

CZECH REPUBLIC

2020

TOBACCO
INDUSTRY
INTERFERENCE
INDEX

Philip Morris is one of the best and most attractive employers in the Czech Republic. This fact is evidenced, among other things, by the fact that in recent years it has regularly received the prestigious Top Employer award from the international organization Top Employers Institute.⁷

In 2019, researchers published a report on how Czech celebrities and influencers have been actively presenting IQOS in their posts and videos since 2018 on Instagram as a gateway to an aspirational, healthy, attractive and celebrity lifestyle.⁸

In the Czech Republic, the tobacco industry is a long-term partner of non-profit organizations on projects fulfilling the concept of corporate social responsibility of Philip Morris a. s.⁹

⁷ Tetřevová L et al. [Corporate social responsibility of companies in socially sensitive sectors]. 2017. <https://www.grada.cz/spolecenska-odpovednost-firem-spolecensky-citlivyc-9432/>

⁸ Hejlová D et al. Analysis of Presumed IQOS Influencer Marketing on Instagram in the Czech Republic in 2018–2019. Adiktologie. 2019. <https://adiktologie-journal.eu/wp-content/uploads/2019/10/kulhanek2.pdf>

⁹ Jeřábková V & Hartl J. [Corporate Social Responsibility]. AISIS 2003

Summary Findings

1. INDUSTRY PARTICIPATION IN POLICY DEVELOPMENT

There is minimal evidence that the tobacco industry is influencing policy. However, the actual National action plan National strategies for the prevention and reduction of harm associated with addictive behavior 2019-2021 includes key points of MPOWER WHO often in general formulation without concrete aims like conceptual plan on taxes, adoption of plain packaging in future, ban on point-of-sale advertisement or sale of tobacco products only in licensed shops.

2. INDUSTRY CSR ACTIVITIES

We did not find documented government support of CSR activities.

3. BENEFITS TO THE INDUSTRY

There are signs of communication between the Ministry of Finance and the tobacco industry in raising taxes. The Ministry of Finance, as well as the Ministry of Industry and Trade and the Ministry of Agriculture do not want to disrupt the business of the tobacco industry. They literally do not want to introduce tobacco control policies that could have an impact on the business outputs of tobacco companies (plain packaging, ban on advertising at the point of sale, sales in licensed stores, increasing the affordability of cigarettes).

4. UNNECESSARY INTERACTION

Top level government officials meet with/ foster relations with the tobacco companies such as attending social action. A representative of the tobacco company is a member of Board of Directors of the Confederation of Industry and Transport of the Czech Republic.

5. TRANSPARENCY

A clear procedure needs to be established for publishing meetings/interactions with information that government officials may have with the tobacco industry.

6. CONFLICT OF INTEREST

There are two documented cases when former government officials form part of the tobacco industry.

7. PREVENTIVE MEASURES

Tobacco control is a multisectoral issue, thus not only Ministry of Health but also other relevant Ministries are involved in this field - Ministry of Finance, Ministry of Agriculture and Ministry of Industry and Trade. However, their commitments for highlighting of public health policies among other priorities such as commercial aspects differ. The ministries do not currently view the adoption of efficacy measures as important and even reject the discussion on the possible introduction of individual tobacco control policies in the future.

Recommendations

1. The government as well as ministries 'officials should disclose all records of interaction with the TI as well as publish all contacts with TI on its website
2. Tobacco control should be an issue under Ministry of Health. The number of employees included in tobacco control should be appropriate. All employees involved in tobacco control task should be trained.
3. A ministry that refuses to take effective tobacco control measures should substantiate its arguments with relevant sources.

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Results and Findings

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INDICATOR 1: Level of Industry Participation in Policy-Development						
1. The government ¹⁰ accepts, supports or endorses any offer for assistance by or in collaboration with the tobacco industry ¹¹ in setting or implementing public health policies in relation to tobacco control ¹² (Rec 3.1)					4	
<p>In January 2020 the government of the Czech Republic approved national action plan National strategies for the prevention and reduction of harm associated with addictive behavior 2019-2021. It includes key points of MPOWER WHO¹³, however often in general formulation only like “plain packaging - potential discussion will be considered in future” or “taxation - regular increasing” but without any concrete vision. It is important to emphasize that the main tobacco control policies like taxes, packaging of tobacco products and ban on advertising for tobacco products at the point of sale are under competition of Ministry of Finance, Agriculture and Minister of Industry and Trade - government bodies which do not mediate potential contacts with tobacco industry (TI) although representatives of ministries admit that they are contacted by TI mainly before discussing some tobacco control policy in the Parliament or the Senate. The Ministry of Agriculture, which is responsible for the decree on the packaging of tobacco products, rejects plain packaging, stating that it will wait until 2021 for a statement from the European Commission to discuss a possible introduction. The Ministry of Agriculture does not reflect the submission of evidence, an open letter from the European company Smoke Free Partnership addressed to the Minister of Agriculture and its answer are available at www.slzt.cz.¹⁴</p> <p>The Czech Ministry of Industry and Trade, which is responsible for regulating tobacco advertising, considers the introduction of a ban on advertising for tobacco products at the point of sale to be inappropriate: “Tobacco products are currently a legal commodity in the Czech Republic. Provided that a product is legally manufactured, distributed and sold, entrepreneurs cannot be prevented from providing information and promoting this product. However, the possibility of introducing a ban on advertising for tobacco products at the point of sale was discussed with the Minister of Industry and Trade and with regard to the rights of manufacturers and sellers of tobacco products this option is considered inappropriate.”¹⁵</p> <p>In 12/2016 the bill for protection against harmful effects of tobacco smoke has been adopted,</p>						

¹⁰ 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

¹¹ The term, “tobacco industry” includes those representing its interests or working to further its interests, including the State-owned tobacco industry.

¹² “Offer of assistance” may include draft legislation, technical input, recommendations, oversees study tour

¹³ World Health Organization. MPOWER: https://www.who.int/tobacco/mpower/mpower_english.pdf

¹⁴ [Society for the Treatment of Tobacco Dependence. Plain packaging of tobacco products in the Czech Republic]: <https://www.slzt.cz/novinky/jednotne-baleni-tabakovych-vyrobku-v-cr-387>

¹⁵ [Annex - summary final evaluation of the implementation of the Action Plan for Tobacco Control in the Czech Republic for the period 2015 to 2018 - information on the implementation of individual activities (status of implementation as of 12/2018)]: <https://ppo.mzcr.cz/upload/files/mps-kota-2019-vysledne-zaverecne-hodnoceni-akcniho-planu-v-oblasti-kontroly-tabaku-v-cr-2015-2018-priloha-k-zaverecnemu-hodnoceni-akcniho-planu-v-oblasti-kontroly-tabaku-2015-2018-5f16dfb99c438.pdf>

that has entered into force in May 2017. Fourteen percent of present Members of deputies voted against it, 13% of MEPs abstained.¹⁶ On 13 March 2017, the Constitutional Court received a petition from a group of 20 Senators of the Senate of the Parliament of the Czech Republic. Proposer was for the lifting of the ban on smoking inside the catering establishment, except for the use of hookahs. The proposer considered the ban unreasonable and paternalistic, making it impossible to set up smoking rooms.¹⁷

2013 - the then Minister of Health Leoš Heger he criticized the words of the then Minister of Agriculture Petr Bendl that thinner cigarettes do not harm health so much and that Bendl's ex assistant director works for the country's largest tobacco company (Philip Morris). The Ministry of Agriculture was responsible for the Directive under discussion. This meant that the ministry represented the official views of the Czech Republic in the negotiations without consulting the Ministry of Health.¹⁸

2013 - President Miloš Zeman said during his visit to the Philip Morris factory in Kutná Hora that tobacco smoking is safe after 27 years of age and that it is prevention of Alzheimer's and Parkinson's disease.¹⁹

2013 - The then Minister of Health Leoš Heger said: "Industrial regulation, that is, what can be produced, how it is to be packaged, how it can be sold and what advertising can be. This regulation is traditionally in charge of the Ministry of Agriculture, because our legislation combines agricultural products, food and tobacco into one food law. Now that we have asked to move it to the Ministry of Health, as in most European states, the government has refused to do so and has taken a certain protective position for the industry that is in the Czech Republic."²⁰

The use of 2017 KPMG 'Project Sun' ever to oppose tax increase:

KPMG, a global accountancy firm, has a longstanding relationship with the tobacco industry, including advising on privatisation, corporate social responsibility and smuggling.²¹

18th April 2019: Opinion of the Confederation of Industry of the Czech Republic on the Draft Act, amending certain tax laws in relation to increases public budget revenues:

"...The following graph shows the development of the black market in the form of the percentage of illegal products in the total consumption (according to the KPMG methodology and study) and the development of the minimum tax rate for tobacco products. The graph illustrates change in the size of the illegal market in the potential context of a change in rates..."²²

¹⁶ Deník Referendum. [House approved anti-smoking law, coalition voted unanimously]. 9/Dec/2016: <https://denikreferendum.cz/clanek/24260-snemovna-schvalila-protikuracky-zakon-koalice-hlasovala-jednotne>

¹⁷ Anti-smoking Act or the Complete Smoking Prohibition in Restaurants. Czech Republic Judgment the Constitutional Court In the Name of the Republic:

https://www.usoud.cz/fileadmin/user_upload/ustavni_soud/www/Decisions/pdf/Pl-US-7-17-en.pdf

¹⁸ iDnes. 22/Mar/2013: [Behind the scenes, a war broke out between Heger and Bendl because of cigarettes]:

https://www.idnes.cz/zpravy/domaci/bendl-a-heger-se-dostali-do-sporu-kvuli-protitabakovym-zakonum.A130322_122700_domaci_hv

¹⁹ Hospodářské noviny. [Philip Morris did not lean on President Zeman, someone pretended to be the company].

18/Oct/2013: <https://domaci.ihned.cz/c1-61024760-zeman-koureni-bonmot-philip-morris>

²⁰ iDnes. [Heger: Business and party interests win over smoking ban]. 26/Mar/2013:

https://www.idnes.cz/zpravy/domaci/heger-proti-koureni.A130325_180439_domaci_hv

²¹ TobaccoTactics. KPMG: <https://tobaccotactics.org/wiki/kpmg/>

²² Confederation of Industry and Transport of the Czech Republic. [Opinion of the Confederation of Industry and Transport of the Czech Republic on the Draft Act Amending Certain Tax Laws in Relation to Increasing Public

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2015 - Centre for Economic and Market Analyses cited the Project Sun in publication titled Shadow economy in the Czech Republic. ²³						
2018 - KPMG cited in daily press: "The number of unlicensed cigarettes from the East is growing, yet our black tobacco market is one of the smallest in Europe" ²⁴						
2014 - KPMG cited in daily press: "Cigarette smugglers are doing well in the Czech Republic, and inspectors are short on them" ²⁵						
2012 - Ministry of Finance cites KPMG on its official websites: "We tax cigarettes rationally" by Jakub Haas, Deputy Spokesman of the Ministry of Finance ²⁶						
2. The government accepts, supports or endorses <u>policies or legislation drafted</u> by or in collaboration with the tobacco industry. (Rec 3.4)			2			
The bill for protection against harmful effects of addictive substances (including tobacco smoke) allow to smoke water pipe: "...An exception for the use of hookahs arose from voting in the Chamber of Deputies of the Parliament of the Czech Republic. According to the parliamentary proposal, smoking hookahs is common in teahouses, which are already inextricably linked with their own," said the Ministry of Health... And reason? According to the State Agricultural and Food Inspection Authority, a blanket ban on smoking could have "liquidating effects on teahouses, because the supply of hookah belongs to their characteristic features and forms a substantial part of sales," as Pavel Kopriva, a spokesman for the iROZHLAS.cz server, wrote..." ²⁷						
The Czech Ministry of Industry and Trade: Tobacco products are currently a legal commodity in the Czech Republic. Provided that a product is legally manufactured, distributed and sold, entrepreneurs cannot be prevented from providing information and promoting this product. However, the possibility of introducing a ban on advertising for tobacco products at the point of sale was discussed with the Minister of Industry and Trade and with regard to the rights of manufacturers and sellers of tobacco products this option is considered inappropriate." ²⁸						
3. The government allows/invites the tobacco industry to sit in government interagency/ multi-sectoral committee/ advisory group	0					

Budget Revenues]:

https://www.spcr.cz/images/Stanovisko_k_da%C5%88ov%C3%BDm_z%C3%A1kon%C5%AFm.pdf

²³ Centre for Economic and Market Analyses. [Shadow economy in the Czech Republic]. 2015: http://eceta.cz/wp-content/uploads/2015/11/SE_01_2015_web.pdf

²⁴ Lidové noviny. [The number of unlicensed cigarettes from the East is growing, yet our black tobacco market is among the smallest in Europe]. 3/Nov/2018: https://www.lidovky.cz/byznys/firmy-a-trhy/nezdanenych-cigaret-z-yychodu-pribyva-presto-nas-cerny-trh-s-tabakem-patri-k-nejmensim-v-evrope.A181102_110956_firmy-trhy_pkk

²⁵ Lidové noviny. [Cigarette smugglers are doing well in the Czech Republic, and inspectors are short on them]. 8/Sep/2014: https://www.idnes.cz/ekonomika/domaci/padelky-cigaret-z-ceska.A140907_211225_ekonomika_mlb

²⁶ Ministry of Finance. [We tax cigarettes rationally]. 31/Jul/2012: <https://www.mfcr.cz/cs/aktualne/v-mediich/2012/cigarety-danime-racionalne-7414>

²⁷ iRozhlas. [Cigarettes are smoked again in pubs thanks to water pipes. However, the exception does not apply to them]. 6/Feb/2018: https://www.irozhlas.cz/zpravy-domov/hospody-vodni-dymka-na-cigarety-zakaz-koureni_1802061100_pj

²⁸ [Annex - summary final evaluation of the implementation of the Action Plan for Tobacco Control in the Czech Republic for the period 2015 to 2018 - information on the implementation of individual activities (status of implementation as of 12/2018)]: <https://ppo.mzcr.cz/upload/files/mps-kota-2019-vysledne-zaverecne-hodnoceni-akcniho-planu-v-oblasti-kontroly-tabaku-v-cr-2015-2018-priloha-k-zaverecnemu-hodnoceni-akcniho-planu-v-oblasti-kontroly-tabaku-2015-2018-5f16dfb99c438.pdf>

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body that sets public health policy. (Rec 4.8)						
The government does not allow the tobacco industry to sit in government interagency committee that sets public health policy.						
4. The government nominates or allows representatives from the tobacco industry (including State-owned) in the delegation to the COP or other subsidiary bodies or accepts their sponsorship for delegates. (i.e. COP 4 & 5, INB 4 5, WG) ²⁹ (Rec 4.9 & 8.3)		1				
The government does not have any representative of the tobacco industry in the delegation to the COP or any of its related meetings. ³⁰						
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)				3		
B. The government (its agencies and officials) receives contributions ³¹ (monetary or otherwise) from the tobacco industry (including so-called CSR contributions). (Rec 6.4)						
There is no document available about participation of government officials in any tobacco CSR activities.						
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)				3		
<p>In May 2019, the government approved a proposal for an amendment to the Excise Duties Act on increasing of excise taxes on tobacco products from January 1, 2020. The Parliament approved the amendment in December 17, 2019. The effective date of the amendment was January 1, 2020, while the tobacco excise tax was granted a two-month grace period, in which the 2019 tax rates were still used. The new excise tax rate was effectively applied since March 1, 2020.³²</p> <p>Flavored cigarettes including vanilla, blueberry and other varieties deemed to appeal to young demographics had been banned under EU regulations from 2018. Menthol cigarettes also fell under this ban, but were given a two-year exemption.³³</p> <p>Czech press informed that between 2017 to March 2019, products such as Philip Morris'</p>						

²⁹ Please annex a list since 2009 so that the respondent can quantify the frequency, <http://www.who.int/fctc/cop/en/>

³⁰ https://www.who.int/fctc/cop/sessions/cop8/LOP_Final.pdf?ua=1

³¹ political, social financial, educations, community, technical expertise or training to counter smuggling or any other forms of contributions

³² Philip Morris ČR. Annual report 2019:

https://www.pmi.com/resources/docs/default-source/czech-market/investor-relations-en/annual-report/annual-report-201930b455bd6c7468f696e2ff0400458fff.pdf?sfvrsn=b9c03db4_4

³³ Expats.cz. Czech Republic raises cigarette prices by more than 10 crowns per pack, bans menthols. 2/Mar/2020: <https://news.expats.cz/weekly-czech-news/czech-republic-raises-cigarette-prices-by-more-than-10-crowns-per-pack-bans-menthols/>

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HEETS were excluded from the consumer tax. New legislation which taxes heated tobacco only came into force in March 2019. Therefore, just on Philip Morris' HEETS, the state could have missed out on CZK 400 million between 2017-19. ^{34 35 36 37}						
Tobacco promotion is still allowed, including contests. BAT's electronic cigarettes are promoted online and sold via a special system for retailers. ³⁸						
7. The government gives privileges, incentives, exemptions or benefits to the tobacco industry (Rec 7.3)						5
April/2019: "The state has lost hundreds of millions of heating cigarettes. An analysis that they could not be taxed, but they do not": A new type of cigarette that does not light up but only heats up is not subject to excise duty. This is how the Ministry of Finance approached Philip Morris' HEETS products. The state has been able to collect hundreds of millions in excise duty over the last two years. The customs administration and the ministry do not have an analysis that excise duty does not have to be paid on this tobacco. The new law was not adopted until a year and a half after its launch. At the same time, for example, in Slovakia, these cigarettes were taxed immediately. ³⁹						
Ministry of Finance and Tobacco industry: December/2019: "Cigarettes and tobacco should increase in price in the coming years, excise duty will rise": "...The Ministry of Finance plans to increase the excise tax on tobacco and cigarettes in the years 2021 to 2023. The Ministry of Finance announced it. According to it, the growth of rates will correspond to the expected growth in the volume of wages and salaries in the economy. According to the November forecast of the ministry, they should grow by 5.2 percent in 2021 and by 4.7 percent in 2022.... "This plan represents the certainty and predictability that the tobacco industry has called for. The plan is proposed for three years and, as with the current proposal for 2020, it will not increase affordability," said the Ministry of Finance. ... The Ministry of Finance has already presented the plan for the years 2021 to 2023 to representatives of the tobacco industry. The statement of tobacco companies shows that the Ministry of Finance should be reluctant to set new rates in the coming years due to the jump in the tax next year. Otherwise, according to them, there is a risk of an increase in the black market. They generally welcome the long-term plan to increase excise duty...." ⁴⁰						

³⁴ Lidové noviny. [Raise our taxes on 'non-cigarettes', the tobacco two surprised. It attacks the market, analysts explain]. 23/Jun/2020: https://www.lidovky.cz/byznys/firmy-a-trhy/boj-na-trhu-s-necigaretami-dvojka-na-tabakovem-trhu-zada-aby-stat-snizil-danovou-vyrodu-na-zahrivany.A200622_204859_firmy-trhy_cch

³⁵ Euro.cz. [The state should tax heated tobacco more significantly]. 4/Sep/2020:

<https://www.euro.cz/byznys/petr-mestancik-stat-by-mel-vyrazneji-zdanit-zahrivany-tabak>

³⁶ Czech television. [Heated tobacco will be subject to excise duty in May. Companies do not want to comment the impact on product prices]. 28/Apr/2019: <https://ct24.ceskatelevize.cz/ekonomika/2799356-zahrivany-tabak-zatizi-v-kvetnu-spotrebni-dan-dopad-do-cen-vyroby-firmy-nechteji>

³⁷ Radio Prague International. Czech Radio: State could have missed out on hundreds of millions by not taxing heated cigarettes earlier. 4/Sep/2019: <https://www.radio.cz/en/section/business/czech-radio-state-could-have-missed-out-on-hundreds-of-millions-by-not-taxing-heated-cigarettes-earlier>

³⁸ BAT partners terms and conditions:

<https://translate.google.com/translate?hl=en&sl=cs&u=https://myglo.cz/assets/podminky-programu-glo-partners-2019.pdf&prev=search>

³⁹ iRozhlas. [The state lost hundreds of millions of crowns from heating cigarettes. Analysis that it was not possible to tax them, but it does not]. 7/Dec/2020: https://www.irozhlas.cz/zpravy-domov/heets-zahrivany-tabak-celni-sprava-ministerstvo-financi-analyza-spotrebni-dan_1904090600_tec

⁴⁰ iDnes. [Cigarettes and tobacco should become more expensive in the coming years, excise duty will be raised]. 13/Dec/2019: https://www.idnes.cz/ekonomika/domaci/cigarety-tabak-zdrazeni-spotrebni-dan.A191213_111923_ekonomika_cern

May/2020: Philip Morris will produce menthol cigarettes in Kutná Hora even after the sale ban, they will go for export.⁴¹

25.5.2020 “According to economists, the government could give more money to the economy. The state is not a money machine, Havlíček opposes” About how to do business in the Czech Republic discussed (from left): Czech Fund Chief Economist Lukáš Kovanda, Deputy Prime Minister, Minister of Industry and Trade and Minister of Transport Karel Havlíček, British American Tobacco CEO for the Czech Republic and Slovakia Štěpán Michlíček and owner of C2H, Pietro Filipi and Kara, Michal Mička. In the middle, moderator Jana Niedermeierová. Štěpán Michlíček from BAT also agreed with the conclusions of the research, with one reservation: "It is also important for us that the business environment in the Czech Republic is more predictable, especially in the area of excise duty. We would welcome a greater balance of excise duty between individual categories of goods."⁴²

INDICATOR 4: Forms of Unnecessary Interaction

8. Top level government officials (such as President/ Prime Minister or Minister⁴³) 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)

3

In 2013, the president of the Czech Republic said during a visit to Brussels that common sense and the preservation of jobs in the Czech tobacco company should prevail in the European Parliament's negotiations on a directive restricting tobacco products.⁴⁴

2016: Philip Morris opened a new tobacco line, it wants to increase self-sufficiency:

At the opening of the hall, Deputy Minister of Industry Jiří Havlíček said that his office was trying to support economic growth by reducing bureaucratic burdens and simplifying the business environment. "We are having discussions with Philip Morris regarding the setting of regulations not only of Czech laws, but also of what the Czech Republic adopts from the European Union within the so-called transpositions of European directives."⁴⁵

According to the findings of Lidové noviny, the manufacturer also acquainted politicians with heated tobacco products in the Chamber of Deputies.⁴⁶

Economic newspaper “Hospodářské noviny” quite often presents tobacco companies as advantageous companies for owning shares.⁴⁷

⁴¹ Fio bank. [Philip Morris will produce menthol cigarettes in Kutná Hora even after the sale ban, they will go for export]. 14/May/2020: <https://www.fio.cz/zpravodajstvi/zpravy-z-burzy/239000-philip-morris-bude-v-kutne-hore-vyrabet-mentolove-cigarety-i-po-zakazu-prodeje-pujdou-na-export>

⁴² Hospodářské noviny. [According to economists, the government could give more money to the economy. The state is not a money machine, Havlíček opposes]. 25/May/2020: <https://archiv.ihned.cz/c1-66768180-stat-by-mohl-pumpovat-do-ekonomiky-vyrazne-vice-penez>

⁴³ Includes immediate members of the families of the high-level officials

⁴⁴ iDnes. [Zeman advocates tobacco companies in Brussels, he rejects stricter rules]. 18/Sep/2013:

https://www.idnes.cz/zpravy/zahranicni/zeman-se-zastal-vyrobcu-tabaku.A130918_205025_zahranicni_ij

⁴⁵ E15.cz. [Philip Morris has opened a new line for tobacco, it wants to increase self-sufficiency]. 24/Jul/2016: <https://www.e15.cz/byznys/prumysl-a-energetika/philip-morris-otevrel-novou-linku-na-tabak-chce-zvysit-sobestacnost-1304397>

⁴⁶ Lidové noviny. ['Non-cigarettes' that do not burn and that can be 'lit' in a restaurant are already in the Czech Republic]. 14/Jun/2017: https://www.lidovky.cz/noviny/necigarety-jez-nehori-a-ktere-je-mozne-si-zapalit-v-restauraci-uz-jsou-v-cesku.A170713_222855_in_noviny_ELE

or

article “Philip Morris shares are a sure dividend bet”⁴⁸

Philip Morris has a membership in associations Confederation of Industry of the Czech Republic.⁴⁹

A director Philip Morris CR, Andrea Gontkovičová, is also member of the Board of Directors of the Confederation of Industry and Transport of the Czech Republic.⁵⁰

May/2020: “Salvation for the region? Production with higher added value”

Governor Jaroslava Pokorná Jermanová, her Deputy with competition for finance area and European Funds area Gabriel Kovács (both ANO) and the Director of the Central Bohemian Innovation Center met to discuss with members of employers' unions on how to support business in the region affected by the coronavirus crisis and contribute to its recovery. The invitation was accepted by Irena Bartoňová Pálková, Vice President of the Czech Chamber of Commerce, Andrea Gontkovičová, Member of the Board of the Confederation of Industry and Trade of the Czech Republic from the tobacco company Philip Morris, and Jiří Belinger, Vice-Chairman of the Association of Small and Medium-Sized Enterprises and Crafts CZ.⁵¹

May/2020: “Return to work - a safe workplace during coronavirus”: Press conference of the Confederation of Industry and Transport of the Czech Republic on the topic Return to work - a safe workplace during and after coronavirus. The Deputy Minister of Health Roman Prymula, the Vice President of the Association Milena Jabůrková, the General Director Philip Morris Andrea Gontkovičová and Jiří Prokop from Škoda Auto will take part.⁵²

“Experts agree: The public does not know about water problems in the Czech Republic”: With the support of the Ministry of the Environment, a new communication platform Water, the basis of life, is being launched”: Director of External Relations and Communications of JTI is also the chairman of the board of Water Foundation of Life. Under the auspices of the Minister of the Environment, he founded the vodazakladzivota.cz server.⁵³

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.	0						
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⁴⁷ Hospodářské noviny. [In twenty years, we will smoke without smoke. A ban on regulators could also help end cigarettes, says top manager Philip Morris]. 28/Mar/2019: <https://archiv.ihned.cz/c1-66542940-za-dvacet-let-se-bude-kourit-bez-dymu-cigarety-stejne-nejspis-zakaze-regulator-rika-manazer-philip-morris>

⁴⁸ Hospodářské noviny. [Philip Morris shares are a sure dividend bet]. 24/Mar/2015: <https://ihned.cz/c1-63731840-jistou-sazkou-na-nbsp-dividendu-jsou-akcie-philip-morris>

⁴⁹ Confederation of Industry of the Czech Republic: <https://www.spct.cz/struktura-sp-cr/clenska-zakladna/clenske-firmy/c1en/2972-philip-morris-cr-a-s>

⁵⁰ Philip Morris CR. Press Release: [Andrea Gontkovičová as a new member of the Board of Directors of the Confederation of Industry of the Czech Republic]. 14/May/2019: https://www.pmi.com/resources/docs/default-source/czech-market/news/14-05-2019-tz--andrea-gontkovi%C4%8Dov%C3%A11-novou-%C4%8Dlenkou-p%C5%99edstavenstva-sp%C4%8Dr.pdf?sfvrsn=62cd91b5_4

⁵¹ Berounský deník. [Salvation for the region? Production with higher added value]. 28/May/2020: <https://berounsky.denik.cz/z-regionu/spasa-pro-kraj-vyroba-s-vyssi-pridanou-hodnotou-20200528.html>

⁵² Czech Press Agency. [Return to work - safe workplace during coronavirus - LIVE]. 21/May/2020: <https://www.ceskenoviny.cz/zpravy/tk-navrat-do-prace-bezpecne-pracoviste-v-dobe-koronaviru-zive/1893586>

⁵³ Ministry of the Environment of the Czech Republic. [Experts agree: The public does not know about water problems in the Czech Republic. With the support of the Ministry of the Environment, a new communication platform Water, the basis of life, is being launched]. 18/Mar/2016: https://www.mzp.cz/cz/news_160318_Voda_pracovni_prilezitosti

	0	1	2	3	4	5
(including monetary contribution for these activities) (Rec 4.3)						
There is no publicly available record showing the government accepting assistance from the tobacco industry on enforcement such as conducting raids on tobacco smuggling or enforcing smoke free policies or no sales to minors.						
10. The government accepts, supports, endorses, or enters into partnerships or agreements with the tobacco industry. (Rec 3.1) <i>NOTE: This must not involve CSR, enforcement activity, or tobacco control policy development since these are already covered in the previous questions.</i>			2			
There is no publicly available record of the national government accepting or entering into a partnership or agreements with the tobacco industry. However, at the sub-national level, Philip Morris CR signed a Memorandum of Cooperation with Association of Hotels and Restaurants and Karlovy Vary. "In order to fulfill the Karlovy Vary - City without Smoke project, the municipality counts on cooperation with a number of other entities - such as hotel and spa facilities in the city, transport companies, schools but also, for example, cigarette manufacturers who have activities aimed at reducing the risk of cigarette smoking. The philosophy of the project follows the three points of Philip Morris' UNSMOKE campaign: (1) do not start if you do not smoke; (2) if you smoke, stop, for example with the help of experts; (3) if you don't want to quit, consider less dangerous alternatives. ⁵⁴						
INDICATOR 5: Transparency						
11. 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)						5
Currently there is no procedure in place for public disclosure of disclose meetings/ interactions government officials may have with the tobacco industry in cases where such interactions are strictly necessary for regulation.						
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)						5
Currently there is no procedure or requirement in place for the disclosure or registration of tobacco industry entities, affiliated organizations, and individuals acting on their behalf including lobbyists.						
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 government does not prohibit contributions from the tobacco industry or any entity working to further its interests to political parties, candidates, or campaigns or disclosure of these contributions.						
14. Retired senior government officials form part of the tobacco industry (former Prime Minister, Minister, Attorney General) (Rec 4.4)			2			

⁵⁴ Karlovy Vary City Hall. [Karlovy Vary wants to be the first "Smoke-free City" in the Czech Republic]. 13/Jun/2019: <https://mmkv.cz/cs/aktuality/karlovy-vary-chteji-byt-prvnim-mestem-bez-koure-v-cr>

	0	1	2	3	4	5
There is no record of retired senior government officials joining the tobacco companies upon their retirement.						
MEP Martin Hlaváček - In 2012, Deputy Minister of Agriculture of the Czech Republic. From 2013 to 2015, he served as a member of the Board of Directors and Director of External Relations at Philip Morris Tobacco Company. Member of the European Parliament since 2019, non-partisan for the government movement ANO 2019. ⁵⁵						
Petr Šebek, a member of Board of Director Philip Morris CR - He began his career with Philip Morris ČR a.s. in 2011 as a Manager Regulatory and Fiscal Affairs, followed by the positions of Manager Corporate Affairs for Slovakia and Director Communications for the Czech Republic, Slovakia and Hungary. Prior to joining Philip Morris ČR, he held several positions in public sector at the Region of South Bohemia and the European Parliament. ⁵⁶						
Jan Procházka - currently External Affairs Manager of Philip Morris International from 2014 until now. From 2003 to 2009, he worked at Ministry of Industry and Trade of the Czech Republic as a Director, Department of Coordination with the European Union. Then he was a head of Financial and Trade policy Unit and represented the Czech Republic to the European Union from 2009 to 2014. ⁵⁷						
15. <u>Current government officials</u> and relatives hold positions in the tobacco business including consultancy positions. (Rec 4.5, 4.8, 4.10)	0					
There is no record of current government officials holding any positions in the tobacco business.						
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)						5
There is no procedure in place yet to disclose the records of interactions with the tobacco industry and its representatives.						
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)						5
There is no code of conduct in place to guide officials when dealing with the tobacco industry.						
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)				3		
Since April 15, 2019, there is a registration of economic operators involved in Tobacco trade. ⁵⁸						

⁵⁵ Members of European Parliament:

https://www.europarl.europa.eu/meps/cs/197526/MARTIN_HLAVACEK/home

⁵⁶ Petr Šebek: <https://www.linkedin.com/in/petrsebek/>

⁵⁷ Jan Procházka: <https://www.linkedin.com/in/jan-proch%C3%A1zka-23ab371b8/?originalSubdomain=cz>

⁵⁸ State Securities Printer: <https://stc.cz/en/?s=tobacco&lang=en>

	0	1	2	3	4	5
Law on lobbying, conflict of interest is being prepared, currently in the Parliament/Chamber of Deputies (Document of the Chamber No. 565). The aim of the act is to make corporate lobbyists (including tobacco industry) report their activities and cliental. Article 5.3 FCTC will be taken into account. The planned entry date of this Act is the 1 January 2021. ⁵⁹						
19. The government has a program / system/ plan to consistently ⁶⁰ raise awareness within its departments on policies relating to FCTC Article 5.3 Guidelines. (Rec 1.1, 1.2)			2			
In the official report to the COP, the government reported that the Ministry of Health promoted Article 5.3 during consultations on the preparation of the draft act on lobbying; the government approved draft rules in February 2018. Aim of the act will be to make lobbyists report their activities so that the law can address corruption, conflict of interest and clientelism. Article 5.3 (and its guidelines) should be taken into account, as appropriate. Final draft act was submitted to the government end of 2018. ⁶¹						
This Act shall enter into force on 1 January 2021. The Act is a general law on lobbying and not specifically on Article 5.3. ⁶²						
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)						5
The government has not put in place a policy to disallow the acceptance of all forms of contributions/ gifts from the tobacco industry including offers of assistance, policy drafts, or study visit invitations. Non-specific rules are included in the Code of ethics for public administration officials and employees. ⁶³						
TOTAL						60

Final report of the RIA⁶⁴ on the bill on health protection against the harmful effects of tobacco, alcohol and other addictive substances included:

Impacts on the state budget and other public budgets: YES

Costs - the impact on the collection of excise tax due to the reduction of smoking in restaurants, resulting in an estimated 5% reduction in the consumption of tobacco products, could result in a state budget revenue of approximately CZK 2.1 billion (qualified estimate)*.

Impact on business entities: YES

⁵⁹ EUR-Lex Access to European Union law: https://www.ecb.europa.eu/ecb/legal/pdf/cz_25_2019-osz-kor_1.pdf

⁶⁰ 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.

⁶¹ 2018 - Core questionnaire of the reporting instrument of WHO FCTC:

https://untobaccocontrol.org/impldb/wp-content/uploads/Czech_Republic_2018_report-1.pdf

⁶² EUR-Lex Access to European Union law: https://www.ecb.europa.eu/ecb/legal/pdf/cz_25_2019-osz-kor_1.pdf

⁶³ Ministry of the Interior of the Czech Republic. [Code of Ethics for Public Administration Officials and Employees]:

https://www.cuzzs.cz/userfiles/documents/Legislativa/Etický_kodex_uredniku_a_zamestnancu_verejne_spravy.pdf

⁶⁴ Government of the Czech Republic. [RIA Final Report to the bill on health protection against the harmful effects of tobacco, alcohol and other addictive substances]: <https://www.vlada.cz/assets/ppov/lrv/ria/databaze/ZZ-RIA-k-navrhu-zakona-o-ochrane-pred-navykovymi-latkami.pdf>

Negative impacts can be expected on some businesses in the production, distribution and sale of tobacco products, electronic cigarettes, alcoholic beverages, etc., especially in connection with restricting the sale of these products and tightening the conditions related to the sale of related products. Reducing the consumption of tobacco products and alcoholic beverages can lead to a loss of profits in this industry. On the other hand, profits in other industries can be expected to increase.**

*without citation

**Tobacco industry and the sale of tobacco products in the Czech Republic are still considered to be a normal commodity and a normal industry that should not be damaged.

KEY POSITIONS OF TOBACCO INDUSTRY

Features	Advocate's Position	Tobacco Industry Position	Weight	Score
II. ARTICLE 6: Tobacco Taxation				
<i>a. Effective Rate</i>	<i>70% of NRP</i>	<i>none</i>	<i>30%</i>	<i>1</i>
<i>b. Incremental Increase</i>	<i>Significantly higher than industry recommendation</i>	<i>Industry recommendation</i>	<i>30%</i>	<i>1</i>
<i>c. Type</i>	<i>Specific/Mix</i>	<i>Ad Valorem</i>	<i>30%</i>	<i>1</i>
<i>d. Earmarking</i>	<i>For Tobacco Control (1) For Health Promotion in General (2) For Health (not necessarily Tobacco) (3)</i>	<i>none</i>	<i>5%</i>	
<i>e. Other taxes (does not include VAT or other general taxes)</i>	<i>Special Tax or Surcharge or Additional Local Tax</i>	<i>none</i>	<i>5%</i>	
IV. ARTICLE 8: Smoke Free Environment				
<i>a. Ban in Hospitality Industry [including outdoor eating places]</i>	<i>Full</i>	<i>Partial</i>	<i>20%</i>	<i>1</i>
<i>b. Ban in Work Places</i>	<i>Full</i>	<i>Partial</i>	<i>20%</i>	<i>5</i>
<i>c. Ban in some Outdoor Public Places</i>	<i>Full</i>	<i>None/ Partial</i>	<i>20%</i>	<i>5</i>
<i>d. Enforcement Mechanisms/ Resources</i>	<i>Clear / Effective Designation</i>	<i>None</i>	<i>20%</i>	
<i>e. Penalty</i>	<i>High</i>	<i>Low (compared with other laws of similar nature)</i>	<i>20%</i>	
I. ARTICLE 11: Packaging and Labeling (Focus on Graphic Health Warnings)				
<i>a. Size</i>	<i>80%</i>	<i>30% or less</i>	<i>30%</i>	<i>1</i>
<i>b. Position</i>	<i>Top</i>	<i>Bottom</i>	<i>25%</i>	<i>1</i>

c. Lead Time	90 days	1 year or more	20%	1
d. Variation	More than 6 photos	6 photos or less	15%	1
e. Change in photos	Every 6 months	Indefinite/ 18 months or more	10%	1
III. ARTICLE 13: Tobacco Advertising, Promotion and Sponsorship				
a. Extent of Ban on Advertising (Mass Media and Outdoor Ad)	Full	Partial	20%	
b. Ban on Sponsorship including CSR	Full	None	20%	1
c. Ban on Promotions	Full	Partial	20%	1
d. Enforcement Mechanisms/ Resources	Clear / Effective Designation	None	20%	1
e. Penalty	High	Low	20%	1