



**TOBACCO  
TRANSFORMATION  
INDEX**

# **Regional Company Performance Americas**

July 2022

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# 1. Introduction

**The Tobacco Transformation Index (“Index”), launched in September 2020, ranks the 15 largest tobacco companies across 36 countries, with company scoring calculated at the consolidated level.**

Specifically, the Index assesses tobacco companies’ activities concerning:

1. Phasing out high-risk tobacco products<sup>1</sup>;
2. Developing and responsibly offering reduced-risk<sup>2</sup> alternatives to support current users to move away from high-risk products;
3. Preventing access and marketing of such alternatives to all non-smokers and non-users of high-risk products, especially youth, and;
4. Ensuring consistency of tobacco harm reduction activities across all markets of operation, within regulatory guidelines.

To accompany this consolidated perspective, **the need was identified during stakeholder engagement sessions to better assess company performance at the country level.**

Stakeholder engagement sessions were held before and [after the publication of the first Index in 2020](#), and again in the [summer of 2021](#). Stakeholders consulted were primarily from one of two groups: the investment community and researchers. Country-level regulation was a recurring theme. Stakeholders highlighted that local regulation, especially in terms of reduced-risk product (RRP – see Appendix for definitions) legality of sale and taxation, has a significant impact on tobacco company activity. A number of stakeholders noted that companies need to be assessed by the Index for the actions and outcomes under their control, rather than the result of external factors, while taking the country-level nicotine and tobacco regulatory context into account.

Stakeholders also noted that companies should be evaluated in terms of their activity in low-middle income countries (LMICs) versus high-income countries (HICs). Some tobacco companies are making progress towards tobacco harm reduction in HICs, where they stand to profit to a greater degree. However, they appear hesitant toward harm-reduction activities in LMICs, where the health urgency is often the greatest, but the potential financial gains are not. Others stressed that companies need to be assessed on their progress towards making RRP available at an affordable price point to consumers in LMICs and to economically disadvantaged consumers in HICs.

Therefore, it was determined that additional analysis at the country level could spotlight specific actions by individual companies in certain markets. This report series was designed to address this stakeholder feedback.

Companies should be assessed with the country-level context taken into consideration.

<sup>1</sup> See [Product Scope](#) section within the Appendix (Page 26) for definition of “high-risk” products for the purposes of this report.

<sup>2</sup> See [Product Scope](#) section within the Appendix (Page 26) for definition of “reduced-risk” products for the purposes of this report.

## Scope

This report is the third in a series of four reports which will assess the 15 tobacco companies in the Index at a country level. The analysis will be published across a series of four reports for ease of reading. The 36 countries assessed as part of the Index account for approximately 85% of the current global population of adult smokers. The first report was focused on 13 countries in the Asia Pacific region, while the second report focused on the Middle East and Africa region and covered six countries. This third report focuses on 5 countries in the Americas region:

1. Argentina
2. Brazil
3. Canada
4. Mexico
5. United States

The remaining 12 countries which form part of the global Index will be assessed in the final regional report (Europe). This report uses Euromonitor Passport data from 2020, in order to achieve a consistent data set across the four reports in the series.

## Report structure & objectives

The first section of this report **describes the nicotine and tobacco regulatory context of each country**. The Index recognizes that the regulatory context varies significantly from country to country, and that this variation affects individual companies' strategies, performance, and ultimate pathways to industry transformation.

**This report does not generally consider non-regulatory factors as part of the country context assessment (except for a country's disposable income per capita)**. The Index is evolving, and it is envisioned that non-regulatory factors will play a greater role in future analysis and reports. In terms of trade, this and all reports in the series address products legally marketed and sold, and officially offered by companies. Products in de-facto circulation, including illicit products, are not addressed in this report series.

The second section of this report **assesses company performance** through the lens of the country-level nicotine and tobacco regulatory context. In doing so, this report builds further on the consolidated or global Index by covering the nuances of company performance at a country level.

The purpose of this report is to provide observations of company activity at a country level, within that country's nicotine and tobacco regulatory context. The report does not provide recommendations to companies but focuses rather on observations. A separate report may be developed after this series, offering recommendations as to how companies can go further in individual countries to advance the harm reduction agenda.

## 2. Summary

### **Restrictive or uncertain regulatory environments correlate with limited reduced-risk activity**

In two of the countries in the Americas region under review – Brazil and Mexico – half or fewer of the six reduced-risk categories are legal, and in 2020<sup>3</sup> vaping products were banned in both countries.

The situation was exacerbated in Mexico by recent changes in legislation. In 2020, a presidential decree banned all vaping products, meaning Philip Morris International Inc (PMI) withdrew its heated tobacco products in the country and British American Tobacco Plc (BAT) exited cartridges. The Supreme Court initially ruled that heated tobacco products should be excluded from the decree, but a further Presidential decree, in October 2021, appeared to overrule the action. The regulatory situation remains unclear.

In Argentina, there is a lack of legislation regarding reduced-risk products, and while technically four categories are allowed, only NRT products are commercialized.

In Canada and the US, all reduced-risk categories are legal. However, in the US in May 2016, the US Food and Drug Administration (FDA) Deeming Regulation extended its authority to regulate cigars, pipe tobacco, hookah tobacco and e-vapor products, deeming them to be subject to the Federal Food, Drug, and Cosmetic Act.<sup>4</sup> Therefore, all e-vapor product manufacturers are required to file a PMTA (Pre-Market Tobacco Application) for each product they wish to commercialize.

### **Disposable income per capita correlates strongly with RRP presence**

Company presence in reduced-risk products is concentrated in the higher income countries of Canada and the US. In Canada, four of the eight companies under review offer reduced-risk products at the time of writing, while in the US seven companies offer reduced-risk products.

This behavior contrasts strongly with Argentina and Brazil, two countries with much lower average disposable income levels. In Argentina, despite four reduced-risk product categories being legal, none of the companies under review offer reduced-risk products at the time of writing. The lack of reduced-risk product availability is also the case in Brazil (although only two reduced-risk product categories are legal there). Companies have made efforts to offer reduced-risk products in Mexico, although regulatory uncertainty has made the situation challenging.

### **Multinational players maintain high-risk presence**

The leading multinational players have maintained their positions in high-risk products across the Americas region. External factors, notably the COVID-19 pandemic, have impacted sales. Companies have in some cases adopted strategies aimed at increasing or maintaining market share of high-risk products, with, for example, new product launches in areas such as flavored cigarettes.

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<sup>3</sup> This report uses Euromonitor Passport data from 2020, in order to achieve a consistent data set across the four reports in the series

<sup>4</sup> US Food and Drug Administration (FDA). (2016). The “Deeming Rule” – New Requirements for Tobacco Retailers

## 3. Nicotine & Tobacco Regulatory Context

### Purpose

When assessing a nicotine and/or tobacco company's contribution toward accelerated industry transformation, it is necessary to consider the regulatory country-level context in which that company is operating. Certain factors, as highlighted below, play a role in a company's ability to offer reduced-risk products to help transition smokers from combustible to non-combustible forms of nicotine consumption, as part of the long-term goal of ending smoking completely.

### Criteria

The following set of metrics has been incorporated into the country context analysis:

#### 1. Nicotine and Tobacco Regulatory Context

The Index recognizes that the context in which companies operate varies significantly from country to country, and that this affects individual companies' strategies, performance and ultimate pathways to industry transformation. While this variation should not limit the industry in pursuing tobacco harm reduction strategies, it should be considered when conducting a wider analysis of the context in which companies operate.

- a. **Reduced-Risk Product Legality of Commercialization:** The legal status of reduced-risk products is a crucial factor to consider. Ultimately, tobacco companies cannot offer reduced-risk products in countries where the sale of those products is banned or heavily restricted. This analysis therefore takes into account the legal status of reduced-risk products when assessing company performance at a country and regional level.
- b. **Reduced-Risk Product Taxation:** The overall tax burden applicable to reduced-risk products in a country is another key factor to consider. This analysis considers the overall tax burden of reduced-risk products in a country, and how this compares with the tax burden for high-risk products.
- c. **Ability to Market Reduced-Risk Products:** In certain instances, despite the legality of reduced-risk product commercialization, tobacco companies are unable to market, or are severely limited in the extent to which they can market, reduced-risk products, making it challenging to transition smokers to reduced-risk products as a means of harm reduction.

2. **Disposable Income Per Capita:** Economics is another factor for consumers to consider in transitioning to reduced-risk alternatives if they are unable to quit consumption of high-risk products. Disposable income per capita impacts the ability of smokers in a country to be able to afford reduced-risk products. This analysis considers the average disposable income levels in a country as part of the overall country-level context.

## Approach

Each of the 36 countries included in the global Tobacco Transformation Index was ranked based on each of the below metrics.

### 1. Nicotine and Tobacco Regulatory Context

- a. **Reduced-Risk Product Legality of Commercialization:** The number of reduced-risk products which can be legally sold, out of the six categories defined as part of the Tobacco Transformation Index (cartridges, e-liquids, heated tobacco, non-tobacco nicotine pouches, NRT products, Swedish-style snus).
- b. **Reduced-Risk Product Taxation:** The highest-taxed reduced-risk product in the market (total tax burden, as a percentage of the average retail selling price).
- c. **Ability to Market Reduced-Risk Products:** The number of channels in which legal reduced-risk products are allowed to be marketed per country. (Advertising in press and other printed media, advertising on radio, audiovisual commercials, retail product display, advertising in stores).

### 2. Disposable Income Per Capita: Average disposable income levels.

The ability to legally sell reduced-risk products influences companies' actions at the country level.

## Country Context & Company Activity<sup>5</sup> Summary

With the above analytical framework in mind, it is important to look closely at the specific nicotine and tobacco regulatory context of each of the five countries<sup>6</sup> in the Americas region in turn, and how tobacco and nicotine companies have responded to them.

**Figure 1: Country Context – Key Nicotine and Tobacco Regulation, and Disposable Income**

### Americas: Country Context (Key Nicotine and Tobacco Regulation)

		RRP Legality of Commercialization (out of 6)	RRP Taxation (average overall tax burden)	Ability to Market RRP (out of 30)	Disposable Income Per Capita (USD, 2020)
Mexico		1	-	1	6,265.9
Brazil		2	36%	0	4,601.1
Argentina		4	18%	6	5,404.8
Canada		6	18%	10	23,770.0
USA		6	31%	5	48,293.1

High Barrier

Medium Barrier

Low Barrier

*Source: Tobacco Transformation Index 2021 Country Fact Sheet*

*Approach: See Appendix – Country Context Approach, for more details*

*Note: Countries are ordered by lowest to highest number of legal reduced-risk products*

### Argentina

#### Country Context

Four reduced-risk product categories are legal in Argentina – non-tobacco nicotine pouches, heated tobacco, NRT products and Swedish-style snus. Despite the legality, the only reduced-risk category commercialized in Argentina at the time of research is NRT products. The National Administration of Food, Drugs and Medical Technology has banned the marketing and use of electronic cigarettes. For most reduced-risk products, marketing activities are banned or restricted. However, the retail display of NRT products is allowed, as is all marketing for non-tobacco nicotine pouches. Average taxation rates for reduced-risk products are considerably lower than the taxation rate for cigarettes (the latter having a total average tax burden of 65.9%).

#### Company Activity

None of the companies under review sold reduced-risk products in Argentina in 2020. In high-risk products, British American Tobacco Plc (BAT), Imperial Brands Plc (Imperial), Japan Tobacco Inc (JTI), Philip Morris International Inc (PMI) and Swisher International Group Inc (Swisher) all recorded a presence in the market in 2020.

<sup>5</sup> This analysis focuses on official company presence in each country at the time of writing. Brands in de facto, and/or illicit, circulation in a country are not included, as the analysis is focused on official company activity.

<sup>6</sup> Countries are ordered alphabetically in this summary

## Brazil

### Country Context

In Brazil, two reduced-risk products are legal – NRT products and Swedish-style snus. All marketing activity for NRT products is restricted. For Swedish-style snus, marketing activity is banned, with the exception of advertising in retail outlets. Taxation rates for NRT products are 9.3%. Swedish-style snus is taxed at 63.1%, which is comparable to high-risk products. ANVISA's ( Agência Nacional de Vigilância Sanitária – National Agency of Health Oversight) 2009 resolution prohibits the commercialization, importation and advertising of any electronic smoking or vapor devices.<sup>7</sup>

### Company Activity

None of the companies under review sold reduced-risk products in Brazil in 2020. BAT, JTI, PMI and Swisher all sold high-risk products in Brazil in 2020.

## Canada

### Country Context

All six reduced-risk products are legal in Canada, although reviews are ongoing. At the time of writing, the federal government plans to impose nicotine strength restrictions on vaping products. Marketing activities for non-tobacco nicotine pouches and NRT products are unrestricted. At a national level, marketing activities for the other four categories are restricted or, in the case audiovisual commercials, completely banned. However, regulations vary across provinces. For example, Ontario bans the marketing of vaping products in convenience stores. Average taxation rates are 17.8% for reduced-risk products, which is considerably lower than the high-risk average of 54.1%.

### Company Activity

As of the end of 2020, BAT, JTI and PMI sold both reduced-risk and high-risk products in Canada, while Swedish Match AB (Swedish Match) only offered reduced-risk products. Altria Group Inc (Altria), Imperial, and Swisher sold high-risk products in the country but had no reduced-risk presence.

## Mexico

### Country Context

NRT products were the only reduced-risk category which were legal throughout 2020. Retail product displays for NRT products were unrestricted, while all other marketing activities were restricted. NRT products are not taxed in Mexico, while in comparison cigarettes have a total average tax burden of 70%.

The situation regarding heated tobacco was changeable throughout 2020 and 2021. In February 2020, a Presidential decree was issued to ban the import and trade of electronic nicotine and non-nicotine delivery systems, known as e-cigarettes and vaping devices.<sup>8</sup> Products related to these devices, such as heated tobacco devices, were also banned, as well as alternative nicotine products. Initially, on July 7, 2021, the Supreme Court ruled that heated tobacco would be excluded from the Presidential decree, temporarily making the products legal again. However, another Presidential decree, in October 2021, revoked the

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<sup>7</sup> ANVISA. (2009). RDC Resolution n° 46, of August 28, 2009.

<sup>8</sup> WHO Framework Convention On Tobacco Control (FCTC). Mexico prohibits the import of electronic cigarettes and heated tobacco products

Supreme Court ruling.<sup>9</sup> The new decree includes a ban on the import and export of liquids, blends, cartridges and detachable units. The changing legislative environment has created a regulatory grey area for the sale of heated tobacco in Mexico, which was still available in some physical and online stores at the time of writing.

### **Company Activity**

PMI sells both reduced-risk and high-risk products in Mexico following the reintroduction of its heated tobacco products in 2021. Given the latest Presidential decree, the future of its heated tobacco operations is unclear. BAT, JTI and Swisher were selling high-risk products in the country in 2020 but had no reduced-risk presence.<sup>10</sup>

## **United States**

### **Country Context**

All six reduced-risk categories are legal in the US. However, specific restrictions apply. In May 2016, the US Food and Drug Administration (FDA) Deeming Regulation extended its authority to regulate cigars, pipe tobacco, hookah tobacco and e-vapor products, deeming them to be subject to the Federal Food, Drug, and Cosmetic Act.<sup>11</sup> Therefore, all e-vapor product manufacturers are required to file a PMTA (Pre-Market Tobacco Application) for each product they wish to commercialize. In early 2020, the FDA announced its intention to prioritize enforcement against non-approved cartridge-based flavored e-cigarettes. By June 10, 2022, 42 Premarket Tobacco Product Marketing Granted Orders had been issued, while as of June 27, 2022, 263 MDOs (Marketing Denial Orders) had been issued.<sup>12</sup>

Marketing activities are unrestricted for NRT products. For other reduced-risk categories, all activities are restricted, and audiovisual commercials are completely banned in the case of Swedish-style snus. The average total tax burden for reduced-risk products in 2020, at 30.8%, was only slightly lower than the rate for cigarettes (37.8%).

### **Company Activity**

In 2020, Altria, BAT, Imperial, JTI, PMI, Swedish Match and Swisher sold both reduced-risk and high-risk products in the US. Djarum PT (Djarum) sold high-risk products in the country.

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<sup>9</sup> Ibid

<sup>10</sup> Euromonitor International Store Audit in April 2022 Mexico.

<sup>11</sup> US Food and Drug Administration (FDA). (2016). The “Deeming Rule” – New Requirements for Tobacco Retailers

<sup>12</sup> US Food and Drug Administration (FDA). (2022). Marketing Denial Orders.

## 4. Company Performance at Country Level

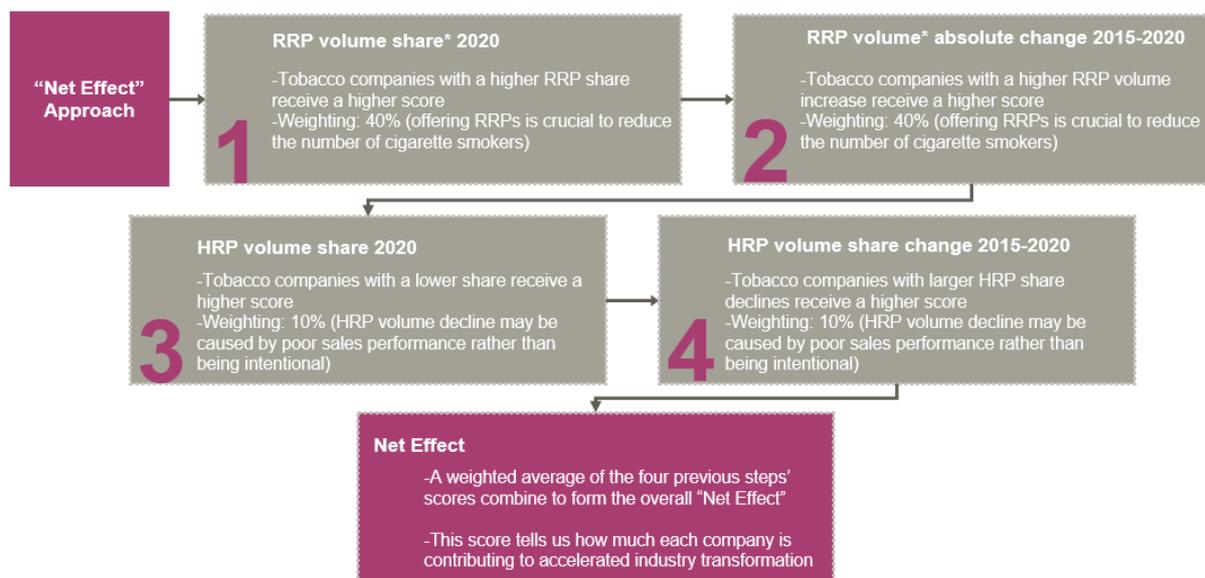
### Purpose

An analysis of company performance at the country level relative to peers gives an indication of a company’s proactive harm-reduction strategies, as it enables a comparison within the same operating environment. This analysis strategy mitigates to a certain degree (although does not fully eliminate) the impact of circumstance and historic geographic footprints, compared to analysis aggregated at a global level. The analysis allows us to understand what types of RRP (if any) companies are offering, in markets where those products can be sold legally.

**Note that this report does not generally consider non-regulatory factors as part of the country context assessment (except for of a country’s disposable income per capita).**

To achieve a direct comparison across companies, a “Net Effect” score is calculated from a set of criteria (see below), which measure a company’s impact on harm reduction.

### Criteria and Scoring Approach – Net Effect



RRP = Reduced-risk product / HRP = High-risk product. See appendix for category definitions.

Source of data used: Tobacco Transformation Index / Euromonitor Passport May 2021, data to end 2020

\*RRP/HRP Volume: Per Stick Equivalent conversion and Risk Spectrum weighting applied to sales figures taken from Euromonitor Passport. See appendix for further details.

See Appendix for further detail on approach to scoring

## Company Performance Summary

**Altria Group Inc (Altria)**<sup>13</sup> offers reduced-risk products in the US through heated tobacco, non-tobacco nicotine pouches, and Swedish-style snus. Altria's presence in heated tobacco is through IQOS, which in 2020 Altria sold under license for PMI. Following a suit filed with the International Trade Commission (ITC) by BAT, a cease-and-desist order was imposed by the ITC in September 2021 relating to IQOS Platform 1 products, resulting in IQOS becoming unavailable in the US.<sup>14</sup> In addition to this, Altria held a 35% stake in the cartridges brand JUUL. In June 2022, at the time of finalizing this report, the FDA had issued a Marketing Denial Order (MDO) for JUUL in the US.<sup>15</sup> In high-risk products Altria was the leading manufacturer in the US in 2020, although Altria's volume share of cigarettes declined moderately between 2016 and 2020. In Canada, Altria is the dominant player in US-style moist snuff ("dip").

**British American Tobacco Plc (BAT)** had a leading Net Effect score in the US and Canada in 2020 (page 28). In Canada, BAT was present in cartridges and heated tobacco. In the US, BAT sold cartridges, non-tobacco nicotine pouches and Swedish snus. BAT was previously present in cartridges in Mexico but withdrew following a presidential decree in February 2020 banning the products.<sup>16</sup> BAT had a presence in high-risk products in each of the countries under review in the Americas region in 2020. In cigarettes, BAT's performance was mixed in 2020, gaining volume share in Argentina and Mexico, losing share in Canada and the US, and remaining stable in Brazil.

**Djarum PT (Djarum)** sold high-risk products in the US (cigarillos), Argentina (cigars and cigarillos), and Brazil (cigarettes) in 2020. Djarum was not present in reduced-risk products.

**Imperial Brands Plc (Imperial)** had a reduced-risk product presence in the US through cartridges in 2020, although Imperial saw its volume share eroded significantly between 2016 and 2020. Imperial sold high-risk products in Argentina, Canada and the US. The US was Imperial's largest high-risk market, and it increased its cigarette volume sales in 2020, despite overall market decline. In Argentina, Imperial's cigarette sales were minor and fell in 2020, while it increased its volume share of cigars and cigarillos, although volume sales were relatively small. In Canada, Imperial was not present in cigarettes, but sold fine cut tobacco and cigars, and increased its volume share in both in 2020.

**Japan Tobacco Inc (JTI)** had a presence in reduced-risk products in Canada (heated tobacco) and the US (cartridges) in 2020. Between 2018 and 2020, JTI lost volume share in both categories. JTI had a presence in high-risk products in all of the markets under review in the region, although JTI was a relatively small player in cigarettes. In 2020, Canada was JTI's

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<sup>13</sup> Companies are ordered alphabetically in this summary

<sup>14</sup> Philip Morris International Inc. (2022). 2021 Fourth-Quarter Earnings Results

<sup>15</sup> US Food and Drug Administration (FDA website). FDA Denies Authorization to Market JUUL Products. Accessed June 27, 2022. <https://www.fda.gov/news-events/press-announcements/fda-denies-authorization-market-juul-products>

<sup>16</sup> WHO Framework Convention On Tobacco Control (FCTC). Mexico prohibits the import of electronic cigarettes and heated tobacco products

largest market in terms of cigarette volume share (8.6%), while in each of the other four markets JTI's share was below 5%.

**Philip Morris International Inc (PMI)** recorded sales in reduced-risk products in Canada in 2020, through heated tobacco, while its IQOS heated tobacco brand was sold under license by Altria in the US. However, as noted above, a cease-and-desist order was imposed by the ITC in September 2021 resulting in IQOS becoming unavailable in the US.<sup>17</sup> As noted above, PMI reintroduced IQOS in Mexico in 2021.

In high-risk products, PMI was present in all markets under review in the region in 2020, except for the US. In each of the other markets – Argentina, Brazil, Canada and Mexico – PMI was first or second in volume sales of cigarettes in 2020, although its market share in each country declined.

**Swedish Match AB (Swedish Match)** sold reduced-risk products in the US and Canada in 2020. In the US, Swedish Match was the market leader in non-tobacco nicotine pouches in 2020, while in Swedish-style snus Swedish Match was second in volume sales. Swedish Match was the only company with significant share in Swedish-style snus in Canada. However, in March 2019, Swedish Match announced its decision to exit the category, citing 'regulatory developments'.<sup>18</sup> The US was the only country in which Swedish Match sold high-risk products in 2020, (US-style moist snuff ("dip"), cigars and cigarillos).

**Swisher International Group Inc (Swisher)** had a reduced-risk presence in the US in 2020, having established a market share in the non-tobacco nicotine pouch category. In high-risk products, Swisher was present in the US, Canada, Mexico and Brazil. In the US, Swisher recorded market shares in cigars, cigarillos and US-style moist snuff ("dip"), while in Canada Swisher had a minor presence in cigarillos. At the time of research, Swisher also had a minor presence in cigars and cigarillos in Mexico and chewing tobacco in Brazil.

A full assessment of each company's activities in the region can be found on the following pages.

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<sup>17</sup> Philip Morris International Inc. (2022). 2021 Fourth-Quarter Earnings Results

<sup>18</sup> Swedish Match AB. (2020). Swedish Match Annual Report 2019

## Company Assessment<sup>19</sup>: Altria Group Inc (Altria)

### Americas Harm Reduction Summary: Altria Group Inc (Altria)

Country	Company HRP Presence	Company RRP Presence	Net Effect Ranking	Legal RRP Categories
 US	Yes	Yes	#6 (of 7)	6
 Canada	Yes	No	-	6

Source: Tobacco Transformation Index 2021 Country Fact Sheet, and Euromonitor Passport (published May 2021, data to end 2020).

**Net Effect Ranking:** Ranking of company at a country level, versus the other 14 companies assessed as part of the analysis. A company will not register a positive Net Effect score if it does not sell RRP in a country where at least two RRP categories are legal. See Appendix – Company Assessment for more details on Net Effect scoring.

**Legal RRP Categories:** Reflects the number of legal RRP categories in the country (out of a total of 6).

**Scoring note:** As Altria does not own a controlling stake of JUUL (35%) it is not included in these calculations.

*Note: The above table focuses on regulatory factors but does not include non-regulatory factors that may limit a company's actions in a market. Some, but not all, of these factors are assessed in the analysis below.*

### Altria had a presence in three reduced-risk categories in 2020

Altria, which operates exclusively in the US and Canada, sold reduced-risk products in one country– the US – in 2020, and was present in three categories – heated tobacco, non-tobacco nicotine pouches, and Swedish-style snus. In addition to this, Altria holds a 35% stake in the cartridges brand JUUL, which recorded a 56.5% value share of the US closed vaping systems category in 2020 and a 61.4% value share of the Canadian closed vaping systems market. Following Altria's acquisition of a stake in JUUL in 2018, Altria discontinued its MarkTen cartridges brand. In June 2022, at the time of finalizing this report, the FDA had issued a Marketing Denial Order (MDO) for JUUL in the US.<sup>20</sup>

In volume terms, On! became Altria's biggest reduced-risk brand in the US, accounting for an 8.1% volume share of non-tobacco nicotine pouches in 2020. The overall category grew in 2020, as leading brands discounted and expanded their e-commerce distribution.

Swedish-style snus was Altria's second largest reduced-risk category in volume terms, through its brands Skoal and Marlboro, which recorded volume shares in 2020 of 3.1% and 2.8%, respectively.

Altria's presence in heated tobacco in the US in 2020 was through IQOS, which Altria sold under license for PMI. The September 2021 cease-and-desist order discussed above resulted in IQOS becoming unavailable in the US.<sup>21</sup>

<sup>19</sup> Companies assessed in alphabetical order

<sup>20</sup> US Food and Drug Administration (FDA website). FDA Denies Authorization to Market JUUL Products. Accessed June 27, 2022. <https://www.fda.gov/news-events/press-announcements/fda-denies-authorization-market-juul-products>

<sup>21</sup> Philip Morris International Inc. (2022). 2021 Fourth-Quarter Earnings Results

Altria was present in high-risk products in both the US and Canada in 2020. Altria's presence in Canada was limited to US-style moist snuff ("dip"), where Altria recorded a 99.6% volume share.

In the US, Altria was the market leader in cigarettes where Altria held a 46.2% volume share in 2020. Altria's volume share has been relatively stable over the last 10 years, but its 2020 volume share declined compared to 2016. In 2020, despite a volume decline, Altria's reported revenue increased as it implemented a modest price increase.

Altria was also the market leader of US-style moist snuff ("dip") in the US in 2020, with a volume share of 52.8%. In cigars, Altria was third in volume sales in 2020, with a 20.5% share.

## Company Assessment: British American Tobacco Plc (BAT)

### Americas Harm Reduction Summary: British American Tobacco Plc (BAT)

Country	Company HRP Presence	Company RRP Presence	Net Effect Ranking	Legal RRP Categories
 Canada	Yes	Yes	#1 (of 7)	6
 US	Yes	Yes	#1 (of 7)	6
 Argentina	Yes	No	-	4
 Brazil	Yes	No	-	2
 Mexico	Yes	No	-	1

Source: Tobacco Transformation Index 2021 Country Fact Sheet, and Euromonitor Passport (published May 2021, data to end 2020).

**Net Effect Ranking:** Ranking of company at a country level, versus the other 14 companies assessed as part of the analysis. A company will not register a positive Net Effect score if it does not sell RRP in a country where at least two RRP categories are legal. See Appendix – Company Assessment for more details on Net Effect scoring.

**Legal RRP Categories:** Reflects the number of legal RRP categories in the country (out of a total of 6).

*Note: The above table focuses on regulatory factors but does not include non-regulatory factors that may limit a company's actions in a market. Some, but not all, of these factors are assessed in the analysis below.*

### BAT led harm reduction efforts in two markets in the Americas region

BAT was present in reduced-risk products in two of the countries under review in 2020 – Canada and the US – and led harm reduction in both.

In Mexico, BAT had previously launched its Vype cartridge brand, but following the 2020 Presidential decree banning the import and trade of electronic nicotine and non-nicotine delivery systems, BAT withdrew.

In Canada, BAT was second in cartridges in 2020, behind JUUL Labs Inc, recording a 29.8% value share of the closed vaping systems category, which was an increase from 23.9% in 2018. BAT was also second in heated tobacco with a 5.8% volume share, although this was down from 9.8% in 2018, with the category leader PMI increasing its market share.

In the US, BAT was the market leader in Swedish-style snus, accounting for an 80.4% volume share in 2020. In cartridges, BAT was placed second in 2020, behind JUUL, and posted an 18.2% value share of closed vaping systems. In October 2021, through its US subsidiary RJ Reynolds Vapor Company, BAT received Premarket Tobacco Marketing Granted Orders for power units and replacement cartridges for its Vuse brand, including the Solo variant. BAT received further orders related to Vuse Ciro and Vibe in May 2022.<sup>22</sup>

In 2020, BAT was also present in non-tobacco nicotine pouches in the US, where its brand Velo was fourth with a 6.3% volume share.

<sup>22</sup> US Food and Drug Administration (FDA). Premarket tobacco applications. Accessed May 30, 2022

## **BAT was present in high-risk products in all Americas markets under review**

The US was BAT's largest market for cigarettes in 2020, where it was second in volume sales, recording a volume share of 34.9%, which has remained relatively stable since BAT acquired Reynolds America Inc in 2017. BAT also ranks second in US-style moist snuff ("dip"), with a volume share of 34.5%. BAT was third in fine cut tobacco, recording a volume share of 19.1%, up from 14.5% in 2017.

In Canada, BAT was the leading cigarette manufacturer in 2020, recording a 47.9% market share, although this was down from 51.5% in 2019, as some consumers with economic concerns during the COVID-19 pandemic traded down to lower priced products sold by smaller manufacturers. BAT was also present in fine cut tobacco in Canada in 2020, with a 10.0% volume share.

In Brazil, BAT was the dominant cigarette manufacturer in 2020, accounting for 72.1% of volume sales, up from 71.0% in 2016. BAT was also the market leader in fine cut tobacco with a volume share of 83.9%, a share which had remained relatively stable since 2016.

In Argentina, BAT was the third largest cigarette manufacturer in 2020, recording a 14.8% volume share in 2020, up from 13.7% in 2019. BAT's rise in share was achieved as it responded quickly to COVID-19 supply issues by importing from Chile. BAT also rationalized its cigarette portfolio by discontinuing local brands, such as the brand '43 70', in favor of global brands. In cigarillos, BAT was first in 2020, with a volume share of 61.2%, and was also present in fine cut tobacco, accounting for 10.9% of the market.

In Mexico, BAT was the second placed cigarette manufacturer in 2020, accounting for a 31.7% market volume share, a share which increased year-on-year from 2016, when it was 27.5%. BAT's innovations in the category have included flavors, and its Pall Mall brand now includes a three-flavored capsule cigarette named Exotic Mix, offering a mixture of berries, citrus and spearmint.

## Company Assessment: Djarum PT (Djarum)

### Americas Harm Reduction Summary: Djarum PT (Djarum)

Country	Company HRP Presence	Company RRP Presence	Net Effect Ranking	Legal RRP Categories
 US	Yes	No	-	6

Source: Tobacco Transformation Index 2021 Country Fact Sheet, and Euromonitor Passport (published May 2021, data to end 2020).

**Net Effect Ranking:** Ranking of company at a country level, versus the other 14 companies assessed as part of the analysis. A company will not register a positive Net Effect score if it does not sell RRP in a country where at least two RRP categories are legal. See Appendix – Company Assessment for more details on Net Effect scoring.

**Legal RRP Categories:** Reflects the number of legal RRP categories in the country (out of a total of 6).

*Note: The above table focuses on regulatory factors but does not include non-regulatory factors that may limit a company's actions in a market. Some, but not all, of these factors are assessed in the analysis below.*

### Djarum lacks a reduced-risk presence

Djarum does not sell any reduced-risk products. Djarum had a high-risk presence in the US in cigarillos in 2020, in which it recorded a volume share of 4.3% in that year. This share remained relatively stable over the review period 2016-2020.

In Argentina, Djarum sells the Gold Seal cigars and cigarillos brand, although volumes sales were too small in 2020 to register a non-negligible market share.

In Brazil, Djarum sells clove cigarettes under the Black and L.A Menthol brands, although sales were negligible in 2020.

## Company Assessment: Imperial Brands Plc (Imperial)

### Americas Harm Reduction Summary: Imperial Brands Plc (Imperial)

Country	Company HRP Presence	Company RRP Presence	Net Effect Ranking	Legal RRP Categories
 US	Yes	Yes	#5 (of 7)	6
 Canada	Yes	No	-	6
 Argentina	Yes	No	-	4

Source: Tobacco Transformation Index 2021 Country Fact Sheet, and Euromonitor Passport (published May 2021, data to end 2020).

**Net Effect Ranking:** Ranking of company at a country level, versus the other 14 companies assessed as part of the analysis. A company will not register a positive Net Effect score if it does not sell RRP in a country where at least two RRP categories are legal. See Appendix – Company Assessment for more details on Net Effect scoring.

**Legal RRP Categories:** Reflects the number of legal RRP categories in the country (out of a total of 6).

*Note: The above table focuses on regulatory factors but does not include non-regulatory factors that may limit a company's actions in a market. Some, but not all, of these factors are assessed in the analysis below.*

### Imperial's reduced-risk presence in the America was limited to the US in 2020

In 2020, Imperial had a reduced-risk product presence in one of the countries under review in the region – the US – in cartridges, through its Blu brand. Imperial's value market share of the closed vaping system category has, however, declined significantly, from 15.6% in 2016 to 2.6% in 2020. In April 2022, Imperial's subsidiary Fontem US received several Marketing Denial Orders (MDOs)<sup>23</sup> for its MyBlu brand from the FDA. In response, Blu's website stated that it planned to appeal the decision.<sup>24</sup>

In the US, Imperial was the third largest cigarette manufacturer in 2020, registering a 9.8% market volume share, which had increased from 9.5% in 2016. In that year, Imperial also posted an increase in actual volume sales, despite ongoing market decline.

Imperial overtook Swisher in 2020 to become the leading cigar manufacturer in the US, accounting for a volume share of 27.8%, which had increased from 24.8% in 2016. Imperial was second in cigarillo volume sales, with its market share also increasing steadily since 2016. By contrast, Imperial's share of fine cut tobacco has been in decline, falling to 3.2% in 2020.

Elsewhere in the Americas, Imperial had a presence in Canada and Argentina in 2020. In Canada, Imperial was second in fine cut tobacco, through its Drum brand, and increased its volume market share each year since 2016 to reach 16.5% in 2020. Imperial also sold cigars in

<sup>23</sup> US Food and Drug Administration (FDA). FDA issues marketing denial orders to Fontem US for MyBlu products. Accessed June 21, 2022. <https://www.fda.gov/tobacco-products/ctp-newsroom/fda-issues-marketing-denial-orders-fontem-us-myblu-products>"

<sup>24</sup> Blu website. (2022). Accessed May 30, 2022. <https://www.blu.com/en/US/faqs/regulation/update-blus-response-to-fdas-marketing-denial-order>

Canada, and its volume share increased from 2.6% in 2019 to 2.9% in 2020. Imperial does not have a presence in cigarettes in Canada.

In Argentina, Imperial saw a marginal cigarette presence, recording a volume market share in 2020 of 0.2%. Imperial also sold cigars and cigarillos, achieving a 2.0% volume share in the former in 2020, and a 0.4% share in the latter, through its Phillies brand.

## Company Assessment: Japan Tobacco Inc (JTI)

### Americas Harm Reduction Summary: Japan Tobacco Inc (JTI)

Country	Company HRP Presence	Company RRP Presence	Net Effect Ranking	Legal RRP Categories
 Canada	Yes	Yes	#4 (of 7)	6
 US	Yes	Yes	#4 (of 7)	6
 Argentina	Yes	No	-	4
 Brazil	Yes	No	-	2
 Mexico	Yes	No	-	1

Source: Tobacco Transformation Index 2021 Country Fact Sheet, and Euromonitor Passport (published May 2021, data to end 2020).

**Net Effect Ranking:** Ranking of company at a country level, versus the other 14 companies assessed as part of the analysis. A company will not register a positive Net Effect score if it does not sell RRP in a country where at least two RRP categories are legal. See Appendix – Company Assessment for more details on Net Effect scoring.

**Legal RRP Categories:** Reflects the number of legal RRP categories in the country (out of a total of 6).

*Note: The above table focuses on regulatory factors but does not include non-regulatory factors that may limit a company's actions in a market. Some, but not all, of these factors are assessed in the analysis below.*

### JTI sold reduced-risk products in two of the markets under review in the Americas

JTI had a presence in reduced-risk products in two of the countries under review – Canada and the US – in 2020. In Canada, JTI sold heated tobacco through its Mevius brand, which has recorded volume growth each year since 2017, although its volume share of 1.8% has remained relatively stable between 2018 and 2020.

In the US JTI's presence in reduced-risk products was through cartridges and e-liquids. JTI's sales in cartridges have declined, with its value market share of closed vaping systems falling from 14.1% in 2015 to 1.8% in 2020. In 2022, JTI received Premarket Tobacco Marketing Granted Orders for a variety of components for its Logic brand, which covered its Regular, Vapeleaf and Pro variants.<sup>25</sup>

### JTI had a high-risk product presence in all five of the Americas markets under review

In high-risk products, JTI was a relatively minor player in the US in 2020, only present in cigarettes, with a 0.5% volume market share of the category. JTI's share of cigarettes was higher in Canada, at 8.6%, although this was a decline from 9.0% in 2019. Prior to this, its share had steadily risen since 2016. JTI also sold fine cut tobacco in Canada and recorded a volume market share of 12.7% in 2020.

JTI recorded a volume market share in the cigarette category in Mexico of 4.1% in 2020. Since 2018, JTI's market share has seen a marginal yearly increase; however, it remains significantly below its 2016 level of 7.6%.

<sup>25</sup> US Food and Drug Administration (FDA). Premarket tobacco applications. Accessed May 30, 2022

In Argentina, JTI's volume market share of cigarettes was 1.9% in 2020, a share which had declined from 3.0% in 2016. JTI also had a presence in fine cut tobacco with a 6.5% market volume share in 2020.

JTI was a minor player in the Brazilian cigarette market in 2020, recording a volume share of 0.9%. In 2020, JTI invested in "fine cut cigarettes" (known locally as "cigarro de palha"), introducing its Natural American Spirit brand in the category. These types of products are viewed as premium in Brazil, due to perceptions among many consumers of being less harmful than cigarettes.

## Company Assessment: Philip Morris International Inc (PMI)

### Americas Harm Reduction Summary: Philip Morris International (PMI)

Country	Company HRP Presence	Company RRP Presence	Net Effect Ranking	Legal RRP Categories
 Canada	Yes	Yes	#2 (of 7)	6
 Argentina	Yes	No	-	4
 Brazil	Yes	No	-	2
 Mexico	Yes	Limited Availability	-	1

*Source: Tobacco Transformation Index 2021 Country Fact Sheet, and Euromonitor Passport (published May 2021, data to end 2020).*

*Net Effect Ranking: Ranking of company at a country level, versus the other 14 companies assessed as part of the analysis. A company will not register a positive Net Effect score if it does not sell RRP in a country where at least two RRP categories are legal. See Appendix – Company Assessment for more details on Net Effect scoring.*

*Legal RRP Categories: Reflects the number of legal RRP categories in the country (out of a total of 6).*

*Note: The above table focuses on regulatory factors but does not include non-regulatory factors that may limit a company's actions in a market. Some, but not all, of these factors are assessed in the analysis below.*

### Legislation brings uncertainty to PMI's reduced-risk presence in the Americas region

In 2020, in the countries under review, PMI sold reduced-risk products in Canada and Mexico. In Mexico as stated above, PMI reintroduced IQOS in 2021.

PMI's reduced-risk presence in Canada in 2020 was in heated tobacco, where it was the market leader and recorded an 88.7% volume share. This was up from 66.1% in 2016.

In the US, in 2020, PMI's heated tobacco brand IQOS was sold under license by Altria. However, as explained above, the September 2021 cease-and-desist order resulted in IQOS becoming unavailable in the US. PMI has appealed the decision, but the future of IQOS remains unclear, and there are ongoing discussions between PMI and Altria over the contractual obligations of their IQOS agreement.<sup>26</sup>

In May 2022, PMI announced plans to acquire Swedish Match. As of the time of writing this report, the acquisition had not closed.

### PMI had high-risk product presence in four markets in the Americas

In cigarettes, PMI was the second largest manufacturer in Canada in 2020, with a 31.3% volume market share, although this was down from 32.8% in 2016. PMI was also present in fine cut tobacco and increased its volume market share in the category since 2016, to reach 37.4% in 2020.

<sup>26</sup> Philip Morris International Inc. (2022). 2021 Fourth-Quarter Earnings Results

PMI was the market leader in cigarettes in Argentina in 2020, recording a 59.8% volume market share, although this was down from 62.6% in 2016. The decline was particularly acute in 2020, as PMI was not able to respond to supply shortages caused by COVID-19 as quickly as its competitors. PMI also sold cigarillos in Argentina and recorded a 12.3% volume market share in 2020 through its Dorados brand.

In Mexico, PMI was the market leader in cigarettes in 2020, recording a 64.2% volume market share, which declined from 68.1% in 2017, having risen from 64.8% in 2016. During the review period, PMI launched Marlboro Shuffle in Mexico, which includes five different capsule flavors.

PMI was the second largest cigarette manufacturer in Brazil in 2020, recording a 22.4% volume market share, which reflected a small decline from a share of 22.5% in 2019. Previously, PMI's market share had been rising, with it being 20.3% in 2016.

## Company Assessment: Swedish Match AB (Swedish Match)

### Americas Harm Reduction Summary: Swedish Match AB (Swedish Match)

Country	Company HRP Presence	Company RRP Presence	Net Effect Ranking	Legal RRP Categories
 US	Yes	Yes	#2 (of 7)	6
 Canada	No	Yes	#3 (of 7)	6

*Source: Tobacco Transformation Index 2021 Country Fact Sheet, and Euromonitor Passport (published May 2021, data to end 2020).*

*Net Effect Ranking: Ranking of company at a country level, versus the other 14 companies assessed as part of the analysis. A company will not register a positive Net Effect score if it does not sell RRP in a country where at least two RRP categories are legal. See Appendix – Company Assessment for more details on Net Effect scoring.*

*Legal RRP Categories: Reflects the number of legal RRP categories in the country (out of a total of 6).*

*Note: The above table focuses on regulatory factors but does not include non-regulatory factors that may limit a company's actions in a market. Some, but not all, of these factors are assessed in the analysis below.*

### Swedish Match sold reduced-risk products in both markets in which it is present

Swedish Match had reduced-risk presence in two of the countries under review in 2020 – Canada and the US.

In the US, Swedish Match was the market leader in non-tobacco nicotine pouches in 2020, recording a 69.4% volume share, through its Zyn brand. New brands entered the category in 2020, which decreased Swedish Match's market share, but its volume sales increased by 145% versus 2019. The overall growth of the category was stimulated by discounting and e-commerce availability. Swedish Match was also present in Swedish-style snus in the US, where it was second with a volume market share of 10.2%, through its General brand.

Swedish Match recorded a 99.7% volume share of the Swedish-snus category in Canada in 2020; however, given regulatory developments, it announced in its 2019 annual report its decision to exit the category.<sup>27</sup>

Swedish Match's high-risk presence in the countries under review was restricted to the US in 2020, through cigars, cigarillos and US-style moist snuff ("dip"). In these categories, Swedish Match recorded a volume market share of 13.8% in cigars, 3.3% in cigarillos and 8.1% in US-style moist snuff ("dip"). Since 2016, Swedish Match's shares in these categories have remained stable, with small year-on-year fluctuations.

In May 2022, PMI announced plans to acquire Swedish Match. As of the time of writing this report, the acquisition had not closed.

<sup>27</sup>Swedish Match AB. (2020). Swedish Match Annual Report 2019

## Company Assessment: Swisher International Group Inc (Swisher)

### Americas Harm Reduction Summary: Swisher International Group Inc (Swisher)

Country	Company HRP Presence	Company RRP Presence	Net Effect Ranking	Legal RRP Categories
 US	Yes	Yes	#3 (of 7)	6
 Canada	Yes	No	-	6
 Brazil	Yes	No	-	2
 Mexico	Yes	No	-	1

Source: Tobacco Transformation Index 2021 Country Fact Sheet, and Euromonitor Passport (published May 2021, data to end 2020).

**Net Effect Ranking:** Ranking of company at a country level, versus the other 14 companies assessed as part of the analysis. A company will not register a positive Net Effect score if it does not sell RRP in a country where at least two RRP categories are legal. See Appendix – Company Assessment for more details on Net Effect scoring.

**Legal RRP Categories:** Reflects the number of legal RRP categories in the country (out of a total of 6).

**Scoring note:** Swisher describes E-Alternative Solutions (EAS) as an independent “sibling business” rather than implying it has a controlling interest. Therefore, it is not included in these calculations.

*Note: The above table focuses on regulatory factors but does not include non-regulatory factors that may limit a company’s actions in a market. Some, but not all, of these factors are assessed in the analysis below.*

### Swisher establishes a presence in reduced-risk products

Swisher was present in reduced-risk products in one market under review – the US – in 2020. In that year, Swisher established a position in non-tobacco nicotine pouches, recording a 9.6% market volume share, through its Rogue brand. Non-tobacco nicotine pouches was a fast-growing category in the US, characterized by discounting and the development of e-commerce. A number of companies entered the category in 2020, and Swisher was second in volume sales terms. Swisher has also established a partnership with E-Alternative Solutions (EAS) to support the marketing, sales and distribution of EAS’s Leap brand in vaping and e-cigarettes, which was launched in 2018.

In the US, Swisher was second in cigars in 2020, with a volume share of 27.6%, and first in cigarillos, with a volume share of 41.0%. Swisher’s share of cigarillos increased gradually year-on-year from 2016, when it was 36.0%, while in cigarillos Swisher’s market share remained relatively stable, with small year-on-year fluctuations. In US-style moist snuff (“dip”), Swisher recorded a market volume share of 0.5% in 2020.

Swisher had a minor presence in Canada in 2020, recording a market volume share in cigarillos of 0.2%. Swisher’s chewing tobacco products are available in Brazil, but its market share was negligible in 2020, with a similar situation in cigars and cigarillos in Mexico.

## **Companies not present in the Americas**

Seven of the companies covered by the Tobacco Transformation Index do not have a presence in the Americas: China National Tobacco Corp , Eastern CO SAE, Gudang Garam Tbk PT, ITC Limited, KT&G Corp, the Tobacco Authority of Thailand, and Vietnam National Tobacco Corp.

## 5. Appendix

### Country Context Approach

In Figure 1 of this report (page 8), four metrics were used to provide country context:

- **RRP Legality of Commercialization (out of 6)** – This metric represents the number of reduced-risk product categories that can be legally commercialized in a given market.
  - Cartridges
  - E-liquids
  - Heated tobacco
  - Non-tobacco nicotine pouches
  - NRT products (regulated under pharmaceutical legislation)
  - Swedish-Style snus (see page 25 “Product Scope” for full list of product definitions).
- **RRP taxation (average overall tax burden)** – The taxation rates represent the share of taxes as a percentage of the final price of each tobacco product. Taxes include tobacco-specific excise taxes, ad valorem taxes, retail taxes and other taxes, but exclude import tariffs. To calculate this figure, each country’s national tax rates are applied to the median price for each category of products. Median prices are ascertained during store audits, where product availability and pricing information is gathered during visits to various point-of-sale locations in each country, conducted between June and August 2021. For this specific metric, the tax burden of each individual (legal) reduced-risk product was taken and an average created across all reduced-risk products.
- **Ability to market RRPs (out of 30)** – This metric represents the number of channels through which reduced-risk products can be legally advertised in the market. The maximum is 30, since there are six total possible reduced-risk product categories, and five channels:
  - Advertising in press and other printed media
  - Advertising on radio
  - Audiovisual commercials (e.g., cinema, YouTube, TV)
  - Retail product display
  - Advertising in stores
- **Disposable income per capita** – The average level of disposable income across the population of a country, in US dollars, in 2020.

## Company Assessment Approach

Each company was assessed and given a “Net Effect” score per country, calculated as follows:

- Reduced-risk product volume share 2020 (40% weighting)
- Reduced-risk product volume absolute change 2015-2020 (40% weighting)
- High-risk product volume share 2020 (10% weighting)
- High-risk product volume share change 2015-2020 (10% weighting)

### Risk Classification

“Reduced-risk products” is an aggregate category which includes sales of cartridges, e-liquids, heated tobacco, Swedish-style snus, non-tobacco nicotine pouches and NRT products.

“High-risk products” is an aggregate category which includes sales of cigarettes, cigars, cigarillos, fine cut tobacco, pipe tobacco, shisha, moist snuff and chewing tobacco.

Each product’s position on the risk spectrum<sup>28</sup> was taken into account and volume sales adjusted to reflect this. Volume sales were also converted into per-stick equivalents, in order to sum up all categories to create the aggregates.

### Normalization

Given the disparate nature of the four data points that are taken into account in the Net Effect score, a normalization process was implemented. Company scores across the four metrics were aggregated according to the respective weighting and normalized on a scale of 0 to 5.

A Net Effect score of 0 means that a company is not making any harm reduction progress in that market, relative to competitors. A Net Effect score of 5 means that a company is making the most progress toward harm reduction in that market, relative to competitors.

### Country Context

If a company sells high-risk products in a market but does not sell any reduced-risk products, it automatically registers a Net Effect score of 0, as it is regarded as not contributing to harm reduction efforts. The exception to this is markets where no reduced-risk products are legal or where the only ones that are legal are NRT products, as in such markets it is not regarded as viable for tobacco companies to sell reduced-risk products. The reason for not taking into

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<sup>28</sup> Reduced-risk product definition based on [Relative Risk Hierarchy \(RRH\)](#) produced by Rachel Murkett et al, October 2020, based on a systematic review of the scientific literature and analysis of the best available evidence.

account the legality of NRT products is that they are commonly regarded as operating in the pharmaceutical sector, which tobacco companies have limited access to.

### Net Effect Calculation: Example

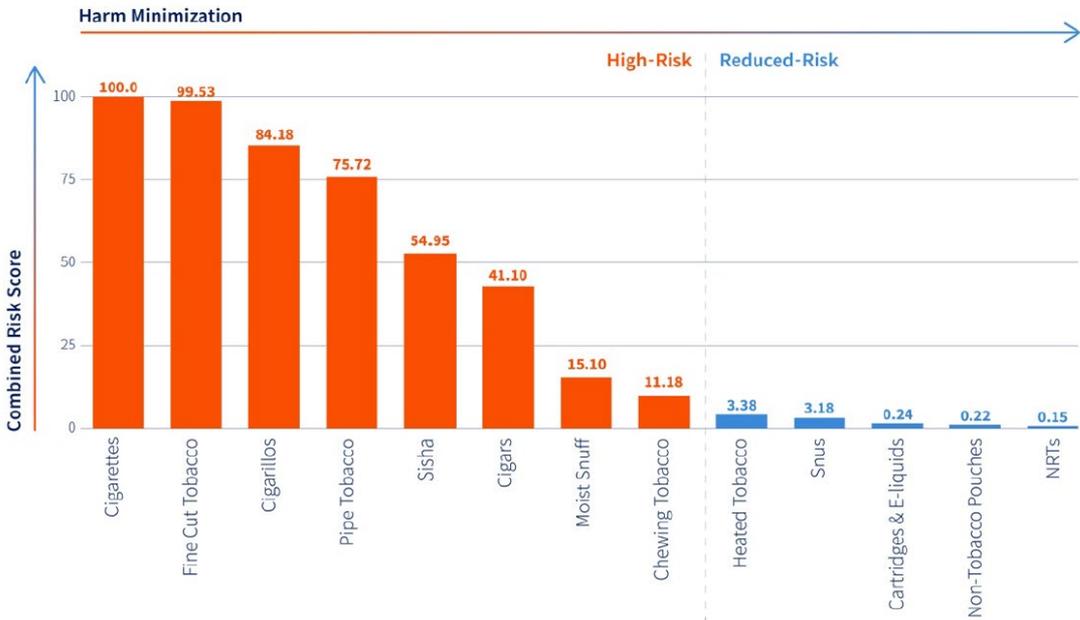
 Canada		RRP Volume Share 2020 (%)	RRP Volume Absolute Change 2020 vs 2015 (Millions Sticks)	HRP Volume Share 2020 (%)	HRP Volume Share Change 2020 vs 2015 (Percentage Points)	Net Effect (Normalized, 0-5)
British American Tobacco Plc		6.1%	+407.47	45.2%	-3.0	4.5
Philip Morris International Inc		1.1%	+74.01	30.6%	-0.5	1.0
Swedish Match AB		0.1%	-1.08	n.a	n.a	0.5
Japan Tobacco Inc		0.0%	+1.55	8.4%	+0.1	0.4
Altria Group Inc		n.a.	n.a	0.2%	0.0	0.0 (No RRP Presence)
Imperial Brands Plc		n.a.	n.a.	0.6%	0.0	0.0 (No RRP Presence)
Swisher International Group Inc		n.a.	n.a.	0.0%	0.0	0.0 (No RRP Presence)

Note: Showing companies included in the Index only. Excludes other tobacco companies present in the market which are not included in the Index.  
 "N.A" means company does not offer any products in category

# Product Scope

**High-risk products** – Combustible or other high-risk nicotine products, which include cigarettes, cigars, cigarillos, smoking tobacco, moist snuff, and bidis, as well as traditional smokeless tobacco, such as gutkha.

**Reduced-risk products** – Nicotine products that are considered to be less harmful than combustible cigarettes and/or other traditional products. Products that are potentially reduced-risk include vapor products (including open and closed vaping systems and their consumables, and heated tobacco), Swedish-style snus, NRT products, and non-tobacco nicotine pouches.



Murkett, R, Rugh, M & Ding, B (2020). *Nicotine Products Relative Risk Assessment: A Systematic Review and Meta-Analysis*.

Product	Type	Definitions	Per Stick Conversion
<b>High-Risk Products</b>			
<b>Chewing Tobacco</b>	Smokeless Tobacco	Chewing tobacco consists primarily of two types of product: Asian-style and US-style, available in those specific geographic areas; and other chewing tobacco available in all other markets.	1g = 0.7 cigarettes
<b>Cigarettes</b>	Combustible Tobacco	The definition of cigarettes for the purposes of the Index is duty-paid, machine-manufactured white-stick products. This product category also includes hand-rolled kretek cigarettes present in Indonesia, and other brands of cigarettes that do not use white paper. However, it excludes non-machine-manufactured products such as bidis/beedis (India) and papirosy (Russia), and other smoking products made with tobacco but that either do not resemble	

Product	Type	Definitions	Per Stick Conversion
		cigarettes as recognized in the US or Europe, or those that are not machine-manufactured.	
<b>Cigarillos</b>	Combustible Tobacco	Cigarillos are defined as miniature cigars, with a ring gauge of <29. Ring gauge is usually listed under a brand as Length/Ring and is a number indicating the circumference of the cigar's cross section and is enumerated in sixty-fourths of an inch ( $64/64 = 1$ inch). Length does not matter as much in determining cigarillo versus cigars, as some cigarillos can be quite long. However, six inches (15cm) is the maximum length a cigarillo tends to be.	1 unit = 5.4 cigarettes
<b>Cigars</b>	Combustible Tobacco	Cigars are made of tobacco wrapped in leaf as opposed to paper. The product varies considerably in terms of price, quality, and size. Different terms are used to describe the various types of cigar, depending on the country. Cigars generally consist of three sections: the filler, the binder and the wrapper. Cigars are defined as having ring gauges of 30 or more.	1 unit = 8.1 cigarettes
<b>Fine Cut Tobacco</b>	Combustible Tobacco	Fine cut tobacco is usually sold in plastic or foil pouches, metal tins or plastic tubs. It can also be flavored.	1g = 2.0 cigarettes
<b>Moist Snuff</b>	Smokeless Tobacco	Moist snuff is either loose or pre-portioned in miniature sized "teabag" pouches that are placed on the gum and sucked on. Moist snuff is distinguished from Swedish-style snus by its processing: moist snuff is fermented, compared to Swedish-style snus which is pasteurized (heat-treated).	1g = 1.4 cigarettes
<b>Pipe Tobacco</b>	Combustible Tobacco	Western-style pipe tobacco includes cut tobacco sold in packaged format for smoking in pipes and available in pouches, tins and cans.	1g = 3.2 cigarettes
<b>Shisha</b>	Combustible Tobacco	Middle Eastern-style water pipe tobacco is also known as "shisha", "hookah" or "nakhla". Shisha tobacco is also referred to as molasses tobacco and is moist and sweetly flavored – often with fruit.	1g = 0.3 cigarettes

Product	Type	Definitions	Per Stick Conversion
<b>Reduced-Risk Products</b>			
<b>Cartridges</b>	Vapor Products	This product category consists entirely of the sales of pre-filled pods or capsules for use with a non-cig-a-like closed system device. Currently, these are universally proprietary in nature (pods are usable exclusively with a single specific hardware device).	1ml = 13 cigarettes
<b>E-liquids</b>	Vapor Products	E-liquids include nicotine and non-nicotine bottled e-liquids which are decanted by the consumer into a tank for heating and inhalation. E-liquids can have different nicotine levels and flavors.	1ml = 13 cigarettes
<b>Heated Tobacco</b>	Vapor Products	Heat-not-burn devices include products, generally manufactured by major tobacco companies, which allow the consumer to heat rather than combust a tobacco product. Heated tobacco is the consumable element of heat-not-burn devices, which comes in the form of pods or in specially designated cigarette sticks.	1 unit = 1 cigarette
<b>Non-tobacco Nicotine Pouches</b>	Smokeless Tobacco	Non-tobacco nicotine pouches are manufactured in a similar way to Swedish-style snus using ingredients such as filler, flavors, stabilizers and nicotine, but do not contain tobacco.	1 unit = 1 cigarette
<b>NRT Products</b>	NRT Products	Nicotine-based products, such as gum, lozenges, patches and inhalators, used to aid smoking cessation. Also includes nicotine-based products sold as capsules, micro-tabs or sprays.	1 unit = 10 cigarettes (patches) 1 unit = 1 cigarette (non patches)
<b>Swedish-style snus</b>	Smokeless Tobacco	Swedish-style snus is either loose or pre-portioned in miniature sized “teabag” pouches that are placed on the gums and sucked on. Swedish-style snus is distinguished from moist snuff by its processing: Swedish-style snus is pasteurized (heat-treated), compared to moist snuff which is fermented.	1g = 1.4 cigarettes

**Sources:** Euromonitor International Passport’s Tobacco and Consumer Health databases, and the National Cancer Institute’s Dictionary of Cancer Terms.

## Acronyms

**BAT** – British American Tobacco Plc

**CNTC** – China National Tobacco Corp

**HIC** – High-Income Country

**JTI** – Japan Tobacco Inc

**KT&G** – KT&G Corp

**LMIC** – Low-Middle Income Country

**NRT** – Nicotine replacement therapy

**PMI** – Philip Morris International Inc

**RRP** – Reduced-Risk Products

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