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# Corporate Social Responsibility By Tobacco Industry in Nepal

- An Unlawful Activity

## Policy Brief

## Summary

This report has been prepared to identify, understand, and expose the Tobacco Industry's (TI's) behavior and tactics on Corporate Social Responsibility (CSR) and Sponsorship-Related activities in Nepal, particularly during the COVID-19. This report also aims to educate and empower the government, media, civil society, and other tobacco control advocates to denounce, intervene, and reject the TI's financial and in-kind support in the name of Corporate Social Responsibility against tobacco control law. The report is based on a review of grey literature, newspaper articles, websites, and interviews with key informants and stakeholders.

The study, which covered the period from March 2019 to June 2022, monitored CSR and sponsorship-related activities of TI in Nepal and found that

- ✚ The tobacco industry has been aggressively engaged in CSR activities at the national, subnational, as well as local levels.
- ✚ The tobacco industry has mainly targeted and approached government organizations, including governmental hospitals for financial support and donation of medical supplies during the COVID-19.
- ✚ Representatives of Government organizations, including hospitals, who have accepted TI's support revealed that they were unaware of TC laws that prevent TI from assuming CSR and sponsorship-related activities.
- ✚ Surya Nepal Pvt. Ltd. has been sponsoring and organizing GOLF tournaments each year in different parts of the country.

In addition, this policy brief includes the background and context of the Tobacco Industry's CSR activities, discusses the laws preventing TI from conducting CSR activities, and makes recommendations to intervene and prevent such unlawful activities of the tobacco industry in the future.

## Background

**Tobacco prevalence and burden in Nepal:** According to the Nepal STEPS survey 2019, 28.9% of adults 15-69 years of age (48.3% of men, 11.6% of women) were current users of tobacco, in any form, and this is equal to 3.8 million adults.<sup>1</sup> Tobacco kills around 27,137 people (accounted for 14.9 % of all deaths) each year in Nepal.<sup>2</sup> In addition, the economic burden of tobacco in Nepal is enormous. It costs 47 billion Nepali rupees each year which accounted for 1.8 % of GDP.<sup>3</sup>

**Tobacco Control Laws in Nepal:** With an objective to promote public health and protect present and future generations from the devastating consequences of tobacco and its use, Nepal signed the WHO Framework Convention on Tobacco Control (FCTC) on 3rd December 2003 and became a Party to the WHO FCTC on the 5th February 2007.<sup>4</sup> In line with WHO FCTC, the government of Nepal has enacted the following major Act, Regulations, Plans, Policies, and Strategies aiming at tobacco control in Nepal.<sup>4,5</sup>

- ✚ Tobacco Products (Control and regulatory) Act, 2011
- ✚ Tobacco Products (Control and regulatory) Regulations, 2011

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<sup>1</sup> <http://nhrc.gov.np/wp-content/uploads/2019/11/Tobacco-Fact-Sheet-1.pdf>

<sup>2</sup> [https://apps.who.int/iris/bitstream/handle/10665/272687/wntd\\_2018\\_nepal\\_fs.pdf?sequence=1](https://apps.who.int/iris/bitstream/handle/10665/272687/wntd_2018_nepal_fs.pdf?sequence=1)

<sup>3</sup> [https://www.who.int/nepal/news/detail/31-05-2021-world-no-tobacco-day-2021-remarks-by-who-representative-to-nepal?fbclid=IwAR09nbkOTPhsbEyWwefNs1\\_-Db2mEBx0xlshCqrraUMcDoe2iRiQU7PCL5M](https://www.who.int/nepal/news/detail/31-05-2021-world-no-tobacco-day-2021-remarks-by-who-representative-to-nepal?fbclid=IwAR09nbkOTPhsbEyWwefNs1_-Db2mEBx0xlshCqrraUMcDoe2iRiQU7PCL5M)

<sup>4</sup> <https://publichealthupdate.com/framework-convention-on-tobacco-control-2030-strategy-nepal/>

<sup>5</sup> [https://www.tobaccocontrollaws.org/legislation/country/nepal/summary#:~:text=The%20Tobacco%20Product%20\(Control%20and,an d%20tobacco%20packaging%20and%20labeling.](https://www.tobaccocontrollaws.org/legislation/country/nepal/summary#:~:text=The%20Tobacco%20Product%20(Control%20and,an d%20tobacco%20packaging%20and%20labeling.)

- ✚ Directives for Printing and Labeling of Warning Message and Picture in the Box, Packet, Wrapper, Carton, Parcel, and Packaging of Tobacco Product, 2014 (Amendment with 90 % mandatory PHW effective from 15th May 2015)
- ✚ Tobacco Product Control and Regulatory Directives, 2014
- ✚ National Tobacco Control Strategic Plans (2013- 2016)
- ✚ FCTC 2030 Strategy Nepal
- ✚ Government of Nepal, Ministry of Health and Population's public notice on Rules for Sale and Distribution of Tobacco Products, 2017

Nepal has made significant progress in the formulation and development of tobacco control laws and policies, including a mandatory 90 percent pictorial health warning (PHW) on tobacco products, a sales ban to minors and pregnant women, a ban on selling loose cigarettes, a complete ban on Tobacco Advertisements, Promotion, and Sponsorship (TAPS) in any form, preventing TI from assuming social responsibility, prohibition on the sale of tobacco in public places, workplaces, and public transportation. The laws also prohibit the sale of tobacco products by unlicensed vendors. In addition, the law also has made provisions for punishment and penalties to be imposed if the law is undermined in any form.

**Tobacco Industry Interference, CSR, and Sponsorship:** The WHO FCTC Article 5.3 aims to protect tobacco control measures from commercial and other vested interests of TIs and provide the guidelines to counter tobacco industry interferences.<sup>6</sup> Furthermore, article 13 recommends banning all sorts of tobacco advertisement, promotion, and sponsorship as well as other CSR-related activities by the tobacco industry.<sup>7</sup>

Nepal's Tobacco Product Control and Regulatory Directive 2014 prohibits tobacco manufacturers and other related parties from assuming corporate social responsibility (CSR) in any form. Article 22.1 of the directive states that TI is prohibited to provide any financial, technical, material, and structural assistance to educational seminary, theatre, religious discourse, preaching, or health-related organizations operated by government, no- government, or private sectors. Similarly, it is prohibited to accept financial material and structural assistance, scholarships, financial assistance, award, and stipends from tobacco industries, and manufacturers and related parties are prohibited to offer such assistance as well. Furthermore, Tobacco Product (Control and Regulatory) Act 2011 bans TI from tobacco advertisement, promotion, and advertisement-related activities in Nepal.

## Methodology

The policy brief was based on a review of grey literature, articles in newspapers, news published in an online portal, websites of tobacco companies, and interviews with key stakeholders who accepted financial, medical, and other in-kind support from the tobacco industry, particularly during the COVID-19. The semi-structured interview was conducted with representatives from the government organizations, such as Civil Hospital, Tribhuvan University Teaching Hospital (TUTH), National Trauma Center (Bir Hospital), Chief Minister of Gandaki Province, Mayor of Sukla Gandaki Municipality, and Chairperson of Myade Rural Municipality. From the private sector, the General Secretary of the Professional Golfers Association of Nepal was interviewed. The study covered the period from March 2019 to June 2022.

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<sup>6</sup> <https://fctc.who.int/publications/m/item/guidelines-for-implementation-of-article-5.3>

<sup>7</sup> <https://fctc.who.int/publications/m/item/tobacco-advertising-promotion-and-sponsorship>

## Major Findings

### **Surya Nepal Private Limited is a Major Tobacco Company undermining tobacco control law in Nepal.**

Among tobacco companies in Nepal, Surya Nepal Private Limited (SNPL)- an Indo-Nepal- UK joint venture company- is a leading tobacco company occupying the majority market share in the domestic production of cigarettes in Nepal.<sup>8</sup> The Surya Nepal Pvt. Ltd has been not only undermining the mandatory 90% PHW on the pack of tobacco products but it has also been extensively engaged in CSR and TAPS-related activities throughout the country. In addition, Surya Nepal's cigarettes are being sold extensively on a single stick basis in the market and promotion of sale of single stick cigarette is pervasive.<sup>9</sup>

### **Surya Nepal's General CSR Strategy**

Even though Tobacco Control Laws prevent TI from assuming any kind of Corporate Social Responsibility (CSR), Surya Nepal Pvt. Ltd. proudly engages in an integrated CSR strategy and it states that it is creating enduring value for society. Basically, Surya Nepal has focused its CSR strategies primarily on four distinct areas:<sup>10</sup>

- **SNPL-Asha (Educational and community empowerment)**

In the name of providing education to the deprived member of society, empowering the women through vocational training, and helping women in generating sustainable income sources, Surya Nepal Pvt. Ltd. is engaged in promoting its brand, particularly among women and children. The SNPL is mainly working in partnership with “*Teach for Nepal*”, a reputed NGO with the objective of improving the quality of education in public schools in the Parsa and Tahanu districts of Nepal. Moreover, fellowship is being provided in 8 schools for improving students' SEE 10<sup>th</sup> grade results.<sup>10</sup> However, the truth is that such activities of TI influence women and school children and possibly attempt to overshadow its negative image in the society created due to the lethal nature of its products. Additionally, TI gets easy access to reach out to women and children and influences them to be consumers of tobacco products.

- **SNPL- Khelprayatan (Sports Tourism Promotion)**

SNPL claims that it is promoting tourism in the country through its sponsorship of sports. Surya Nepal claims that it has developed an excellent platform to leverage the rich tourist destination around the golf tringles of Kathmandu, Pokhara, and Dharan districts and mentions that Khelparyatan will be essentially an important platform for its important overall CSR strategy.<sup>10</sup> SNPL sponsors the golf tournaments and organizes “The SNPL Golf Tour” each year with a cash prize to the winners. However, empirical evidence has revealed that sports sponsorship is a longstanding and indirect advertisement used by Tobacco Industry.<sup>11</sup> Moreover, this type of sponsorship encourages the consumption and initiation of tobacco products among the youth, resulting in increased sales revenue and profit for the Tobacco Industry.

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<sup>8</sup> <https://snpl.com.np/content/company-profile>

<sup>9</sup> [https://www.smokefreeworld.org/wp-content/uploads/2021/12/NepalCountryReport\\_12.03.21.pdf](https://www.smokefreeworld.org/wp-content/uploads/2021/12/NepalCountryReport_12.03.21.pdf)

<sup>10</sup> <https://snpl.com.np/content/csr>

<sup>11</sup> <https://tobaccotactics.org/wiki/football-sponsorship/>

- **SNPL- Prakarti (Environmental Perseverance)**

SNPL asserts that it has been enhancing the awareness among the local people and community to protect the environment through greenery and tree plantation programs and projects. SNP is portraying itself as an environmentally conscious and responsible organization by conducting afforestation programs. Indeed, the other side of the story is different.<sup>10</sup> In reality, tobacco products and the tobacco industry itself are great threats to the environment. Around 4.5 trillion cigarette butts that are not disposed of every year across the globe generate 1.69 billion pounds of toxic waste and release thousands of chemicals into the air, water, and soil.<sup>12</sup>

- **SNPL- Suswasthya (Community Health Promotion)**

SNPL has been found to engage in providing health services that include health camps, bed support to patients with spinal injury, eye and dental camps, and blood donation camps. The news coverage of the donation of ambulances to the different governmental organizations, including hospitals and the rural municipality was widely published in online and print media at the national and sub-national levels. TI in Nepal also cooperates with hospitals, such as Orthopedic Hospital in raising funds for the community health programs.<sup>10</sup> TI asserts that it is creating value through community health care, but in reality, tobacco kills half of its users and is responsible for detrimental non-communicable diseases, such as cancer and cardiovascular disease.<sup>13</sup>

### **Surya Nepal Pvt. Ltd. has been found to be highly engaged in CSR and Sponsorship-Related Activities during the COVID-19 Pandemic.**

During the COVID-19 pandemic, Surya Nepal Pvt. Ltd. has been found to participate in a number of CSR-related activities that include both financial and in-kind support, donation of medical supplies to hospitals, and ambulance donation to the subnational level governments to position itself as an ally of government during the crisis of COVID-19.

- **Donation of Medical Supplies and Equipment During the COVID-19**

Amidst COVID-19, Surya Nepal Pvt. Ltd. donated medical supplies to three government hospitals in Kathmandu. The medical supplies included the Latex Gloves, Surgical Masks, Face Shields, PPEs, and Oximeters. These medical supplies (worth Rs. 6.3 million) were handed over to Dr. Dinesh Kafle, Executive Director at Tribhuvan University Teaching Hospital (TUTH), Dr. Santosh Poudel, Director at National Trauma Center-Bir Hospital, and Prof. Dr. Bidhan Nidhi Paudel, Executive Director at Civil Service Hospital. Surprisingly, the distribution program was facilitated by the Ex-Gandaki Boarding Students' Association (EGBSA), Kathmandu, which is a Non-Governmental Organization (NGO) and an alumni association of Gandaki Boarding School (GBS) and Gandaki College of Engineering and Science (GCES), which is considered as top-level school in Nepal.<sup>14</sup> EGBSA consists of members from wide areas of professionals, such as doctors, engineers, pharmacists, IT professionals, social activists, lawyers, business entrepreneurs, and government officers.<sup>15</sup> This is an example of the Tobacco Industry's high level of influence, interference, and tactics to weaken the implementation of tobacco control laws in Nepal.

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<sup>12</sup> <https://www.who.int/europe/news-room/events/item/2022/05/31/default-calendar/world-no-tobacco-day-2022--tobacco-s-threat-to-our-environment>

<sup>13</sup> <https://www.who.int/news-room/fact-sheets/detail/tobacco#:~:text=Tobacco%20kills%20up%20to%20half,exposed%20to%20second%2Dhand%20smoke.>

<sup>14</sup> <https://myrepublica.nagariknetwork.com/news/surya-nepal-provides-medical-supplies-worth-rs-6-5-million-to-three-govt-hospitals-in-kathmandu/>

<sup>15</sup> <https://egbosa.org.np/about-us/>

- **Donation of Rs. 70 Million to all 7 Provincial Governments During the COVID-19**

Portraying itself as responsible corporate citizenship, Surya Nepal Pvt. Ltd. donated Rs. 10 Million to the “Funds for Treatment and Control of COVID-19”, which was established in all seven provinces. Shankar Pokharel, Chief Minister of Lumbini Province, Dormani Poudel, Chief Minister of Bagmati Province, and Prithivi Subba Gurung, Chief Minister of Gandaki Province accepted the donation. In addition, Surya Nepal claimed that it had contributed to and supported, in the name of CSR, local governments and communities nearby its tobacco products manufacturing locations to fight the Pandemic.<sup>16</sup>

- **Handed Over Ambulance and Financial Supports to Myagde Rural Municipality and Shukla Gandaki Municipality, Tanahu District (Gandaki Province)**

Surya Nepal donated an ambulance to **Myagde Rural Municipality** and **Shukla Gandaki Municipality**. The ambulances were handed over to the chairpersons of the respective Municipalities. The government officials from different ward offices also participated in the event. In addition, NPR 50 lakh (Rupees 5 million) cash was provided to both the municipalities as support during the COVID-19. Both municipalities are situated in Gandaki Province, which is the same province that once drafted separate tobacco control laws, in line with Tobacco Product (Control and Regulatory) Act 2011) as a part of making Gandaki a smoke-free province. In addition, Surya Nepal has supported the irrigation and Beekeeping projects, financing schools, and even appointed teachers of Science and Math and ensured management of salary and other fringe benefits of the teachers.<sup>17</sup>

- **Surya Nepal’s Attempt to donate funds to Kathmandu Institute of Children’s Hospital (KIOCH)**

Surya Nepal had offered Prof. Dr. Bhagawan Koirala and his team a donation of 50 million rupees in the name of corporate social responsibility (CSR) for the construction of Kathmandu Institute of Children’s Hospital (KIOCH). On Friday, 23<sup>rd</sup> April 2021 the agreement was supposed to be signed by both parties. Meanwhile, Action Nepal led the group of media and NGOs, allied together, and build pressure on Prof. Dr. Koirala and his team to reject the donation. Six representatives from different NGOs and more than ten media persons participated in the Press Meet.<sup>18</sup>

- **Every year Surya Nepal sponsors Golf Tournaments in major cities, such as Kathmandu, Pokhara, and Dharan.**

Surya Nepal organizes The Golf Tour each year and sponsors the tournaments under the title Surya Nepal Eastern Open, Surya Nepal Central Open, and Surya Nepal Western Open. Each year Surya Nepal spends over 3 million to sponsor the Golf tour. However, the organizers of the Golf Tournament refused to admit that they are violating the tobacco control laws by accepting sponsorship from Surya Nepal. Instead, they have claimed that because of Surya Nepal’s support many poor people have got employment opportunities and we have been able to ensure financial sustainability for economically deprived people. They appreciated the sponsorship of Surya Nepal in Golf Events.<sup>19</sup>

- **The government officials, including doctors and directors of government hospitals have been found to be highly influenced by the tobacco industry in Nepal.**

The government officials have admitted that they had accepted the financial and medical support from the tobacco industry during the COVID -19 and were not aware of the laws that prevent tobacco companies from

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<sup>16</sup> <https://myrepublica.nagariknetwork.com/news/surya-nepal-provides-rs-10-million-to-each-province-to-fight-covid-19/>

<sup>17</sup> <https://snpl.com.np/content/ambulance-to-myagde-rural-municipality95>

<sup>18</sup> <https://www.medindia.net/news/exposed-tobacco-industrys-greenwashing-attempts-thwarted-204640-1.htm>

<sup>19</sup> <https://nepalnews.com/s/sports/surya-nepal-golf-tour-to-start>



CSR. Even though some stated that they knew about the tobacco control laws and that it was against the law to take any kind of support from Tobacco Industry, they said that they were compelled as the health system in Nepal was completely disrupted due to a massive increment in the cases of COVID-19 patients as the government itself was not prepared for the pandemic. Ironically, some of the officials who received the medical supplies from TI reported that they did not aware of the fact that Surya Nepal produces tobacco products, instead they thought that it manufactures and supplies garments, incense, confectionery, and matches. Surprisingly, some officials appreciated Surya Nepal's efforts and initiatives for donating ambulances, medical supplies, and financial support. (ANNEX)

## Conclusion:

Surya Nepal Pvt. Ltd. (SNPL) has been found as the biggest contributor of cash, medical supplies and equipment, and in-kind support in the name of CSR at the national, subnational, as well as local levels. Moreover, SNPL has been found to indulge and geared up its CSR contributions and activities during COVID-19, including sports (Golf) sponsorship and it has been observed that the company uses its corporate logo or trademark in such activities. This is not only a breach of the Tobacco Product Control and Regulatory Act and Regulation but also it is an utter undermining of article 13 of the WHO FCTC guidelines. These CSR activities and contributions were widely and extensively published in the national level newspaper, online news portal, television, and SNPL's website. Surprisingly, it has been observed Surya Nepal has mainly targeted government organizations, such as federal, provincial, and local governments, government hospitals, government schools, etc. to conduct CSR activities against tobacco control laws. This justifies the claim that SNPL has been trying to access and influence the government and policymakers to delay the enforcement of tobacco control laws or formulate plans and policies that benefit the tobacco industry. Hence, because of the lethal nature of tobacco products, mandatory CSR for industries as specified by Industrial Enterprise Act 2020, should be banned for tobacco companies.<sup>20</sup> The government should, instead, increase the tax on tobacco products, instead of accepting financial and in-kind support from TI by heading against tobacco control laws formulated by the government itself as increasing tax on tobacco can be the most cost-effective way to generate a sustainable source of income for the government and reduce consumption of tobacco products.

## Recommendations:

The following recommendations are strongly advised to implement immediately in order to prevent CSR and Sponsorship related activities of the Tobacco Industry in Nepal and protect general people's health from the Tobacco Industry's vested interest;

- ✚ Ensure consistent and comprehensive implementation of tobacco control regulations that ban the Tobacco Industry from conducting CSR and sponsorship, in any form.
- ✚ TI must be banned and refrained from mandatory 1% of profit to spend on CSR activities as specified by Industrial Enterprise Act 2020 i.e. mandatory CSR activities not be applied to the tobacco industry due to the lethal nature of tobacco products.
- ✚ Instead of accepting financial donations, medical supplies, and other in-kind support from Tobacco Industry during the earthquake and COVID-19 pandemic, the Tax on Tobacco Products should be significantly increased to the level recommended by WHO since Nepal levies the lowest tax rate on tobacco as compared to other south Asian countries and the collected fund should be used for tobacco control activities and public health promotions.
- ✚ Government officials from all the 753 local levels, including doctors and tobacco control inspectors, must be empowered and their capacity is to be strengthened to reject TI's CSR and sponsorship in any form under any circumstance as TI primarily targets government institutions to conduct its CSR.
- ✚ Media and civil society must be engaged and a multispectral collaboration mechanism must be developed to educate and empower public and private academic institutions, sports clubs, and the general public to expose and boycott tobacco industry CSR and sponsorship.

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<sup>20</sup> <https://moics.gov.np/uploads/shares/laws/Industrial%20Enterprises%20Act%20%202020.pdf>



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