial labels make smoking seem less attractive. When a second set of pictorial labels was introduced in Thailand in 2006, 53% of smokers said it made them think "a lot" about the health risks, and 44% of smokers said they were "a lot" more likely to quit over the next month. When Brazil introduced new picture warnings, 67% of smokers said it made them want to quit. When pictorial labels were introduced in Australia, the number of smokers who called the quit line doubled.

### **Just Say NO**

Like their products, big tobacco's stocks are just too expensive and just too dangerous. These companies pay out most everything in a dividend, retaining almost nothing for growth, and 4.7% to 5.7% just isn't a high enough return given the risk. **There are better (and ethical) alternatives for your money**

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[http://www.smoke-free.ca/eng\\_home/2011/news\\_press\\_20\\_October\\_2011.htm](http://www.smoke-free.ca/eng_home/2011/news_press_20_October_2011.htm)

Press Release

Ottawa - October 20, 2011

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## **Alberta moves away from tobacco investments**

Health group calls for other governments to protect health and protect pension investments by adopting investment policies against tobacco stocks.

PSC welcomes today the news that the Alberta government had directed the Alberta Investment Management Corporation (AIMCo) to sell-off its direct ownership of tobacco companies.

"Government investments in tobacco companies are wrong-headed on many fronts," explained Cynthia Callard, PSC's executive director. "The initial share offerings provide tobacco companies with the resources to expand their markets and harm new communities. Continued shareholdings push tobacco companies to generate profits through sustained or increased sales."

PSC has long called for all government investment boards, and especially the Canada Pension Plan Investment Board, to stop investing in tobacco companies. This position is supported by the Framework Convention on Tobacco Control, to which Canada is party. The FCTC directs governments to protect public health from tobacco industry interference and recommends that no state agency be involved in tobacco company ownership outside of state monopolies.

"The Alberta government deserves praise for being the first Canadian government to acknowledge, however tacitly, **that part-ownership of profit-seeking tobacco companies is inconsistent with its responsibility to protect health,**" said Callard.

A PSC review of institutional ownership of tobacco stocks last year found that Canadians owned more than \$2 billion in tobacco industry shares of the

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4 largest companies, and received more than \$90 million in dividend payments from the profits of tobacco sales, including at least \$36 million from sales in developing countries. **About 25% of these shareholdings were direct ownership by investment firms under government control.**

"Many countries do not put pension funds in any form of stock market investment. Those that do should follow the example of Norway, New Zealand and Alberta and ensure that pension investments do not worsen the global tobacco epidemic."

For information:

Cynthia Callard, Executive Director, 613 233 4878

Canadian institutional ownership of the "big four" tobacco companies Share-holdings by government-managed pension and private institutional investors, January 2011

\* Public Pensions & Tobacco Public pension investments in and revenues from global tobacco sales, 2010

B.C. Government investments in tobacco. British Columbia Investment Corporation investments in and revenues from global tobacco sales, 2010

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[http://en.wikipedia.org/wiki/The\\_Government\\_Pension\\_Fund\\_of\\_Norway](http://en.wikipedia.org/wiki/The_Government_Pension_Fund_of_Norway)

## The Ethical Council NORWAY

Part of the investment policy debate is related to the discovery of several cases of investment by The Petroleum Fund in highly controversial companies, involved in businesses such as arms production and tobacco. The Petroleum Fund's Advisory Council on Ethics was established 19 November 2004 by royal decree. Accordingly, the Ministry of Finance issued a new regulation on the management of the Government Petroleum Fund which also includes ethical guidelines.

**On 19 January 2010 the Ministry of Finance announced that 17 tobacco companies had been excluded from the fund.[9] The total divestment from these companies was USD 2bn (NOK 14.2bn), making it the largest divestment caused by ethical recommendations in the history of the fund.[10]**

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<http://www.nzsuperfund.co.nz/news.asp?pageID=2145831983&RefID=2141735292> NEW ZEALAND

## GNZS to Divest Tobacco Stocks (23 October)

Posted On: Tuesday, 23 October 2007

Auckland (23 October 2007) - The Guardians of New Zealand Superannuation today announced their intention to divest tobacco stocks from the New Zealand Superannuation Fund. As at 30 June 2007, the Fund held \$37.6 million invested in tobacco stocks on its segregated portfolio, equivalent to 0.29% of total assets.

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The divestment decision was made following an assessment of the tobacco sector against the Guardians' responsible investment framework. The Guardians apply a set of guidelines that enable the assessment of the Fund's investments for environmental, social, and governance issues against relevant international conventions, New Zealand law, and Crown actions.

If an issue is identified as breaching the Guardians' responsible investment standards, the Guardians then assess the most appropriate response for the Fund. The Guardians' preference is to engage with a company or industry sector as a responsible shareholder, and in concert with other likeminded investors. If engagement is assessed to be ineffective, then exclusion or divestment will be considered.

The Guardians' Chief Executive Officer, Mr Adrian Orr said "In assessing the issue of tobacco manufacture, the Board concluded that the Fund's investment in this sector was inconsistent with our responsible investment standards. This decision was based on product safety issues and New Zealand's commitment to specific international conventions.

While our preferred approach to responsible investment issues is to engage with the company or sector, in the case of tobacco manufacture we determined that this would be in conflict to the long-term goals of a shareholder, and inconsistent with New Zealand commitments to international conventions, in particular the objectives of the World Health Organisation Framework Convention on Tobacco Control. As a result, the Board resolved to divest from the sector.

The decision to divest from tobacco stocks should not be seen as a precedent for future decisions or actions. The Guardians have a transparent framework for responsible investment assessment. Recent international experience in this area highlights that engagement with companies, in concert with other investors, is often the most effective means by which to improve company policies, products and practices, within the sphere of shareholder influence.

The Guardians continue to assess other industry issues," concluded Mr Orr.

Yours faithfully,

*James Middleton*

Chairman

Clear the Air NGO and Charity

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Principal Business Ph. No.	25918888 *
Principal Business Fax No.	<b>28385303</b>
Name of Trustee ( In English )	American International Assurance Company (Trustee) Limited
Name of Trustee ( In Chinese )	美國友邦 (信託) 有限公司
Principal Business Add.	5/F Cornwall House, Taikoo Place 979 King's Road Quarry Bay, Hong Kong 香港鰂魚涌英皇道九七九號 太古坊康和大廈五樓
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Name of Trustee ( In Chinese )	安盛信託有限公司
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Principal Business Fax No.	<b>25200909</b>

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Name of Trustee ( In Chinese )	交通銀行信託有限公司
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Name of Trustee ( In Chinese )	東亞銀行 (信託) 有限公司
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Name of Trustee ( In English )	BOCI-Prudential Trustee Limited
Name of Trustee ( In Chinese )	中銀國際英國保誠信託有限公司
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Principal Business Fax No.	<b>21043504</b>

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Principal Business Fax No.	<b>29199233</b>

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Name of Trustee ( In Chinese )	信安信託 (亞洲) 有限公司
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Name of Trustee ( In English )	Royal Bank of Canada Trust Company (Asia) Limited
Name of Trustee ( In Chinese )	加拿大皇家銀行信託 (亞洲) 有限公司
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**Legco Bills Committee on Mandatory Provident Fund Schemes  
(Amendment) (No. 2) Bill 2011**

[bc\\_01\\_11@legco.gov.hk](mailto:bc_01_11@legco.gov.hk)

13<sup>th</sup> February 2012

Dear Members of the Bills Committee,

Please find herewith self explanatory information regarding the HKMA's instruction to its contractors to divest from all tobacco stock portfolio holding.

Since the MPF intermediaries are about to be subjected to a statutory control regime please ensure that the prevention of unethical tobacco stock portfolio holding is included in the intermediaries regulation and also forbid other unethical investing such as those made in weapons' manufacturers and the like.

<http://www.legco.gov.hk/yr11-12/english/bc/bc01/general/bc01.htm>

*"Proposed statutory regime to control intermediaries.*

**JUSTIFICATIONS**

***Setting up a statutory Mandatory Provident Fund ("MPF")  
intermediaries regulatory regime***

*(a) The need to replace the existing administrative regulatory arrangements  
with a statutory regime*

*21. At present, MPFA implements an administrative regulatory regime for MPF  
intermediaries through its "Code of Conduct for MPF Intermediaries". Under this  
administrative regime, MPFA is the standard setter and registration authority whereas  
HKMA, IA and SFC are, in accordance with the Memorandum of Understanding signed  
between them and MPFA, responsible as far as practicable for the day-to-day supervision of  
MPF intermediaries who are also their own regulatees under the Banking Ordinance (Cap.  
155), Insurance Companies Ordinance (Cap. 41) and SFO respectively."*

**EMAIL TO MPFA and FSTB February 8<sup>th</sup> 2012**

**From:** James Middleton [mailto:dynamco@netvigator.com]

**Sent:** Wednesday, February 08, 2012 16:34

**To:** 'fredericky@fstb.gov.hk'; 'mpfa@mpfa.org.hk'; 'NancyWong@mpfa.org.hk'; 'AliceSCTang@mpfa.org.hk'

**Subject:** MPFA Trustees - investments in tobacco stocks must be divested to comply with the International ratified FCTC Treaty

Dear Mr Yu

Please see the self explanatory reply from the Hong Kong Monetary Authority.  
The FCTC Treaty applies to ALL departments of the Hong Kong Government which has a fiduciary duty to comply across the board and to instruct, as the HKMA has done, the MPFA and its contractors to comply and divest accordingly.

Kind regards,

James Middleton

Chairman

[www.cleartheair.org.hk](http://www.cleartheair.org.hk)

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WHO Treaty Framework Convention on Tobacco Control Article 5.3

FCTC Article 5.3

[http://www.who.int/fctc/guidelines/article\\_5\\_3.pdf](http://www.who.int/fctc/guidelines/article_5_3.pdf)

**4.7 Government institutions and their bodies should not have any financial interest in the tobacco industry, unless they are responsible for managing a Party's ownership interest in a State-owned tobacco industry**

**4.10 Parties should not allow any official or employee of government or of any semi/quasi-governmental body to accept payments, gifts or services, monetary or in kind from the tobacco industry.**

**4.11 Taking into account national law and constitutional principles, Parties should have effective measures to 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.**

Yours sincerely,

*James Middleton*

Chairman  
Clear the Air NGO

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HONG KONG MONETARY AUTHORITY

香港金融管理局

Tel: (852) 2878 8710

Fax: (852) 2878 8172

2 February 2012

Mr James Middleton  
Chairman  
Clean the Air NGO and Charity  
8/F Eastwood Centre  
5 A Kung Ngam village Road  
Shaukeiwan  
Hong Kong

Dear Mr Middleton,

**Framework Convention on Tobacco Control  
of the World Health Organisation**

Thank you for your letter dated 16 December 2011 to Mr Norman Chan, the Chief Executive of the Hong Kong Monetary Authority (HKMA), and your subsequent e-mails in January 2012 to the general public enquiry email account of the HKMA.

We hope you will understand that owing to market sensitivities of the details of the investment of the Exchange Fund, we do not normally comment on the investment operations of the Exchange Fund.

But we can assure you that the investment of the Exchange Fund will comply with guidelines issued under international conventions that Hong Kong is party to. This includes the adoption of the Guidelines for Implementation of Article 5.3 of the Framework Convention on Tobacco Control (FCTC) by the World Health Organisation (WHO) as referred in your letter.

For the investment portfolio managed internally by the HKMA investment team, there is no investment that will infringe the FCTC guidelines. However, we also make use of external fund managers to manage the equity investments of the Exchange Fund. Since some of the mandates awarded are passive mandates requiring the managers to track common stock indices, which may imply that by design the portfolio may include investing in a large number of index constituent stocks across a variety of industries, including the tobacco industry. In the light of the relevant guidelines under the FCTC, we have already requested all our external managers to examine their stock holdings for the account of the Exchange Fund, and make necessary arrangements to divest from the stock holding of tobacco industry as soon as practicable if any such holding is identified. This exercise is now in good progress.

Thank you for your kind attention.

Yours sincerely,

( Francis Chu )

Executive Director (Reserves Management)





**"James Middleton "**  
**<dynamco@netvigator.com**  
**>**

2012/04/03 上午 08:39

To <irc\_secretariat@irc.gov.hk>


cc

bcc

Subject FW: Financers and Sex Trafficking - NYTimes.com

Urgent  Return receipt  Sign  Encrypt

History:

 This message has been forwarded.

From: James Middleton [mailto:dynamco@netvigator.com]  
Sent: 03 April, 2012 08:12  
To: 'ceo@ce-elect-office.hk'  
Cc: 'ceo@ceo.gov.hk'  
Subject: Financers and Sex Trafficking - NYTimes.com

The Chief Executive Elect Hong Kong

Dear CY Leung,

How do we know our MPFA Trustees are not shareholders in this and similar unethical investments like tobacco companies, blood diamonds and manufacturing companies using child labour ?

The MPFA senior staff tell us they have no control over their Trustees' investments which means their fiduciary duty is sadly lacking.

Kind regards,

James Middleton

Chairman

[www.cleartheair.org.hk](http://www.cleartheair.org.hk)

[http://www.nytimes.com/2012/04/01/opinion/sunday/kristof-financers-and-sex-trafficking.html?\\_r=1](http://www.nytimes.com/2012/04/01/opinion/sunday/kristof-financers-and-sex-trafficking.html?_r=1)

Op-Ed Columnist

## Financiers and Sex Trafficking

By NICHOLAS D. KRISTOF

<<http://topics.nytimes.com/top/opinion/editorialsandoped/oped/columnists/nicholasdkristof/index.html?inline=nyt-per>>

Published: March 31, 2012

THE biggest forum for sex trafficking of under-age girls in the United States appears to be a Web site called <<http://Backpage.com>> Backpage.com.

[http://graphics8.nytimes.com/images/2010/09/16/opinion/Kristof\\_New/Kristof\\_New-articleInline-v2.jpg](http://graphics8.nytimes.com/images/2010/09/16/opinion/Kristof_New/Kristof_New-articleInline-v2.jpg)

Damon Winter/The New York Times

Nicholas D. Kristof

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This emporium for girls and women - some under age or forced into prostitution - is in turn owned by an opaque private company called Village Voice Media. Until now it has been unclear who the ultimate owners are.

That mystery is solved. The owners turn out to include <[http://topics.nytimes.com/top/reference/timestopics/subjects/p/private\\_equity/index.html?inline=nyt-classifier](http://topics.nytimes.com/top/reference/timestopics/subjects/p/private_equity/index.html?inline=nyt-classifier)> private equity financiers, including <[http://topics.nytimes.com/top/news/business/companies/goldman\\_sachs\\_group\\_inc/index.html?inline=nyt-org](http://topics.nytimes.com/top/news/business/companies/goldman_sachs_group_inc/index.html?inline=nyt-org)> Goldman Sachs with a 16 percent stake.

Goldman Sachs was mortified when I began inquiring last week about its stake in America's leading Web site for prostitution ads. It began working frantically to unload its shares, and on Friday afternoon it called to say that it had just signed an agreement to sell its stake to management.

"We had no influence over operations," Andrea Raphael, a Goldman Sachs spokeswoman, told me.

Let's back up for a moment. There's no doubt that many escort ads on

Backpage are placed by consenting adults. But it's equally clear that Backpage plays a major role in the trafficking of minors or women who are coerced. In one recent case in New York City, prosecutors say that a <[http://www.queensda.org/newpressreleases/2012/march/council\\_3\\_08\\_2012\\_in\\_d.pdf](http://www.queensda.org/newpressreleases/2012/march/council_3_08_2012_in_d.pdf)> 15-year-old girl was drugged, tied up, raped and sold to johns through Backpage and other sites.

Backpage has <<http://aimgroup.com/blog/2012/02/24/sites-set-combined-record-for-online-prostitution-ad-revenue/>> 70 percent of the market for prostitution ads, according to AIM Group, a trade organization.

Village Voice Media makes some effort to screen out ads placed by traffickers and to alert authorities to abuses, but neither law enforcement officials nor antitrafficking organizations are much impressed. As a result, pressure is growing on the company to drop escort ads.

After my last column on this issue, <<http://www.scribd.com/doc/86506740/Nineteen-U-S-Senators-Sign-Letter-to-Village-Voice-Against-Backpage>> 19 U.S. senators wrote the company, asking it to stop abetting traffickers. On Thursday, antitrafficking campaigners protested outside the Village Voice newspaper (which is owned by Village Voice Media). A <<http://www.change.org/petitions/tell-village-voice-media-to-stop-child-sex-trafficking-on-backpage-com>> petition on Change.org criticizing the company has gathered 220,000 signatures.

In Washington State, the governor <<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=6251>> signed a bill into law on Thursday that could expose Backpage to criminal sanctions if it advertises under-age girls for sex without verifying their ages. (There's some uncertainty about the constitutionality of the law.)

Village Voice Media has been able to resist pressure partly because, as a private company, it doesn't disclose its owners. But I've obtained documents that, with some digging, shed light on who's behind it.

The two biggest owners are Jim Larkin and Michael Lacey, the managers of the company, and they seem to own about half of the shares. The best known of the other owners is Goldman Sachs, which invested in the company in 2000 (before Backpage became a part of Village Voice Media in a <<http://www.nytimes.com/2005/10/24/business/24voice.html?scp=1&sq=village%20voice%20and%20sold%20and%20new%20times%20and%20larkin&st=cse>> 2006 merger).

A Goldman managing director, Scott L. Lebovitz, sat on the Village Voice Media board for many years. Goldman says he stepped down in early 2010.

Let's be clear: this is a tiny investment by a huge company, and I have no reason to think that Goldman's top executives knew of its connection to sex trafficking. Goldman prides itself on its work on gender: its <<http://www.goldmansachs.com/citizenship/10000women/index.html>> 10,000 Women initiative does splendid work supporting women in business around the globe. Full disclosure: Goldman's foundation was one of about 15 funders of a public television documentary version of a book that my wife and I wrote about the world's women.

That said, for more than six years Goldman has held a significant stake

in a company notorious for ties to sex trafficking, and it sat on the company's board for four of those years. There's no indication that Goldman or anyone else ever used its ownership to urge Village Voice Media to drop escort ads or verify ages. Elizabeth L. McDougall, chief counsel for Village Voice Media, told me Friday that she was "unaware of any dissent" from owners.

Several lesser-known financial companies also hold significant stakes in Village Voice Media, and one person close to the company says that there are about a dozen owners in all. One is Trimaran, an investment company in New York. It wouldn't disclose the size of its stake but told me that it had "no influence whatsoever" on management and is now trying to sell its shares.

Two other companies, <http://www.altacomm.com/publishing.htm> Alta Communications and <http://www.brynwoodpartners.com/> Brynwood Partners, did not respond to my repeated inquiries about ties to Village Voice Media (Brynwood may be an asset manager rather than an owner). One thought: If the minority shareholders, Goldman included, worked together instead of rushing for the exits, they might be able to pressure Village Voice Media to get out of escort ads.

There are no easy solutions to sex trafficking. I think the most important single step is for prosecutors to focus more on pimps and johns. Closing down the leading Web site used by traffickers would complicate their lives, and after so many years of girls being trafficked on this site, it's time to hold owners accountable.

I invite you to comment on this column on my blog, <http://www.nytimes.com/ontheground> On the Ground. Please also join me on <http://www.facebook.com/kristof> Facebook and <https://plus.google.com/102839963139173448834/posts?hl=en> Google+, watch my <http://www.youtube.com/nicholaskristof> YouTube videos and follow me on <http://twitter.com/nickkristof> Twitter.



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