



17th August 2021

**Re: Request to shareholders to reject the Vectura Board’s recommendation of the Philip Morris International (PMI) Offer for Vectura Group plc**

Dear Vectura Shareholders,

The move by Philip Morris International (PMI) to attempt to buy Vectura has generated considerable public interest and concern over the last few weeks. Given PMI’s higher cash offer for the business, Vectura’s Directors announced on 12<sup>th</sup> August 2021 that they plan to “*unanimously recommend the PMI Offer*” to Vectura shareholders.

As justification for this position, [Vectura’s Board](#) states that Vectura and wider stakeholders could “*benefit from PMI’s significant financial resources and its intentions to increase research and development investment.*” In addition to broader concerns around this takeover offer, we would like to outline some key business risks that may significantly hamper Vectura’s ability to continue operating as a viable, research-oriented business, should the PMI takeover offer proceed.

1. **Access to important government grants may be put at risk:** The World Health Organisation (WHO) Framework Convention on Tobacco Control (the UN Tobacco Control Treaty) has been signed and ratified by more than 180 countries worldwide, including the UK. [Article 5.3](#) of the Treaty explicitly aims to reduce tobacco industry influence in public health policymaking, prohibiting governments and other public bodies from engaging with the tobacco industry over health-related policy. If Vectura is purchased by PMI, governments are likely to severely curb communications with the company and government grants will likely be prohibited. This could significantly hamper Vectura’s research and product development capabilities.
2. **Links with valued academic and public health institutions could be put at risk:** Vectura has important research links with a number of universities, all of which could be [threatened](#). Many university and hospital collaborations are likely to be rejected and participation in clinical trials blocked, disrupting crucial drug development – one of Vectura’s major business activities. Attendance and presentations at medical conferences would likely be prohibited. A takeover by PMI is therefore likely to cause *significant disruption* to Vectura’s operations and future profitability for its shareholders.

3. **The ability to publish research in leading medical journals may be put at risk:** Many medical journals and associations have similar policies of non-engagement with the tobacco industry. If Vectura is acquired by PMI, it may therefore not be able to publish research in leading journals such as the British Medical Journal (BMJ) and the Lancet. Key leading medical associations such as the [British Thoracic Society](#), the [European Respiratory Society](#), the [American Thoracic Society](#) and the [COPD Foundation](#) have all made it clear that PMI ownership of the company would prohibit engagement with Vectura and/or is not in the best interest of the public and lung disease patients.
4. **The ability to secure contracts and win business may be put at risk:** Other professional partnerships may also become problematic, affecting Vectura's ability to win business. In the past year, Vectura has won many significant contracts relating to respiratory disease and lung cancer. If PMI takes over Vectura, collaborators would have to choose between working with the tobacco industry – and thus be excluded from reputable medical and scientific communities – or dissolve their Vectura partnerships. Vectura's reputation and business prospects could be severely damaged either way.
5. **There is a risk that tobacco ownership may impede Vectura's ability to attract and retain talent:** For many Vectura staff, their research careers will have involved developing treatments for tobacco related diseases. To end up working for a tobacco company as the ultimate parent company/owner could be extremely uncomfortable, along with the prospect of being excluded from academic networks and an inability to publish research. There is a strong possibility many of Vectura's employees may leave the company in order to limit reputational risk and improve future employment prospects.
6. **There is a risk that customers will turn away:** Vectura's customers may seek alternative drug providers due to its link with the tobacco industry.
7. **There is a potential risk to long-term patient outcomes:** Disruption to research networks and an inability to access research funds from public sector bodies could impact negatively on Vectura's operations and likely future profitability. At the same time, it also has the potential to significantly impact patient outcomes. The signatories to this letter support patients with respiratory conditions, and research in this area is vitally needed. The prospect of research complications impacting upon vitally needed drug development and treatment for patients is a grave concern.

In addition to these business risks, there are many *moral* reasons why the PMI takeover of Vectura is hugely problematic.

8. **Tobacco is a uniquely dangerous, addictive product.** 2020 was the worst year on record for the negative impact of tobacco on human health, causing an estimated [8 million deaths](#) and tens of millions of serious medical illnesses. PMI has an estimated 15% share of the global cigarette market, yet in our view, it is not held accountable for the profound impact its products have on human life and public health systems. Tobacco inflicts catastrophic costs

every year on public health systems around the world (estimated at around US\$1 [trillion](#) each year and [£14.7 billion](#) each year in the UK alone).

9. **PMI continues to make the vast majority of its profits from a uniquely dangerous and highly addictive product.** The [announcement](#) of the proposed takeover of Vectura by PMI included a quote from Jacek Olczak, CEO of PMI. It states: *“PMI’s Beyond Nicotine strategy, announced in February, articulates a clear ambition to leverage our expertise in inhalation and aerosolization into adjacent areas—including respiratory drug delivery and selfcare wellness...”* PMI’s ‘Beyond Nicotine’ strategy is, in our view, disingenuous. Despite articulating an ambition to move ‘beyond nicotine’, PMI continues to manufacture cigarettes (more than two billion per day) and market cigarettes in many jurisdictions globally, especially in low- and middle-income countries where large youth populations and lax regulations have seen widespread smoking uptake in recent decades. There are [many examples](#) of PMI lobbying against and delaying tobacco control regulation. The notion that PMI is *transitioning* towards becoming a “selfcare wellness” company is a concept utterly rejected by the global health community, and as recently as 2 August 2021, PMI bid for a new cigarette factory license in [Egypt](#). PMI still makes over 75% of its US\$28 billion (£20 billion) in annual revenue from “combustible” products that involve the burning of tobacco – a product which leads to the premature death of [two out of every three](#) users.
  
10. **A tobacco company could profit from treating the illnesses its products cause.** Vectura is a company that manufactures medications used in the treatment of chronic obstructive pulmonary disease (COPD), asthma and other respiratory illnesses. Indeed, Vectura currently makes the bulk of its [£200 million in revenues](#) from manufacturing pharmaceuticals that treat smoking-related diseases, like COPD. If PMI were to acquire Vectura, ***PMI could then profit from treating the very illnesses that its products cause.***
  
11. **Shareholder commitment to Environmental, Social and Governance standards.** Many of Vectura’s major shareholders are financial institutions which have publicly stated their commitment to respecting core Environmental, Social and Governance (ESG) standards in their activities, and to advancing the United Nations’ Sustainable Development Goals (SDGs). A number of Vectura shareholders have also signed the [Tobacco-Free Finance Pledge](#), which is supported by the United Nations. Given tobacco negatively impacts [14 of the 17 SDGs](#), the approval of PMI’s proposed takeover would be inconsistent with these core values, in our view.

The signatories of this letter encourage you to consider both the business risks and the moral conflict of the proposed takeover. Tobacco companies should not profit from treating the illnesses their products cause. In addition, we believe Vectura’s future commercial viability as a company dedicated to improving respiratory health would be seriously jeopardised should the PMI takeover offer proceed. The Vectura Board will be contacting you as a Shareholder, recommending the PMI takeover offer which requires approval from 50% of shareholders to succeed. We urge you to reject the Board’s recommendation. Further information for shareholders domiciled in the UK, USA and other jurisdictions can be found [here](#).

Yours Sincerely,

1. Dr. Bronwyn King, AO, MBBS, FRANZCR, CEO, Tobacco Free Portfolios
2. Sarah Woolnough, Chief Executive, Asthma UK & the British Lung Foundation
3. Deborah Arnott, MBA, Hon FRCP, Hon FFPH, Chief Executive, Action on Smoking & Health
4. Sheila Duffy, Chief Executive, Action on Smoking and Health Scotland
5. Sheri Tooley BSRT, RRT, RRT-NPS, AE-C, CPFT, FAARC, President and CEO, American Association for Respiratory Care
6. Harold Wimmer, National President and CEO, American Lung Association
7. Lynn Schnapp MD, ATSF, President, American Thoracic Society
8. Joanna Shakespeare, Vice Chair Association for Respiratory Physiology and Technology (ARTP)
9. Ruth Tal-Singer, PhD, President and Chief Scientific Officer, COPD Foundation
10. Grace Anne Dorney Koppel, President of The Dorney-Koppel Foundation
11. Kjeld Hansen, Chair of the European Lung Foundation
12. Anita Simonds, President of the European Respiratory Society
13. Jonathan Grigg, Chair of the European Respiratory Society Tobacco Control Committee
14. Carol Stonham, Chair of the Executive Committee, Primary Care respiratory Society
15. Dr. Andrew Goddard, President Royal College of Physicians
16. Christina Marriott, CEO Royal Society for Public Health
17. Mr. A.M. Grange, Chair of the UK Lung Cancer Coalition
18. Dr. Nigel Carter, Chief Executive, Oral Health Foundation, Chair, Royal Society for Public Health
19. Amanda Healy, FFPH, Director of Public Health, Durham County Council, Chair of North East DPH Network
20. Ailsa Rutter OBE, Director of Fresh and Balance

21. Dr. Eugene Milne, Director of Public Health Newcastle City Council, North East lead Director of Public Health for tobacco
22. Dr. Ruth Sharrock, Clinical Lead for Tobacco Dependency for the North East and Cumbria Integrated Care System and Consultant Respiratory Physician at QEH Gateshead.
23. Dr. Steve Holmes, Clinical Respiratory Lead, Somerset CCG, NHS England Regional Clinical Respiratory Lead (South West)
24. John Hurst PhD FRCP FHEA, Professor of Respiratory Medicine, University College London
25. Prof. John Moxham, Emeritus Professor of Respiratory Medicine, King's College London
26. Dr. Nicholas Hopkinson, Professor of Respiratory Medicine, Imperial College London
27. Dr. Graham Hall, CEO, The Thoracic Society of Australia and New Zealand
28. Mark Brooke, CEO, Lung Foundation Australia
29. Sarah White, BSc (Hons) PhD, Director, Quit (Australia)
30. Peter Bryce, Chairman, The Pulmonary Fibrosis Trust
31. Philippe Giroud PhD, Deputy CEO, Swiss Lung Association
32. Tanya Buchanan, Chief Executive Officer, Cancer Council Australia
33. Dr. Cary Adams, CEO, Union for International Cancer Control
34. Erich Tschirky, Executive Director, GELIKO Association of Swiss National Health Leagues
35. Katie Dain, Chief Executive Officer, NCD Alliance
36. José Luis Castro, FRSA, President & Chief Executive Officer, Vital Strategies
37. Ms. Nuntavarn Vichit-Vadakan, Chair, Global Center for Good Governance in Tobacco Control (GGTC), Thailand
38. Ms. Anna Gilmore, Director, Tobacco Control Research Group, Tobacco Tactics, University of Bath, United Kingdom
39. Sarah Hughes, Partnership Manager, STOP, a tobacco industry watchdog
40. Dr. Gan Quan, Director of Tobacco Control, International Union Against Tuberculosis and Lung Disease (The Union), United States

#### **About Tobacco Free Portfolios**

[Tobacco Free Portfolios](#) is a not-for-profit organisation with a mission to inform, prioritise and advance tobacco-free finance by encouraging financial institutions to reflect on and reconsider commercial relationships with the tobacco industry and thereby aid decisions to exclude tobacco from investment, lending and insurance activities. Our flagship initiative, the [Tobacco-Free Finance Pledge](#) invites financial institutions to sign-up voluntarily and signal their commitment to tobacco-free finance. The Pledge currently has 170 signatories from 21 countries worldwide representing US\$11.7 trillion in assets under management (AUM), and we are building a growing community of financial sector actors championing a move away from tobacco. As Dr Tedros Ghebreyesus, Director-General World Health Organization, said in 2018: "It makes no sense to fight tobacco on one hand and to finance it on the other." See our [website](#) for further information.