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In Prague on 11th June 2020

Dear Mr. Sassoli,

The European Parliament's Committee on Budgetary Control ("**Committee**") recently organised a fact-finding mission to the Czech Republic aimed at obtaining more information on the measures taken by the Czech authorities to prevent conflict of interest situations and to comply with the EU regulatory framework concerning structural funds and agricultural policy ("**Mission**").

The Committee subsequently published a Draft Report¹ ("**Report**") in which it made several remarks also *vis-à-vis* our company AGROFERT, a.s. ("**Agrofert**"). As a company controlling around 230 subsidiaries operating in several sectors, including agriculture, food, chemistry and media, and providing work to more than 33 thousand employees in several Member States of the European Union, Agrofert supports any initiative aimed at ensuring a fair and lawful distribution of public funds, to which it substantially contributes every year through various taxes and levies. However, for the reasons described below, Agrofert has serious doubts whether the Committee's work could bring the European institutions any closer to that goal.

First of all, it should be noted that the Committee intervened in an unfinished enquiry launched by the European Commission concerning the compliance of the Czech management and control systems with the regulatory framework related to the measure to avoid conflicts of interest ("**Audit**").² To the best of our knowledge, the follow-up talks between the European Commission and the Czech Republic concerning the results of the Audit are still ongoing, and the Mission could thus be perceived as a political attempt to influence the independence of the officers of the European Commission who are handling this matter.

Secondly, the conclusions reached by the Committee are manifestly wrong and unfounded. The Report asserts *inter alia* that the Czech Prime Minister, Mr. Andrej Babiš, is "*still controlling the Agrofert company as a founder and the sole beneficiary of two trust funds,*" but no evidence supporting this assertion is presented. On the contrary, it clearly follows from the Report that members of the Committee did not attend a single meeting which would deal with this matter.

¹ See the Draft Report on the fact-finding mission of the Budgetary Control Committee (CONT) to the Czech Republic available at:

https://www.europarl.europa.eu/meetdocs/2014_2019/plmrep/COMMITTEES/CONT/DV/2020/05-07/CONT_Czech_Mission_Report_Feb_2020_EN.pdf

² The leaked Audit Report prepared by the European Commission in this connection is available at: <https://www.scribd.com/document/438372830/Denik-N-Finalni-verze-audit-u-o-st%C5%99etu-zajm%C5%AF-Andreje-Babi%C5%A1e-od-auditor%C5%AF-Evropske-komise>

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In fact, although Mr. Babiš originally owned Agrofert, he ceased to serve in any functions in this company after he entered politics and transferred all of his shares in Agrofert to two independently-run trust funds (“Trusts”). As a result, he has no influence on the management and operation of Agrofert group companies.

The Report recommends that the European Commission ensure that Agrofert “*does not receive EU funds until the Czech Prime Minister’s potential conflict of interests is fully resolved.*” It is, however, not clear what the potential conflict of interest to be resolved here in fact is.

It should first be noted that, by transferring all of his shares in Agrofert to the Trusts, Mr. Babiš lost ownership and control rights over Agrofert, which are now exercised solely and exclusively by the trustees of these funds, none of which is Mr. Babiš or any member of his family. As a second point, there is not a single case where any of the persons acting for or on behalf of the Czech managing and controlling bodies involved in the provision of subsidies would be found biased or in a conflict of interest situation in relation to subsidies granted to Agrofert group companies.³

It should be stressed that Agrofert, just as any other company or individual active in the agriculture and food sectors, is currently facing major challenges related to climate change, droughts and recently also the negative repercussions of the COVID 19 pandemic in Europe. Now more than ever Agrofert will need substantial investments to overcome and adapt to these circumstances. Being prevented from receiving any subsidies from EU funds will severely and unduly disadvantage Agrofert towards its competitors, many of which are also large enterprises. This “punishment” is even more absurd considering that there is no evidence whatsoever of Agrofert companies using EU funds in contrariety with its objectives. On the contrary, the subsidies granted to Agrofert companies in the past were used *inter alia* to bolster sustainable management of natural resources, implement climate-related measures, undertake research activities and enhance more balanced rural development. The Audit did not even identify in this respect any misconduct attributable to Agrofert companies, even though these subsidies are currently one of the most scrutinized in Europe.

Up to now, Agrofert has been in fact one of the leaders of the CEE region in implementing various environmental measures, and its companies have invested more than 400 million euros in recent years to make its business even more sustainable and environmentally friendly. Agrofert’s chemical plants alone decreased the production of sulfur dioxide and nitrogen oxides by 51 % and 27 % between 2009 and 2018, respectively, and provided that we endure current attacks on our business, further substantial improvements are to be realized in the following years to achieve goals set out by the EU Green Deal.

Furthermore, Agrofert strongly opposes being associated with “*oligarch structures*” as the Report wrongly suggests. In this respect, members of the European Parliament shall be reminded that the competent Czech administrative authorities have in fact already issued a final, binding and enforceable decision according to which Mr. Babiš does not exercise any control over Agrofert companies. Neither Mr. Babiš nor his political movement should therefore be associated with the operations of Agrofert.

Moreover, the language used by the Committee in respect of large enterprises leaves us wondering when did single ownership of a large amount of property become reprehended in the European Union. It is our belief that the European Union is founded upon rule of law principles, including respect to private ownership.

³ Ibid.

For these reasons, the members of the European Parliament should assess the contents of the Report rather cautiously and give due consideration to any proposals made in connection with this material. Agrofert, which is regularly ranked as one of the most admired companies and employers in the Czech Republic, finds it regrettable that its good reputation and long-standing business tradition, which it has built over several decades, is now being threatened by political quarrels and personal animosities of some members of the Mission towards the Czech Prime Minister, who has, however, no longer any control or influence over our company.

Yours faithfully



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Chairman of the Board of Directors
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