

REPUBLIC OF KOREA

2021

TOBACCO  
INDUSTRY  
INTERFERENCE  
INDEX

# Introduction

Korea Tomorrow & Global Corporation (formerly Korea Tobacco & Ginseng) remains the leading tobacco manufacturing company, controlling almost 65% of the cigarette market share in South Korea.<sup>1</sup> Philip Morris International (PMI) and British American Tobacco control the rest of the Korean tobacco market. Globally, KT&G Corporation has grown to become world's fifth largest tobacco company with almost \$ 4.1 billion net sales in 2019.<sup>2</sup> In 2020, despite challenges of the COVID-19 pandemic, KT&G increased sales to additional 23 export destinations. As of January 2021, the company sells its products to 103 export destinations, and plans to increase this number to 200 by the end of 2025. KT&G aims to become the fourth largest tobacco company in the world, and in its own words, to "join the ranks of the global "Big Four" tobacco companies by 2025."<sup>3</sup>

It sells cigarette brands such as Esse, *PINE*, *The One*, *Indigo*, *Arirang*, *This*, *This Plus*, *Zest*, *Raison*, and *Lo Crux*. KT&G's most famous international brand, *Esse*, is known to specifically target women. KT&G was previously established as a government-controlled monopoly until it was privatized in 2002. It is expanding its international sales in countries, particularly Indonesia, Turkey, Russia and Iran.<sup>4</sup>

In January 2020, KT&G signed a supply contract with PMI to export the South Korean producer's heat-not-burn products over a three-year period.<sup>5</sup> "KT&G launched its first heat-not-burn product 'lil 1.0' (lil - little is a lot) in 2017.

KT&G's new heat-not-burn tobacco lil Hybrid (KT&G) <sup>6</sup>	KT&G's liquid-type e-cigarette, lil Vapor (KT&G)

<sup>1</sup> KT & G, cigarette-type tobacco market share surges ... Limited edition, new product effects ... 63% in 10 years. Accessed last 8 May 2020 from <https://n.news.naver.com/article/016/0001533378?from=kakao>

<sup>2</sup> Statista. Leading tobacco companies worldwide in 2019, based on net sales (in billion U.S. dollars). Accessed 30 March 2020 <https://www.statista.com/statistics/259204/leading-10-tobacco-companies-worldwide-based-on-net-sales/>

<sup>3</sup> Tobacco Journal International. KT&G is aiming high. February-March 2021.

<sup>4</sup> Nikkei Asian Review. KT&G Corp. Accessed 30 March 2020 from <https://asia.nikkei.com/Companies/KT-G-Corp>

<sup>5</sup> Jo He-Rim. Rivals join hands for global heated tobacco market. The Korea Herald. January 29, 2020. <http://www.koreaherald.com/view.php?ud=20200129000725>

<sup>6</sup> <http://www.koreaherald.com/view.php?ud=2020012900072>

This is Korea's third report and there is little progress in implementing Article 5.3. Korea maintains the same score of 56 points in 2021 as in 2020. The main areas of concern are there is still no movement in raising awareness on the issue among government departments, KT&G being recognized with ministerial awards, and the existence of the Business Act which protects the industry. KT&G continues to conduct CSR activities which were stepped-up during COVID-19 pandemic.

This report uses the questionnaire developed by the Southeast Asia Tobacco Control Alliance<sup>7</sup> to assess the implementation of the WHO FCTC Article 5.3. Sources of information for this report were based on publicly available or commonly known information. Findings from this report will form part of the Global Tobacco Industry Interference Index 2021, a global survey of how public health policies are protected from the industry's subversive efforts, and how governments have pushed back against this influence.

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<sup>7</sup> Assunta M., Dorotheo E. U. SEATCA Tobacco Industry Interference Index: a tool for measuring implementation of WHO Framework Convention on Tobacco Control Article 5.3, Tob Control. 2014. Available from: <http://dx.doi.org/10.1136/tobaccocontrol-2014-051934>

# Summary Findings

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## 1. INDUSTRY PARTICIPATION IN POLICY DEVELOPMENT

The government has a multisectoral national tobacco control strategy, focal point for tobacco control, national coordinating mechanism for tobacco control and national smoking cessation program. The tobacco industry is not represented in the committee.

In 2020 the Court concluded a case of the Ministry of Food and Drug Safety against Philip Morris Korea's claim of releasing information. The Court allowed the Ministry of Food and Drug Safety to release information to examine methods of IQOS in May.

There were no reports on the government allowing or inviting any tobacco industry member/manufacturer to sit in any public health policymaking bodies.

## 2. INDUSTRY CSR ACTIVITIES

KT&G continued to conduct its corporate social responsibility (CSR) activities in relation to public interest, college scholarships and youth education supports. In 2020 during the COVID-19 pandemic, KT&G extended its CSR activities to vulnerable populations and donated emergency funds of 500 million KRW to the Hope Bridge Association of National Disaster Relief with the purpose of supplying the food items and quarantine items for the medical personnel and self-quarantined people.

According to the KT&G website, it has supported about 370 smoking rooms in large public facilities such as airports, about 100 common trash cans were installed annually in multi-use facilities such as transportation facilities and the Seoul City "Clean Street Campaign."

KT&G received the Commissioner Award from the Korean Intellectual Property Office (KIPO) at the Intellectual Property Management Enterprise of the Year ceremony. Between 2016 and 2019, KT&G increased its number of patent applications from 43 to 431. In December 2020, it received the Prime Minister's citation on the Day of Invention. In addition, KT&G was awarded the Prime Minister Prize as Family-friendly Company by the Ministry of Gender Equality and Family and the Presidential Prize for "Contributing to Law and Order" by the Ministry of Justice.

## 3. BENEFITS TO THE INDUSTRY

No new laws in regard to tobacco control were introduced in 2020, policies on display of tobacco products at points of sale, tobacco sponsorship or tobacco taxation. Korea still has the lowest cigarette price among OECD countries.

#### **4. UNNECESSARY INTERACTION**

There is no publicly available information of such interaction. However, it does not mean it did not take place.

#### **5. TRANSPARENCY**

The government does not disclose meetings and interactions with the tobacco industry to the public.

#### **6. CONFLICT OF INTEREST**

There is no prohibition on contributions from the tobacco industry.

The National Pension Service is the largest shareholder in KT&G with a 9.1% stake. According to a news report, the NPS also invests hundreds of millions of dollars in other transnational tobacco companies, namely Philip Morris International (PMI) and British American Tobacco (BAT). This issue was already identified in 2011 and that environmental, social and governance (ESG) will be applied to this investment. However, the investment in tobacco companies still continues.

#### **7. PREVENTIVE MEASURES**

There is no existing transparency or preventive measure system to disclose and record interaction with the tobacco industry and its representatives in Korea.

The government has some information on equity capital, types of tobacco to be manufactured and annual manufacturing scale as indicated in the Tobacco Business Act of 2014. However, the public has no access to this information. The tobacco industry is not required to submit information on marketing expenditure, philanthropy or other contributions.

## Recommendations

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1. Develop a comprehensive and time-bound national strategy to raise awareness on and curb tobacco consumption and tobacco industry interference in public health policymaking.
2. Cascade and mainstream the World Health Organization (WHO) Framework Convention on Tobacco Control (FCTC) Article 5.3 and its guidelines within and among government departments involved in planning and monitoring of tobacco control policies.
3. Strictly ban tobacco industry marketing and promotional activities, directly through its so-called CSR activities or indirectly through its affiliates.
4. Expose harmful effects of and ban consumption of electronic nicotine delivery systems (ENDS) and HTPs.
5. Require the tobacco industry to submit information on tobacco production, manufacture, market share, marketing expenditures, revenues and lobbying activities.
6. Increase prices and excise tax on tobacco products, including ENDS and HTPs, to further reduce smoking prevalence and improve public health.

## 2021 Tobacco Industry Interference Index Results and Findings

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<b>INDICATOR 1: Level of Industry Participation in Policy-Development</b>						
1. The government <sup>8</sup> accepts, supports or endorses any offer for assistance by or in collaboration with the tobacco industry <sup>9</sup> in setting or implementing public health policies in relation to tobacco control <sup>10</sup> (Rec 3.1)		I				
The government does not accept or endorse any offer for assistance from the tobacco industry in setting public health policy.						
2. The government accepts, supports or endorses <u>policies or legislation drafted</u> by or in collaboration with the tobacco industry. (Rec 3.4)		I				
<p>There were no reports on this issue. The government has a multisectoral national tobacco control strategy, focal point for tobacco control, national coordinating mechanism for tobacco control, national smoking cessation program. The tobacco industry is not represented in the committee.</p> <p>In 2020 the Court concluded a case of the Ministry of Food and Drug Safety against Philip Morris Korea's claim of releasing information. The Court decided the Ministry of Food and Drug Safety to release information to examine methods of IQOS on May.</p>						
3. The government allows/invites the tobacco industry to sit in government interagency/ multi-sectoral committee/ advisory group body that sets public health policy. (Rec 4.8)		I				
There were no reports on the government allowing or inviting any tobacco industry / manufacturer to sit in any public health policy making bodies.						
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) <sup>11</sup> (Rec 4.9 & 8.3)		I				
South Korea delegation has not included any representative from the tobacco industry to sessions of the Conference of the Parties (COP) in the past.						

<sup>8</sup> 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

<sup>9</sup> The term, "tobacco industry" includes those representing its interests or working to further its interests, including the State-owned tobacco industry.

<sup>10</sup> "Offer of assistance" may include draft legislation, technical input, recommendations, oversees study tour

<sup>11</sup> Please annex a list since 2009 so that the respondent can quantify the frequency, <http://www.who.int/fctc/cop/en/>

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## INDICATOR 2: Industry CSR activities

5. A. The government agencies or its officials endorses, supports, forms partnerships with or participates in so-called CSR activities organized by the tobacco industry. (Rec 6.2)

B. The government (its agencies and officials) receives contributions<sup>12</sup> (monetary or otherwise) from the tobacco industry (including so-called CSR contributions). (Rec 6.4)

5

KT&G continued to conduct its corporate social responsibility activities in relation to public interest and college scholarships, youth education supports. In 2020 of COVID-19 pandemic, KT&G extended its CSR activities to vulnerable population and donated emergency fund of 500 million KRW to the Hope Bridge Association of National Disaster Relief in the purpose of supplying the food items and quarantine items for the medical personnel and self-quarantined people.<sup>13</sup>



According to the KT&G website, it has supported about 370 smoking rooms in large public facilities such as airports, about 100 common trash cans were installed annually in multi-use facilities such as transportation facilities, and the Seoul City 'Clean Street Campaign'.<sup>14</sup>



JTI deliver donations to Community Chest of Korea for youth educations devices. Due to COVID-19 pandemic many of schools have been closed for a year so most students were educated at home with electronic devices.

<sup>12</sup> political, social financial, educations, community, technical expertise or training to counter smuggling or any other forms of contributions

<sup>13</sup> KT&G.com. <https://en.ktng.com/corona>

<sup>14</sup> KT&G.com. <https://en.ktng.com/socialContribution>





Photo: KT&G Social Contribution Report

KT&G received the Commissioner Award from the Korean Intellectual Property Office (KIPO) at the Intellectual Property Management Enterprise of the Year ceremony. Between 2016 and 2019, KT&G increased its number of patent applications from 43 to 431. In December 2020, it received the Prime Minister's citation on the Day of Invention.<sup>15</sup>

In addition, KT&G was awarded the Prime Minister Prize as Family-friendly Company by the Ministry of Gender Equality and Family and the Presidential Prize for 'Contributing to Law and Order' by the Ministry of Justice.<sup>16</sup>

KT&G continues to conduct 'Teenager Smoking Prevention Campaign' annually.

### 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)						5
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No new law in regard to tobacco control were introduced in 2020, policies on display of tobacco products at points of sales, tobacco sponsorship, tobacco taxation. Korea still has the lowest cigarette price among OECD countries.

7. The government gives privileges, incentives, exemptions or benefits to the tobacco industry (Rec 7.3)				3		
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In the past years, the South Korean government actively supported cooperative association of tobacco production and committed to provide facilities and equipment preferentially.<sup>17</sup> Moreover, the Minister of Strategy and Finance allowed tobacco manufacturers to participate in public interest projects such as public health, medical care,

<sup>15</sup> <https://en.ktng.com/ktngNewsView?cmsCd=CM0048&ntNo=413&rnum=381&src=&srcTemp=&currPg=1>

<sup>16</sup> KT&G Annual Report 2020

<sup>17</sup> Article 8 of the Cooperative Act on the Production of Dried Tobacco Leaf Produce. Accessed last 30 March 2020 from <http://www.law.go.kr/lsInfoP.do?lsiSeq=181381&efYd=20160302#0000>

	0	1	2	3	4	5
protection of environment, and projects that support tobacco cultivation, within the range of 20 won per 20 cigarettes among cigarettes sold by the manufacturer. <sup>18</sup>						
The Tobacco Business Act, which regulates tobacco, is an inefficient means to regulate tobacco. The Act says, “The purpose of this Act is to ensure the sound development of the tobacco industry and to contribute to the national economy by prescribing matters concerning the production, distribution, etc. of tobacco.” <sup>19</sup> This is contrary to the requirement of Article 5.3. For example, manufacturers can participate in public health and CSR activities; “The Minister of Strategy and Finance may have a manufacturer directly carry out public activities, such as public health, medical care, protection of environment, etc., and projects, such as the support for tobacco cultivation,” Act also regulates e-cigarettes and requires them to be sold at retailers but these are also sold online. The nicotine content should be expressed based on milligram (mg)-unit but a survey found that the actual nicotine content does not coincide with disclosed content on label. <sup>20</sup>						
<b>INDICATOR 4: Forms of Unnecessary Interaction</b>						
8. Top level government officials (such as President/ Prime Minister or Minister <sup>21</sup> ) 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)		I				
There is no publicly available information of such interaction. But that does not mean it did not take place.						
9. The government accepts assistance/ offers of assistance from the tobacco industry on enforcement such as conducting raids on tobacco smuggling or enforcing smoke free policies or no sales to minors. (including monetary contribution for these activities) (Rec 4.3)	0					
There were no reports on this issue.						
10. The government accepts, supports, endorses, or enters into partnerships or agreements with the tobacco industry. (Rec 3.1) NOTE: This must <u>not</u> involve CSR, enforcement activity, or tobacco control policy development since these are already covered in the previous questions.	0					
There were no reports on this issue.						
<b>INDICATOR 5: Transparency</b>						

<sup>18</sup> Article 25-3 (Participation in Public Interest Projects by Manufacturers, etc.). Accessed last 30 March 2020 from <http://www.law.go.kr/lsInfoP.do?lsiSeq=195019&efYd=20170726#0000>

<sup>19</sup> The Tobacco Business Act. <https://bit.ly/3wekXdL>

<sup>20</sup> Consumer Injury Surveillance System. <https://bit.ly/2UoniFv>

<sup>21</sup> Includes immediate members of the families of the high-level officials

	0	1	2	3	4	5
I 1. 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
The government does not disclose meetings and interactions with the tobacco industry to the public.						
I 2. 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
No rules exist currently						
<b>INDICATOR 6: Conflict of Interest</b>						
I 3. 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
There is no prohibition on contributions from the tobacco industry.						
I 4. Retired senior government officials form part of the tobacco industry (former Prime Minister, Minister, Attorney General) (Rec 4.4)			2			
The auditor and nonexecutive director of KT&G, Jong-Soo Baek, was the former chief prosecutor of the Busan district prosecutor's office. <sup>22</sup>						
I 5. <u>Current government officials</u> and relatives hold positions in the tobacco business including consultancy positions. (Rec 4.5, 4.8, 4.10)			2			
Based on the Code of Conduct for Public Officials, it is not possible for current government officials to hold positions in other business.  The National Pension Service is the largest shareholder in KT&G with a 9.1 percent stake. <sup>23</sup> According to a news report, the NPS also invests hundreds of millions of dollars in other transnational tobacco companies, namely, PMI and British American Tobacco. <sup>24</sup> This issue was already identified in 2011 and that environmental, social and governance (ESP) will be applied to this investment. <sup>25</sup> However the investment in tobacco companies still continues.						
<b>INDICATOR 7: Preventive Measures</b>						

<sup>22</sup> <https://tobaccoreporter.com/2021/03/19/baek-reappointed-as-ceo-of-ktg/>

<sup>23</sup> NikkeiAsia. KT&G Corp. <https://asia.nikkei.com/Companies/KT-G-Corp>

<sup>24</sup> NPS looks to expand scope of ESP criteria to step up responsible investment. The Korea Economic Daily, Sep 8, 2020. <https://www.kedglobal.com/newsView/ked202009080006>

<sup>25</sup> Cho Jin-seo. National pension fund to turn back on sin sector. Korea Times. Mar 13, 2011 [https://www.koreatimes.co.kr/www/biz/2020/12/602\\_88882.html](https://www.koreatimes.co.kr/www/biz/2020/12/602_88882.html)

	0	1	2	3	4	5
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 existing transparency or preventive measure system to disclose and record interaction with tobacco industry and its representatives in Korea.						
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)			2			
<p>Korea has an existing general Code of Conduct for all Public Officials to prescribe the standards for government official in public service. It prohibits public officials from receiving any form of treats from any individual or organization that will get advantages or disadvantages as a direct result of decision or implementation of government policies or public projects as well as encourages impartially performing their tasks.</p> <p>The government in the report to the COP, indicates that “Everyone involved or engaged in tobacco control related projects, research, policy development, etc. is asked to certify his/her conflict of interest with tobacco industry. * Especially for a person who may affect directly/indirectly tobacco-related decision making, such as a member of Tobacco Health Warnings Committee, should sign the Conflict of Interest Statement.”<sup>26</sup></p>						
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)						5
The government has some information on equity capital, types of tobacco to be manufactures, and annual manufacturing scale as indicated on Tobacco Business Act of 2014. However, the public has no access to this information. The tobacco industry is not required to submit information on marketing expenditure, philanthropy or other contributions.						
19. The government has a program / system/ plan to consistently <sup>27</sup> raise awareness within its departments on policies relating to FCTC Article 5.3 Guidelines. (Rec 1.1, 1.2)					4	
There is no concrete and systematic plan to raise awareness within government departments on policies relating to FCTC Article 5.3 Guidelines in Korea.						

<sup>26</sup> Republic of Korea. Report to the COP 2020 [https://untobaccocontrol.org/impldb/wp-content/uploads/Korea\\_2020\\_WHOFCtCreport.pdf](https://untobaccocontrol.org/impldb/wp-content/uploads/Korea_2020_WHOFCtCreport.pdf)

<sup>27</sup> For purposes of this question, “consistently” means: a. Each time the FCTC is discussed, 5.3 is explained. AND b. Whenever the opportunity arises such when the tobacco industry intervention is discovered or reported.

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20. The government has put in place a policy to disallow the acceptance of all forms of contributions/ gifts from the tobacco industry (monetary or otherwise) including offers of assistance, policy drafts, or study visit invitations given or offered to the government, its agencies, officials and their relatives. (3.4)			2			
The Code of Conduct for Public Officials strictly prohibits public officials from receiving money or other valuables such as contributions, gifts.						
<b>TOTAL</b>	<b>56</b>					