

Industry Consultation Summary



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Industry Consultation Plan

Acknowledging the importance of industry participation to access information and perspectives on company behavior as well as strengthen the practical design of the Index, the Index team has laid out the consultation plan below.

Ranked companies are given the opportunity to review and comment on proposed indicators, methodology (including weighting and per stick equivalent calculation) and the data that will be used for scoring and ranking. Companies are also invited to ask any clarifying questions related to the vision of the Index, funding and governance, and the development and research process. Four key phases have been identified in the consultation with tobacco companies:

1. Introductory Letter and Preliminary Index Design
2. Preliminary Index Methodology
3. Formal Data Request
4. Data Validation

For each phase, companies are given an opportunity to review, comment and relay feedback. Multiple touch points across these four phases and extensive communication with updates throughout this iterative process, help to reinforce a collaborative approach to Index development. Feedback is strongly encouraged, even if final determination of the methodology and scoring of the companies is at the sole discretion of the Index team, including Euromonitor International and SustainAbility. Apart from written feedback, the Index team has also offered conference calls to provide companies with the opportunity to share more details on their feedback, ask questions directly to the Index team and have a productive conversation. The nature and content of all interaction with tobacco companies will be available for public review via the Index website.

The timeline below sets out key milestones in the process.¹

1	Introductory letter and Preliminary Index Design	Nov 11	Preliminary Index Design with draft indicators released to companies
		Nov 11-Dec 6	Companies share written feedback and/or questions via email
		Jan 17	Companies receive consolidated reply from Index Team
		Feb 3 – Mar 6	Consultation via conference call as needed to answer questions related to Preliminary Index Design

¹ Please note that dates indicated are subject to change as the process develops.

2	Preliminary Index Methodology	Mar 9	Preliminary Index Methodology including updated list of indicators, weightings and per-stick equivalent model shared with companies
		Mar 9 – Apr 3	Companies share written feedback on Preliminary Index Methodology
		Apr 6 – May 1	Consultation via conference call as needed to answer questions related to Preliminary Index Methodology
		May 1	Companies receive consolidated reply from Index team
3	Formal Data Request	May 4	Formal data requested, and companies invited to provide their responses via a secure data collection platform following the signing of NDAs
		May 4 – May 29	Consultation (via email or phone conference) as needed to answer questions related to data verification and/or the collection process
		May 29	Deadline for companies to share data for inclusion in the Index
4	Data Validation	Jun 8	Final data set (including publicly available and/or company-provided data) shared with each company
		Jun 8 – Jun 29	Companies review data informing the preliminary score and propose clarification of any discrepancies
		Sep 2020	Final Index published

Company Response

An extensive list of contacts was assembled for each company by reviewing company websites and leveraging networks in the tobacco industry. Following the introductory email from the Foundation for a Smoke-Free World, Euromonitor International reached out to companies via an Index-specific email address (tobaccotransformationindex@euromonitor.com). Each company received an introductory email and Preliminary Methodology (November 11), multiple follow-up emails (January 10, January 24), and phone calls to confirm addresses and receipt of the messages (January 27 – February 7). For companies located in non-English speaking countries, Euromonitor International leveraged its network of in-country researchers working on the project to reach out to companies via phone.

An additional consultancy was engaged to contact CNTC. However, due to the evolving COVID-19 situation in China, they were unable to fulfill their role. As such, Euromonitor International took over consultation with CNTC and only contacted the company in April 2020.

Half of the companies contacted replied to the invitation to engage on the Tobacco Transformation Index. Four companies have shared feedback on Index design, three of whom accepted further engagement via conference call. Each company had a separate call with the Index team to discuss the schedule for consultation; feedback on categories, subcategories, and indicators; and any specific questions about the Index program. All conference calls resulted in an open and productive discussion; companies shared inputs beyond the initial feedback and noted the collaborative and constructive spirit of the consultation. The company feedback process was facilitated by Euromonitor International on an individual basis, allowing for no interaction among companies. Given the strict principles of transparency and accountability, the Index team has communicated to tobacco companies that the timing, nature, and content of interactions with companies will be publicly disclosed. Consultation summaries were shared with participating companies after the conference calls and have been included in the Industry Consultation Summary.

Some of the companies that decided not to participate did relay some support for the cause of the Index while others shared concerns around the current vision and objective of the Index. Euromonitor International has offered to share subsequent material and requested opportunities to discuss in more detail, via conference call, to encourage future participation.

All companies, whether participating or not, will continue to receive follow-up emails and updated material such as the Preliminary Index Methodology, unless they have expressly asked to be excluded from this process.

While certain companies have voluntarily and independently provided feedback regarding the Index, this is not indicative of actual or intended coordination. The Index development process includes safeguards to ensure that data is not shared between competitors.

Consultation Summaries

British American Tobacco (BAT)

Monday, February 3, 2020

1:15PM-2:00PM GMT / 8:15-9:00AM EST

Topics Discussed

1. Introduce team and process

- All participants on the call introduced themselves.
- Context was provided for the project.

2. Discuss feedback for draft indicators

BAT highlighted several headline concerns that it also shared via written feedback, namely:

- a. The need for science-based classification of potentially reduced-risk products.
- b. Potential bias towards competitors' business models.
- c. Degree of subjectivity that could impede the establishment of a level playing field and request for more clarity around weights.
- d. Philosophy implied by underlying questions – reduction in cigarettes versus increase in potentially reduced-risk products.
- e. The need to think holistically about the reduction in cigarettes, with two examples:
 - BAT suggested that one indicator of a company's commitment would be its efforts to combat illicit trade.
 - Consider other measures for agricultural transition.

Other comments included:

- Improve precision of language: e.g. total nicotine vs. total tobacco, high-risk and low-risk products.
- Reconsider indicators focused on pricing: these may not be very useful, since pricing is dictated by the local market and other measures (e.g. volume sales) are likely better indications of the impact sought by the Index.
- Also consider attempts to advocate for sensible regulations and standards development.

3. Discuss next steps

- Company feedback will be considered in concert with other stakeholder feedback received through the consultation process.
- Detailed design and methodology reports to be released in advance of Index publication.
- The Foundation has commissioned a scientific literature review which will inform classification of product types according to relative risk.
- Companies will be given a further opportunity to provide feedback before final questions and weightings are determined.

Swedish Match

Friday, February 7, 2020

1:00PM-2:00PM GMT / 8:00-9:00AM EST

Topics Discussed

1. Introduce team and process

- All participants on the call introduced themselves.
- Context was provided for the project.
- Swedish Match stated openness to the Index process.

2. Discuss feedback for draft indicators and definitions

- a. Level of harm across different categories and volume conversion:
 - Acknowledged that it is difficult to identify a robust classification of harm across the different nicotine and tobacco products, given the limited scientific research available.
 - Suggested moist snuff should be classified as reduced-risk and differentiated from Asian-style chewing tobacco.
 - Highlighted limitations of using nicotine content as a key metric for conversion, as actual intake depends on delivery system.
- b. Concerns regarding company data and reporting:
 - Questioned how currency conversions would be accounted for, with it being confirmed that local currencies would be used.
 - Flagged anti-trust issues on sharing pricing and broader unwillingness to share data that are not already publicly available.
- c. Role of marketing in industry transformation:
 - Highlighted concerns about measuring marketing costs: tobacco companies operate in highly regulated markets, thus what would be classified as “marketing” in tobacco is not necessarily comparable with marketing activity in other industries; marketing expenditure on reduced-risk products does not necessarily indicate a long-term, sustainable commitment to industry transformation; may result in unintended consequences, such as youth and non-smoker initiation.
- d. Country Coverage:
 - Suggested Norway and Sweden offer strong “proof of concept” on reducing demand for cigarettes.
 - Questioned indicators around LMIC and HMIC countries and how the score will impact companies that are not present in LMICs.
- e. Stakeholder Engagement Process:
 - Discussion on the stakeholder engagement process and advisory panel structure.

3. Discuss next steps

- Company feedback will be considered in concert with other stakeholder feedback received through the consultation process.
- Detailed design and methodology reports to be released in advance of Index publication.

- The Foundation has commissioned a scientific literature review which will inform classification of product types according to relative risk.
- Companies will be given a further opportunity to provide feedback before final questions and weightings are determined.

Philip Morris International (PMI)

Tuesday, March 3, 2020

14:00 – 15:30 GMT / 10:00 – 11:30 EST

Topics Discussed

1. Introduce team and process

- All participants on the call introduced themselves.
- Context was provided for the project.

2. Discuss feedback of the Index

PMI highlighted several headline points, namely:

- a. Number of countries where reduced-risk products are offered is indicative of transformation.
 - Reviewed the idea behind reallocating resources away from cigarettes towards reduced-risk products.
- b. Important to note the share of reduced-risk and high-risk products.
 - Discussed cost related to sales force marketing expenditure, incentives to retail trade, etc.
- c. Discussion on marketing codes and company behavior.
 - Evaluating marketing activity across different companies can increase the subjectivity of the Index.
 - Limitations in terms of research of company behavior: transparency and level of commitment are weighted and will be published in conjunction with the final Index report.
 - The number of violations of the law and the company's marketing code help to evaluate company's behavior.
- d. Discussion on the rationale for inclusion of the countries and companies under scope.
- e. Acknowledgment that price is a complex area and is influenced by product development and marketing costs. Affordable price does not guarantee higher acceptance of switching by current high-risk product users.

Other comments included:

- There are different approaches from countries in promoting or providing a favorable legislative framework from reduced-risk products.
- Discussion on data quality if not all the 15 companies decide to participate and share data.
- Clarification on formal data request

3. Discuss next steps

- Preliminary Index Methodology to be sent in coming weeks.