



**TOBACCO  
TRANSFORMATION  
INDEX**

# **2022 Index Ranking Report**

September 2022

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# Index Program Officer's Insights

The Foundation for a Smoke-Free World presents the second Tobacco Transformation Index, building on the first edition released two years ago.

## Foundation Goal and Index Purpose



The Tobacco Transformation Index is designed to deliver on a key goal and related purpose of the Foundation<sup>1</sup>, namely, to **drive the transformation of tobacco companies for the benefit of public health, and to inform the public about the activities of the tobacco industry that influence achieving a smoke-free world.**

The Tobacco Transformation Index aims to accelerate the reduction of harm caused by tobacco use through a bi-annual ranking of the world's 15 largest tobacco companies ("Index Companies") on their relative progress, or lack thereof, toward harm reduction.

In so doing, the Index aims to provide a guide to the key measurements that indicate commitment to and progress toward the reduction of harm. The Index highlights tobacco company actions that can deliver the greatest reduction of harm within a timebound horizon. Furthermore, the Index identifies and measures the actions and performance that most effectively indicate a translation of commitment into practical outcomes.

## 2022 Index

The 2022 Index is the result of a process of company research, scoring, and ranking conducted by the Index Research Partner<sup>2</sup> over the two-year review period from 2019 to 2021. As described in the Index Methodology report, the Index methodology is based on a set of 35 indicators organized under six categories of company actions and performance.

A key feature of the Index is its adoption of the Relative Risk Assessment, based on a systematic review of scientific studies of the health risks associated with 15 nicotine products. The review identifies the most harmful products (High-Risk Products; HRPs), of which cigarettes are the most widely sold and thus represent the greatest risk to global public health as well as Reduced-Risk Products (RRPs).

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<sup>1</sup> FSW Strategic Plan 2022 – 2024; <https://www.smokefreeworld.org/strategic-plan-2022/>

<sup>2</sup> Euromonitor International, the independent third-party firm appointed in 2019 to lead Index process design, related industry and technical research, analysis, and reporting.

## 2022 Index Insights

The 2022 Index demonstrates that the transformation of the tobacco industry toward harm reduction continues to be inconsistent and at an early stage.

Index research indicates that HRPs accounted for about 95% of Index Company retail sales by volume in 2021. RRP's accounted for only 5%.

Simply put, the tobacco industry is not phasing out HRPs and/or transitioning smokers to RRP's quickly enough to achieve the Foundation's mission of ending smoking in this generation. Both the transformation of the tobacco industry, and the acceleration of that transformation, are urgent.

At the same time, Index research demonstrates that:

- About half of the Index Companies have adopted strategies regarding tobacco harm reduction and, to varying degrees, are performing toward their objectives through product offers, sales, and investments over the review period 2019 to 2021. Within this group, some companies progressed, and others regressed in Index scoring due to their actions over the period compared to the first Index.
- The remaining group encompasses multiple companies that are potentially in the process of establishing early momentum as demonstrated by leading indicators associated with investments and/or strategies toward tobacco harm reduction – time will tell if transformation comes to fruition. Several of these companies remain essentially cigarette producers.

There clearly is much work to do.

The situation does not, however, mean that the Index has not identified change, including patterns of change.

In fact, the 2022 Index provides insights. Four Index Companies had their rankings either improve or decline. The scores of ten Index Companies increased, and the scores of five Index Companies decreased, compared to the 2020 Index results as restated for methodology changes. Recall that the Index is a relative ranking.

Significantly, the 2022 Index indicates that a pattern of differentiation is emerging across the 15 Index Companies. As measured by commitment to harm reduction, performance-based evidence of harm reduction, and transparency regarding actions relevant to harm reduction, the 2022 Index Ranking Report identifies and describes five differentiated clusters. The clusters are predicated on varying degrees of commitment, execution, and potential for change:

- Only one Index Company, Swedish Match, generated a majority of its sales through RRP's in 2021.
- Four Index Companies directed the majority of capital and R&D investments toward RRP's.
- Five Index Companies made early investments or indications of movement toward future production of RRP's during the review period.

The 2022 Index identifies that individual companies at the lowest ranks of the 2020 Index made or evidenced potential commitments to introducing or expanding the range and/or volume of reduced-risk products within their respective product portfolios. While it is still early days and real-world results are the most critical barometer, increased tobacco company focus on harm reduction is a factor that the Index will monitor and could ultimately benefit public health.

## Looking Ahead

With the delivery of the 2022 Index, attention now will turn to the third Index cycle of research, including both technical work on Index design and evolution, scientific research, and policy research on the country context within which the tobacco industry operates.

From the Foundation's perspective, the Index research program will include a continuation of funding and a related effort on working with stakeholders to identify and define key areas of research in support of Index evolution. For the Index Research Partner, priorities encompass a continuing focus on defining the critical measures of industry actions and performance, both qualitative and quantitative, which include translating qualitative factors into measurable and thus comparable indicators.

We look forward to working with all stakeholders as we strive to deliver a better understanding of the individual companies within the tobacco industry– and of the complex country contexts across which companies operate.

The Foundation for a Smoke-Free World is committed to open and ongoing dialogue with all stakeholders. We welcome comments and suggestions on the Index program. Please reach out to us.

David Janazzo

*Tobacco Transformation Index Program Officer  
Interim Co-President, Executive Vice President of Operations and Finance,  
Chief Financial Officer  
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# Definitions

The following general definitions apply throughout this report:

**Index Countries** – The 36 countries covered within the scope of the Tobacco Transformation Index (see Index Methodology, “Country Scope”).

**Index Regions** – The four regions defined by the Tobacco Transformation Index - Americas, Asia Pacific, Europe, Middle East & Africa (see Index Methodology, “Country Scope”).

**Index Companies** – The 15 nicotine and tobacco companies ranked by the Tobacco Transformation Index (see Index Methodology, “Index Company Scope”). All references to Index Companies throughout this report include company’s subsidiaries, affiliates, and equivalent operating entities.

**Operating Environment** – The countries in which a company sells nicotine and tobacco products and a description of the company’s portfolio within the scope of the Tobacco Transformation Index (see Index Methodology, “Product Scope”).

**Volume Sales** – A company’s total volume sales, in per stick equivalent terms (see Index Methodology, “Per Stick Equivalent Conversion” and “Product Scope”).

**Value Sales** – Net value sales, defined as gross sales minus applicable sales returns, allowances, and discounts. Gross sales do not include the cost of goods sold, operating expenses, excise tax expenses or other charges. Only products within the scope of the Tobacco Transformation Index are included (see Index Methodology, “Product Scope”).

**Rate of Change** – As measured over the 2019-2021 review period.

**HMIC** – High-Medium Income Country (see Index Methodology, “Country Scope”).

**LMIC** – Low-Medium Income Country (see Index Methodology, “Country Scope”).

**RRP** – Reduced-Risk Product (see Murkett. R, Rugh. M, Ding. B, *Nicotine Products Relative Risk Assessment: An Updated Systematic Review and Meta-analysis*, 2022).

**HRP** – High-Risk Product (see Murkett. R, Rugh. M, Ding. B, *Nicotine Products Relative Risk Assessment: An Updated Systematic Review and Meta-analysis*, 2022).

**2022 Index** – The 2022 Tobacco Transformation Index, which covers the 2019-2021 review period.

**2020 Index** – The 2020 Tobacco Transformation Index, which was published in September 2020, and covered the 2017-2019 review period. The 2020 Index results shown in this report are

restated to allow for comparability with 2022 Index results, in line with 2022 Index Methodology changes, and differ from results in the published 2020 Index Ranking Report. For further details, see Index Methodology.

**CAGR** – Compound Annual Growth Rate. Refers to the Index 2019-2021 review period, unless otherwise specified.

**Key Performance Indicators** – A summary of company performance for each of the six categories. Categories are made up of multiple sub-categories and indicators. For a full list of indicators, see Index Methodology (“Full List of 35 Indicators”).

**Youth Access Prevention Policy** – A policy that a company puts in place with the intended effect of preventing those under the age of 18, or those under the legal smoking age where it is higher than 18, from accessing nicotine and tobacco products.

**FCTC** – Framework Convention on Tobacco Control (World Health Organization, 2003).<sup>3</sup>

**Ratio** – For all “Ratio of” indicators, i.e., “Ratio of Volume Sales (RRPs versus HRP)”, RRP is the numerator, and HRP is the denominator.

**Product Portfolio** – Analysis of a company’s product portfolio refers to the number of categories in which a company is present, not the number of individual brands/products within each of those categories. For example, a company with three brands of snus would be assessed in exactly the same way as a company with just one brand of snus.

**Capital Expenditure** – Includes but is not limited to funds used by a company to acquire, upgrade and maintain physical assets such as properties, buildings, plants, equipment, and intangible assets such as technology, software as well as developing networks including contract manufacturers.

**Marketing Expenditure** – Includes but is not limited to funds invested in programs such as advertising, trade promotions, and consumer engagements.

**Mergers & Acquisitions (M&A) Expenditure** – Total value of deals closed in the acquisitions of manufacturing companies only (acquisitions of distributors or retailers are excluded).

**Foundation for a Smoke-Free World** – An independent, non-profit organization with the mission to end smoking within this generation.

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<sup>3</sup> World Health Organization. (2003). <https://fctc.who.int/>

**Altria** – Altria Group Inc

**BAT** – British American Tobacco Plc

**CNTC** – China National Tobacco Corp

**Djarum** – Djarum PT

**Eastern** – Eastern Co SAE

**Gudang Garam** – Gudang Garam Tbk PT

**Imperial** – Imperial Brands Plc

**ITC** – ITC Ltd

**JT** – Japan Tobacco Group

**KT&G** – KT&G Corp

**PMI** – Philip Morris International Inc

**Swedish Match** – Swedish Match AB

**Swisher** – Swisher\*

Note: \*In September 2020 “Swisher International Inc” revised its official corporate name to “Swisher”.<sup>4</sup>

**Tense Usage** – The Key Findings and quantitative categories of the 2022 Index - Product Sales, Product Offer, Capital Allocation & Expenditure - are written in the past tense, as they refer to events that took place during the review period 2019-2021.

The qualitative categories - Strategy and Management, Marketing Policy & Compliance, Lobbying & Advocacy - are written in the present tense. They assess Index Companies based on documents which may have been published more recently than the Index Review Period, for example an Index Company’s 2021 Annual Report, published during the first half of 2022.

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<sup>4</sup> Jax Daily Record. (2020). *Swisher Launches New Corporate Identity With Shorter Name, New Logo*, Published September 9, 2020, Accessed August 15, 2022, from <https://www.jaxdailyrecord.com/article/swisher-launches-new-corporate-identity-with-shorter-name-new-logo>

# 1.Executive Summary

Transformation of the tobacco industry toward harm reduction remains inconsistent and in its early stages. That said, the 2022 Index demonstrates that *differentiation* is forming across the largest tobacco companies, related to measures of commitment, performance, and transparency. Based on the 2022 Index results (Figure 1), Index Companies are coalescing around five broad clusters associated with patterns of behavior:

- I. Strategic commitment & execution
- II. Limited strategic commitment & execution
- III. No strategic commitment but limited execution
- IV. Potential for change
- V. No indication of change

The 2022 Index also demonstrates that *momentum* toward tobacco harm reduction is developing across a subset of the 15 Index Companies, albeit at varying degrees.

Figure 1: 2022 Index Overall Scoring

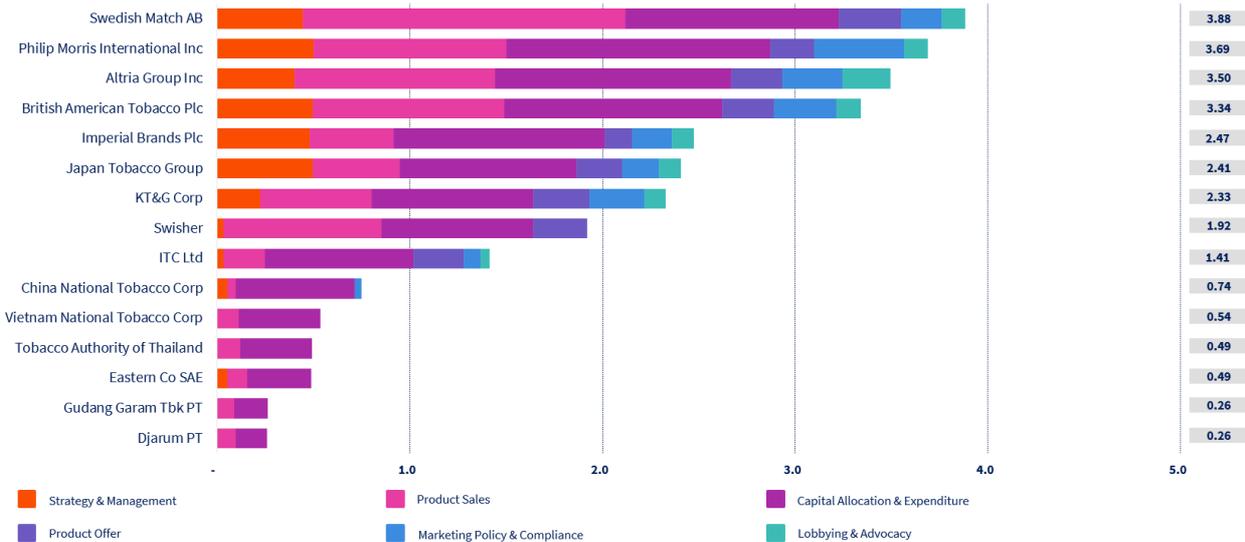


Figure 2: 2022 Index versus 2020 Index\* Ranking Comparison

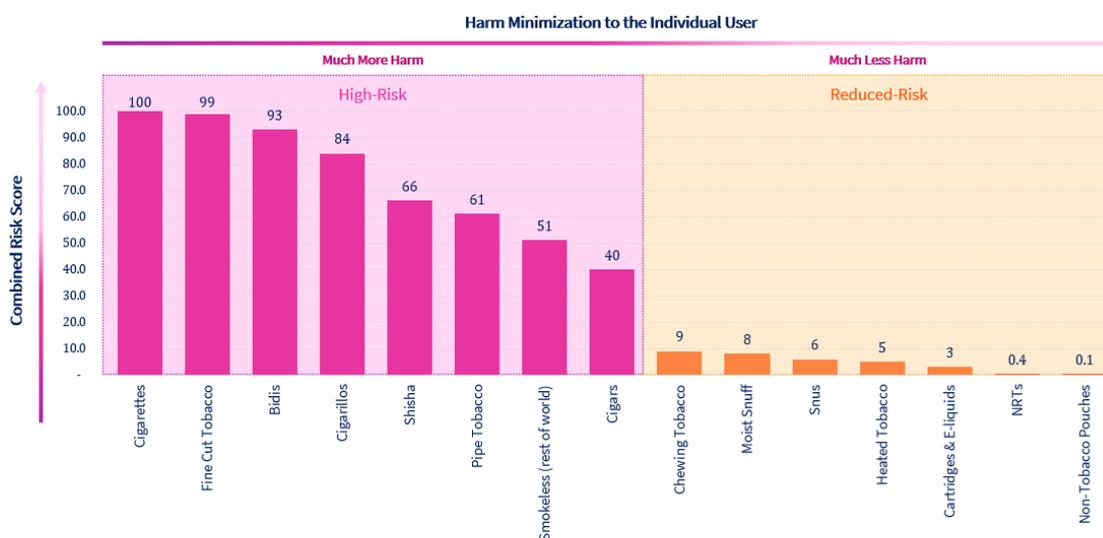
Index Companies	2022	2020
Swedish Match AB	1	1
Philip Morris International Inc	2	2
Altria Group Inc	3 <span style="color: green;">▲</span>	4
British American Tobacco Plc	4 <span style="color: red;">▼</span>	3
Imperial Brands Plc	5	5
Japan Tobacco Group	6	6
KT&G Corp	7	7
Swisher	8	8
ITC Ltd	9	9
China National Tobacco Corp	10	10
Vietnam National Tobacco Corp	11 <span style="color: green;">▲</span>	12
Tobacco Authority of Thailand	12 <span style="color: red;">▼</span>	11
Eastern Co SAE	13	13
Gudang Garam Tbk PT	14	14
Djarum PT	15	15

**Notes:** 1. \*2020 Index score and rank restated based on 2022 Index methodology changes. See Index Methodology.  
 2. An arrow upwards means an Index Company has improved its ranking in the 2022 Index; an arrow downwards means the reverse.

The six key findings of the 2022 Tobacco Transformation Index are:

1. The tobacco industry has not phased out High-Risk Products (HRPs) or transitioned smokers to Reduced-Risk Products (RRPs) quickly enough to achieve the goal of ending smoking in this generation. Performance differs by Index Company, and inconsistent progress was made over the 2019-2021 review period.
2. Index Companies continued to focus most of their RRP efforts on HMICs.
3. The majority of Index Companies have not made any commitment to tobacco harm reduction.
4. Several Index Companies regressed or made no progress over the 2019-2021 review period.
5. Over the 2019-2021 review period, a few Index Companies indicated a potential future shift in their position on RRP. Time will tell if transformation comes to fruition.
6. There is currently limited transparency in terms of Marketing policies and Lobbying practices.

Figure 3: 2022 Relative Risk Assessment Applied to Product Sales and Product Offer



Source: Murkett, R., Rugh, M., Ding, B. (2022). *Nicotine Products Relative Risk Assessment: An Updated Systematic Review and Meta-analysis, Produced for the Foundation for a Smoke-Free World*. London, UK: Biochromex.

The Index methodology evolved in two ways in the 2022 Index, with the objective of strengthening its effectiveness while maintaining comparability. First, three incremental changes were applied to the Index methodology, based on stakeholder feedback and further research, which were disclosed, made available for public comment, and reviewed via webinar.

Second, the indicator scoring approach was changed from linear scale to logarithmic scale, the latter being a statistical technique commonly applied to data sets, to enhance Index ranking responsiveness, differentiation, and visibility associated with often skewed data and incremental changes in the metrics. 2020 Index results have therefore been restated for full comparability.

In addition, following an updated meta-analysis of the latest scientific literature, the Relative Risk Assessment (Figure 3) was updated for the 2022 Tobacco Transformation Index. When compared with the 2020 Index, chewing tobacco and moist snuff are now re-categorized as RRP.

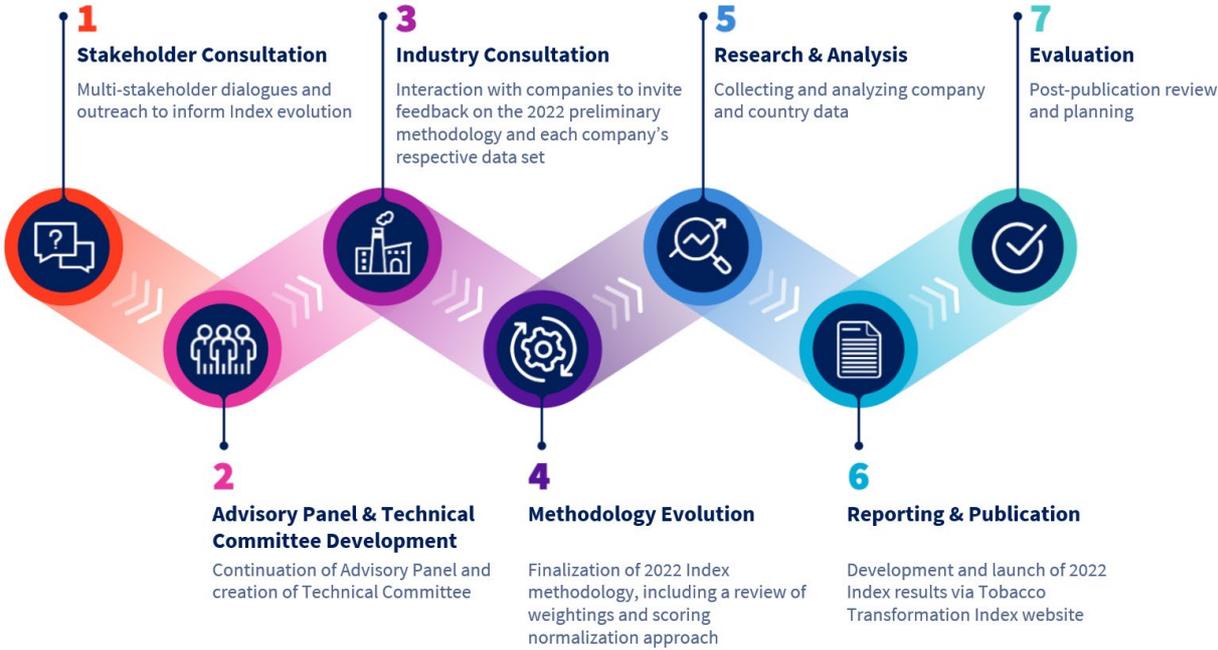
See the Index Methodology for full details of each of the changes.

In addition to the Index Methodology, the following supporting documents are available to download via the Tobacco Transformation Index website<sup>5</sup>:

- Excel file compiling all quantitative data points mentioned in the ranking report
- PowerPoint file containing all report visuals contained in the ranking report

<sup>5</sup> [www.tobaccotransformationindex.org](http://www.tobaccotransformationindex.org)

Figure 4: Index Workflow



## 2. Introduction & Analytical Overview

The 2022 Tobacco Transformation Index utilizes 35 indicators organized across six categories to examine the relative progress of the 15 largest tobacco companies (Index Companies) toward harm reduction.

Transformation of the tobacco industry toward harm reduction remains inconsistent and in its early stages. The 2022 Index demonstrates that *differentiation* is forming across the largest tobacco companies, related to measures of commitment, performance, and transparency.

- The Index brings visibility to the divergent strategies, product sets, and performance across the 15 largest tobacco companies in the world.
- Index Companies are adopting distinct approaches and varying levels of strategic commitment to tobacco harm reduction, along with contrasting levels of execution of the respective strategies.
- The outcomes are influenced by several factors, including ownership type, operating environment, and the regulatory context.
- Based on the 2022 Index results, the Index Companies are coalescing around five broad clusters associated with patterns of behavior:
  - I. **Strategic commitment & execution:** Swedish Match, Philip Morris International (PMI), Altria, and British American Tobacco (BAT) have demonstrated strategic commitment toward tobacco harm reduction and relatively consistent execution.
  - II. **Limited strategic commitment & execution:** Imperial, Japan Tobacco Group (JT), and KT&G have demonstrated recognition of tobacco harm reduction but relatively inconsistent execution.
  - III. **No strategic commitment but limited execution:** Swisher and ITC have demonstrated no strategic commitment toward tobacco harm reduction but an initial level of execution.
  - IV. **Potential for change:** CNTC, Vinataba, and Eastern have made no direct strategic commitment, and no or very limited execution, but have indicated potential for change.
  - V. **No indication of change:** TAOT, Djarum and Gudang Garam have demonstrated no strategic commitment, no execution, and no indication of the potential for transformation.

The objective of the Index is to monitor and bring visibility to Index Company behavior over time (Figure 5). The Index accomplishes the task by evaluating company performance and the associated rates of change over the review period, as a demonstration of relative progress or the lack thereof. In addition, with the release of the second Tobacco Transformation Index, results can be compared to that of the first Index.

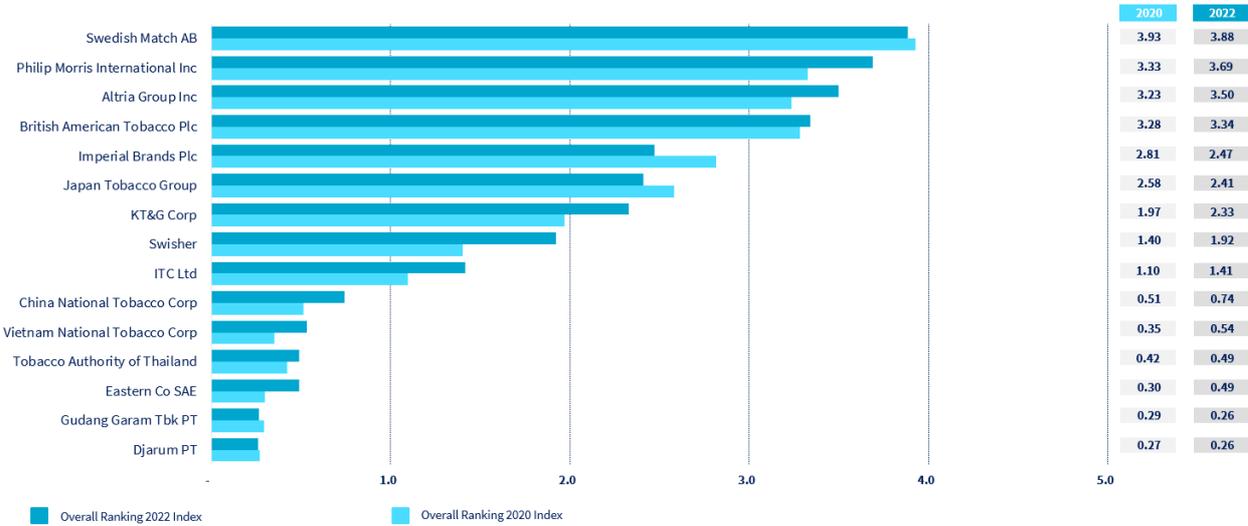
The 2022 Index demonstrates that *momentum* toward tobacco harm reduction is developing across a subset of the 15 Index Companies, albeit at varying degrees.

- Swedish Match leads the Index ranking, with 53% of total sales volumes (per stick equivalent) derived from RRPs in 2021. PMI, second in the Index ranking, increased its volume share of RRPs from single digits (8%) to double digits (13%). Altria, ranked third, increased its volume share of RRPs from 25% to 26%, while BAT, ranked fourth, increased its share from 7% to 10%.
- Over the 2019-2021 review period, several companies have taken action or stated intended future action, which suggests the potential for future concrete contribution to industry transformation.
- Eastern in 2021 indicated it plans to start selling RRPs in Egypt in the near future.
- Vinataba in 2021 indicated it is considering the possibility of selling RRPs in Vietnam in the future.
- Others regressed or made little progress. For example, Imperial made the “strategic decision” to withdraw its closed system vaping product from Russia and Japan, and its heated tobacco product from Japan, as the company prioritized “investment in other market category combinations in line with our strategy.”<sup>6</sup> JT’s Product Sales category score declined due to the company’s increasing HRP Volume Sales (CAGR: +0.8%), driven by its international business.

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<sup>6</sup> Imperial Brands Plc. (2022). *Annual Report and Accounts 2021*, Page 69, Accessed August 15, 2022, from <https://www.imperialbrandspkc.com/content/dam/imperialbrands/corporate2022/documents/investors/reports/annual-report-2021.pdf.downloadasset.pdf>

**Figure 5: 2022 Index Results versus 2020 Index\* Results**



**Note:** \*2020 Index score and rank restated based on 2022 Index methodology changes. See Index Methodology.

- Ultimately, the tobacco industry has not phased out HRP or transitioned smokers to RRP quickly enough to achieve the goal of ending smoking completely in this generation<sup>7</sup>.
- At the present rate of decline, sales of HRP will persist for decades to come. Globally, the 15 Index Companies sold 4.8 trillion cigarette sticks in 2021, down 0.1 trillion (from 4.9 trillion) in 2019.
- Index Companies continue to focus the majority of their RRP efforts on High-Medium Income Countries (HMICs). Of the 15 Index Companies combined, 97% of RRP sales (per stick equivalent Volume Sales) were in HMICs in 2021, with 3% in Low-Medium Income Countries (LMICs). Share of global RRP sales in LMICs increased from 2% to 3% over the 2019-2021 review period. The legality of RRP sales influenced companies’ opportunities for tobacco harm reduction.

<sup>7</sup> Stated mission of the Foundation for a Smoke-Free World [www.smokefreeworld.org/our-vision/](http://www.smokefreeworld.org/our-vision/)

## 3. Key Findings

This section contains six key findings. The findings were identified in consultation with the Index Technical Committee<sup>8</sup>. More detailed analysis is included in section 4 (“Index Categories”) and section 5 (“Company Profiles”) of this report.

### Key Finding 1

**The tobacco industry has not phased out HRPs or transitioned smokers to RRP quickly enough to achieve the goal of ending smoking in this generation<sup>9</sup>. Performance differs by Index Company, and inconsistent progress was made over the 2019-2021 review period**

- Globally, the 15 Index Companies sold 4.8 trillion cigarette sticks in 2021, down 0.1 trillion (from 4.9 trillion) in 2019. In countries with high RRP prevalence, consumption of the products contributed to the cigarette volume decline, along with other factors. For example, in Japan the cigarette Volume Sales of the Index Companies declined from 118.8 billion sticks in 2019 to 90.4 billion sticks in 2021. In Russia, this figure was 192.8 billion sticks in 2021, down from 215.5 billion sticks in 2019.
- At the present rate of decline, sales of HRPs will persist for decades to come (Figure 6).
- The cigarette Volume Sales of the 15 Index Companies declined the most in 2019-2021 in Ukraine (CAGR<sup>10</sup>: -9.3%), the Philippines (CAGR: -9.2%) and Japan (CAGR: -8.7%). In Ukraine and the Philippines, there were no bans on the sale of RRP. In Japan, five RRP can be legally sold.
- The cigarette Volume Sales of the 15 Index Companies increased the most in 2019-2021 in Ethiopia (CAGR: +4.2%), Singapore (CAGR: +3.2%) and Pakistan (CAGR: +2.5%). In Singapore, RRP were banned, with the exception of NRT products. In Ethiopia, five of nine RRP were banned. In Pakistan, there were no bans on the sale of RRP.
- For the 15 Index Companies in 2021, the share of RRP as a ratio of total nicotine and tobacco product sales increased to 4.6% (2019: 3.4%) in volume and 4.9% (2019: 3.6%) in value.
- In 2021, four Index Companies had a share of RRP volumes (in per stick equivalent terms) of 10% or more: Swedish Match (53%), Altria (26%), PMI (13%) and BAT (10%). In 2019 this figure was under 10% for two of the companies (BAT and PMI).

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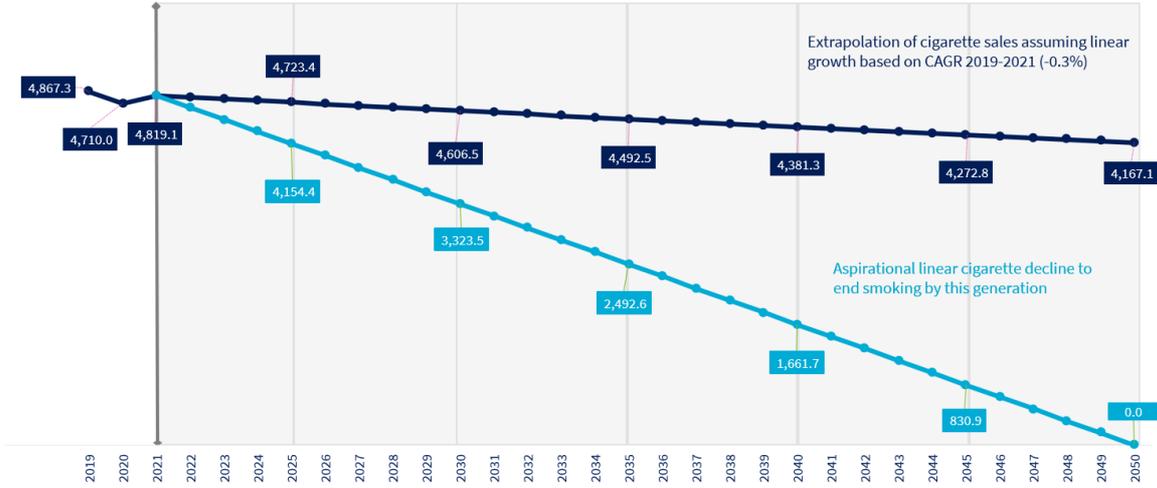
<sup>8</sup> [www.tobaccotransformationindex.org/what-we-do/project\\_management/](http://www.tobaccotransformationindex.org/what-we-do/project_management/)

<sup>9</sup> Stated mission of the Foundation for a Smoke-Free World [www.smokefreeworld.org/our-vision/](http://www.smokefreeworld.org/our-vision/)

<sup>10</sup> Compound Annual Growth Rate

- Snus and moist snuff form a core part of the respective Swedish Match and Altria's portfolios. PMI and BAT RRP portfolios consisted primarily of nicotine e-vapor products (heated tobacco, closed system vaping products).

**Figure 6: 2019-2021 Cigarette Volume Sales Globally (Billion Sticks) and Extrapolation Based on Linear Growth**



**Source:** Tobacco Transformation Index based on estimations of company data derived from publicly available sources (including company financial and sustainability reports, quarterly and half-year updates, press releases, investor briefings, and company presentations); industry and financial databases (Euromonitor International's Passport, and Capital IQ); interviews with industry experts.  
**Note:** Data refers only to the 15 Index Companies.

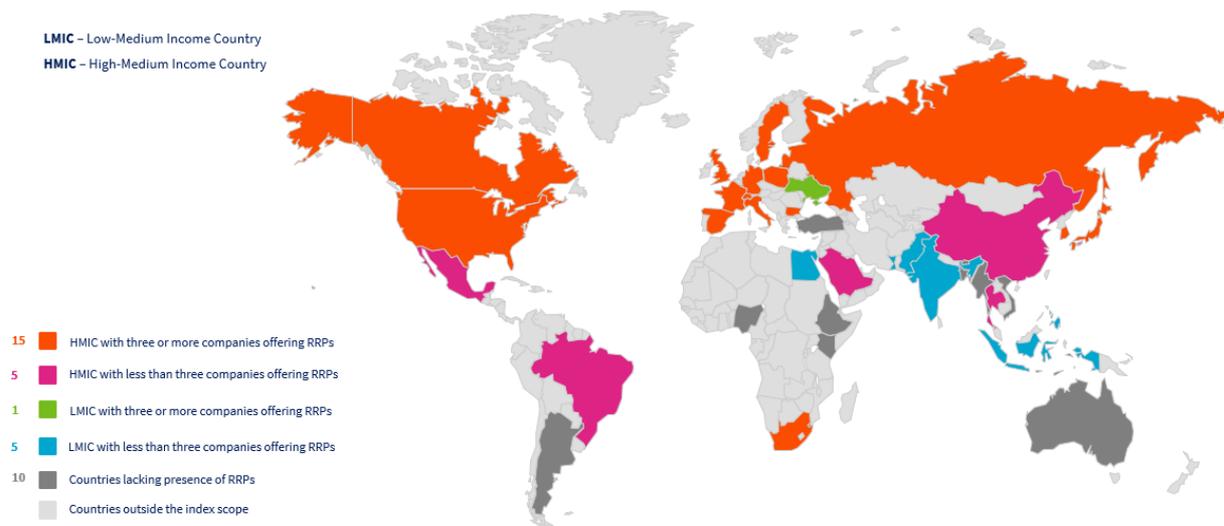
**Key Finding 2**

**Index Companies continued to focus most of their RRP efforts on HMICs**

- Of the 15 Index Companies combined, 97% of RRP Volume Sales (in per stick equivalent terms) were in HMICs in 2021, with 3% in LMICs (Figure 7).
- Share of global RRP sales in LMICs increased from 2% to 3% over the 2019-2021 review period. RRP sales represented less than 1% of total tobacco Volume Sales in LMICs in 2021 (5.2% in HMICs in 2021).<sup>11</sup>
- Ukraine was an outlier, being a LMIC with a relatively high share of RRP. In 2019, 5.4% of all nicotine and tobacco product volumes of the Index Companies were RRP, increasing to 14.9% in 2021.
- The legality of RRP sales influenced Index Companies' opportunities for tobacco harm reduction.<sup>12</sup>
- In 2019-2021, ITC and TOAT had limited opportunities to offer RRP in their domestic markets (India and Thailand, respectively), due to RRP bans. In 2019, e-vapor and heated tobacco products were banned in India. As of the end of 2021, five of the six RRP categories were banned in Thailand.

<sup>11</sup> Total volume sales converted to Per Stick Equivalents (see Index Methodology, "Per Stick Equivalent Conversion Table"), covering products within the Tobacco Transformation Index scope only (see Index Methodology, "Product Scope").  
<sup>12</sup> See *Company – Country Analysis* report series for further details of the regulatory context in which the 15 Index Companies operate <https://tobaccotransformationindex.org/companycountryanalysis/>

**Figure 7: 2021 RRP Offer by Country**



**Source:** Tobacco Transformation Index estimates derived from publicly available resources (including company financial and sustainability reports, quarterly and half-year updates, press releases, investor briefings, and company presentations); interviews with industry experts and in-country research.

**Note:** Showing the 36 Index Countries only (See Index Methodology, "Country Scope").

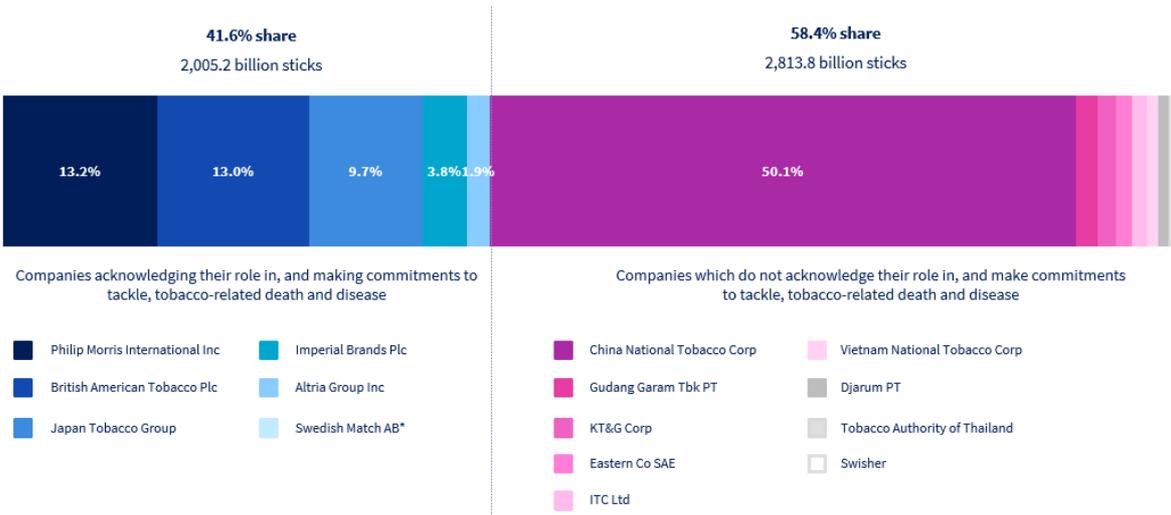
### Key Finding 3

#### **The majority of Index Companies have not made any commitment to tobacco harm reduction**

- Eight of 15 Index Companies did not publicly acknowledge any role in tackling the challenges of death and disease caused by HRPs.
- Six of 15 Index Companies both acknowledged their role, and made a commitment to reduce, death and disease caused by HRPs. These six Index Companies accounted for 41.6% of total cigarette Volume Sales of the 15 Index Companies, with 58.4% represented by the remaining nine Index Companies (Figure 8).
- One of 15 Index Companies did not acknowledge its role in, but did make a commitment to reduce, death and disease caused by HRPs.

**Figure 8: 2021 Global Share of Cigarette Volume Sales (%) and Commitments to Tackle the Challenges of Tobacco-Related Death/Disease**

2021 Global Share of Cigarette Volume Sales (%) and Commitments to Tackle the Challenges of Tobacco-Related Deaths/Diseases

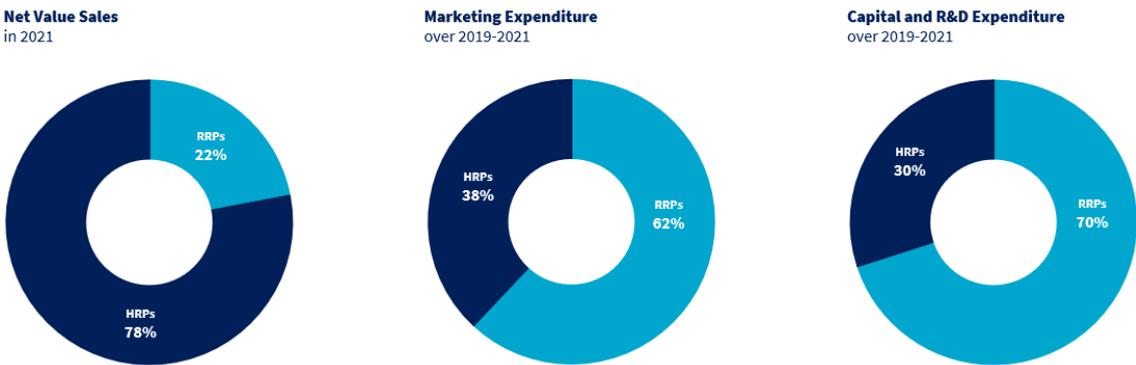


**Source:** Tobacco Transformation Index assessment based on estimations of company data derived from publicly available sources (including company financial and sustainability reports, quarterly and half-year updates, press releases, investor briefings, and company presentations); industry and financial databases (Euromonitor International’s Passport, and Capital IQ); and interviews with industry experts as well as the review of available information coming from a company’s websites, formal financial and non-financial reporting such as annual CSR or sustainability reports, as well as other documents such as press releases, codes of conduct, policies, values, guidelines, and FAQs.

**Notes:** 1. Data refers only to the 15 Index Companies.  
2. Swedish Match AB does not sell cigarettes.

**Figure 9: 2021 Net Value Sales, Capital, R&D and Marketing Expenditure, by RRP vs HRP**

Average of the six companies acknowledging their role in, and stating a commitment to reduce, tobacco-related death and disease (Altria, BAT, Imperial, JT Group, PMI, and Swedish Match)



**Source:** Tobacco Transformation Index based on estimations of company data derived from publicly available sources (including company financial and sustainability reports, quarterly and half-year updates, press releases, investor briefings, and company presentations); industry and financial databases (Euromonitor International’s Passport, and Capital IQ); interviews with industry experts.

#### Key Finding 4

##### **Several Index Companies regressed or made no progress over the 2019-2021 review period**

- Imperial made the “strategic decision” to withdraw its closed system vaping product from Russia and Japan (Myblu was sold as a nicotine-free product in Japan due to a ban on nicotine-containing vapor products<sup>13</sup>), and its heated tobacco product from Japan, as the company prioritized “investment in other market category combinations in line with our strategy.”<sup>14</sup> As a result, Imperial’s ranking in the Product Sales and Product Offer categories declined.
- JT’s Product Sales category score declined due to the company’s increasing HRP Volume Sales (CAGR 2019-2021: +0.8%), driven by its international business. JT’s Product Offer category score declined following the company’s decision to withdraw its closed system vaping product (Logic) from Ukraine in January 2021, citing a “lack of demand.”<sup>15</sup>
- Gudang Garam and Djarum continued to sell HRPs only during the review period and did not make any progress toward tobacco harm reduction as defined by the Index.

#### Key Finding 5

##### **Over the 2019-2021 review period, a few Index Companies indicated a potential future shift in their position on RRP. Time will tell if transformation comes to fruition**

- Eastern indicated it plans to start selling RRP in Egypt in the near future.
- Vinataba indicated it is considering the possibility of selling RRP in Vietnam in the future.
- Ten of 15 Index Companies sold RRP as of the end of 2021.

#### Key Finding 6

##### **There is currently limited transparency in terms of Marketing policies and Lobbying practices**

- Fewer than half of Index Companies (seven of 15) had a publicly available marketing policy including well-defined principles, and specific practical guidance and procedures.<sup>16</sup>

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<sup>13</sup> See Tobacco Transformation Index Country Fact Sheets [www.tobaccotransformationindex.org/country-comparison/](http://www.tobaccotransformationindex.org/country-comparison/)

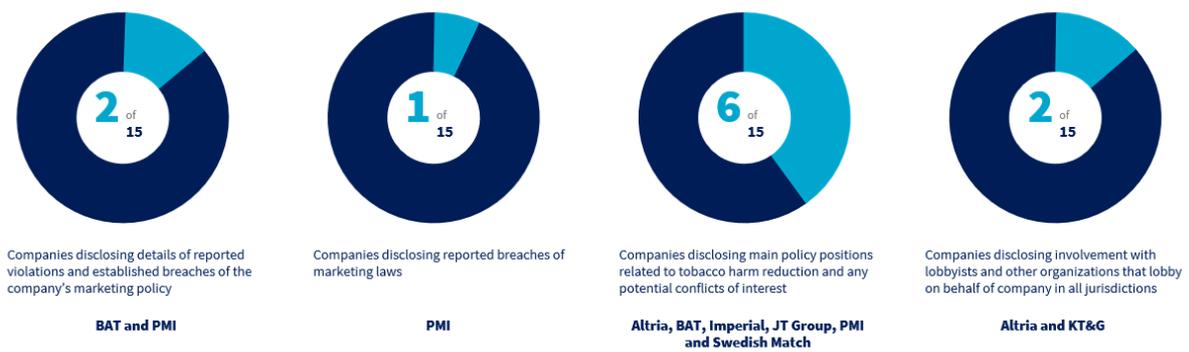
<sup>14</sup> Imperial Brands Plc. (2022). *Annual Report and Accounts 2021*, Page 69, Accessed August 15, 2022, from <https://www.imperialbrandspc.com/content/dam/imperialbrands/corporate2022/documents/investors/reports/annual-report-2021.pdf.downloadasset.pdf>

<sup>15</sup> Novosti Novostey. (2020). *JTI Ukraine stops selling Logic Compact e-cigarettes in Ukraine*, Published December 26, 2020. Accessed August 15, 2022, from <https://novosti-novostey.tv/ukraina/jti-ykraina-prekrashaet-prodajy-e-sigaret-logic-compact-v-ykraine/>

<sup>16</sup> See *Marketing Study – Phase 1: Proposed Marketing Code* for further analysis of Index Companies’ marketing policies <https://tobaccotransformationindex.org/wp-content/uploads/2022/06/Marketing-Study-Phase-1-June-2022.pdf/>

- Six of 15 Index Companies publicly disclosed numbers of reported breaches of their own marketing policy (Figure 10).
- Four of 15 Index Companies publicly disclosed numbers of reported breaches of marketing laws.
- One of 15 Index Companies (Altria) publicly disclosed the subject matter of its lobbying activities and the outcomes being sought in all jurisdictions. Altria's HRP operations are limited to the USA.

**Figure 10: 2021 Summary of Company Disclosures Concerning Marketing Policy & Compliance, and Lobbying & Advocacy**



**Source:** Tobacco Transformation Index estimates based on the review of available information from company websites, formal financial and non-financial reporting such as annual, CSR or sustainability reports, plus policies, commitments, statements, such as those related to a company's policy commitments. These could be codes of conduct, policies, values, guidelines, FAQs and other related documents.

*For a synthesis of the six key findings, see "Introduction & Analytical Overview".*

## **Key Changes: 2022 Index versus 2020 Index**

### Methodology

- The Index methodology evolved in two ways during the cycle, with the objective of strengthening its effectiveness while maintaining comparability. First, three incremental changes were applied to the 2022 Index methodology, based on stakeholder feedback and further research. The related modifications were disclosed, made available for public comment, and reviewed via webinar. Second, the 2022 Index scoring approach was modified from linear to logarithmic scale, to enhance Index ranking responsiveness, differentiation, and visibility associated with often skewed and incremental changes in the metrics. Results of the 2020 Index are restated and presented for comparability to the 2022 Index. See Index Methodology for further details.

### Notable Changes in Score and/or Rank

- In the 2022 Index, Altria ranked ahead of BAT. Altria's volume sales of HRPs declined at a faster rate (CAGR: -2.3%) than that of BAT (CAGR: -1.2%). At 26%, Altria's ratio of volume sales (RRPs versus HRPs) in 2021 was significantly ahead of that of BAT (10%). In per stick equivalent terms, 96.9% of Altria's RRP volume sales in 2021 consisted of moist snuff, followed by non-tobacco nicotine pouches (1.9%), heated tobacco (0.8%) and snus (0.3%).
- Swisher's score increased in the 2022 Index compared to the 2020 Index, although its rank remained stable. Swisher's Product Offer category score increased following the introduction of non-tobacco nicotine pouches into the company's portfolio during the review period. Swisher's Product Sales category score increased as a result of slowing cigar and cigarillo volume growth in the 2022 Index (2019-2021 CAGR: +1.3%) compared to the 2020 Index (2017-2019 CAGR: +2.1%).
- During the review period, CNTC sold RRPs (heated tobacco) outside of its domestic market (China), via its international subsidiary China Tobacco International (HK) Company Limited. At 0.02% of CNTC's total volumes (in per stick equivalent terms), these RRP sales were not enough to compensate for CNTC's HRP sales, which were significantly higher than any other Index Company, ranking CNTC last in the Product Sales category. CNTC's Capital Allocation & Expenditure, and Product Offer category scores, were positively impacted by CNTC's exports of heated tobacco. CNTC made a commitment to reducing death and disease caused by HRPs, which positively contributed to CNTC's Strategy & Management category score.

## 4. Index Categories

The 2022 Tobacco Transformation Index is a relative ranking which evaluates Index Companies' activities based on 35 indicators across six distinct measurement categories.

- 1. Strategy & Management** – Assesses whether companies have made specific commitments to tobacco harm reduction and how such commitments are integrated into core business strategies, with clear targets and management systems. Also assesses how stakeholder engagement enhances effective harm reduction strategies.
- 2. Product Sales** – Assesses companies historical performance in sales of HRPs (volume and value) and in proportion to sales of RRPs, including rates of change. Provides evidence that companies are effectively transitioning consumers away from HRPs.
- 3. Capital Allocation & Expenditure** – Assesses companies performance in allocating resources away from HRPs to RRPs to support transformation.
- 4. Product Offer** – Assesses companies efforts to transition product portfolios away from HRPs and toward RRPs to offer users alternatives to migrate away from HRPs.
- 5. Marketing Policy & Compliance** – Assesses how companies marketing policies and compliance support a transition away from HRPs, while also mitigating the potential for uptake of RRPs by non-smokers or non-users of HRPs.
- 6. Lobbying & Advocacy** – Assesses companies disclosure of positions related to tobacco harm reduction, including lobbying and advocacy memberships, financial contributions and related activities.

## 4.1 Strategy & Management

### 4.1.A Category Description

#### Context

- Stakeholder engagement<sup>17</sup> highlights that tobacco harm reduction is more likely to be prioritized if a company has made a defined commitment that is integrated with its core business strategy, with accountability established at the top of the organization.
- Commitment to tobacco harm reduction is demonstrated by companies that set goals, track performance and disclose details to all stakeholders. Stakeholder engagement and public reporting of results enhance accountability and effectiveness.

#### What We Assess

- The Strategy & Management category assesses whether the company has made a commitment to tobacco harm reduction and how the commitment is embedded within its business strategy and management systems. The category also assesses how stakeholder engagement is reported and incorporated into the company's strategy.
  - **Harm Reduction Strategy** – Commitment to phase out HRPs and responsibly develop and offer RRP.
  - **Disclosure of Harm Reduction Targets and Performance** – Public reporting on specific targets and performance in achieving tobacco harm reduction.
  - **Governance and Management Systems** – Accountability structure and governance mechanisms within the company for achieving tobacco harm reduction objectives.
  - **Performance Management and Incentives** – Performance incentives for achieving tobacco harm reduction objectives.
  - **Stakeholder Engagement** – Processes for selecting stakeholders and incorporating insight focused on tobacco harm reduction.
  - **Disclosure of Stakeholder Engagement** – Public disclosure of stakeholder engagement activities and their outcomes.

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<sup>17</sup> Tobacco Transformation Index (2022). *Stakeholder Engagement*, Accessed August 15, 2022, from <https://tobaccotransformationindex.org/about-the-data/stakeholder-engagement/>

## How We Assess

- The assessment is based on a review of available information from a company's website, financial and non-financial reporting such as annual corporate social responsibility (CSR) or ESG reports, as well as other documents such as press releases, codes of conduct, policies, values, guidelines and frequently asked questions (FAQs).

## 4.1.B Scoring and Ranking

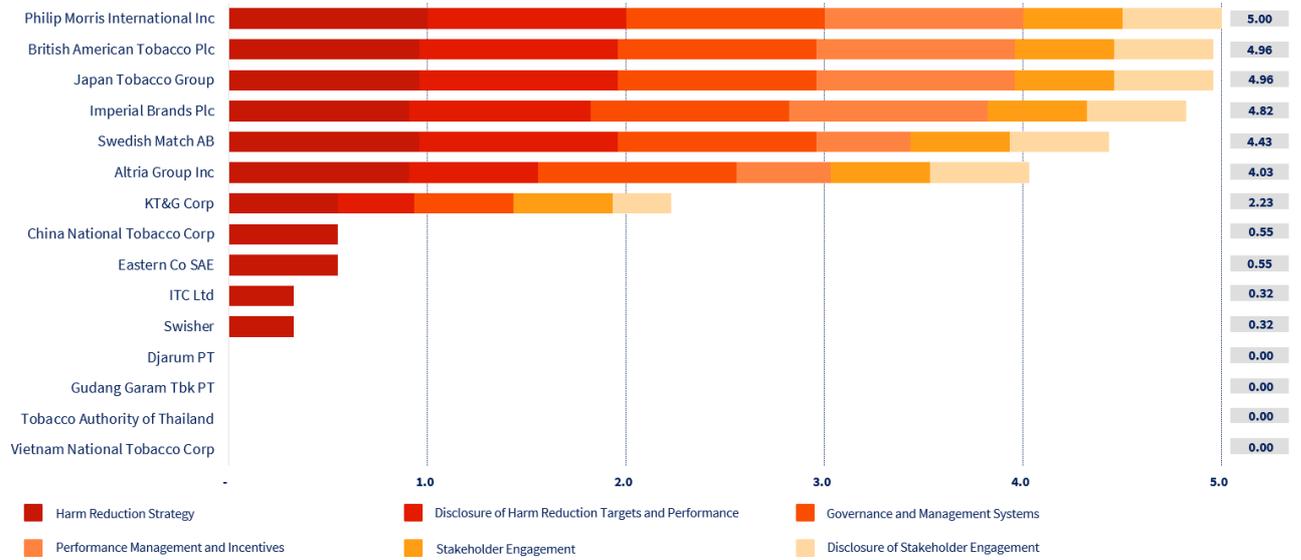
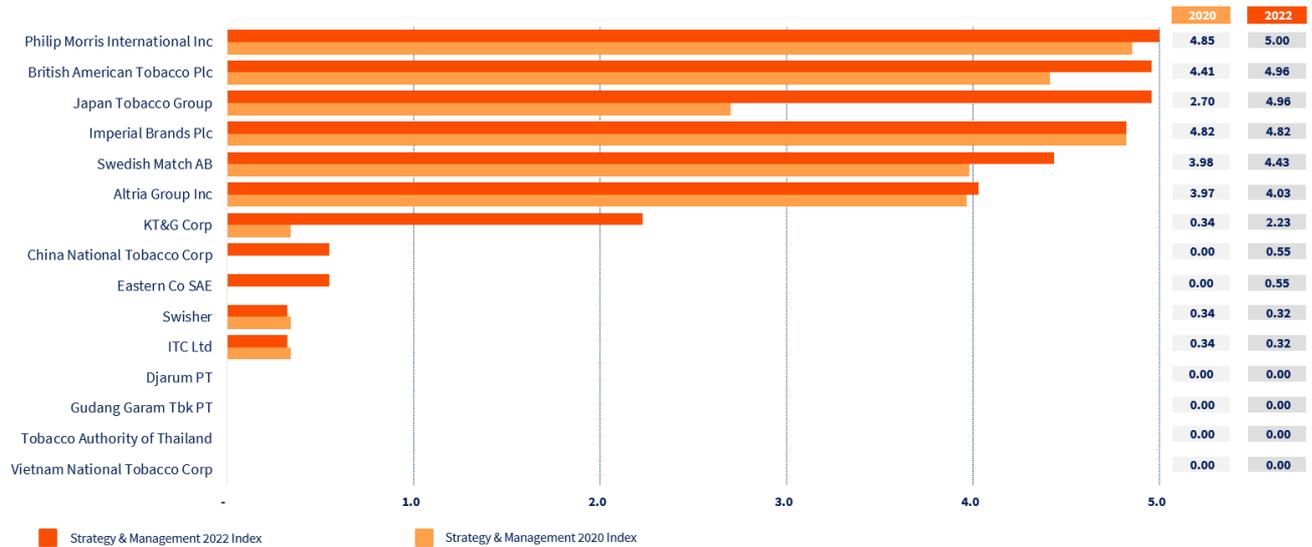


Figure 11: 2022 Index: Strategy & Management Category Scoring

Figure 12: 2022 Index versus 2020 Index\* Comparison: Strategy & Management Category Scoring



**Note:** \*2020 Index score and rank restated based on 2022 Index methodology changes. See Index Methodology.

Figure 13: 2022 Index versus 2020 Index\* Comparison: Strategy & Management Category Ranking

Index Companies	2022	2020
Philip Morris International Inc	1	1
British American Tobacco Plc	2 ↑	3
Japan Tobacco Group	2 ↑	6
Imperial Brands Plc	4 ↓	2
Swedish Match AB	5 ↓	4
Altria Group Inc	6 ↓	5
KT&G Corp	7	7
China National Tobacco Corp	8 ↑	10
Eastern Co SAE	8 ↑	10
Swisher	10 ↓	7
ITC Ltd	10 ↓	7
Djarum PT	12 ↓	10
Gudang Garam Tbk PT	12 ↓	10
Tobacco Authority of Thailand	12 ↓	10
Vietnam National Tobacco Corp	12 ↓	10

**Notes:** 1. \*2020 Index score and rank restated based on 2022 Index methodology changes. See Index Methodology.  
 2. An arrow upwards means an Index Company has improved its ranking in the 2022 Index; an arrow downwards means the reverse.

### Index Company Summary<sup>18</sup>

The following summaries highlight the key factors contributing to each company’s category score. Companies are listed in rank order based on category score (Section 4.1.B, Figure 11).

1<sup>st</sup> – 6<sup>th</sup>. Index Companies ranked 1 to 6 score for the following metrics: acknowledges its role in tobacco-related death and disease; has made a commitment to tobacco harm reduction; offers RRP; links its overall competitive strategy to tobacco harm reduction by providing an explanation of its business strengths, risks and opportunities; discloses its strengths related to tobacco harm reduction; has an objective related to tobacco harm reduction; provides quantitative evidence of tobacco harm reduction performance; prioritizes tobacco harm reduction policy and strategy at board and/or senior level; defines day-to-day responsibilities for tobacco harm reduction; recognizes the benefits of stakeholder engagements and publicly discloses details of activities. In addition, the following attributes were demonstrated per company.

1<sup>st</sup>. PMI is one of two Index Companies that has a mission statement to phase out HRPs.<sup>19</sup> PMI’s objective related to tobacco harm reduction is time-bound and measurable. PMI provides quantitative evidence of its performance against its tobacco harm reduction objective.<sup>20</sup> PMI is one of five Index Companies to hire independent auditors to verify its

<sup>18</sup> The Strategy & Management category is made up of 17 qualitative metrics (see Index Methodology, “Marketing & Compliance”). This summary lists only the qualitative metrics which contribute to a company’s score and ranking. If a company partially meets a metric and this impacts its ranking, the criteria that it does not fulfil are detailed.

<sup>19</sup> Ibid. Page 66.

<sup>20</sup> Ibid. Pages 17-18.

tobacco harm reduction performance.<sup>21</sup> PMI is one of four Index Companies to disclose numeric details of incentives to senior leaders linked to tobacco harm reduction.<sup>22</sup>

**2<sup>nd</sup> tied.** BAT's objective related to tobacco harm reduction is time-bound and measurable. BAT provides quantitative evidence of its performance against its tobacco harm reduction objective.<sup>23</sup> BAT is one of five Index Companies to hire independent auditors to verify its tobacco harm reduction performance.<sup>24</sup> BAT is one of four Index Companies to disclose numeric details of incentives to senior leaders linked to tobacco harm reduction.<sup>25</sup>

**2<sup>nd</sup> tied.** JT has an objective related to tobacco harm reduction, which is time-bound and measurable. JT is one of five Index Companies to hire independent auditors to verify its tobacco harm reduction performance.<sup>26</sup> JT is one of four Index Companies to disclose numeric details of incentives to senior leaders linked to tobacco harm reduction.<sup>27</sup>

**4<sup>th</sup>.** Imperial is one of five Index Companies to hire independent auditors to verify its tobacco harm reduction performance.<sup>28</sup> Imperial is one of four Index Companies to disclose numeric details of incentives to senior leaders linked to tobacco harm reduction.<sup>29</sup>

**5<sup>th</sup>.** Swedish Match is one of two Index Companies that has a mission statement to phase out HRPs.<sup>30</sup> Swedish Match is one of five Index Companies to hire independent auditors to verify its tobacco harm reduction performance.<sup>31</sup> Incentives for senior leaders are linked to tobacco harm reduction.<sup>32</sup>

**6<sup>th</sup>.** Incentives for Altria's senior leaders are linked to tobacco harm reduction.<sup>33</sup>

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<sup>21</sup> Ibid. Page 35.

<sup>22</sup> Philip Morris International Inc. (2022). 2022 Annual Meeting of Shareholders and Proxy Statement, Pages 46-47, Accessed August 23, 2022, from

<https://philipmorrisinternational.gcs-web.com/static-files/9b0d2973-f642-4d60-8ec0-5d33910aeda2>

<sup>23</sup> British American Tobacco Plc (2022). *Annual Report and Form 20-F 2021*, Page 28, Accessed August 23, 2022, from

[https://www.bat.com/group/sites/UK\\_\\_9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/\\$file/BAT\\_Annual\\_Report\\_and\\_Form\\_20-F\\_2021.pdf](https://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/$file/BAT_Annual_Report_and_Form_20-F_2021.pdf)

<sup>24</sup> Ibid. Page 123.

<sup>25</sup> Ibid. Page 128.

<sup>26</sup> Japan Tobacco Group. (2022). *Independent Assurance Statement Tobacco KPI*, Accessed August 16, 2022, from

[https://www.jt.com/sustainability/external\\_verification/pdf/Tobacco\\_KPI.pdf](https://www.jt.com/sustainability/external_verification/pdf/Tobacco_KPI.pdf)

<sup>27</sup> Ibid. Page 100.

<sup>28</sup> Imperial Brands Plc. (2022). *Imperial Brands Annual Report and Accounts 2021*, Pages 152-153, Accessed August 16, 2022, from

<https://www.imperialbrandspc.com/content/dam/imperialbrands/corporate2022/documents/investors/reports/annual-report-2021.pdf.downloadasset.pdf>

<sup>29</sup> Ibid. Page 124.

<sup>30</sup> Ibid.

<sup>31</sup> Ibid. Page 127.

<sup>32</sup> Swedish Match AB. (2021). *2021 Annual Report*, Pages 95-96, Accessed August 16, 2022, from

[https://www.swedishmatch.com/globalassets/reports/annual-reports/2021\\_swedishmatchannualreport\\_interactive\\_en.pdf](https://www.swedishmatch.com/globalassets/reports/annual-reports/2021_swedishmatchannualreport_interactive_en.pdf)

<sup>33</sup> Altria Group Inc. (2022). *2022 Notice of Annual Meeting of Shareholders and Proxy Statement*, Pages 45-61, Accessed August 16, 2022, from

[https://s25.q4cdn.com/409251670/files/doc\\_financials/2022/sr/2022-Proxy-Statement.pdf#page=1](https://s25.q4cdn.com/409251670/files/doc_financials/2022/sr/2022-Proxy-Statement.pdf#page=1)

7<sup>th</sup>. KT&G has tobacco harm reduction objectives which are not time-bound and measurable.<sup>34</sup> KT&G recognizes the benefits of stakeholder engagement and takes part in tobacco harm reduction engagements.<sup>35</sup> KT&G does not disclose details of tobacco harm reduction stakeholder engagements. KT&G offers RRP.

8<sup>th</sup>. CNTC has made an indirect commitment to harm reduction without acknowledging its role in tobacco-related death and disease. CNTC offers RRP.<sup>36</sup>

9<sup>th</sup>. Eastern has an objective related to tobacco harm reduction, which is time-bound and measurable.<sup>37</sup>

10<sup>th</sup>. ITC and Swisher do not publicly disclose a commitment to harm reduction. ITC and Swisher offer RRP.

12<sup>th</sup> tied. Djarum, Gudang Garam, TOAT, and Vinataba do not have strategies or management processes in place related to tobacco harm reduction.

## 4.1.C Strategy & Management Key Findings

### Key Finding 1

#### **Commitments regarding tobacco harm reduction continue to be vague or non-existent**

- Altria, BAT, CNTC, Imperial, JT, PMI and Swedish Match have made commitments to tobacco harm reduction.
- Altria's vision is by 2030 to “responsibly lead the transition of adult smokers to a smoke-free future.”<sup>38</sup>
- BAT’s purpose is “reducing the health impact of our business by offering a greater choice of enjoyable and less risky products for our consumers. BAT continues to be clear that combustible cigarettes pose serious health risks.”<sup>39</sup>

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<sup>34</sup> KT&G Corp. (2021). *2020 KT&G Report*, Page 51, Accessed August 23, 2022, from <https://en.ktng.com/ktngReport?cmsCd=CM0046>

<sup>35</sup> KT&G Corp. (2021). *2020 KT&G Report*, Page 25, Accessed August 2022, from <https://en.ktng.com/ktngReport?cmsCd=CM0046>

<sup>36</sup> China National Tobacco Corp. (n.d.) *China Tobacco*. Accessed May 1, 2022, from <http://www.tobacco.gov.cn/gjyc/zmyw/20150623/b0f74518c5d148ea91f3a3b06d1d9886.shtml> (link not accessible outside of China)

<sup>37</sup> CEO interview. 2021. *Alamal News*, Accessed August 16, 2022, from <https://almalnews.com/%D8%A7%D9%84%D8%B4%D8%B1%D9%82%D9%8A%D8%A9-%D9%84%D9%84%D8%AF%D8%AE%D8%A7%D9%86-%D8%AA%D9%81%D8%A7%D8%B6%D9%84-%D8%A8%D9%8A%D9%86-%D8%B9%D8%B1%D8%B6%D9%8A%D9%86-%D8%B5%D9%8A%D9%86%D9%89/>

<sup>38</sup> Altria Group Inc. (2022). *Corporate Website*, Accessed August 23, 2022, from <https://www.altria.com/about-altria/our-vision>

<sup>39</sup> British American Tobacco Plc (2022). *Corporate Website*, Accessed August 16, 2022, from [https://www.bat.com/group/sites/UK\\_\\_9D9KCY.nsf/vwPagesWebLive/DOBY5H5B](https://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOBY5H5B)

- CNTC’s commitment to tobacco harm reduction is disclosed indirectly, via the State Tobacco Monopoly Administration, which states “smoking is harmful to health, tobacco control is imperative, compliance is an obligation, and more it is a responsibility.”<sup>40</sup>
- Imperial’s commitment is “to strengthening our Next Generation Products (NGP) performance and in doing so, to making a more meaningful contribution to harm reduction by offering adult smokers a range of potentially less harmful products. We are committed to tobacco harm reduction.”<sup>41</sup>
- JT’s commitment is “to developing and bringing to market Reduced-Risk Products that meet consumer expectations. We will help adult consumers to make informed choices by providing factual information acquired through scientific assessment about the products they may wish to use.”<sup>42</sup>
- PMI’s objective is to contribute to accelerating the end of smoking for which they are “dedicating the vast majority of our resources to commercializing our smoke-free products. Everyone within our organization—regardless of business function—plays a crucial role in delivering on this purpose.”<sup>43</sup>
- Swedish Match’s vision is “A world without cigarettes, and we are committed to making important contributions on our path towards that vision.”<sup>44</sup>
- Djarum, Eastern, Gudang Garam, KT&G, ITC, Swisher, TOAT, and Vinataba do not make commitments to tobacco harm reduction.

## Key Finding 2

### **Three Index Companies set time-bound and numeric targets relating to tobacco harm reduction goals and objectives**

- BAT, JT and PMI have a tobacco harm reduction objective which is time-bound and measurable.
- BAT’s target for tobacco harm reduction is to generate £5 billion in revenues by 2025 and have 50 million RRP consumers by 2030.<sup>45</sup>

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<sup>40</sup> China National Tobacco Corp. (n.d.) *China Tobacco*. Accessed May 1, 2022, from <http://www.tobacco.gov.cn/gjyc/hyyw/20170108/636c101796ad48de8115cb4cbdd4e65c.s> (link not accessible outside of China)

<sup>41</sup> Imperial Brands Plc. (2022). *Imperial Brands Annual Report and Accounts 2021*, Pages 52, Accessed August 16, 2022, from <https://www.imperialbrandspc.com/content/dam/imperialbrands/corporate2022/documents/investors/reports/annual-report-2021.pdf.downloadasset.pdf>

<sup>42</sup> Japan Tobacco Group. (2022). *Corporate Website*, Accessed August 16, 2022, from <https://www.jti.com/about-us/our-business/our-six-core-principles>

<sup>43</sup> Philip Morris International Inc. (2022). *Integrated Report 2021*, Page 61, Accessed August 16, 2022, from [https://pmidotcom3-prd.s3.amazonaws.com/docs/default-source/pmi-sustainability/pmi-integrated-report-2021.pdf?sfvrsn=646e6ab6\\_4](https://pmidotcom3-prd.s3.amazonaws.com/docs/default-source/pmi-sustainability/pmi-integrated-report-2021.pdf?sfvrsn=646e6ab6_4)

<sup>44</sup> Swedish Match AB. (2021). *2021 Annual Report*, Page 9, Accessed July 20, 2022, from [https://www.swedishmatch.com/globalassets/reports/annual-reports/2021\\_swedishmatchannualreport\\_interactive\\_en.pdf](https://www.swedishmatch.com/globalassets/reports/annual-reports/2021_swedishmatchannualreport_interactive_en.pdf)

<sup>45</sup> British American Tobacco Plc (2022). *Annual Report and Form 20-F 2021*, Page 28, Accessed August 16, 2022, from [https://www.bat.com/group/sites/UK\\_\\_9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/\\$file/BAT\\_Annual\\_Report\\_and\\_Form\\_20-F\\_2021.pdf](https://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/$file/BAT_Annual_Report_and_Form_20-F_2021.pdf)

- JT's target is to "Drive segment share for HTS (heated tobacco sticks) in key HTS markets (Japan, Russia, the UK, and Italy) to mid-teens level" by the end of 2027.<sup>46</sup>
- PMI targets generating 50% of its total net revenues from RRP by 2025.<sup>47</sup>
- Altria, Eastern, Imperial, KT&G and Swedish Match each have a tobacco harm reduction objective, but the objectives are not supported by numeric time-bound and measurable targets.
- Altria discloses three tobacco harm reduction goals: accelerate investments in innovations of RRP; create the conditions for tobacco harm reduction to succeed through external communications and engagement, science and advocacy; and provide access to expert quitting information for those who have decided to quit.<sup>48</sup>
- Eastern's goal is to start production of heated tobacco by mid-2022.<sup>49</sup>
- Imperial anticipates growth in all RRP categories over the next five years.<sup>50</sup>
- KT&G has a vision to become a global top tier company in the RRP market by 2025, which is the core of the future tobacco industry.<sup>51</sup>
- Swedish Match's objective is the development and commercialization of RRP that are attractive to cigarette users and dramatically safer sources of nicotine compared to cigarettes.<sup>52</sup>
- CNTC, Djarum, Gudang Garam, KT&G, ITC, Swisher, TOAT, and Vinataba do not disclose tobacco harm reduction objectives.

### Key Finding 3

#### **Fewer than half of Index Companies provide adequate details of stakeholder engagement as it relates to tobacco harm reduction**

- Altria, BAT, Imperial, JT, PMI and Swedish Match publicly disclose how they engage on tobacco harm reduction with stakeholders.

<sup>46</sup> Japan Tobacco Group. (2022). *Business Plan 2022*, Accessed August 16, 2022, from [https://www.jt.com/investors/results/forecast/pdf/2021/Full\\_Year/20220214\\_08.pdf](https://www.jt.com/investors/results/forecast/pdf/2021/Full_Year/20220214_08.pdf)

<sup>47</sup> Philip Morris International Inc. (2022). *Integrated Report 2021*, Pages 17-18, Accessed August 16, 2022, from [https://pmidotcom3-prd.s3.amazonaws.com/docs/default-source/pmi-sustainability/pmi-integrated-report-2021.pdf?sfvrsn=646e6ab6\\_4](https://pmidotcom3-prd.s3.amazonaws.com/docs/default-source/pmi-sustainability/pmi-integrated-report-2021.pdf?sfvrsn=646e6ab6_4)

<sup>48</sup> Altria Group Inc. (2022). *Corporate Website*, Accessed August 16, 2022, from <https://www.altria.com/moving-beyond-smoking/reduce-the-harm-of-tobacco-products>

<sup>49</sup> CEO interview. (2021). *Alamal News*, Accessed August 31, 2022, from <https://alamalnews.com/%D8%A7%D9%84%D8%B4%D8%B1%D9%82%D9%8A%D8%A9-%D9%84%D9%84%D8%AF%D8%AE%D8%A7%D9%86-%D8%AA%D9%81%D8%A7%D8%B6%D9%84-%D8%A8%D9%8A%D9%86-%D8%B9%D8%B1%D8%B6%D9%8A%D9%86-%D8%B5%D9%8A%D9%86%D9%89/>

<sup>50</sup> Imperial Brands Plc. (2022). *Corporate Website*, Accessed May 1, 2022, from <https://www.imperialbrandspc.com/brands-of-choice>

<sup>51</sup> KT&G Corp. (2021). *2020 KT&G Report*, Page 51, Accessed August 16, 2022, from <https://en.ktng.com/ktngReport?cmsCd=CM0046>

<sup>52</sup> Swedish Match AB. (2021). *2021 Annual Report*, Page 6, Accessed July 20, 2022, from [https://www.swedishmatch.com/globalassets/reports/annual-reports/2021\\_swedishmatchannualreport\\_interactive\\_en.pdf](https://www.swedishmatch.com/globalassets/reports/annual-reports/2021_swedishmatchannualreport_interactive_en.pdf)

- Altria disclosed that it conducted 200+ tobacco harm reduction engagements with federal and state elected officials/ policymakers, including in 46 states, 15 engagements with the FDA, and 34 engagements with public health stakeholders in 2021.<sup>53</sup>
- BAT commissions an independent assessment each year to identify material ESG topics, which include "Reducing the HEALTH impact of our business".<sup>54</sup> BAT discloses examples of the engagements of scientific personnel, marketing personnel<sup>55</sup> and the remuneration committee regarding harm reduction.<sup>56</sup>
- Imperial discloses how it engages with stakeholders on scientific research and it discloses examples of senior leader governmental engagement.<sup>57</sup>
- JT discloses that it actively participates in the debate about regulation of HRPs and those with potential to reduce the risks associated with smoking.<sup>58</sup>
- PMI discloses that it has continued dialogue with multiple stakeholders, including governments and investors. As part of PMI's 2021 Sustainability Materiality Assessment, it collected quantitative inputs through an online survey, in which "close to 150 stakeholders participated (45% internal stakeholders and 55% external stakeholders)".<sup>59</sup>
- Swedish Match conducts biannual materiality assessments, which in 2020 was facilitated by an external auditor and involved dialogue with consumers, regulators and the scientific community. One of the topics covered was "Harm reduction through smokefree products with low health impacts".<sup>60</sup>
- KT&G discloses that it has stakeholder engagement on "Reduction of harmfulness in tobacco products", without disclosing the details of activities.<sup>61</sup>
- CNTC, Djarum, Eastern, Gudang Garam, ITC, Swisher, TOAT, and Vinataba do not publicly disclose stakeholder engagement regarding tobacco harm reduction.

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<sup>53</sup> Altria Group Inc. (2022). *2021 Corporate Responsibility Progress Report*, Page 16, Accessed August 16, 2022, from <https://www.altria.com/-/media/Project/Altria/Altria/responsibility/esg-reporting-and-data/engage-and-lead-responsibly-2021.pdf?src=resp-at-a-glance>

<sup>54</sup> British American Tobacco Plc (2022). *Annual Report and Form 20-F 2021*, Page 46, Accessed August 16, 2022, from [https://www.bat.com/group/sites/UK\\_\\_9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/\\$file/BAT\\_Annual\\_Report\\_and\\_Form\\_20-F\\_2021.pdf](https://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/$file/BAT_Annual_Report_and_Form_20-F_2021.pdf)

<sup>55</sup> British American Tobacco Plc (2022). *ESG Report 2021*, Page 32, Accessed August 16, 2022, from [https://www.bat.com/group/sites/UK\\_\\_9D9KCY.nsf/vwPagesWebLive/DOAWWEKR/\\$file/BAT\\_ESG\\_Report\\_2021.pdf](https://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOAWWEKR/$file/BAT_ESG_Report_2021.pdf)

<sup>56</sup> British American Tobacco Plc (2022). *Annual Report and Form 20-F 2021*, Page 131, Accessed August 16, 2022, from [https://www.bat.com/group/sites/UK\\_\\_9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/\\$file/BAT\\_Annual\\_Report\\_and\\_Form\\_20-F\\_2021.pdf](https://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/$file/BAT_Annual_Report_and_Form_20-F_2021.pdf)

<sup>57</sup> Imperial Brands Plc. (2022). *Imperial Brands Annual Report and Accounts 2021*, Pages 38-40, Accessed August 16, 2022, from <https://www.imperialbrandsplc.com/content/dam/imperialbrands/corporate2022/documents/investors/reports/annual-report-2021.pdf.downloadasset.pdf>

<sup>58</sup> Japan Tobacco Group. *External Engagement Principles*, Page 1, Accessed August 25, 2022, from <https://www.jti.com/sites/default/files/external-engagement-principles-document.pdf>

<sup>59</sup> Philip Morris International Inc. (2022). *2021 Sustainability Materiality Report*, Page 7, Accessed August 23, 2022, from [https://www.pmi.com/resources/docs/default-source/pmi-sustainability/pmi-2021-sustainability-materiality-report.pdf?sfvrsn=1ceaafb7\\_8](https://www.pmi.com/resources/docs/default-source/pmi-sustainability/pmi-2021-sustainability-materiality-report.pdf?sfvrsn=1ceaafb7_8)

<sup>60</sup> Swedish Match AB. (n.d.) *Materiality Assessment (2020)*, Accessed August 16, 2022, from <https://www.swedishmatch.com/Sustainability/materiality-assessment/>

<sup>61</sup> KT&G Corp. (2021). *2020 KT&G Report*, Page 25, Accessed August 16, 2022, from <https://en.ktng.com/ktngReport?cmsCd=CM0046>

## 4.2 Product Sales

### 4.2.A Category Description

#### Context

- Product sales are a quantifiable measure of company performance. The Product Sales category is assigned the highest weight in the Index, on the premise that the type, volume and rate-of-change of products a company sells directly relates to level of harm.
- The Index seeks evidence that companies are phasing out sales of cigarettes and other HRPs<sup>62</sup> in countries in which the companies operate, potentially displacing HRPs through sales of RRP<sup>63</sup>. Reducing sales from HRPs relative to RRP<sup>63</sup> demonstrates progress toward tobacco harm reduction.

#### What We Assess

- The Product Sales category assesses the company's historical performance through indicators in its sales of HRPs and RRP<sup>63</sup>, including rates of change.
  - **Volume and Value Sales of HRPs** (last financial year: 2021) – Lower sales of HRPs have a positive impact on tobacco harm reduction.
  - **Volume and Value Sales of HRPs – Rate of Change** (2021 compared to 2019) – Negative Rate of Change has a positive impact on tobacco harm reduction.
  - **Ratio of Volume and Value Sales (RRPs versus HRPs)** (last financial year: 2021) – Higher ratio has a positive impact on tobacco harm reduction.
  - **Ratio of Volume and Value Sales (RRPs versus HRPs) – Rate of Change** (2021 compared to 2019) – Higher Rate of Change has a positive impact on tobacco harm reduction.
- Scoring for the indicators above is adjusted by the relative risk level of nicotine and tobacco products sold<sup>64</sup>; conversion of the various product volumes into a cigarette stick equivalent<sup>65</sup>; and scoring by country<sup>66</sup> for companies operating across LMICs<sup>67</sup> and HMICs<sup>68</sup>.

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<sup>62</sup> High-Risk Products (see Murkett. R, Rugh. M, Ding. B, *Nicotine Products Relative Risk Assessment: An Updated Systematic Review and Meta-analysis*, 2022)

<sup>63</sup> Reduced-Risk Products (see Murkett. R, Rugh. M, Ding. B, *Nicotine Products Relative Risk Assessment: An Updated Systematic Review and Meta-analysis*, 2022)

<sup>64</sup> See Index Methodology ("Relative Risk Assessment")

<sup>65</sup> See Index Methodology ("Per Stick Equivalent Conversion")

<sup>66</sup> See Index Methodology ("LMIC versus HMIC Multiplier")

<sup>67</sup> Low-Medium Income Countries (see Index Methodology, "Country Scope")

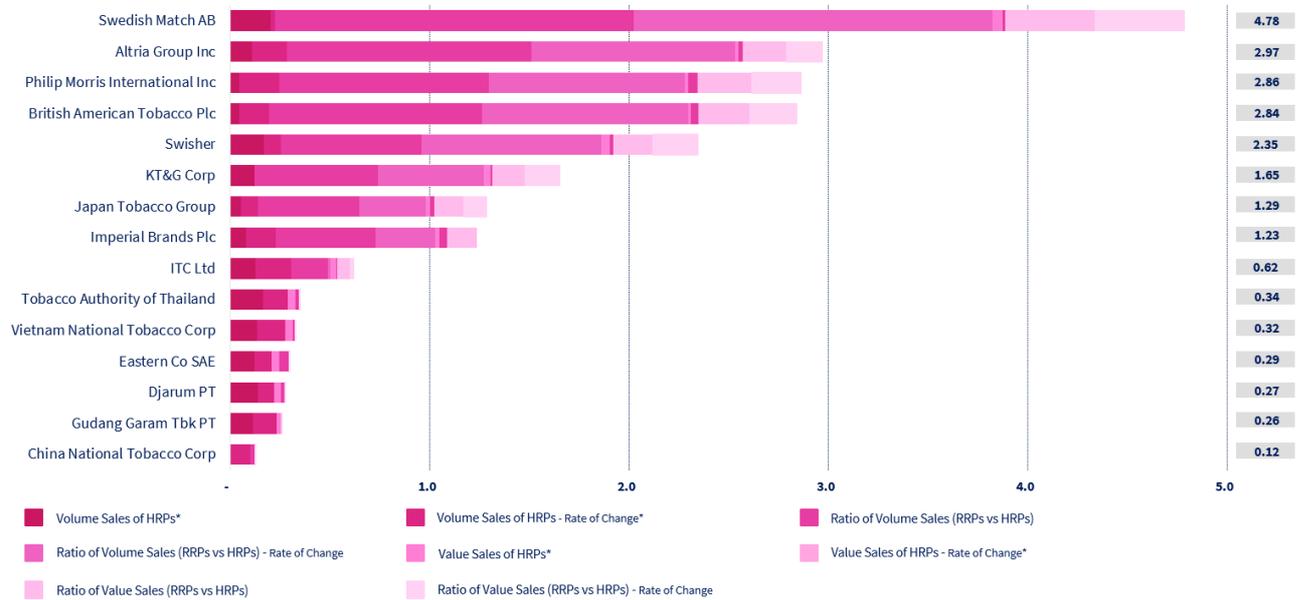
<sup>68</sup> High-Medium Income Countries (see Index Methodology, "Country Scope")

## How We Assess

- The assessment is based on estimates of company data derived from publicly available sources, including company financial and sustainability reports, quarterly and half-yearly updates, press releases, investor briefings, and company presentations; industry and financial databases (Euromonitor International’s Passport, and Capital IQ); Index Company review of preliminary data estimates (on a voluntary basis), and interviews with industry experts.

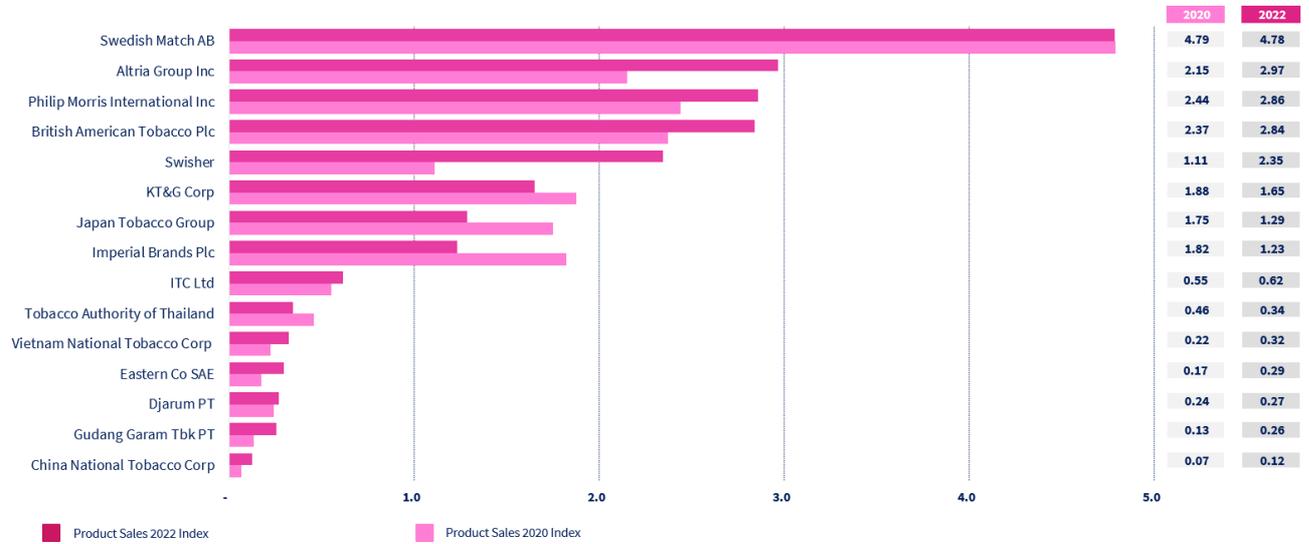
## 4.2.B Scoring and Ranking

Figure 14: 2022 Index: Product Sales Category Scoring



Note: \*Negative indicator, i.e. a higher number indicates lower performance.

Figure 15: 2022 Index versus 2020 Index\* Comparison: Product Sales Category Scoring



Note: \*2020 Index score and rank restated based on 2022 Index methodology changes. See Index Methodology.

Figure 16: 2022 Index versus 2020 Index\* Comparison: Product Sales Category Ranking

Index Companies	2022	2020
Swedish Match AB	1	1
Altria Group Inc	2 ↑	4
Philip Morris International Inc	3 ↓	2
British American Tobacco Plc	4 ↓	3
Swisher	5 ↑	8
KT&G Corp	6 ↓	5
Japan Tobacco Group	7	7
Imperial Brands Plc	8 ↓	6
ITC Ltd	9	9
Tobacco Authority of Thailand	10	10
Vietnam National Tobacco Corp	11 ↑	12
Eastern Co SAE	12 ↑	13
Djarum PT	13 ↓	11
Gudang Garam Tbk PT	14	14
China National Tobacco Corp	15	15

Notes: 1. \*2020 Index score and rank restated based on 2022 Index methodology changes. See Index Methodology.  
 2. An arrow upwards means an Index Company has improved its ranking in the 2022 Index; an arrow downwards means the reverse.

## Index Company Summary

*The following summaries highlight the key factors contributing to each company's category score. Companies are listed in rank order based on category score (Section 4.2.B, Figure 14).*

**1<sup>st</sup>.** Swedish Match led the Product Sales category ranking. Swedish Match is one of two Index Companies that did not sell cigarettes over the 2019-2021 review period. Swedish Match's ratio of Volume Sales (RRPs versus HRPs) increased in 2021 compared to 2019.<sup>69</sup> RRPs represented 53% of the company's total Volume Sales in 2021.<sup>70</sup> Swedish Match's rank reflects its sales of snus in Scandinavia, chewing tobacco and moist snuff in the USA, and increasing<sup>71</sup> sales of non-tobacco nicotine pouches in the USA (CAGR: +51%) and Europe.<sup>72</sup> Swedish Match also sold HRPs (cigars and cigarillos) over the 2019-2021 review period. The company reported that 2021 was a "record" year for its cigar sales in the USA (CAGR: +5.6%).<sup>73</sup>

**2<sup>nd</sup>.** Altria's<sup>74</sup> ratio of Volume Sales (RRPs versus HRPs) increased in 2021 (26%) compared to 2019 (25%). During the 2019-2021 review period, Altria's RRPs<sup>75</sup> were moist snuff, non-tobacco nicotine pouches, heated tobacco<sup>76</sup> and snus. Altria reported declining cigarette volumes in the USA in 2019-2021 (CAGR: -2.7%), especially for the company's Marlboro brand, and an increase in non-tobacco nicotine pouch volumes (CAGR: +108%).<sup>77</sup>

**3<sup>rd</sup>.** PMI's ratio of Volume Sales (RRPs versus HRPs) increased in 2021 (13%) compared to 2019 (8%). PMI recorded volume and Value Sales declines of its HRPs over the 2019-2021 review period, especially cigarettes (volume CAGR: -4%). PMI also registered volume growth of heated tobacco (CAGR: +17%), especially in Europe and Asia.<sup>78</sup>

**4<sup>th</sup>.** BAT's ratio of Volume Sales (RRPs versus HRPs) increased in 2021 (10%) compared to 2019 (7%). The company's HRP absolute volume decline (CAGR: -1.2%) was less than that of Altria (CAGR: -2.3%) and PMI (CAGR: -3.7%). BAT increased its ratio of Volume Sales (RRPs versus

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<sup>69</sup> when taking into account the Relative Risk Assessment

<sup>70</sup> Total volume sales converted to Per Stick Equivalents (see Index Methodology, "Per Stick Equivalent Conversion Table"), covering products within the Tobacco Transformation Index scope only (see Index Methodology, "Product Scope").

<sup>71</sup> Over the 2019-2021 review period

<sup>72</sup> Swedish Match AB. (2022). *Annual Report 2021*, Page 6, Accessed August 15, 2022, from [https://www.swedishmatch.com/globalassets/reports/annual-reports/2021\\_swedishmatchannualreport\\_interactive\\_en.pdf](https://www.swedishmatch.com/globalassets/reports/annual-reports/2021_swedishmatchannualreport_interactive_en.pdf)

<sup>73</sup> Swedish Match AB. (2022). *Annual Report 2021*, Page 26, Accessed August 15, 2022, from [https://www.swedishmatch.com/globalassets/reports/annual-reports/2021\\_swedishmatchannualreport\\_interactive\\_en.pdf](https://www.swedishmatch.com/globalassets/reports/annual-reports/2021_swedishmatchannualreport_interactive_en.pdf)

<sup>74</sup> Product Sales and Product Offer category analysis does not include Altria's 35% stake in Juul Labs Inc.

<sup>75</sup> Listed high to low in order of company's global volume sales in 2021, converted to Per Stick Equivalents (see Index Methodology, "Per Stick Equivalent Conversion"). Listing products within Tobacco Transformation Index scope only. Product Sales and Product Offer category analysis does not include Altria's 35% stake in Juul Labs Inc.

<sup>76</sup> A United States International Trade Commission decision in December 2021 led to Altria removing its heated tobacco product, IQOS, from the USA

<sup>77</sup> Altria Group Inc. (2022). *2021 Annual Report*, Accessed August 15, 2022, from [https://s25.q4cdn.com/409251670/files/doc\\_financials/2021/ar/Altria-2021-Annual-Report.pdf](https://s25.q4cdn.com/409251670/files/doc_financials/2021/ar/Altria-2021-Annual-Report.pdf)

<sup>78</sup> Philip Morris International Inc. (2022). *2021 Annual Report*, Page 30, Accessed August 15, 2022, from <https://philipmorrisinternational.gcs-web.com/static-files/517af46c-2750-4185-9b1d-7d8e8f47a854>

HRPs) due to growth in heated tobacco, closed system vaping products and non-tobacco nicotine pouches.<sup>79</sup>

**5<sup>th</sup>.** Swisher's ratio of Volume Sales (RRPs versus HRP) increased in 2021 compared to 2019.<sup>80</sup> RRP represented a small proportion (3%) of Swisher's Volume Sales in 2021. Swisher is one of two Index Companies that does not sell cigarettes. Swisher introduced Rogue non-tobacco nicotine pouches to its product portfolio in 2020. Swisher's score on all "Rate of Change" indicators in the Product Sales category therefore improved in the 2022 Index, compared to the 2020 Index. Swisher recorded a slowing of growth in cigar and cigarillo Volume Sales in the 2022 Index (2019-2021 CAGR: +1.3%) compared to the 2020 Index (2017-2019 CAGR: +2.1%).

**6<sup>th</sup>.** KT&G's ratio of Volume Sales (RRPs versus HRP) increased in 2021 (5%) compared to 2019 (4%). KT&G increased heated tobacco sales outside of its domestic market of South Korea, through a distribution deal with PMI starting in January 2020.<sup>81</sup> RRP volumes remained a relatively small part of total volumes (5%). KT&G's cigarette volumes increased at the highest rate of all Index Companies since 2019.<sup>82</sup> KT&G's overseas cigarette Volume Sales grew at a faster rate (CAGR: +2.28%) than its domestic cigarette Volume Sales (CAGR: +0.41%).

**7<sup>th</sup>.** JT's ratio of Volume Sales (RRPs versus HRP) was relatively stable in 2021 (1.8%) compared to 2019 (1.4%). JT's rank reflects the withdrawal of its closed system vaping product (Logic) from Ukraine in 2021, which was the only LMIC in which JT previously sold RRP.<sup>83</sup> The company's HRP Volume Sales were stable (CAGR: +0.8%), in contrast to the leading companies in the category, whose HRP volumes declined.<sup>84</sup>

**8<sup>th</sup>.** Imperial's ratio of Volume Sales (RRPs versus HRP) was stable in 2021 (1.3%) compared to 2019 (1.2%). Imperial's rank reflects the company's strategic reorientation, resulting in strategic exists for RRP, including from Russia and Japan in 2021.<sup>85</sup> Sales of cigarettes also declined (CAGR: -2.2%).

**9<sup>th</sup>.** ITC's ratio of Volume Sales (RRPs versus HRP) was stable in 2021 (0.04%) compared to 2019 (0.02%). ITC reported modest sales of nicotine replacement therapy (NRT) in its domestic market, India. The company's cigarette Volume Sales declined (CAGR: -2.7%).

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<sup>79</sup> British American Tobacco Plc. (2022). *Annual Report and Form 20-F 2021*, Page 9, Accessed August 15, 2022, from [https://www.bat.com/group/sites/UK\\_\\_9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/\\$file/BAT\\_Annual\\_Report\\_and\\_Form\\_20-F\\_2021.pdf](https://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/$file/BAT_Annual_Report_and_Form_20-F_2021.pdf)

<sup>80</sup> when taking into account the Relative Risk Assessment

<sup>81</sup> Philip Morris International. (2020). *Philip Morris International Inc. Announces Agreement with KT&G to Accelerate the Achievement of a Smoke-Free Future*. Accessed August 15, 2022, from <https://www.pmi.com/media-center/press-releases/press-release-details/?newsId=21786>

<sup>82</sup> Estimate from Tobacco Transformation Index research.

<sup>83</sup> Novosti-Novostey.tv. (2020). *JTI Ukraine stops selling Logic Compact e-cigarettes in Ukraine*. Accessed August 15, 2022 from <https://novosti-novostey.tv/ukraina/jti-ykraina-prekrashaet-prodajy-e-sigaret-logic-compact-v-ykraine/>

<sup>84</sup> Japan Tobacco Group. (2022). *Integrated Report 2021*, Page 44, Accessed August 15, 2022, from [https://www.jti.com/sites/default/files/global-files/documents/jti-annual-reports/JTG\\_integrated\\_report2021.pdf](https://www.jti.com/sites/default/files/global-files/documents/jti-annual-reports/JTG_integrated_report2021.pdf)

<sup>85</sup> Imperial Brands Plc. (2022). *Annual Report and Accounts 2021*. Page 68, Accessed August 15, 2022, from <https://www.imperialbrandspc.com/content/dam/imperialbrands/corporate2022/documents/investors/reports/annual-report-2021.pdf.downloadasset.pdf>

**10<sup>th</sup> – 15<sup>th</sup>.** TOAT (10<sup>th</sup>), Vinataba (11<sup>th</sup>), Eastern (12<sup>th</sup>), Djarum (13<sup>th</sup>) and Gudang Garam (14<sup>th</sup>) all sold HRPs only. CNTC (15<sup>th</sup>) sold heated tobacco through its international division, CTI Hong Kong, although the size of the company's cigarette Volume Sales (2.4 trillion sticks in 2021) reflects its position at the bottom of the Index for the Product Sales category.

## 4.2.C Product Sales Key Findings

### Key Finding 1

#### **Cigarettes remain the dominant product category among the 15 Index Companies**

- In 2021, in per stick equivalent terms, the total Volume Sales of the 15 Index Companies combined was split as follows: cigarettes (88.7%); fine cut tobacco (2.5%); heated tobacco (2.3%); cigars (2.3%); cigarillos (1.5%); moist snuff (1.3%); e-liquids (0.4%); closed system vaping products (0.2%); shisha (0.2%); snus (0.2%); pipe tobacco (0.2%); non-tobacco nicotine pouches (0.1%); chewing tobacco (0.1%); NRT products (0.0%). HRPs represented 95.4% of total Volume Sales, RRP's represented 4.6%.
- In 2021, cigarettes accounted for 90.3% of Value Sales of the 15 Index Companies, or USD352.4 billion, (down from 92.3%, or USD348.6 billion, in 2019).
- In 2021, cigarettes accounted for 88.7% of Volume Sales (in per stick equivalent terms) or 4.8 trillion sticks (down from 91.0% or 4.9 trillion sticks in 2019).<sup>86</sup>
- Over the 2019-2021 review period, global cigarette Volume Sales declined from 4.9 trillion sticks to 4.8 trillion sticks (2019-2021 CAGR<sup>87</sup>: -0.3%) for the Index Companies. Compared to the review period of the 2020 Index (2017-2019), the rate of decline has been slowing (2017-2019 CAGR: -0.8%).
- 50.1% of all cigarette Volume Sales<sup>88</sup> for the Index Companies were attributed to CNTC.
- The top four international companies<sup>89</sup> by total cigarette volumes – BAT, PMI, JT, and Imperial – accounted for a further 39.7% of total cigarette Volume Sales of the 15 Index Companies.
- Cigarette Volume Sales of PMI (CAGR: -4.0%), Altria (CAGR: -2.7%) and ITC (CAGR: -2.7%) declined faster than the Index average (CAGR: -0.3%).
- KT&G (CAGR: +6.8%), Eastern Co (CAGR: +2.6%) and CNTC (CAGR: +1.3%) had positive growth rates for cigarette Volume Sales in 2019-2021.
- Across the 15 Index Companies, the rate of cigarette Volume Sales decline was faster in LMICs (CAGR: -2.5%) compared to HMICs (CAGR: -0.3%). Excluding CNTC from the analysis (the majority of whose sales are in its domestic market China, which is categorized as a HMIC), the cigarette volume decline in HMICs was comparable to that of LMICs.

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<sup>86</sup> Total combined sales for all 15 Index Companies

<sup>87</sup> Compound Annual Growth Rate. All CAGR figures in this report cover the 2019-2021 review period.

<sup>88</sup> In 2021, of the 15 Index Companies

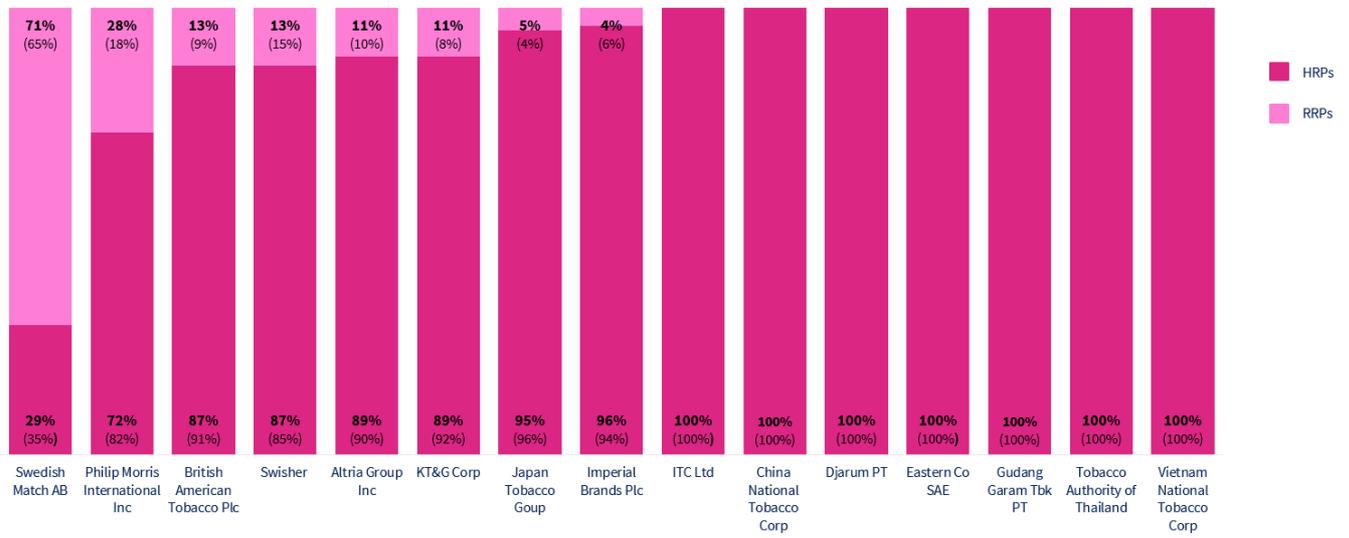
<sup>89</sup> Publicly traded companies operating internationally

- The top three Index Companies by absolute cigarette volume decline in LMICs were PMI (35.4 billion sticks fewer in 2021 compared to 2019), JT (10.3 billion fewer sticks in 2021 compared to 2019) and BAT (5.3 billion sticks fewer in 2021 compared to 2019).
- The top three Index Companies by absolute cigarette volume decline in HMICs were PMI (30.9 billion sticks fewer in 2021 compared to 2019), JT (21.4 billion sticks fewer in 2021 compared to 2019) and BAT (17.9 billion sticks fewer in 2021 compared to 2019).

### **COVID-19 and its impact on the Product Sales category**

- In 2020, volume sales declines in most regions were counteracted by volume sales increases in the USA.
- In 2021, cigarettes registered increased volume sales in Western Europe, Latin America, and Asia Pacific (especially China and Indonesia).
- In South Africa, from March to August 2020, in a measure aimed at tackling the spread of COVID-19, South African authorities placed a temporary ban on all tobacco and vaping products.
- Market data indicate stockpiling amongst smokers at the outset of COVID-19 in some markets, and indication of migration into increased consumption as consumers wrestled with increased boredom and anxiety. In other markets, lockdowns and decline in volume of social occasions prompted reduced consumption. The latter was especially the case in LMICs, compared to HMICs.
- Cash-strapped consumers down-traded to a greater extent than following the 2009 financial crisis, given the commoditization dynamic which has established itself in developed markets in the intervening period.
- Technical Note: 7 of the 35 indicators in the Tobacco Transformation Index are “Rate of Change” indicators, comparing a company’s score at the start of the review period (2019) to its score at the end of the review period (2021). Since 2020 was the year most impacted by COVID-19, the impact of the pandemic on companies’ “Rate of Change” indicator scores is minimal.

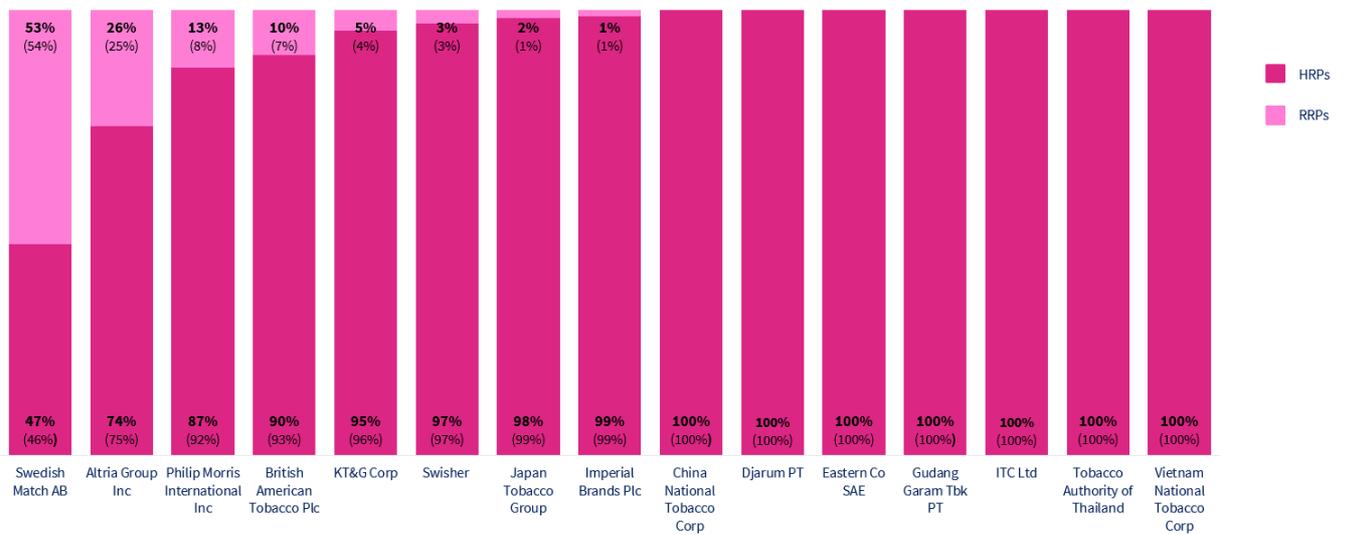
Figure 17: 2021 Net Value Sales of RRP versus HRP by Company (%)



**Source:** Tobacco Transformation Index based on estimations of company data derived from publicly available sources (including company financial and sustainability reports, quarterly and half-year updates, press releases, investor briefings, and company presentations); industry and financial databases (Euromonitor International's Passport, and Capital IQ); interviews with industry experts.

**Notes:** 1. Net Value Sales refer to gross sales minus applicable sales returns, allowances, and discounts. Gross sales do not include cost of goods sold, operating expenses, excise tax expenses or other charges. 2. Figures in brackets refer to 2019 data.

Figure 18: 2021 Volume Sales of RRP versus HRP by Company (%) – Per Stick Equivalent



**Source:** Tobacco Transformation Index based on estimations of company data derived from publicly available sources (including company financial and sustainability reports, quarterly and half-year updates, press releases, investor briefings, and company presentations); industry and financial databases (Euromonitor International's Passport, and Capital IQ); interviews with industry experts.

**Notes:** 1. Volume sales refer to a company's total volume sales, converted into per stick equivalents. See Index Methodology, "Per Stick Equivalent Conversion". 2. Figures in brackets refer to 2019 data.

## Key Finding 2

### **Value and volume<sup>90</sup> sales of RRP<sup>91</sup> among the 15 Index Companies are increasing but remain low, especially in LMICs**

- Over the 2019-2021 review period, the share of RRP as a ratio of total nicotine and tobacco product sales of the 15 Index Companies increased to 4.6% (2019: 3.4%) in volume<sup>92</sup> and 4.9% (2019: 3.6%) in value.<sup>93</sup>
- Swedish Match was the only company to derive more than half of both its value (71%) and volume (52.5%, in per stick equivalent terms) sales from RRP, with no other manufacturer surpassing 30% (Figures 17 and 18).
- The share of RRP sales in HMICs was 4.3% (2019: 3.3%) in value and 5.2% (2019: 4.2%) in volume.<sup>94</sup>
- The share of RRP sales in LMICs was 1.4% (2019: 0.6%) in value and 0.9% (2019: 0.3%) in volume.<sup>95</sup>
- As a share of total RRP Volume Sales, heated tobacco grew from 40.9% in 2019 to 50.0% in 2021.<sup>96</sup> The share of closed system vaping products, e-liquids, and non-tobacco nicotine pouches (as a share of total RRP Volume Sales) also increased in 2021 compared to 2019, while the share of chewing tobacco, moist snuff and snus declined.

## Key Finding 3

### **RRP legality of commercialization influences companies' opportunities for tobacco harm reduction**

- As per Figure 19, the commercialization of the following products was prohibited<sup>97</sup>:
  - Snus and moist snuff, in 13 of 36 Index Countries.
  - Closed system vaping products and e-liquids, in ten of 36 Index Countries.
  - Non-tobacco nicotine pouches, in nine of 36 Index Countries.
  - Heated tobacco, in eight of 36 Index Countries.

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<sup>90</sup> Total volume sales converted to Per Stick Equivalents (see Index Methodology, "Per Stick Equivalent Conversion Table"), covering products within the Tobacco Transformation Index scope only (see Index Methodology, "Product Scope").

<sup>91</sup> As a share of total value sales

<sup>92</sup> Total volume sales converted to Per Stick Equivalents (see Index Methodology, "Per Stick Equivalent Conversion Table"), covering products within the Tobacco Transformation Index scope only (see Index Methodology, "Product Scope").

<sup>93</sup> Total value sales converted to USD using a fixed exchange rate

<sup>94</sup> Total volume sales converted to Per Stick Equivalents (see Index Methodology, "Per Stick Equivalent Conversion Table"), covering products within the Tobacco Transformation Index scope only (see Index Methodology, "Product Scope").

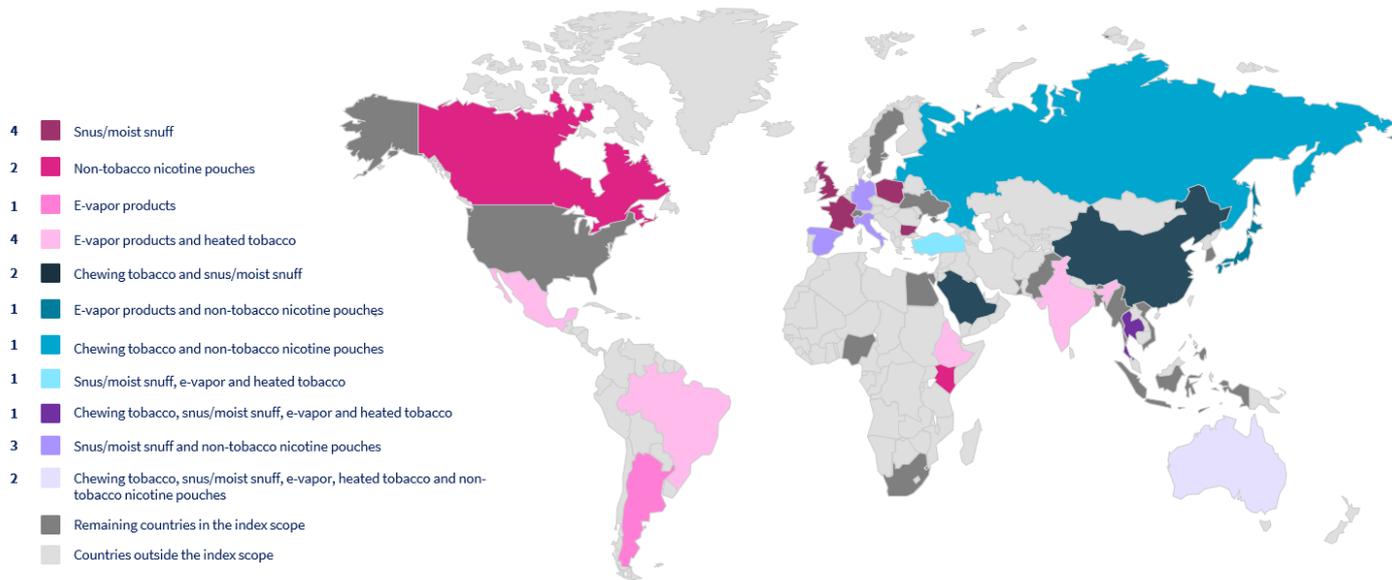
<sup>95</sup> Ibid.

<sup>96</sup> Total volume sales converted to Per Stick Equivalents (see Index Methodology, "Per Stick Equivalent Conversion Table"), covering products within the Tobacco Transformation Index scope only (see Index Methodology, "Product Scope").

<sup>97</sup> See *Company – Country Analysis* report series for further details of the regulatory context in which the 15 Index Companies operate <https://tobaccotransformationindex.org/companycountryanalysis/>

- Chewing tobacco, in six of 36 Index Countries.
- Over the 2019-2021 review period, ITC and TOAT had limited opportunities to offer RRP, due to RRP bans in their domestic markets.
  - In India, the commercialization of e-vapor and heated tobacco was banned.
  - In Thailand, the commercialization of e-vapor products, heated tobacco, chewing tobacco, moist snuff and snus were banned.

Figure 19: Bans on RRP Across the 36 Countries in the Index Scope 2021



Source: Country Fact Sheet Dashboard.

Notes: 1. Showing the 36 Index Countries only (See Index Methodology, "Country Scope"). 2. Data was collected in April 2022, except for Russia and Ukraine which was collected in July 2021. 3. E-vapor products refer to closed system and e-liquid products containing nicotine. Nicotine-free products are excluded from the above analysis.

## 4.3 Capital Allocation & Expenditure

### 4.3.A Category Description

#### Context

- Allocation of capital and expenditures to research and development (R&D), infrastructure, marketing, and mergers and acquisitions (M&A) is a reflection of how companies plan to operate in the future.
- In particular, the degree to which companies invest in RRP versus HRP represents a potential leading indicator of performance with respect to tobacco harm reduction, even though the outcomes and effectiveness of such investments are uncertain.
- Company investments outside the tobacco industry are considered outside the scope of the Index<sup>98</sup>.

#### What We Assess

- The Capital Allocation & Expenditure category assesses companies' performance in allocating resources away from HRPs and toward RRP.
  - **R&D Expenditure on HRPs** (excluding expenditure related to legal compliance requirements; last three financial years: 2019, 2020, 2021) – Lower share of HRP R&D investments on net sales has a positive impact on tobacco harm reduction.
  - **Ratio of R&D Expenditure (RRPs versus HRPs)** (excluding expenditure related to legal compliance requirements; last three financial years: 2019, 2020, 2021) – A higher ratio of R&D expenditure related to RRP versus HRP has a positive impact on tobacco harm reduction.
  - **Capital Expenditure on HRPs** (last three financial years: 2019, 2020, 2021) – Lower share of HRP capital investments on net sales has a positive impact on tobacco harm reduction.
  - **Ratio of Capital Expenditure (RRPs versus HRPs)** (last three financial years: 2019, 2020, 2021) – A higher ratio of capital expenditure related to RRP versus HRP has a positive impact on tobacco harm reduction.
  - **M&A Expenditure on HRPs** (last three financial years: 2019, 2020, 2021) – Lower share of HRP M&A investments on net sales has a positive impact on tobacco harm reduction.
  - **Ratio of M&A Expenditure (RRPs versus HRPs)** (last three financial years: 2019, 2020, 2021) – A higher ratio of M&A expenditure related to RRP versus HRP has a positive impact on tobacco harm reduction.
  - **Marketing Expenditure on HRPs** (last three financial years: 2019, 2020, 2021) – Lower share of HRP Marketing Expenditure on net sales has a positive impact on tobacco harm reduction.
  - **Ratio of Marketing Expenditure (RRPs versus HRPs)** (last three financial years: 2019, 2020, 2021) – A higher ratio of marketing spend related to RRP versus HRP has a positive impact on tobacco harm reduction.

#### How We Assess

- The assessment is based on estimations of Index Company data derived from publicly available sources, including Index Company financial and sustainability reports, quarterly and half-yearly

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<sup>98</sup> Tobacco Transformation Index (2022). *Stakeholder Engagement*, Accessed August 15, 2022, from <https://tobaccotransformationindex.org/about-the-data/stakeholder-engagement/>

updates, press releases, investor briefings, and company presentations; industry and financial databases (Euromonitor International's Passport, and Capital IQ); Index Company review of preliminary data estimates (on a voluntary basis), and interviews with industry experts.

### 4.3.B Scoring and Ranking

Figure 20: 2022 Index: Capital Allocation & Expenditure Category Scoring

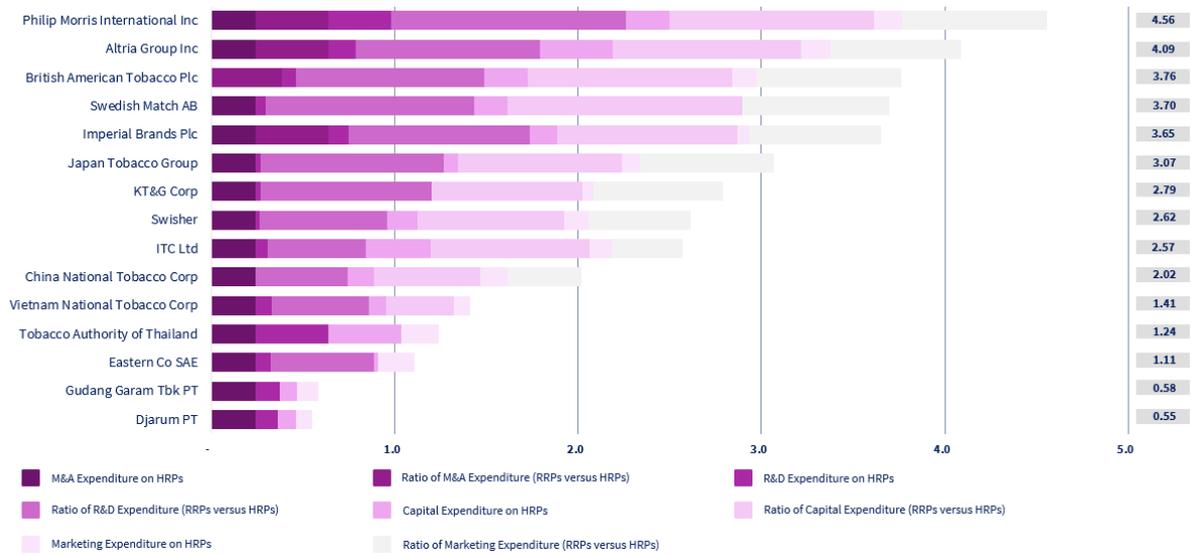
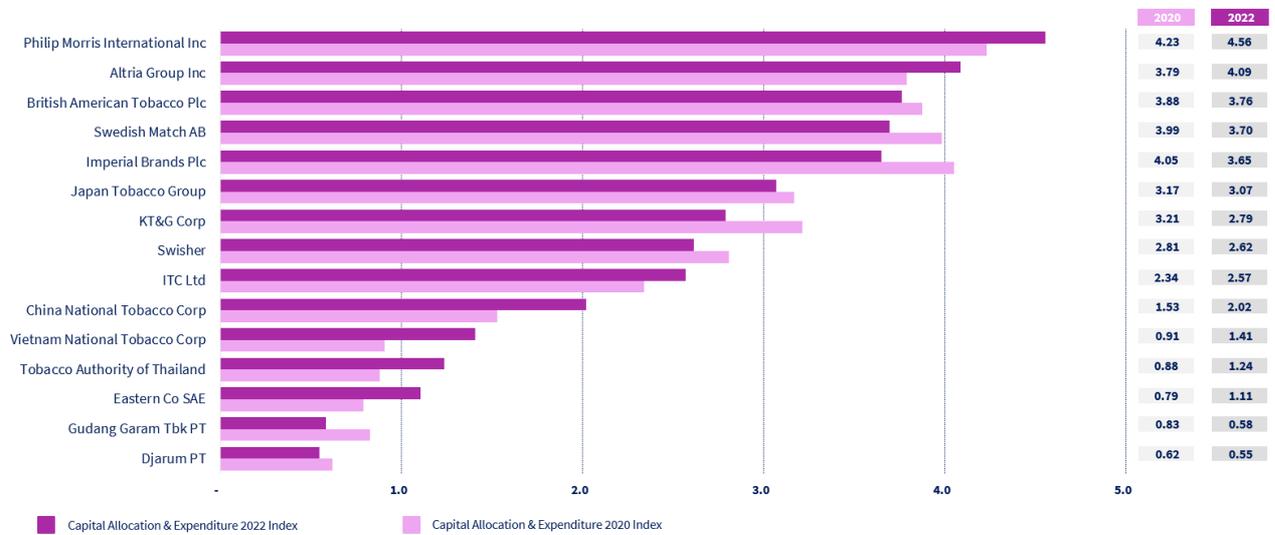


Figure 21: 2022 Index versus 2020 Index\* Comparison: Capital Allocation & Expenditure Category Scoring



**Note:** \*2020 Index score and rank restated based on 2022 Index methodology changes. See Index Methodology.

Figure 22: 2022 Index versus 2020 Index\* Comparison: Capital Allocation & Expenditure Category Ranking

Index Companies	2022	2020
Philip Morris International Inc	1	1
Altria Group Inc	2 ↑	5
British American Tobacco Plc	3 ↑	4
Swedish Match AB	4 ↓	3
Imperial Brands Plc	5 ↓	2
Japan Tobacco Group	6 ↑	7
KT&G Corp	7 ↓	6
Swisher	8	8
ITC Ltd	9	9
China National Tobacco Corp	10	10
Vietnam National Tobacco Corp	11	11
Tobacco Authority of Thailand	12	12
Eastern Co SAE	13 ↑	14
Gudang Garam Tbk PT	14 ↓	13
Djarum PT	15	15

Notes: 1. \*2020 Index score and rank restated based on 2022 Index methodology changes. See Index Methodology.  
2. An arrow upwards means an Index Company has improved its ranking in the 2022 Index; an arrow downwards means the reverse.

## Index Company Summary

The following summaries highlight the key factors contributing to each company's category score. Companies are listed in rank order based on category score (Section 4.3.B, Figure 20).

**1<sup>st</sup>.** PMI led the Capital Allocation & Expenditure category ranking over the 2019-2021 review period. PMI had the highest ratio of R&D expenditure (RRPs versus HRPs) of the 15 Index Companies. In 2021, PMI allocated 99% of R&D expenditure to RRP. <sup>99</sup> PMI acquired AG Snus in May 2021, a company focusing entirely on RRP, snus and non-tobacco nicotine pouches. PMI also increased its ratio of Marketing Expenditure on RRP over the 2019-2021 review period.

**2<sup>nd</sup>.** Altria's low Capital Expenditure on HRPs ranks the company in first place on this indicator, contributing to its second-place category score. Altria did not register any HRP M&A activity, compared to the 2020 Index, for which Altria's score was negatively affected due to the acquisition of Sherman Group Holdings LLC (manufacturer of cigarettes and cigars) in 2017.

**3<sup>rd</sup>.** BAT's rank in part reflects a higher ratio of M&A expenditure (RRPs versus HRPs) due to the acquisition of the non-tobacco nicotine pouch product assets of Dryft Sciences, LLC (Dryft) in the USA in 2020. BAT's ratio of R&D expenditure (RRPs versus HRPs) was lower than the two leading Index Companies in the Capital Allocation & Expenditure category.

**4<sup>th</sup>.** Swedish Match's ratio of R&D expenditure on RRP was 91% in 2021, second overall but declining from 96% in 2019. Swedish Match's ratio of capital expenditure on RRP was also 91% in 2021, declining from 92% in 2019. The slight decline in ratio is reflective of an increase in capital expenditure on cigars in 2021.

<sup>99</sup> Philip Morris International Inc. (2022). *Integrated Report 2021*, Page 41, Accessed August 15, 2022, from <https://philipmorrisinternational.gcs-web.com/static-files/517af46c-2750-4185-9b1d-7d8e8f47a854>

**5<sup>th</sup>**. Imperial had a higher ratio of RRP in the company's R&D expenditure, 74% in 2019-2021, than other lower ranked companies. The higher category score for Imperial in the 2020 Index was in part a function of acquisitions of RRP manufacturers specializing in closed system vaping products and e-liquids in 2017-2019.

**6<sup>th</sup>**. JT focused its capital allocation and expenditure in a targeted set of markets only, in order to "gain a better understanding of the dynamics in each of these segments and collect relevant consumer insights ahead of future growth".<sup>100</sup>

**7<sup>th</sup>**. KT&G's score reflects its expenditure on HRPs, which supported international expansion of its HRPs. KT&G also invests in RRP (heated tobacco), although to a lesser extent than leading Index Companies in this category.

**8<sup>th</sup>**. Swisher was one of two Index Companies to add a RRP to its portfolio (non-tobacco nicotine pouches) during the 2019-2021 review period.

**9<sup>th</sup>**. ITC invested in an e-cigarette manufacturing facility for export to Europe and the USA, impacting its ratio of capital expenditure (RRPs versus HRPs)<sup>101</sup> compared with the 2020 Index.

**10<sup>th</sup>**. CNTC's sales of heated tobacco through its international division, China Tobacco International Hong Kong, set it apart from other Index Companies toward the bottom of the ranking in the category. Related RRP expenditure represented a small fraction of CNTC's total expenditure.

**11<sup>th</sup>**. Vinataba's ratio of R&D expenditure (RRPs versus HRPs) also set it apart from other Index Companies toward the bottom of the ranking in this category. Based on a company statement from August 2021, Vinataba is exploring the potential of selling RRP in the future.

**12<sup>th</sup>**. TOAT's capital allocation and expenditure on HRPs decreased in 2019-2021, mainly due to declines in capital expenditure.

**13<sup>th</sup>**. Eastern indicated in October 2021 that it had planned to start selling heated tobacco products in the future. Eastern did not disclose details of its R&D expenditure; the Index has estimated<sup>102</sup> that 5% of the company's R&D expenditure was on RRP in 2021.

**14<sup>th</sup> – 15<sup>th</sup>**. Gudang Garam (14<sup>th</sup>) and Djarum (15<sup>th</sup>) did not allocate any expenditure to RRP in 2019-2021.

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<sup>100</sup> Japan Tobacco Group. (2022). *Integrated Report 2021*, Page 42, Accessed August 15, 2022, from

[https://www.jti.com/sites/default/files/global-files/documents/jti-annual-reports/JTG\\_integrated\\_report2021.pdf](https://www.jti.com/sites/default/files/global-files/documents/jti-annual-reports/JTG_integrated_report2021.pdf)

<sup>101</sup> Business Standard. (2020). ITC diversifies tobacco into nicotine and derivatives for US vaping market. Accessed August 15, 2022 from [https://www.business-standard.com/article/companies/itc-diversifies-tobacco-into-nicotine-and-derivatives-for-us-vaping-market-121071401140\\_1.html](https://www.business-standard.com/article/companies/itc-diversifies-tobacco-into-nicotine-and-derivatives-for-us-vaping-market-121071401140_1.html)

<sup>102</sup> See Index Methodology, "Data Collection and Analysis"

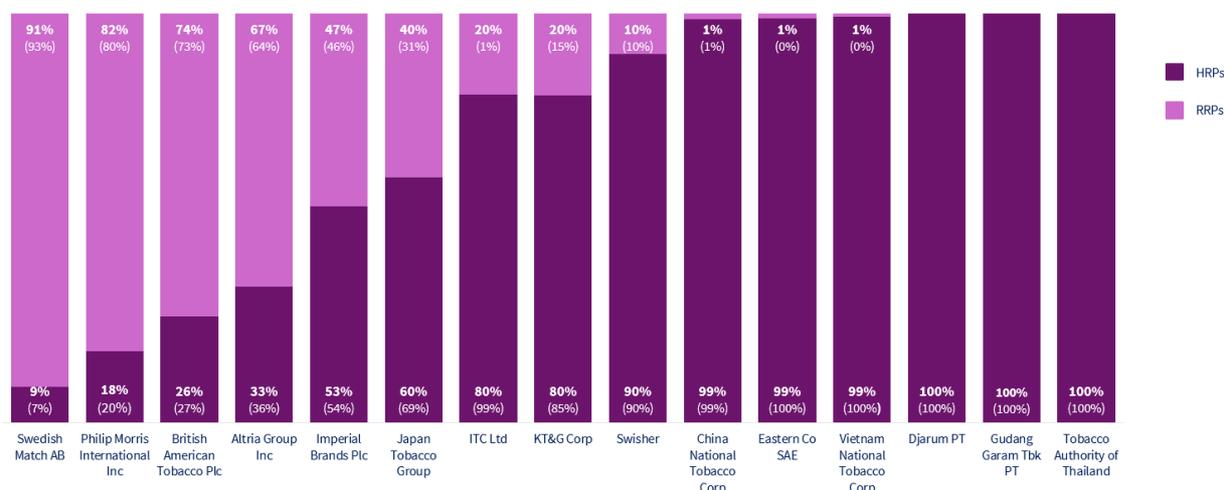
### 4.3.C Capital Allocation & Expenditure Key Findings

#### Key Finding 1

#### The share of total R&D expenditure on RRP is growing among the leading Index Companies

- Two of 15 Index Companies allocated more than 90% of their total R&D expenditure to RRP as of the end of 2021 (Figure 23).
- Five of 15 Index Companies allocated between 60% and 89% of their total R&D expenditure to RRP as of the end of 2021.
- Three Index Companies did not show any indication of potential RRP investments.

Figure 23: 2021 Total Capital and R&D Investments in RRP versus HRP by Index Company (%)



**Source:** Tobacco Transformation Index based on estimations of company data derived from publicly available sources (including company financial and sustainability reports, quarterly and half-year updates, press releases, investor briefings, and company presentations); industry and financial databases (Euromonitor International's Passport, and Capital IQ); interviews with industry experts.

**Notes:** 1. Capital expenditure includes but is not limited to funds used by a company to acquire, upgrade and maintain physical assets such as properties, buildings, plants, equipment and intangible assets such as technology, software as well as developing networks including contract manufacturers.  
2. Figures in brackets refer to 2019 data.

#### Key Finding 2

#### Several Index Companies used acquisitions to support their RRP portfolios (especially non-tobacco nicotine pouches) in 2019-2021

- Altria acquired the parent company of *on!* non-tobacco nicotine pouches (Figure 24). BAT acquired Dryft Sciences (non-tobacco nicotine pouches), AYR Ltd (closed system vaping products), Twisp Proprietary and VapeWild Holdings (e-liquids). PMI acquired AG Snus (non-tobacco nicotine pouches and snus).
- There was only one acquisition related to HRP in 2019-2021 (BAT's 2019 acquisition of Brascuba Cigarillos SA). In contrast, there were 11 M&As related to HRP in 2017-2019.

**Figure 24: 2019-2021 Mergers & Acquisitions in HRPs and RRP**

	Target Company	Geography	HRPs versus RRP	Main Business Activity	Year	Deal Value (USD MN)	Stake (%)
Altria Group Inc	Burger Söhne Holding	Switzerland	RRPs	Non-tobacco nicotine pouches	2019	372.0	80%
	Helix ROW (subsidiary of Helix Innovations GmbH) and Helix Innovations LLC	Canada, USA	RRPs	Non-tobacco nicotine pouches	2019-2021	250.0	20%
British American Tobacco Plc	Brascuba Cigarrillos SA	Brazil, Cuba	HRPs	Cigarettes	2019	26.7	-
	AYR Ltd	UK	RRPs	Closed systems	2019	10.7	-
	Twisp Proprietary Ltd	South Africa	RRPs	E-liquids	2019	33.3	-
	VapeWild Holdings LLC	USA	RRPs	E-liquids	2019	48.0	-
	Dryft Sciences LLC (Dryft)	USA	RRPs	Non-tobacco nicotine pouches	2020	150.0	-
	Philip Morris International Inc	AG Snus Aktieselskab (and its Swedish subsidiary, Tobacco House of Sweden AB)	Denmark	RRPs	Snus and non-tobacco nicotine pouches	2021	27.0
	Fertin Pharma AS	Denmark	RRPs	NRT products	2021	82.1	100%

**Source:** Tobacco Transformation Index based on estimations of company data derived from publicly available sources (including company financial and sustainability reports, quarterly and half-year updates, press releases, investor briefings, and company presentations); and industry and financial databases (Euromonitor International's Passport, and Capital IQ).

**Notes:** 1. Data refers only to the 15 Index Companies.

2. M&A includes total value of deals closed in the acquisitions of manufacturing companies only (acquisitions of distributors or retailers are excluded).

### Key Finding 3

#### Since the 2020 Index, three Index Companies made potentially nascent progress in Capital Allocation & Expenditure on RRP

- ITC started investing in a manufacturing facility for e-vapor products for export to Europe and the USA.
- Eastern started spending on R&D for the manufacture of heated tobacco.
- Vinataba is planning to “invest in production and develop new generation tobacco and alternative products”<sup>103</sup> in the future, with an assumed level of R&D expenditure on RRP in 2019-2021.

<sup>103</sup> Vietnam National Tobacco Corp. (2021). “News” section of corporate website, Published December 8, 2021, Accessed August 15, 2022, from [www.vinataba.com.vn/2021/08/12/dang-uy-tong-cong-ty-thuoc-la-viet-nam-so-ket-5-nam-thuc-hien-nghi-quyet-trung-uong-4-khoa-xii-4/](http://www.vinataba.com.vn/2021/08/12/dang-uy-tong-cong-ty-thuoc-la-viet-nam-so-ket-5-nam-thuc-hien-nghi-quyet-trung-uong-4-khoa-xii-4/)

## 4.4 Product Offer

### 4.4.A Category Description

#### Context

- The products companies choose to offer and the prices at which they sell them are two key factors in shaping the landscape consumers face as they consider tobacco products with varying degrees of risk.
- Increasing the number of RRP offered, relative to the number of HRP a company offers, supports tobacco harm reduction, as does the adoption of pricing strategies which encourage the sale of RRP to current HRP users.
- The responsible introduction of affordable RRP<sup>104</sup> could help adult smokers transition away from HRP and potentially quit altogether, across LMICs<sup>105</sup> and HMICs<sup>106</sup> where Index Companies operate, within local regulatory guidelines.

#### What We Assess

- The Product Offer category assesses the provision of RRP, which may enable consumers to shift away from HRP. The evaluation is made across the 36 Index Countries and via a comparison of LMICs and HMICs. The latter is a potential leading indicator, measuring the extent to which international Index Companies are committed to offering RRP across the full spectrum of countries in which they sell HRP.
  - **Ratio of Number of Countries (RRP versus HRP)** (last financial year: 2021) – A higher ratio of Index Countries where RRP are offered has a positive impact on tobacco harm reduction.
  - **Ratio of Number of Countries (RRP versus HRP) – Rate of Change** (last three financial years: 2019, 2020, 2021) – Increasing the ratio of Index Countries where RRP are offered has a positive impact on tobacco harm reduction.
  - **Ratio of Product Portfolio (RRP versus HRP)** (last three financial years: 2019, 2020, 2021) – A larger portfolio of RRP compared to HRP has a positive impact on tobacco harm reduction.
  - **Ratio of Product Portfolio (RRP versus HRP) – Rate of Change** (last three financial years: 2019, 2020, 2021) – Increasing the ratio of RRP compared to HRP has a positive impact on tobacco harm reduction.
  - **Ratio of Average Lowest Price (RRP versus HRP)** (last financial year: 2021) – A lower ratio of average lowest price between RRP and HRP has a positive impact on tobacco harm reduction.

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<sup>104</sup> Reduced-Risk Products (see Murkett, R, Rugh, M, Ding, B, *Nicotine Products Relative Risk Assessment: An Updated Systematic Review and Meta-analysis*, 2022)

<sup>105</sup> Low-Medium Income Countries (see Index Methodology, “Country Scope”)

<sup>106</sup> High-Medium Income Countries (see Index Methodology, “Country Scope”)

- **Ratio of Average Lowest Price (RRPs versus HRPs) – Rate of Change** (last three financial years: 2019, 2020, 2021) – A declining ratio of average lowest price between RRP and HRPs has a positive impact on tobacco harm reduction.
- Scoring for the indicators above is adjusted by the relative risk level of nicotine and tobacco products sold<sup>107</sup> and consistency of performance by Index Country<sup>108</sup> for Index Companies operating across LMICs and HMICs.

### **How We Assess**

- The assessment is based on estimations of Index Company data derived from publicly available sources, including financial and sustainability reports, quarterly and half-yearly updates, press releases, investor briefings, and presentations; industry and financial databases (Euromonitor International’s Passport, and Capital IQ); Index Company review of preliminary data estimates (on a voluntary basis), and interviews with industry experts.

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<sup>107</sup> See Index Methodology (“Relative Risk Assessment”)

<sup>108</sup> See Index Methodology (“LMIC versus HMIC Multiplier”)

## 4.4.B Scoring and Ranking

Figure 25: 2022 Index: Product Offer Category Scoring

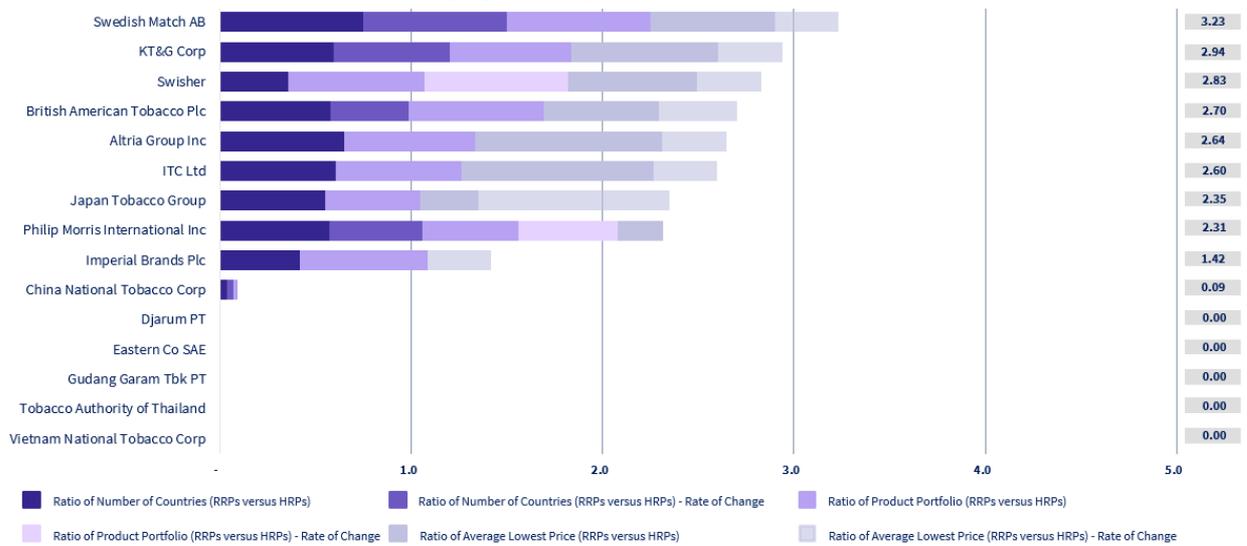
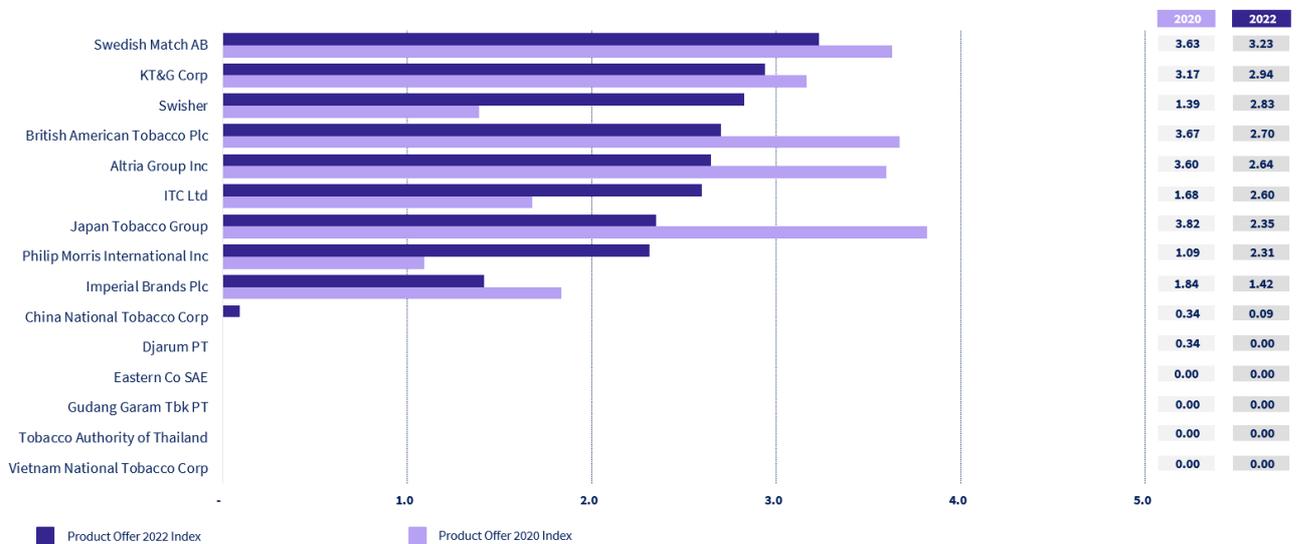


Figure 26: 2022 Index versus 2020 Index\* Comparison: Product Offer Category Scoring



**Note:** \*2020 Index score and rank restated based on 2022 Index methodology changes. See Index Methodology.

Figure 27: 2022 Index versus 2020 Index\* Comparison: Product Offer Category Ranking

Index Companies	2022	2020
Swedish Match AB	1 ↑	3
KT&G Corp	2 ↑	5
Swisher	3 ↑	8
British American Tobacco Plc	4 ↓	2
Altria Group Inc	5 ↓	4
ITC Ltd	6 ↑	7
Japan Tobacco Group	7 ↓	1
Philip Morris International Inc	8 ↑	9
Imperial Brands Plc	9 ↓	6
China National Tobacco Corp	10	10
Djarum PT	11 ↓	10
Eastern Co SAE	11 ↓	10
Gudang Garam Tbk PT	11 ↓	10
Tobacco Authority of Thailand	11 ↓	10
Vietnam National Tobacco Corp	11 ↓	10

Notes: 1. \*2020 Index score and rank restated based on 2022 Index methodology changes. See Index Methodology.  
2. An arrow upwards means an Index Company has improved its ranking in the 2022 Index; an arrow downwards means the reverse.

## Index Company Summary

The following summaries highlight the key factors contributing to each company's category score. Companies are listed in rank order based on category score (Section 4.4.B, Figure 25).

**1<sup>st</sup>.** Swedish Match led the Product Offer category ranking. Swedish Match had the highest ratio of number of countries (RRPs versus HRPs), with sales of HRPs (cigars and cigarillos) only in the USA. The company's overall portfolio included a range of RRPs (snus, moist snuff, non-tobacco nicotine pouches, and chewing tobacco) and notably no cigarettes.

**2<sup>nd</sup>.** KT&G's international expansion of its heated tobacco products in 2019-2021, achieved through the partnership agreement with PMI<sup>109</sup>, gave it an edge in the ratio of number of countries (RRPs versus HRPs) metrics. In HRPs, KT&G only offered cigarettes. KT&G had a high ratio of average lowest price (RRPs versus HRPs). In its domestic market of South Korea, KT&G offered RRPs (heated tobacco) at a slightly lower price to that of its HRPs (cigarettes), further adding to the company's category score.

**3<sup>rd</sup>.** Swisher was one of the two Index Companies that added a RRP to its portfolio (Rogue, non-tobacco nicotine pouches) in 2019-2021. This meant Swisher's score for "Ratio of product portfolio (RRPs vs HRPs) – Rate of Change" improved in the 2022 Index compared to the 2020 Index. Swisher was also one of the two Index Companies that did not offer cigarettes in any of its markets.

**4<sup>th</sup>.** BAT had the largest variety of RRPs of all Index Companies and is the only manufacturer to be present in all RRPs. BAT's ratio of number of countries (RRPs versus HRPs) also marginally increased, from 20 Index Countries in which it offered RRPs in 2019, to 21 in 2021.

<sup>109</sup> Philip Morris International. (2020). *Philip Morris International Inc. Announces Agreement with KT&G to Accelerate the Achievement of a Smoke-Free Future*. Accessed August 15, 2022, from <https://www.pmi.com/media-center/press-releases/press-release-details/?newsId=21786>

**5<sup>th</sup>.** Altria<sup>110</sup> offered RRP in two markets (the USA and Canada) against its HRP sales in the USA only. Altria had a portfolio of four RRP (moist snuff, non-tobacco nicotine pouches, heated tobacco, and snus). Altria's ratio of average lowest price was the second highest among Index Companies.

**6<sup>th</sup>.** ITC sold NRT products and cigars and cigarettes in its home market of India. India banned the sale of e-vapor (closed system vaping products and e-liquids) and heated tobacco in 2019. ITC led the ratio of average lowest price (RRP versus HRP) metric.

**7<sup>th</sup>.** JT benefited from its ratio of product portfolio (RRP versus HRP) with five RRP (heated tobacco, e-liquids, closed system vaping products, snus, and non-tobacco nicotine pouches). JT marketed its HRP (cigarettes, fine cut tobacco, cigars and cigarillos, shisha, and pipe tobacco) in 34 of the 36 Index Countries.

**8<sup>th</sup>.** PMI added additional RRP, snus, and non-tobacco nicotine pouches, to its portfolio in 2019-2021 through the acquisition of AG Snus. PMI had the fourth highest Ratio of number of countries (RRP versus HRP) - Rate of Change. PMI continued to sell a large portfolio of HRP in 32 of the 36 Index Countries.

**9<sup>th</sup>.** Imperial pursued a strategic transformation in 2019-2021<sup>111</sup> that impacted the company's portfolio. As a result, Imperial no longer sells heated tobacco products in the Index Countries<sup>112</sup>, which affects its ratio of product portfolio (RRP versus HRP)<sup>113</sup>. Imperial was still present in four RRP (closed system vaping products, e-liquids, non-tobacco nicotine pouches, and snus).

**10<sup>th</sup>.** CNTC sells heated tobacco products through its international division, CTI Hong Kong.

**11<sup>th</sup> tied.** Djarum (11<sup>th</sup>), Eastern Co (11<sup>th</sup>), Gudang Garam (11<sup>th</sup>), TOAT (11<sup>th</sup>), and Vinataba (11<sup>th</sup>) offer no RRP in their product portfolios.

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<sup>110</sup> Product Sales and Product Offer category analysis does not include Altria's 35% stake in Juul Labs Inc.

<sup>111</sup> Imperial Brands Plc. (2021). *Our Transformation To Unlock Value*. Accessed August 15, 2022, from <https://www.imperialbrandspc.com/media/key-announcements/2021/our-transformation-to-unlock-value>

<sup>112</sup> In its 2021 Annual Report and Accounts, Imperial reports that it has launched "Heated Tobacco offering (Pulze) in Greece and the Czech Republic". Imperial Brands Plc. (2021). *Annual Report and Accounts 2021*, Accessed August 15, 2022, from <https://www.imperialbrandspc.com/content/dam/imperialbrands/corporate2022/documents/investors/reports/annual-report-2021.pdf.downloadasset.pdf>

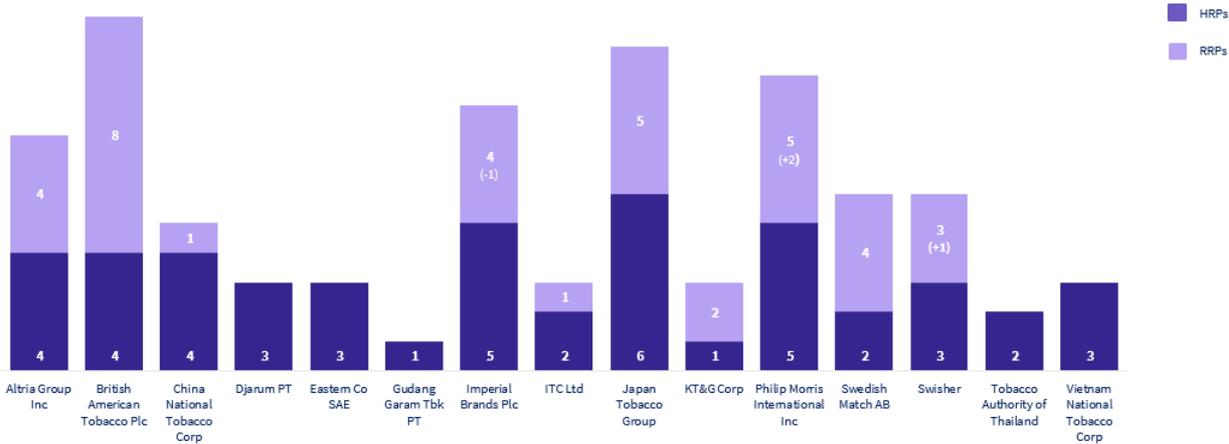
### 4.4.C Product Offer Key Findings

#### Key Finding 1

#### Index Companies offered a growing variety of RRP, which may increase the potential for shifting demand away from HRPs

- At the end of 2021, ten of the 15 Index Companies offered at least one RRP in their product portfolio (Figure 28).
- In 2021, seven of the 15 Index Companies sold non-tobacco nicotine pouches, the most commonly offered RRP.
- In 2021, 13 of the 15 Index Companies sold cigarettes.
- Over the 2019-2021 review period, two Index Companies added RRP to their product portfolios. PMI added snus and non-tobacco nicotine pouches following its acquisition of AG Snus in 2021. Swisher added non-tobacco nicotine pouches through the introduction of Rogue in 2020.
- Five Index Companies increased the number of countries where they offered RRP in 2019-2021 (BAT, CNTC, KT&G, PMI and Swedish Match).

Figure 28: 2021 Number of RRP and HRPs in Each Index Company’s Portfolio



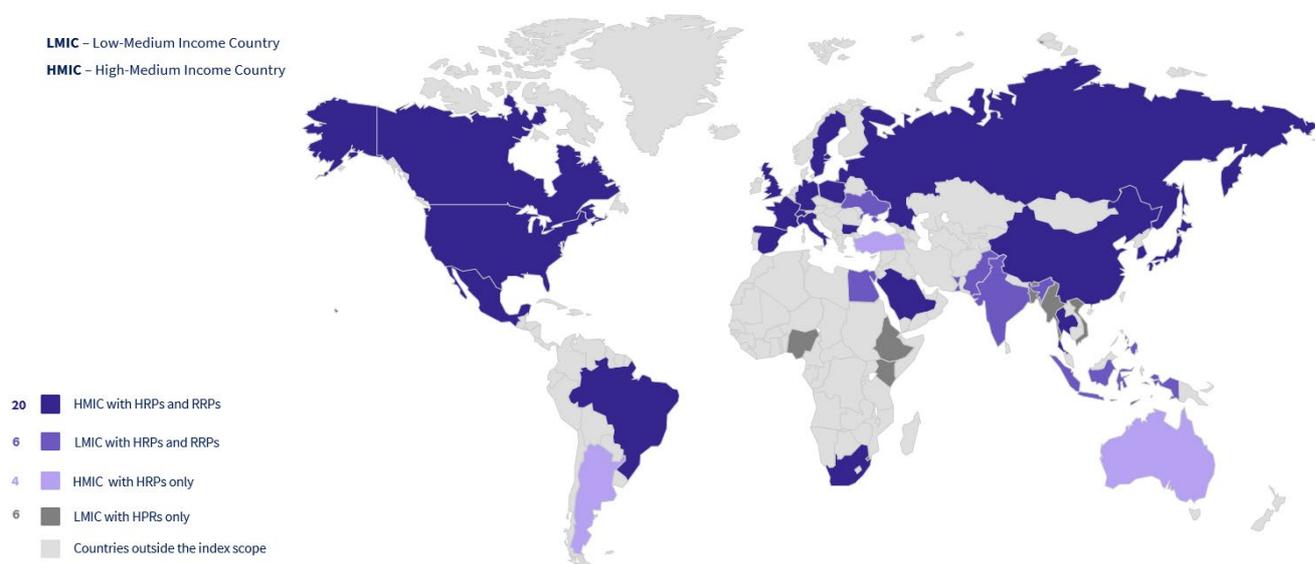
Source: Tobacco Transformation Index estimates derived from publicly available resources (including company financial and sustainability reports, quarterly and half-year updates, press releases, investor briefings, and company presentations); interviews with industry experts and in-country research.  
 Note: Data in brackets refers to difference in portfolio compared to 2019 (where this differs from 2021). E.g., “-1” means a company had one less product in its portfolio in 2021 compared to 2019.

## Key Finding 2

### RRP offers continue to be much greater in HMICs than in LMICs

- At least one RRP was available in 25 of the 36 Index Countries at the end of 2021 (Figure 29).
- RRP were available in six of 12 LMICs (50%), compared to 19 of 24 HMICs (80%).
- Seven of ten Index Companies that offer RRPs were present in LMICs.
- Nine of ten Index Companies that offer RRPs were present in HMICs.

Figure 29: 2021 Product Offer by Index Country



**Source:** Tobacco Transformation Index estimates derived from publicly available resources (including company financial and sustainability reports, quarterly and half-year updates, press releases, investor briefings, and company presentations); interviews with industry experts and in-country research.

**Note:** Showing the 36 Index Countries only (See Index Methodology, "Country Scope").

### Key Finding 3

#### Pricing of RRP does not always provide smokers with an economic incentive to transition away from HRPs

- In a comparison of heated tobacco (the most prevalent RRP in 2021 in per stick equivalent terms) and cigarettes (the most prevalent HRP in 2021 in per stick equivalent terms), on average the retail price of a heated tobacco stick was 95% of the retail price of a cigarette stick<sup>114</sup> (Figure 30).
- Across the same countries, the average total tax burden was 28% lower for heated tobacco than for cigarettes. The average net price (exclusive of tax) is therefore higher for heated tobacco than for cigarettes.
- Heated tobacco products are currently price competitive with premium-priced cigarettes, but when the average retail price of cigarettes (across all price tiers) is taken into account, the price incentive for current cigarette smokers to switch to heated tobacco is reduced.

Figure 30: 2021 Average Retail Unit Price, USD, Heated Tobacco and Cigarettes

	Heated Tobacco	Cigarettes	Heated Tobacco Price		
	Average price per stick USD, 2021	Average price per stick USD, 2021	As a % of Cigarette price		
Saudi Arabia	0.33	0.25	132%	Higher Spending	
Ukraine	0.12	0.10	117%		
South Africa	0.15	0.14	108%		
Spain	0.29	0.27	105%		
Italy	0.30	0.30	100%		
Switzerland	0.44	0.46	95%		
Egypt	0.10	0.11	95%		
Japan	0.24	0.26	95%		
Philippines	0.14	0.15	94%		
Canada	0.51	0.54	94%		
Russia	0.09	0.09	93%		
South Korea	0.20	0.21	93%		
Bulgaria	0.14	0.16	90%		
Poland	0.17	0.19	90%		
Germany	0.33	0.39	85%		
France	0.39	0.51	76%		Lower Spending
United Kingdom	0.44	0.59	73%		
Sweden	0.26	0.35	73%		

Source: Tobacco Transformation Index price per stick data estimates.

- Notes: 1. Analysis excludes USA and Mexico where the legal status of the heated tobacco category/certain heated tobacco products changed during the course of 2021.  
 2. Pricing data was collected in April 2022, except for Russia and Ukraine which was collected in July 2021.  
 3. Showing final price to the consumer, i.e. including taxation.

<sup>114</sup> Average of the Index Countries where at least one Index Company sold heated tobacco in 2021. Prices converted to USD.

## 4.5 Marketing Policy & Compliance<sup>115</sup>

### 4.5.A Category Description

#### Context

- Effective tobacco harm reduction requires companies to develop and implement responsible marketing practices which prevent tobacco product uptake by non-smokers, include health risk communication, and avoid misleading advertising.
- Compliance requires audit and disclosure of marketing policy breaches to reinforce transparency and goes beyond following the minimum legal requirements in place in certain countries.

#### What We Assess

- The Marketing Policy & Compliance category assesses how the company's marketing policy & compliance support a transition away from HRPs, while also mitigating the potential for uptake of RRP by non-smokers or non-users HRPs.
  - **Marketing Policy** – Presence, content, and robustness of internal marketing policy.
  - **Disclosure of Marketing Policy Violations** – Publication of reported fines, violations, and established breaches of the company's marketing policy.
  - **Youth Access Prevention Policy** – Presence, content, and robustness of youth (and other vulnerable segments of the population) access prevention policy.
  - **Disclosure of Youth Access Prevention Policy Violations** – Publication of reported violations and established breaches of the youth access prevention policy.
  - **Disclosure of Marketing Law violations** – Disclosure of cases of violation of any applicable law for tobacco control associated with marketing, labeling, and advertising.

#### How We Assess

- The commitment and transparency assessments are based on available information from company websites; formal financial and non-financial reporting such as annual, CSR, or sustainability reports. These could be codes of conduct, policies, values, guidelines, FAQs, and other related documents.

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<sup>115</sup> See Marketing Study – Phase 1: Proposed Marketing Code for further analysis of Index Companies' marketing policies <https://tobaccotransformationindex.org/wp-content/uploads/2022/06/Marketing-Study-Phase-1-June-2022.pdf/>

## 4.5.B Scoring and Ranking

Figure 31: 2022 Index: Marketing Policy & Compliance Scoring

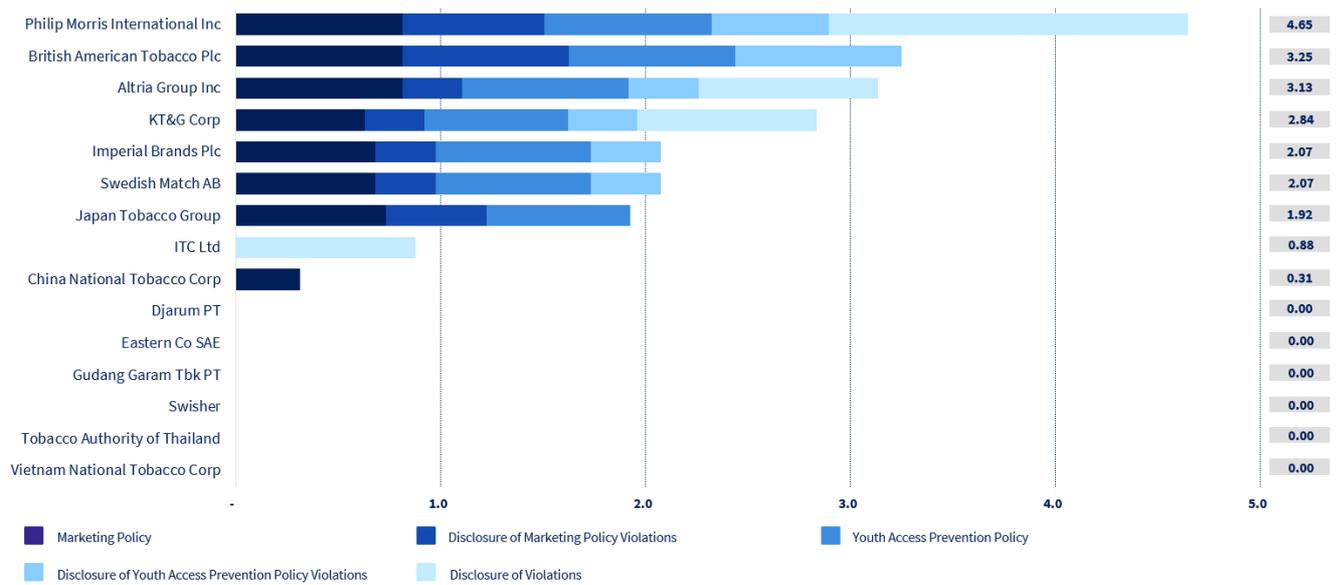
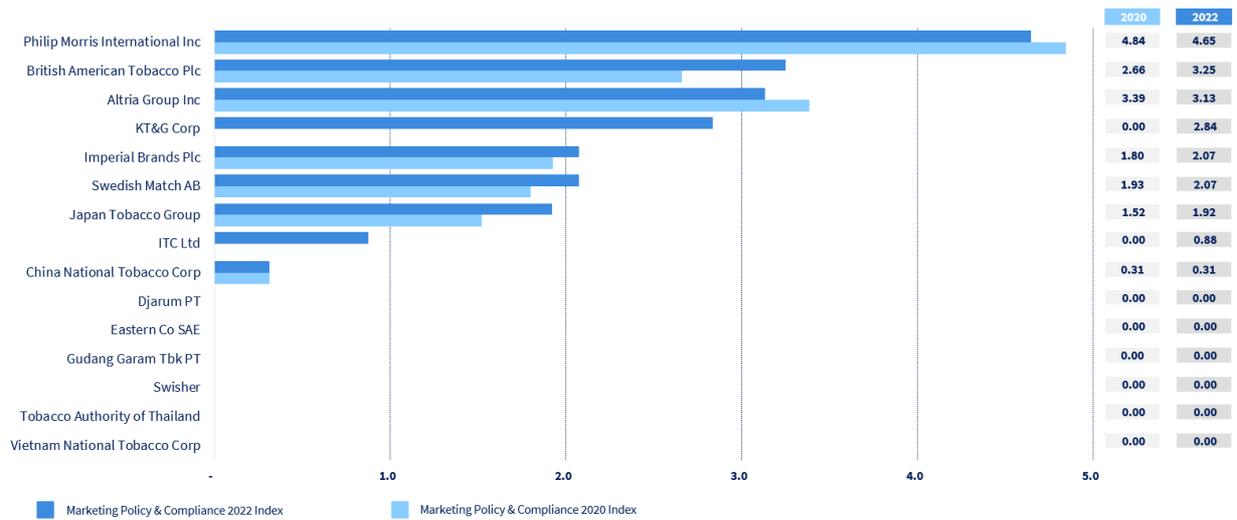


Figure 32: 2022 Index versus 2020 Index\* Comparison: Marketing Policy & Compliance Scoring



**Note:** \*2020 Index score and rank restated based on 2022 Index methodology changes. See Index Methodology.

Figure 33: 2022 Index versus 2020 Index\* Comparison: Marketing Policy & Compliance

Index Companies	2022	2020
Philip Morris International Inc	1	1
British American Tobacco Plc	2 ↑	3
Altria Group Inc	3 ↓	2
K&G Corp	4 ↑	8
Imperial Brands Plc	5	5
Swedish Match AB	5 ↓	4
Japan Tobacco Group	7 ↓	6
ITC Ltd	8	8
China National Tobacco Corp	9 ↓	7
Djarum PT	10 ↓	8
Eastern Co SAE	10 ↓	8
Gudang Garam Tbk PT	10 ↓	8
Swisher	10 ↓	8
Tobacco Authority of Thailand	10 ↓	8
Vietnam National Tobacco Corp	10 ↓	8

Notes: 1. \*2020 Index score and rank restated based on 2022 Index methodology changes. See Index Methodology.  
 2. An arrow upwards means an Index Company has improved its ranking in the 2022 Index; an arrow downwards means the reverse.

## Ranking

### Index Company Summary<sup>116</sup>

The following summaries highlight the key factors contributing to each company's category score. Companies are listed in rank order based on category score (Section 4.5.B, Figure 31).

**1<sup>st</sup> to 7<sup>th</sup>.** The Index Companies ranked 1 to 7 score for the following metrics: has Marketing and Youth Access Prevention Policies, which cover RRP and HRP; Policies make provisions concerning health warnings and advertising; outlines procedures for monitoring its Marketing and Youth Access Prevention Policies. In addition, the following attributes were demonstrated per company.

**1<sup>st</sup>.** PMI's policies include channel-specific guidelines. PMI trains trade partners on Marketing and Youth Access Prevention Policies, and it provides quantitative evidence.<sup>117</sup> PMI publicly discloses numbers of reported violations and established breaches of the company's Marketing and Youth Access Prevention Policies and laws. PMI publicly discloses outcomes of investigations and/or remediation of Marketing Policy violations.<sup>118</sup>

**2<sup>nd</sup>.** BAT's policies include channel-specific guidelines. BAT trains trade partners on Marketing and Youth Access Prevention Policies and provides quantitative evidence of this.<sup>119</sup> BAT discloses numbers and details of reported violations and established breaches of the

<sup>116</sup> The Marketing & Compliance category is made up of 17 qualitative metrics (see Index Methodology, "Marketing & Compliance"). This summary lists only the qualitative metrics which contribute to a company's score and ranking. If a company partially meets a metric and this impacts its ranking, the criteria that it does not fulfil are detailed.

<sup>117</sup> Ibid. Page 7.

<sup>118</sup> Ibid. Page 8.

<sup>119</sup> British American Tobacco Plc (2022). *Annual Report and Form 20-F 2021*, Page 57, Accessed August 16, 2022, from [https://www.bat.com/group/sites/UK\\_9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/\\$file/BAT\\_Annual\\_Report\\_and\\_Form\\_20-F\\_2021.pdf](https://www.bat.com/group/sites/UK_9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/$file/BAT_Annual_Report_and_Form_20-F_2021.pdf)

company's Marketing and Youth Access Prevention Policies. BAT publicly discloses outcomes of investigations and/or remediation of Marketing Policy violations.<sup>120</sup> BAT audits Marketing and Youth Access Prevention Policy compliance with an external auditor, publicly disclosing the level of compliance.<sup>121</sup>

**3rd.** Altria's policies include channel-specific guidelines. Altria trains trade partners on Marketing and Youth Access Prevention Policies and provides quantitative evidence of this.<sup>122</sup> Altria publicly discloses that it had no violations or established breaches of the company's Marketing and Youth Access Prevention policies and laws.<sup>123</sup>

**4th.** KT&G publicly discloses that it had no violations or established breaches of the company's Marketing and Youth Access Prevention Policies and laws.<sup>124</sup>

**5th tied.** Imperial trains trade partners on Marketing and Youth Access Prevention Policies.<sup>125</sup> Imperial publicly discloses that it had no violations or established breaches of the company's Marketing and Youth Access Prevention Policies.<sup>126</sup>

**5th tied.** Swedish Match trains trade partners on Marketing and Youth Access Prevention Policies.<sup>127</sup> Swedish Match audits Marketing and Youth Access Prevention Policy compliance with an external auditor, without publicly disclosing the level of compliance.<sup>128</sup>

**7th.** JT's policies include channel-specific guidelines. JT audits Marketing Policy compliance with an external auditor, without publicly disclosing the level of compliance.<sup>129</sup> JT publicly discloses that it had no violations or established breaches of the company's Marketing Policy.<sup>130</sup>

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<sup>120</sup> British American Tobacco Plc (2022). *ESG Report 2021*, Page 88, Accessed August 16, 2022, from [https://www.bat.com/group/sites/UK\\_\\_9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/\\$file/BAT\\_Annual\\_Report\\_and\\_Form\\_20-F\\_2021.pdf](https://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/$file/BAT_Annual_Report_and_Form_20-F_2021.pdf)

<sup>121</sup> Ibid. Page 120.

<sup>122</sup> Altria Group Inc. (2022). *Reducing Harm and Preventing Underage 2020-2021*, Page 37, Accessed August 16, 2022, from <https://www.altria.com/-/media/Project/Altria/Altria/responsibility/corporate-responsibility-reports/reducing-harm-and-preventing-underage-use-2020-2021.pdf?src=our-product-platforms#page=16>

<sup>123</sup> Altria Group Inc. (2022). *Reducing Harm and Preventing Underage 2020-2021*, Pages 26 and 31, Accessed August 16, 2022, from <https://www.altria.com/-/media/Project/Altria/Altria/responsibility/corporate-responsibility-reports/reducing-harm-and-preventing-underage-use-2020-2021.pdf?src=our-product-platforms#page=16>

<sup>124</sup> KT&G Corp. (2021). *2020 KT&G Report*, Page 18, Accessed August 23, 2022, from <https://en.ktng.com/ktngReport?cmsCd=CM0046>

<sup>125</sup> Imperial Brands Plc. (n.d.). *Fontem Ventures Website*, Accessed August 23, 2022, from <https://www.fontemventures.com/policies/youth-access-prevention/>

<sup>126</sup> Imperial Brands Plc. (2022). *Imperial Brands GRI and SASB Index*, Pages 13-14, Accessed May 1, 2022, from <https://www.imperialbrandsplc.com/sustainability/download-documents.category1.year2021.html>

<sup>127</sup> Swedish Match AB. (2021). *2021 Annual Report*, Pages 51-53, Accessed August 23, 2022, from [https://www.swedishmatch.com/globalassets/reports/annual-reports/2021\\_swedishmatchannualreport\\_interactive\\_en.pdf](https://www.swedishmatch.com/globalassets/reports/annual-reports/2021_swedishmatchannualreport_interactive_en.pdf)

<sup>128</sup> Swedish Match AB. (2021). *2021 Annual Report*, Pages 51-53, Accessed August 23, 2022, from [https://www.swedishmatch.com/globalassets/reports/annual-reports/2021\\_swedishmatchannualreport\\_interactive\\_en.pdf](https://www.swedishmatch.com/globalassets/reports/annual-reports/2021_swedishmatchannualreport_interactive_en.pdf)

<sup>129</sup> Japan Tobacco Group. (2021). *JTI Integrated Report 2020*, Page 100, Accessed August 16, 2022, from <https://www.jti.com/sites/default/files/global-files/documents/jti-annual-reports/jti-integrated-report-2020.pdf>

<sup>130</sup> Japan Tobacco Group. (2022). *Global Reporting Initiative (GRI) Index*, Accessed May 1, 2022, from <https://www.jt.com/sustainability/reporting/gri/index.html>

8<sup>th</sup>. ITC makes provisions concerning health warnings and advertising in line with laws. ITC publicly discloses that it had no violations or established breaches of the law.<sup>131</sup>

9<sup>th</sup>. CNTC makes provisions concerning health warnings and advertising in line with laws. CNTC outlines procedures for monitoring marketing violations.<sup>132</sup>

10<sup>th</sup> tied. Djarum, Eastern, Gudang Garam, Swisher, TOAT, and Vinataba make provisions concerning health warnings and advertising in line with laws.

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<sup>131</sup> ITC Ltd. (2022). *Sustainability Report 2021*, Page 137, Accessed August 24, 2022, from <https://www.itcportal.com/sustainability/sustainability-report-2021/sustainability-report-2021.pdf>

<sup>132</sup> China National Tobacco Corp. (n.d.) *China Tobacco*. Accessed May 1, 2022, from <http://www.tobacco.gov.cn/gjyc/zmyw/20150623/b0f74518c5d148ea91f3a3b06d1d9886.shtml> (link not accessible outside of China)

## 4.5.C Marketing Policy & Compliance Key Findings

### Key Finding 1

#### **Fewer than half of Index Companies establish a specific Marketing Policy with specific practical guidelines**

- Altria, BAT, Imperial, JT, KT&G, PMI and Swedish Match have Marketing Policies with specific practical guidelines.
- Altria’s Marketing Policy (“Product Communication Principle”) is established in its Code of Conduct.<sup>133</sup> Practical guidelines, e.g., denying requests to use its brands in movies, television, video games and other entertainment media, were disclosed in “Reducing Harm and Preventing Underage Use 2020-2021.”<sup>134</sup>
- BAT’s Marketing Policy (“International Marketing Principles”) has ten key themes and five principles for its marketing activities to adhere.<sup>135</sup> The Marketing Policy discloses practical guidelines e.g., selecting third-party social media partners who have at least an 85% adult following when promoting RRP’s.<sup>136</sup>
- Imperial has a Marketing Policy (“Marketing Standards”) applied to its consumer advertising materials and activities. Imperial discloses that its Marketing Standards take precedence except where local law demands a higher standard.<sup>137</sup>
- JT’s Marketing Policy is based on four principles (“Global Marketing Principles”). JT discloses practical guidelines of how it applies the principles, e.g., not advertising tobacco products on television, radio or in cinemas.<sup>138</sup>
- KT&G’s Marketing Policy’ (“Responsible Marketing Policy”) discloses practical guidelines, e.g., it will not “associate tobacco products with, or emphasize, any specific value set such as sports, sex, success, expertise, etc.”<sup>139</sup>

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<sup>133</sup> Altria Group Inc. (2022). *Altria Code of Conduct*, Page 65, Accessed August 22, 2022, from [https://www.altria.com/-/media/Project/Altria/Altria/people-and-careers/people-and-culture/altria\\_code\\_of\\_conduct.pdf](https://www.altria.com/-/media/Project/Altria/Altria/people-and-careers/people-and-culture/altria_code_of_conduct.pdf)

<sup>134</sup> Altria Group Inc. (2022). *Reducing Harm and Preventing Underage Use 2020-2021*, Page 34, Accessed August 16, 2022, from <https://www.altria.com/-/media/Project/Altria/Altria/responsibility/corporate-responsibility-reports/reducing-harm-and-preventing-underage-use-2020-2021.pdf?src=our-product-platforms#page=16>

<sup>135</sup> British American Tobacco Plc (2022). *International Marketing Principles*, Accessed August 22, 2022, from [https://www.bat.com/group/sites/UK\\_\\_9D9KCY.nsf/vwPagesWebLive/DOBK5DHJ/\\$file/BAT\\_International\\_Marketing\\_Principles.pdf](https://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOBK5DHJ/$file/BAT_International_Marketing_Principles.pdf)

<sup>136</sup> British American Tobacco Plc (2022). *Corporate Website*, Accessed August 22, 2022, from <https://www.bat.com/imp#>

<sup>137</sup> Imperial Brands Plc. (n.d.). *Code of Conduct*, Page 29, Accessed May 1, 2022, from <https://www.imperialbrandspc.com/content/dam/imperial-brands/corporate/about-us/governance/code-conduct-2021/English%20Code%20of%20Conduct.pdf>

<sup>138</sup> Japan Tobacco Group. (2022). *Corporate Website*, Accessed August 23, 2022, from <https://www.jti.com/about-us/our-business/our-six-core-principles>

<sup>139</sup> KT&G Corp. *KT&G Responsible Marketing Policy*, Accessed August 23, 2022, from <https://en.ktng.com/socialMarketing>

- PMI has separate Marketing Policies for RRP's and HRP's, which disclose practical guidelines, e.g., not engaging in product placement in movies or on television.<sup>140</sup>
- Swedish Match's Marketing Policy ("Responsible Marketing") is part of its Code of Conduct. The Marketing Policy discloses practical guidelines, e.g., "make sure that all retail sale packaging for nicotine containing products carry an appropriate health warning even when this is not mandatory under applicable law".<sup>141</sup>
- CNTC, Djarum, Gudang Garam, ITC, Swisher, TOAT, and Vinataba do not publicly disclose marketing policies related to tobacco products beyond following applicable laws and regulations.

## Key Finding 2

### Seven Companies disclose a Youth Access Prevention Policy

- Altria, BAT, Imperial, JT, KT&G, PMI and Swedish Match have Youth Access Prevention Policies with specific practical guidelines.
- Altria's Youth Access Prevention Policy ("Standards for Underage Use Prevention") discloses practical guidelines, e.g., each operating company develops an annual "Underage Use Prevention" plan.<sup>142</sup>
- BAT's Youth Access Prevention Policy ("YAP") discloses practical guidelines, e.g., where legal, it is mandatory for BAT local subsidiaries to provide retailers with point-of-sale materials with Youth Access Prevention messaging.<sup>143</sup>
- Imperial's Youth Access Prevention Policy discloses practical actions taken, e.g., for Blu in the USA, it conducts surveys of youth use of RRP's.<sup>144</sup>
- JT discloses principles for not targeting minors in two of its four Global Marketing Principles. JT discloses practical guidelines of how it applies the principles, e.g., not depicting anyone in marketing who appears to be under 25.<sup>145</sup>

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<sup>140</sup> Philip Morris International Inc. (2022). *Corporate Website*, Accessed August 23, 2022, from <https://www.pmi.com/our-views-and-standards/standards/marketing-standards>

<sup>141</sup> Swedish Match AB. (2022). *Code of Conduct*, Page 19, Accessed August 23, 2022, from [https://www.swedishmatch.com/globalassets/documents/policies/codeofconduct\\_en.pdf](https://www.swedishmatch.com/globalassets/documents/policies/codeofconduct_en.pdf)

<sup>142</sup> Altria Group Inc. (2021). *Standards for Underage Use Prevention*, Accessed August 22, 2022, from <https://www.altria.com/-/media/Project/Altria/Altria/harm-reduction/helping-reduce-underage-tobacco-use/standards-for-underage-use-prevention.pdf>

<sup>143</sup> British American Tobacco Plc (2022). *Corporate Website*, Accessed August 22, 2022, from <https://www.bat.com/yap>

<sup>144</sup> Imperial Brands Plc. (2022). *Imperial Brands Annual Report and Accounts 2021*, Page 62, Accessed August 16, 2022, from <https://www.imperialbrandspc.com/content/dam/imperialbrands/corporate2022/documents/investors/reports/annual-report-2021.pdf.downloadasset.pdf>

<sup>145</sup> Japan Tobacco Group. (2022). *Corporate Website*, Accessed August 23, 2022, from <https://www.jti.com/about-us/our-business/our-six-core-principles>

- KT&G’s Youth Access Prevention Policy, (“Minor Protection”<sup>146</sup> and “Youth Smoking Prevention Campaign”<sup>147</sup>), discloses practical actions, e.g., campaigns on age verification and education.
- PMI’s Youth Access Prevention Policy (“Standards on Underage Tobacco and Nicotine Use”)<sup>148</sup> and both of PMI’s Marketing Policies (for RRP’s and HRP’s) disclose practical guidelines for youth prevention, e.g., “Marketing, and Sales materials must be placed where they are likely to reach Adult Consumers and not in places or channels frequented primarily by minors.”<sup>149</sup>
- Swedish Match’s Youth Access Prevention Policy (“Adult only policy”), discloses practical guidelines e.g., prohibiting the depiction of people in advertising who appear under 25.<sup>150</sup>
- CNTC, Djarum, Gudang Garam, ITC, Swisher, TOAT, and Vinataba do not publicly disclose Youth Access Prevention Policies beyond applicable laws and regulations.

### Key Finding 3

#### **Lack of details in terms of reporting Marketing Policy violations**

- Altria, BAT, Imperial, JT, PMI, and Swedish Match disclose Marketing Policy violations.
- In 2020-2021, Altria disclosed zero Master Settlement Enforcement actions and that none of its audits surfaced findings related to marketing policy non-compliance.<sup>151</sup>
- BAT disclosed 30 Marketing Policy breaches in 2021, citing that most of the breaches were related to age verification and health warnings. BAT disclosed remediation taken, e.g., the formation of a new “Digital Confidence Unit” to conduct 24/7 monitoring.<sup>152</sup>
- Imperial disclosed no material incidents of non-compliance concerning marketing communications in 2021.<sup>153</sup>

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<sup>146</sup> KT&G Corp (n.d.). *Corporate Website*, Accessed August 23, 2022, from <https://en.ktng.com/socialMarketing>

<sup>147</sup> KT&G Corp. (2021). *2020 KT&G Report*, Page 46, Accessed August 23, 2022, from <https://en.ktng.com/ktngReport?cmsCd=CM0046>

<sup>148</sup> Philip Morris International Inc. (2022). *Corporate Website*, Accessed August 23, 2022, from <https://www.pmi.com/our-views-and-standards/our-views/underage-tobacco-and-nicotine-use>

<sup>149</sup> Philip Morris International Inc. (2022). *Design, Marketing and Sale of Combusted Alternatives*, Page 4, Accessed August 23, 2022, from <https://www.pmi.com/our-views-and-standards/standards/marketing-standards>

<sup>150</sup> Swedish Match AB. (2022). *Code of Conduct*, Page 19, Accessed August 23, 2022, from [https://www.swedishmatch.com/globalassets/documents/policies/codeofconduct\\_en.pdf](https://www.swedishmatch.com/globalassets/documents/policies/codeofconduct_en.pdf)

<sup>151</sup> Altria Group Inc. (2022). *Reducing Harm and Preventing Underage 2020-2021*, Pages 26 and 31, Accessed August 16, 2022, from <https://www.altria.com/-/media/Project/Altria/Altria/responsibility/corporate-responsibility-reports/reducing-harm-and-preventing-underage-use-2020-2021.pdf?src=our-product-platforms#page=16>

<sup>152</sup> British American Tobacco Plc (2022). *ESG Report 2021*, Page 88, Accessed August 16, 2022, from [https://www.bat.com/group/sites/UK\\_9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/\\$file/BAT\\_Annual\\_Report\\_and\\_Form\\_20-F\\_2021.pdf](https://www.bat.com/group/sites/UK_9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/$file/BAT_Annual_Report_and_Form_20-F_2021.pdf)

<sup>153</sup> Imperial Brands Plc. (2022). *Imperial Brands GRI and SASB Index*, Pages 13-14, Accessed May 1, 2022, from <https://www.imperialbrandspc.com/sustainability/download-documents.category1.year2021.html>

- JT disclosed that in 2020 “no issues were found against our voluntary code, our Global Marketing Principles.”<sup>154</sup>
- KT&G disclosed that there were zero cases of non-compliance with marketing principles in 2020.<sup>155</sup>
- PMI disclosed 13 violations of marketing codes in 2021. As a consequence of the violations, PMI took disciplinary actions, of which 15% consisted of employment termination, 8% in suspension, 15% in written warning, and 62% in verbal warnings or counselling.<sup>156</sup>
- CNTC, Djarum, Gudang Garam, ITC, Swedish Match, Swisher, TOAT, and Vinataba do not publicly disclose violations of Marketing Policies.

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<sup>154</sup> Japan Tobacco Group. (2022). *Global Reporting Initiative (GRI) Index*, Accessed May 1, 2022, from <https://www.jt.com/sustainability/reporting/gri/index.html>

<sup>155</sup> KT&G Corp. (2021). *2020 KT&G Report*, Page 18, Accessed August 23, 2022, from <https://en.ktng.com/ktngReport?cmsCd=CM0046>

<sup>156</sup> Philip Morris International Inc. (2022). *Integrated Report 2021*, Page 85, Accessed August 23, 2022, from [https://pmidotcom3-prd.s3.amazonaws.com/docs/default-source/pmi-sustainability/pmi-integrated-report-2021.pdf?sfvrsn=646e6ab6\\_4](https://pmidotcom3-prd.s3.amazonaws.com/docs/default-source/pmi-sustainability/pmi-integrated-report-2021.pdf?sfvrsn=646e6ab6_4)

## 4.6 Lobbying & Advocacy

### 4.6.A Category Description

#### Context

- Public policy engagement is important in shaping an environment that is supportive of effective tobacco harm reduction. Disclosure of company activities and resources used for lobbying and advocacy can enhance transparency. Index Companies are scored against their level of transparency, and this goes beyond following the minimum legal requirements in place in certain countries.

#### What We Assess

- The Lobbying & Advocacy category assesses a company's disclosure of positions related to tobacco harm reduction, as well as lobbying and advocacy memberships, financial contributions, and related activities.
  - **Disclosure of Policy Positions** – Disclosure of policy positions related to tobacco harm reduction.
  - **Disclosure of Lobbying and Advocacy Activities** – Disclosure of lobbying and advocacy memberships, financial contributions, and activities.

#### How We Assess

- The commitment and transparency assessments are based on available information from company websites; formal financial and non-financial reporting such as annual, CSR, or sustainability reports. These could be codes of conduct, policies, values, guidelines, FAQs, and other related documents.

## 4.6.B Scoring and Ranking

Figure 34: 2022 Index: Lobbying & Advocacy Scoring

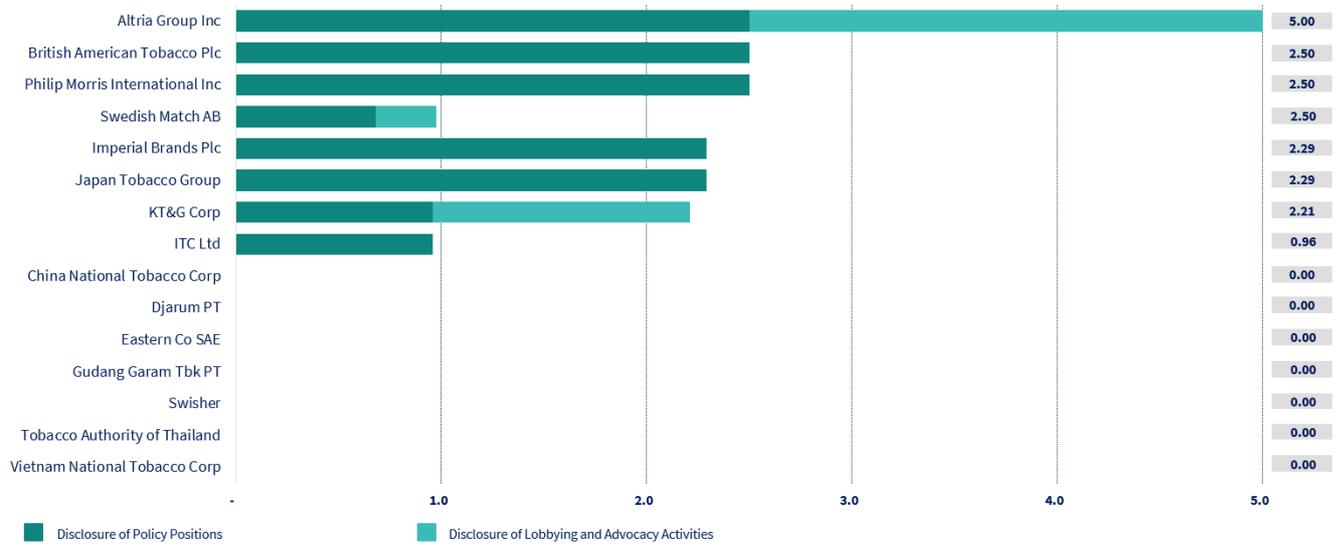
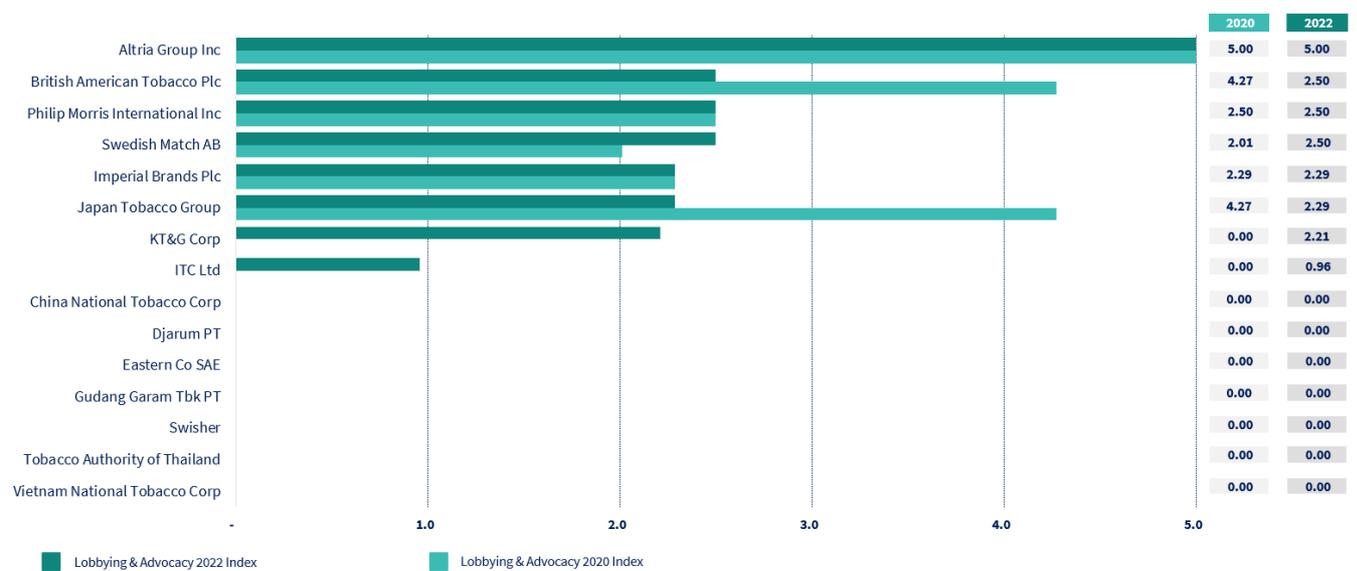


Figure 35: 2022 Index versus 2020 Index\* Comparison: Lobbying & Advocacy Scoring



**Note:** \*2020 Index score and rank restated based on 2022 Index methodology changes. See Index Methodology.

Figure 36: 2022 Index versus 2020 Index\* Comparison: Lobbying & Advocacy Ranking

Index Companies	2022	2020
Altria Group Inc	1	1
British American Tobacco Plc	2	2
Philip Morris International Inc	2 ↑	4
Swedish Match AB	2 ↑	6
Imperial Brands Plc	5	5
Japan Tobacco Group	5 ↓	2
KT&G Corp	7	7
ITC Ltd	8 ↓	7
China National Tobacco Corp	9 ↓	7
Djarum PT	9 ↓	7
Eastern Co SAE	9 ↓	7
Gudang Garam Tbk PT	9 ↓	7
Swisher	9 ↓	7
Tobacco Authority of Thailand	9 ↓	7
Vietnam National Tobacco Corp	9 ↓	7

Notes: 1. \*2020 Index score and rank restated based on 2022 Index methodology changes. See Index Methodology.  
 2. An arrow upwards means an Index Company has improved its ranking in the 2022 Index; an arrow downwards means the reverse.

### Index Company Summary<sup>157</sup>

The following summaries highlight the key factors contributing to each company’s category score. Companies are listed in rank order based on category score (Section 4.6.B, Figure 34).

**1<sup>st</sup>.** Altria has a Lobbying Policy, and it applies to third parties which lobby on Altria’s behalf. Altria commits to engaging with governments and policymakers in support of tobacco harm reduction. Altria publicly discloses policy positions related to tobacco harm reduction.<sup>158</sup> Altria publicly discloses involvement with organizations that lobby on its behalf and does it in all jurisdictions.<sup>159</sup> Altria publicly discloses the subject matter of lobbying activities and outcomes being sought in all jurisdictions.<sup>160</sup>

**2<sup>nd</sup> tied.** BAT, PMI and Swedish Match all score for the following metrics: has a Lobbying Policy, and it applies to third parties which lobby on company’s behalf; commits to engaging with governments and policymakers in support of tobacco harm reduction; publicly discloses policy positions related to tobacco harm reduction.

<sup>157</sup> The Lobbying & Advocacy category is made up of 5 qualitative metrics (see Index Methodology, “Lobbying & Advocacy”). This summary lists only the qualitative metrics which contribute to a company’s score and ranking. If a company partially meets a metric and this impacts its ranking, the criteria that it does not fulfil are detailed.

<sup>158</sup> Ibid. Page 10-12.

<sup>159</sup> Ibid. Page 38.

<sup>160</sup> Ibid. Page 5.

**5<sup>th</sup> tied.** Imperial has a Lobbying Policy.<sup>161</sup> Imperial commits to engaging with governments and policymakers in support of tobacco harm reduction.<sup>162</sup> Imperial publicly discloses policy positions related to tobacco harm reduction.<sup>163</sup>

**5<sup>th</sup> tied.** JT has a Lobbying Policy.<sup>164</sup> JT commits to engaging with governments and policymakers in support of tobacco harm reduction.<sup>165</sup> JT publicly discloses policy positions related to tobacco harm reduction.<sup>166</sup>

**7<sup>th</sup>.** KT&G commits to engaging with governments and policymakers in support of tobacco harm reduction.<sup>167</sup> KT&G publicly discloses involvement with organizations that lobby on its behalf and does it in all jurisdictions.<sup>168</sup>

**8<sup>th</sup>.** ITC has a Lobbying Policy.<sup>169</sup>

**9<sup>th</sup> tied.** CNTC, Djarum, Eastern, Gudang Garam, Swisher, TOAT, and Vinataba do not have lobbying policies or publicly disclose details of lobbying activities on tobacco harm reduction.

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<sup>161</sup> Imperial Brands Plc. (2020). *Code of Conduct*, Page 39, Accessed August 25, 2022, from <https://www.imperialbrandspkc.com/content/dam/imperialbrands/corporate2022/documents/healthier-futures/governance/our-code-of-contact/English-Code-of-Conduct.pdf>

<sup>162</sup> Imperial Brands Plc. (n.d.) *Corporate Website*, Accessed May 1, 2022, from <https://www.imperialbrandspkc.com/sustainability/case-studies/reduced-harm-ngps/making-the-case-for-ngp>

<sup>163</sup> Imperial Brands Plc. (n.d.) *Corporate Website*, Accessed May 1, 2022, from <https://www.imperialbrandspkc.com/sustainability/potentially-reduced-harm-products.html>

<sup>164</sup> Japan Tobacco Group. (2021). *Engagement Principles*, Accessed August 25, 2022, from <https://www.jti.com/sites/default/files/external-engagement-principles-document.pdf>

<sup>165</sup> Japan Tobacco Group. (n.d.). *Corporate Website*, Accessed August 25, 2022, from <https://www.jti.com/about-us/our-business/our-views-on-regulation>

<sup>166</sup> Ibid.

<sup>167</sup> KT&G Corp. (2021). 2020 KT&G Report, Page 25, Accessed August 23, 2022, from <https://en.ktng.com/ktngReport?cmsCd=CM0046>

<sup>168</sup> Ibid. Page 134.

<sup>169</sup> ITC Ltd. (n.d.). *Corporate Website*, Accessed August 25, 2022, from <https://www.itcportal.com/about-itc/policies/sustainability-policy.aspx#ResponsibleAdvocacy>

## 4.6.C Lobbying & Advocacy Key Findings

### Key Finding 1

#### **Fewer than half of Index Companies have a policy on lobbying**

- Altria, BAT, Imperial, ITC, JT, PMI and Swedish Match have Lobbying Policies.
- Altria’s Lobbying Policy (“Political Activity Principle and Interacting with Governments”) is part of its Code of Conduct.<sup>170</sup>
- BAT’s Lobbying Policy (“Lobbying and Engagement Policy and Political Contributions Policy”) is part of its Standards of Business Conduct (SOBC).<sup>171</sup>
- Imperial’s Lobbying Policy (“Engaging with Governments and political Bodies”) is part of its Code of Conduct.<sup>172</sup>
- ITC’s Lobbying Policy (“Policy on Responsible Advocacy”) is disclosed on its corporate website.<sup>173</sup>
- JT’s Lobbying Policy (“External Engagement Principles”) is published as a stand-alone document.<sup>174</sup>
- PMI’s Lobbying Policy (“Responsible Engagement”) is disclosed on its corporate website.<sup>175</sup>
- Swedish Match’s Lobbying Policy (“Political Activity and Payments”) is part of its Code of Conduct.<sup>176</sup>
- CNTC, Djarum, Gudang Garam, ITC, Swisher, TOAT, and Vinataba do not publicly disclose Lobbying Policies.

### Key Finding 2

#### **Six Index Companies publicly disclose policy positions on tobacco harm reduction**

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<sup>170</sup> Altria Group Inc. (2022). *Altria Code of Conduct*, Page 59, Accessed August 22, 2022, from [https://www.altria.com/-/media/Project/Altria/Altria/people-and-careers/people-and-culture/altria\\_code\\_of\\_conduct.pdf](https://www.altria.com/-/media/Project/Altria/Altria/people-and-careers/people-and-culture/altria_code_of_conduct.pdf)

<sup>171</sup> British American Tobacco Plc (2022). *Standards of Business Conduct 2022*, Accessed August 24, 2022, from [https://www.bat.com/group/sites/UK\\_\\_9D9KCY.nsf/vwPagesWebLive/DOCA6L7J/\\$file/BAT\\_Group\\_SoBC\\_2022\\_29\\_11\\_21\\_digital\\_version.pdf?open&v=1](https://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOCA6L7J/$file/BAT_Group_SoBC_2022_29_11_21_digital_version.pdf?open&v=1)

<sup>172</sup> Imperial Brands Plc. (2020). *Code of Conduct*, Page 39, Accessed August 25, 2022, from <https://www.imperialbrandsplc.com/content/dam/imperialbrands/corporate2022/documents/healthier-futures/governance/our-code-of-contact/English-Code-of-Conduct.pdf>

<sup>173</sup> ITC Ltd. (n.d.). *Corporate Website*, Accessed August 25, 2022, from <https://www.itcportal.com/about-itc/policies/sustainability-policy.aspx#ResponsibleAdvocacy>

<sup>174</sup> Japan Tobacco Group. (2021). *Engagement Principles*, Accessed August 25, 2022, from <https://www.jti.com/sites/default/files/external-engagement-principles-document.pdf>

<sup>175</sup> Philip Morris International Inc. (2022). *Corporate Website*, Accessed August 23, 2022, from <https://www.pmi.com/sustainability/operating-with-excellence/responsible-engagement>

<sup>176</sup> Swedish Match AB. (2022). *Code of Conduct*, Page 20, Accessed August 23, 2022, from [https://www.swedishmatch.com/globalassets/documents/policies/codeofconduct\\_en.pdf](https://www.swedishmatch.com/globalassets/documents/policies/codeofconduct_en.pdf)

- Altria, BAT, Imperial, JT, PMI and Swedish Match disclose policy positions on tobacco harm reduction.
- Altria discloses its Public Policy Positions on its corporate website.<sup>177</sup>
- BAT discloses its positions on the regulation of RRP on its corporate website.<sup>178</sup>
- Imperial discloses its main position (that RRP regulation shouldn't be modelled on existing tobacco product regulation).<sup>179</sup>
- JT discloses its "Views on Regulation" on its corporate website. This includes a section on e-cigarettes and weblinks to key submissions.<sup>180</sup>
- PMI discloses its views on regulations on its corporate website<sup>181</sup> and in its Integrated Report.<sup>182</sup>
- Swedish Match discloses its views on regulations in its Annual Report.<sup>183</sup>
- CNTC, Djarum, Gudang Garam, ITC, KT&G, Swisher, TOAT, and Vinataba do not publicly disclose their policy positions on tobacco harm reduction.

### Key Finding 3

#### **Lack of transparency in terms of disclosure of lobbying activities in all jurisdictions**

- Altria discloses all lobbying engagements in the USA, the only country in which it sells HRPs. Altria publishes its "Lobbying and Political Activity Annual Report", which provides weblinks to all activities.<sup>184</sup>
- The other 14 Index Companies do not disclose activities in all jurisdictions.

<sup>177</sup> Altria Group Inc. (2022). *Corporate Website*, Accessed August 25, 2022, from <https://www.altria.com/about-altria/government-affairs/public-policy-positions?src=topnav>

<sup>178</sup> British American Tobacco Plc. (n.d.). *Corporate Website*, Accessed August 25, 2022, from [https://www.bat.com/group/sites/UK\\_\\_9D9KCY.nsf/vwPagesWebLive/DO9PXEZ2](https://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DO9PXEZ2)

<sup>179</sup> Imperial Brands Plc. (n.d.). *Corporate Website*, Accessed May 1, 2022, from <https://www.imperialbrandsplc.com/sustainability/potentially-reduced-harm-products.html>

<sup>180</sup> Japan Tobacco Group. (n.d.). *Corporate Website*, Accessed August 25, 2022, from <https://www.jti.com/about-us/our-business/our-views-on-regulation>

<sup>181</sup> Philip Morris International Inc. (2022). *Corporate Website*, Accessed August 25, 2022, from <https://www.pmi.com/principles-and-positions/our-views/regulation>

<sup>182</sup> Philip Morris International Inc. (2022). *Integrated Report 2021*, Page 63, Accessed August 23, 2022, from [https://pmidotcom3-prd.s3.amazonaws.com/docs/default-source/pmi-sustainability/pmi-integrated-report-2021.pdf?sfvrsn=646e6ab6\\_4](https://pmidotcom3-prd.s3.amazonaws.com/docs/default-source/pmi-sustainability/pmi-integrated-report-2021.pdf?sfvrsn=646e6ab6_4)

<sup>183</sup> Swedish Match AB. (2022). *Annual Report 2021*, Pages 49-50, Accessed August 23, 2022, from [https://www.swedishmatch.com/globalassets/reports/annual-reports/2021\\_swedishmatchannualreport\\_interactive\\_en.pdf](https://www.swedishmatch.com/globalassets/reports/annual-reports/2021_swedishmatchannualreport_interactive_en.pdf)

<sup>184</sup> Altria Group Inc. (2022). *Lobbying and Political Activity Transparency & Integrity Annual Report 2021*, Accessed August 25, 2022, from <https://www.altria.com/-/media/Project/Altria/Altria/about-altria/government-affairs/transparency-and-integrity/transparency-integrity-report.pdf?src=government-affairs>

## 5. Company Profiles

Index Companies differ in the way they operate, where they operate, positions toward tobacco harm reduction and product portfolios. Each Index Company is assessed in the Company Profiles. Index Companies are profiled in alphabetical order in this section through the following structure:

### Operating Environment

Index Regions and Index Countries in which the Index Company operates.

Index Company's presence in LMICs and HMICs.

Index Company's product portfolio over the 2019-2021 review period.

### Publicly stated position on Tobacco Harm Reduction

Quote that illustrates the relevant Index Company's position, where available and relevant.

### Change Since 2020 Index

Update of the most significant (maximum three) changes since the 2020 Index.

### Key Performance Indicators

Summary of company performance for each of the six categories. Categories are made up of multiple sub-categories and indicators. Indicators for qualitative categories (Strategy & Management, Marketing Policy & Compliance, and Lobbying & Advocacy) are further divided into metrics. For a full list of indicators, see Index Methodology ("Full List of 35 Indicators").

### Strategy & Management

Performance on the following metrics:

- "Company acknowledges its role in, AND states a formal commitment to reducing, tobacco-related death and disease."
- "Company has an objective related to tobacco harm reduction AND the objective is time bound and measurable."

### Product Sales

Performance on the following indicators:

- "Volume Sales of HRPs."
- "Ratio of Volume Sales (RRPs versus HRPs)."

### Capital Allocation & Expenditure

Performance on the following indicators:

- "Ratio of R&D Expenditure (RRPs vs HRPs)."
- "Ratio of Capital Expenditure (RRPs vs HRPs)."

## **Product Offer**

Performance on the following indicators:

- “Ratio of Number of Countries (RRPs vs HRPs).”
- “Ratio of Product Portfolio (RRPs vs HRPs).”

## **Marketing Policy & Compliance**

Performance on the following metrics:

- “Company addresses youth access prevention with principles AND practical guidance and procedure.”
- “Company publicly discloses numbers AND details of reported violations and established breaches of the company’s youth access prevention measures.”

## **Lobbying & Advocacy**

Performance on the following metrics:

- “Company publicly discloses policy positions related to tobacco harm reduction and any potential conflicts of interest.”
- “Company publicly discloses involvement with lobbyists (individuals or groups) and other organizations that lobby on behalf of company and does it in all jurisdictions.”

Parent Entity Jurisdiction	HQ	Ownership	Rank	Final Score
USA	USA	Publicly Traded	3 (of 15)	3.50 (of 5)

## Altria Group Inc

### Operating Environment

- Altria Group Inc (Altria) operates in one Index Region (the Americas), and in two of the 36 Index Countries (the USA and Canada).
- Altria operates exclusively in HMICs (two Index Countries).
- Altria’s product portfolio<sup>185</sup> consists of cigarettes, moist snuff, cigars and cigarillos, non-tobacco nicotine pouches, heated tobacco<sup>186</sup> and snus.

### Publicly Stated Position on Tobacco Harm Reduction

- “At the beginning of 2020 we launched our new 10-year Vision. With that Vision, we are moving beyond smoking, leaning into the potential for new, innovative products to reduce the harm of traditional tobacco. I continue to believe that we can make more progress reducing the harm from cigarettes in the next decade than we have in the past fifty.”<sup>187</sup> (Bill Gifford, CEO, Altria, “Engage and Lead Responsibly 2020-2021”).

### Change Since 2020 Index

- Altria’s Ratio of Volume Sales (RRPs versus HRPs) increased (from 0.34 in 2019 to 0.35 in 2021, in per stick equivalent terms), reflective of Altria’s declining cigarette volumes (CAGR: -2.7%) and increased non-tobacco nicotine pouch (*on*) volumes in the USA (CAGR: +108%).

<sup>185</sup> Listed high to low in order of company’s global volume sales in 2021, converted to Per Stick Equivalents (see Index Methodology, “Per Stick Equivalent Conversion”). Listing products within Tobacco Transformation Index scope only. Product Sales and Product Offer category analysis does not include Altria’s 35% stake in Juul Labs Inc.

<sup>186</sup> A United States International Trade Commission decision in December 2021 led to Altria removing its heated tobacco product, IQOS, from the USA

<sup>187</sup> Altria Group Inc. (2021). *Engage and Lead Responsibly 2020-2021*, Page 4, Accessed August 2022, from [www.altria.com/-/media/Project/Altria/Altria/responsibility/at-a-glance/focus-areas-and-goals/2020-2021-cr-engage-and-lead-responsibly-report.pdf?src=responsibility-data-reporting?src=esg-all-reports-and-snapshots#page=12](http://www.altria.com/-/media/Project/Altria/Altria/responsibility/at-a-glance/focus-areas-and-goals/2020-2021-cr-engage-and-lead-responsibly-report.pdf?src=responsibility-data-reporting?src=esg-all-reports-and-snapshots#page=12)

- In 2021, Altria increased its Ratio of M&A Expenditure (RRPs versus HRPs), following the acquisition of the remaining 20% global ownership of *on!* non-tobacco nicotine pouches (for a reported USD250 million<sup>188</sup>).
- Altria ranks first in the Lobbying and Advocacy category, in terms of both Policy Positions and Disclosure of Activities.

## Key Performance Indicators

### Strategy & Management (Category Score: 4.03/5 - Category<sup>189</sup> Rank 6/15)



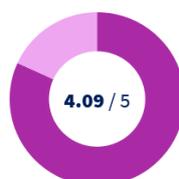
- Altria publicly acknowledges its role in, and has made a formal commitment to reducing, tobacco-related death and disease through its “Moving Beyond Smoking Strategy”.<sup>190</sup>
- Altria has an objective related to tobacco harm reduction focusing on “innovation” and “creating conditions for harm reduction to succeed”<sup>191</sup>, but the objective is not time-bound or measurable.

### Product Sales (Category Score: 2.97/5 - Category Rank 2/15)



- Altria has the sixth-highest Volume Sales of HRPs (2021: 108.3 billion stick equivalents)<sup>192</sup>.
- With 26% of its total volumes coming from RRP (moist snuff, non-tobacco nicotine pouches, heated tobacco<sup>193</sup> and snus), Altria has the second-highest score for Ratio of Volume Sales (RRPs versus HRPs).

### Capital Allocation & Expenditure (Category Score: 4.09/5 - Category Rank 2/15)



- At 79%, Altria’s allocation of R&D Expenditure on RRP (versus its total R&D expenditure) ranks it in fourth place.
- At 47%, Altria’s allocation of Capital Expenditure (RRPs versus HRPs) ranks it in fourth place.

<sup>188</sup> Altria Group Inc. (2021). *Annual Report 2021*, Page 57, Accessed August 2022, from [https://s25.q4cdn.com/409251670/files/doc\\_financials/2021/ar/Altria-2021-Annual-Report.pdf](https://s25.q4cdn.com/409251670/files/doc_financials/2021/ar/Altria-2021-Annual-Report.pdf)

<sup>189</sup> Each category is made up of multiple indicators. Certain indicator-level ranks are also listed in the text below.

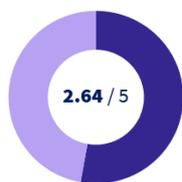
<sup>190</sup> Altria Group Inc. (2021). *Engage and Lead Responsibly 2020-2021*, Page 4, Accessed August 2022, from [www.altria.com/-/media/Project/Altria/Altria/responsibility/at-a-glance/focus-areas-and-goals/2020-2021-cr-engage-and-lead-responsibly-report.pdf?src=responsibility-data-reporting?src=esg-all-reports-and-snapshots#page=12](http://www.altria.com/-/media/Project/Altria/Altria/responsibility/at-a-glance/focus-areas-and-goals/2020-2021-cr-engage-and-lead-responsibly-report.pdf?src=responsibility-data-reporting?src=esg-all-reports-and-snapshots#page=12)

<sup>191</sup> Ibid, Page 3

<sup>192</sup> Negative indicator, i.e. a higher number indicates lower performance

<sup>193</sup> A United States International Trade Commission decision in December 2021 led to Altria removing its heated tobacco product, IQOS, from the USA

### Product Offer (Category Score: 2.64/5 - Category Rank 5/15)



- Altria offers HRPs (cigarettes, cigars, cigarillos and pipe tobacco) in one Index Country, and RRP (moist snuff, non-tobacco nicotine pouches, heated tobacco<sup>194</sup> and snus) in two.
- In terms of product categories, Altria sells four HRPs and four RRP.

### Marketing Policy & Compliance (Category Score: 3.13/5 - Category Rank 3/15)



- Altria outlines its Youth Access Prevention Policy<sup>195</sup> (“Standards For Underage Youth Prevention”<sup>196</sup>) in its code of conduct<sup>197</sup>, which is set out on its corporate website.<sup>198</sup>
- Altria publicly discloses the number of reported violations and established breaches of its Youth Access Prevention Policy following an annual “risk assessment process” carried out by its “Corporate Audit” department.<sup>199</sup>

### Lobbying & Advocacy (Category Score: 5.00/5 - Category Rank 5/15)



- Altria discloses its policy positions related to tobacco harm reduction through the Government Affairs sections of its corporate website.<sup>200</sup>
- Altria discloses its lobbying activities and memberships on its website.<sup>201</sup>

<sup>194</sup> Ibid.

<sup>195</sup> See “Definitions” section of this report

<sup>196</sup> Altria Group Inc. (2021). *Standards for Underage Youth Prevention*, Accessed August 2022, from [www.altria.com/-/media/Project/Altria/Altria/harm-reduction/helping-reduce-underage-tobacco-use/standards-for-underage-use-prevention.pdf](http://www.altria.com/-/media/Project/Altria/Altria/harm-reduction/helping-reduce-underage-tobacco-use/standards-for-underage-use-prevention.pdf).

<sup>197</sup> Altria Group Inc. (2021). *Code of Conduct*, Page 65, Accessed August 2022, from [www.altria.com/-/media/Project/Altria/Altria/people-and-careers/people-and-culture/altria\\_code\\_of\\_conduct.pdf](http://www.altria.com/-/media/Project/Altria/Altria/people-and-careers/people-and-culture/altria_code_of_conduct.pdf)

<sup>198</sup> Altria Group Inc. (2021). *Responsible Marketing*, Accessed August 2022, from [www.altria.com/responsibility/prevent-underage-use/responsible-marketing#:~:text=Our%20companies'%20marketing%20approach%20is,who%20don't%20use%20tobacco](http://www.altria.com/responsibility/prevent-underage-use/responsible-marketing#:~:text=Our%20companies'%20marketing%20approach%20is,who%20don't%20use%20tobacco).

<sup>199</sup> Altria Group Inc. (2021). *Reducing Harm and Preventing Underage Use 2020-2021*, Page 26, Accessed August 2022, from [www.altria.com/-/media/Project/Altria/Altria/responsibility/corporate-responsibility-reports/reducing-harm-and-preventing-underage-use-2020-2021.pdf?src=our-product-platforms#page=16](http://www.altria.com/-/media/Project/Altria/Altria/responsibility/corporate-responsibility-reports/reducing-harm-and-preventing-underage-use-2020-2021.pdf?src=our-product-platforms#page=16)

<sup>200</sup> Altria Group Inc. (2021). *Government Affairs*, Accessed August 2022, from [www.altria.com/about-altria/government-affairs](http://www.altria.com/about-altria/government-affairs).

<sup>201</sup> Altria Group Inc. (2021). *Lobbying Disclosures*, Accessed August 2022, from [www.altria.com/about-altria/government-affairs/lobbying-disclosures?src=government-affairs](http://www.altria.com/about-altria/government-affairs/lobbying-disclosures?src=government-affairs)

## Key Figures: Altria Group Inc



**Headquarters:**  
USA



**Rank: 3/15** ▲  
2020 Index restated rank: **4/15**



**Ownership:**  
Publicly Traded



**Final Score: 3.50/5** ▲  
2020 Index restated score: **3.23/5**

### Value sales: HRPs & RRP



### Capital Allocation and Expenditure\*: HRPs & RRP



\*Capital Allocation and Expenditure includes Marketing, M&A, R&D and Capital Expenditure

Source: Tobacco Transformation Index 2022 and Index 2020, <https://tobaccotransformationindex.org/> Euromonitor International

Parent Entity Jurisdiction	HQ	Ownership	Rank	Final Score
UK	UK	Publicly Traded	4 (of 15)	3.34 (of 5)

## British American Tobacco Plc

### Operating Environment

- British American Tobacco Plc (BAT) operates in all four Index Regions, and in 34 of the 36 Index Countries. Its top five countries by Volume Sales are the USA, Bangladesh, Russia, Pakistan, and Brazil.
- BAT operates across HMICs (23 Index Countries) and LMICs (11 Index Countries).<sup>202</sup>
- BAT's product portfolio<sup>203</sup> consists of cigarettes, fine cut tobacco, moist snuff, heated tobacco, cigarillos, e-liquids, closed system vaping products, snus, non-tobacco nicotine pouches, chewing tobacco, pipe tobacco, and NRT products (non-patches).

### Publicly Stated Position on Tobacco Harm Reduction

- *"Our purpose of building A Better Tomorrow by reducing the health impact of our business means that we are committed to our business transformation...As consumer preferences and technology rapidly evolve, the availability of scientifically-substantiated, less risky products is crucial to effective tobacco harm reduction and we are determined to transform our business."*<sup>204</sup>(Jack Bowles, CEO, BAT Annual Report 2021).

### Change Since 2020 Index

- BAT's global Volume Sales of HRPs (in particular cigarettes) declined in 2019-2021 (CAGR: -1.2%). RRP Volume Sales increased (CAGR: +14.9%), driven in particular by its Vuse closed system vaping product in the USA, and Velo non-tobacco nicotine pouches globally.
- BAT expanded its RRP portfolio in 2020 through the acquisition of Dryft Sciences LLC's non-tobacco nicotine pouch product assets.

<sup>202</sup> Note: In its 2021 Annual Report, BAT reports that it operates in "more than 175 markets", BAT. (2022). *2021 Annual Report*, Accessed August 22, 2022, from

[www.bat.com/group/sites/UK\\_\\_9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/\\$file/BAT\\_Annual\\_Report\\_and\\_Form\\_20-F\\_2021.pdf](http://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/$file/BAT_Annual_Report_and_Form_20-F_2021.pdf)

<sup>203</sup> Listed high to low in order of company's global volume sales in 2021.

<sup>204</sup> British American Tobacco Plc. (2021). *Annual Report 2021*, Page 4, Accessed August 15, 2022, from

[www.bat.com/group/sites/UK\\_\\_9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/\\$file/BAT\\_Annual\\_Report\\_and\\_Form\\_20-F\\_2021.pdf](http://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/$file/BAT_Annual_Report_and_Form_20-F_2021.pdf)

- BAT increased its score in the Strategy and Management category, by further clarifying its remuneration policy in 2021, disclosing the specific amount (15%<sup>205</sup>) linked to RRP performance.

## Key Performance Indicators

### Strategy & Management (Category Score: 4.96/5 - Category<sup>206</sup> Rank 2/15)



- BAT publicly acknowledges its role in, and has made a formal commitment to reducing, tobacco-related death and disease through its “Building a Better Tomorrow”<sup>207</sup> strategy.
- BAT has an objective related to tobacco harm reduction, and the objective is time-bound and measurable (“£5 billion in New Category revenues by 2025”<sup>208</sup>).

### Product Sales (Category Score: 2.84/5 - Category Rank 4/15)



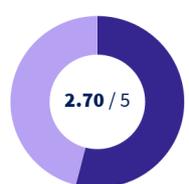
- BAT has the second-highest Volume Sales of HRPs (2021: 683.1 billion stick equivalents).<sup>209</sup>
- With 10% of its total volumes coming from RRP, BAT has the fourth-highest score for Ratio of Volume Sales (RRPs versus HRPs).

### Capital Allocation & Expenditure (Category Score: 3.76/5 - Category Rank 3/15)



- At 83%, BAT’s allocation of R&D Expenditure on RRP (versus its total R&D expenditure) is the third-highest of the Index Companies.
- At 70%, BAT’s allocation of Capital Expenditure (RRPs versus HRPs) ranks it in second place.

### Product Offer (Category Score: 2.70/5 - Category Rank 4/15)



- BAT offers HRPs (cigarettes, fine cut tobacco, cigars and cigarillos and pipe tobacco) in 34 Index Countries, and RRP (moist snuff, heated tobacco, e-liquids, closed system vaping products, snus, non-tobacco nicotine pouches, chewing tobacco, and NRT products) in 21 Index Countries.
- In terms of product categories, BAT has four HRPs, compared to eight RRP, in its portfolio.

<sup>205</sup> Ibid. Page 128 “New Categories Revenue”

<sup>206</sup> Each category is made up of multiple indicators. Certain indicator-level ranks are also listed in the text below.

<sup>207</sup> British American Tobacco Plc. (2021). *Annual Report 2021*, Page 4, Accessed August 15, 2022, from [www.bat.com/group/sites/UK\\_\\_9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/\\$file/BAT\\_Annual\\_Report\\_and\\_Form\\_20-F\\_2021.pdf](http://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/$file/BAT_Annual_Report_and_Form_20-F_2021.pdf)

<sup>208</sup> Ibid. Page 3

<sup>209</sup> Negative indicator, i.e. a higher number indicates lower performance.

### Marketing Policy & Compliance (Category Score: 3.25/5 - Category Rank 2/15)



- BAT's Youth Access Prevention Policy ("Adult only" principle) is outlined in its International Marketing Principles, which is published on BAT's corporate website.<sup>210</sup>
- BAT publicly discloses numbers and details of reported violations and established breaches of its Youth Access Prevention Policy, following audits by a third party.<sup>211</sup>

### Lobbying & Advocacy (Category Score: 2.50/5 - Category Rank 2/15)



- BAT discloses its policy positions related to tobacco harm reduction through its corporate website and in its annual ESG report.<sup>212</sup>
- BAT does not disclose specific lobbying activities and memberships in all jurisdictions in which it operates.

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<sup>210</sup> British American Tobacco Plc. (2021). *International Marketing Principles*, Accessed August 15, 2022, from [www.bat.com/group/sites/UK\\_\\_9D9KCY.nsf/vwPagesWebLive/DOBK5DHJ/\\$file/BAT\\_International\\_Marketing\\_Principles.pdf](http://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOBK5DHJ/$file/BAT_International_Marketing_Principles.pdf).

<sup>211</sup> British American Tobacco Plc. (2021). *ESG Report 2021*, Page 88, Accessed August 15, 2022, from [www.bat.com/group/sites/UK\\_\\_9D9KCY.nsf/vwPagesWebLive/DOAWWEKR/\\$file/BAT\\_ESG\\_Report\\_2021.pdf](http://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOAWWEKR/$file/BAT_ESG_Report_2021.pdf)

<sup>212</sup> Ibid

## Key Figures: **British American Tobacco**



**Headquarters:**  
UK



**Rank: 4/15** ▼  
2020 Index restated rank: **3/15**



**Ownership:**  
Publicly Traded

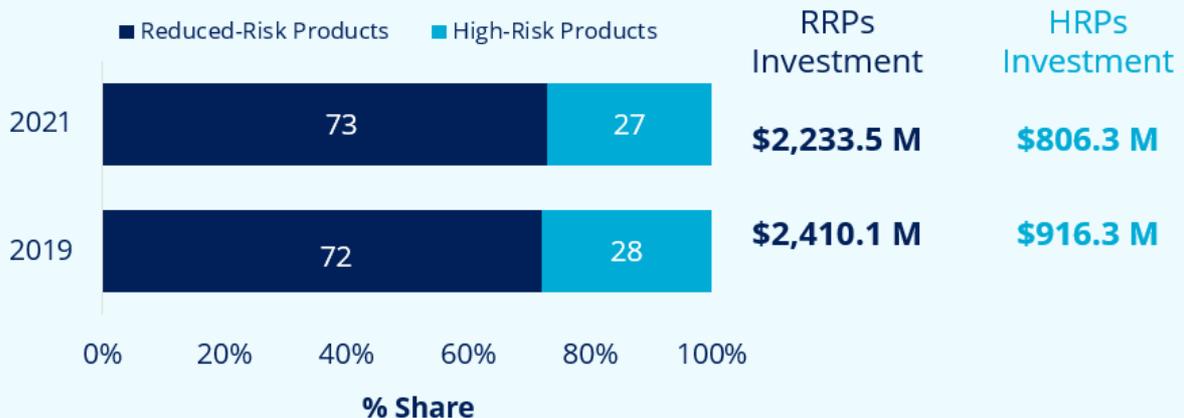


**Final Score: 3.34/5** ▲  
2020 Index restated score: **3.28/5**

### Value sales: HRP & RRP



### Capital Allocation and Expenditure\*: HRP & RRP



\*Capital Allocation and Expenditure includes Marketing, M&A, R&D and Capital Expenditure

Source: Tobacco Transformation Index 2022 and Index 2020, <https://tobaccotransformationindex.org/> Euromonitor International

Parent Entity Jurisdiction	HQ	Ownership	Rank	Final Score
China	China	State Owned	10 (of 15)	0.74 (of 5)

## China National Tobacco Corp

### Operating Environment

- China National Tobacco Corp (CNTC) operates in two Index Regions, and in five of the 36 Index Countries (Bangladesh, China, the Philippines, Poland, South Korea<sup>213</sup>). 99% of CNTC's total Volume Sales are in China.
- CNTC operates across HMICs (three Index Countries) and LMICs (two Index Countries).
- CNTC's product portfolio<sup>214</sup> consists of cigarettes, cigars, cigarillos, heated tobacco and fine cut tobacco.

### Publicly Stated Position on Tobacco Harm Reduction

- *"The new tobacco products sold by the Company are mainly heat-not-burn cigarettes. The "heat-not-burn technology" we adopted is to control the temperature to heat the cigarette just enough to give off the flavour without igniting the cigarette in order to control the release of hazardous substances through burning. In addition to providing users with relatively healthy and safe alternatives to traditional cigarettes, the Company also takes responsibility towards the impacts of second-hand smoke on the people around the smokers. As the new tobacco products do not ignite cigarettes, relatively speaking, the harmful substances released by the tobacco after heating can be controlled, and to a certain extent, the health impact on the people around the smokers can be reduced."*(China Tobacco International (HK) Company Limited<sup>215</sup>, Annual Report 2021<sup>216</sup>)

### Change Since 2020 Index

- In 2021, 99.98% of CNTC's volumes were made up of HRPs, with RRP representing 0.02%.

<sup>213</sup> Listed alphabetically

<sup>214</sup> Listed high to low in order of company's global volume sales in 2021.

<sup>215</sup> China Tobacco International (HK) Company Limited is the export division of CNTC, for sales outside of China. CNTC does not sell RRP in its domestic market China.

<sup>216</sup> China Tobacco International HK Company Limited. (2022). *Annual Report 2021*, Page 83, Accessed August 15, 2022, from [http://media-tobacco.todayir.com/20220427174801473710231312\\_en.pdf](http://media-tobacco.todayir.com/20220427174801473710231312_en.pdf)

- Export volumes of RRP through CNTC’s international subsidiary, China Tobacco International (HK) Company Limited, increased by a CAGR of 62% in 2019-2021.
- CNTC has increased the number of Index Countries in which it sells RRP, from one in 2019 (South Korea) to two in 2021 (South Korea and the Philippines).

## Key Performance Indicators

### Strategy & Management (Category Score: 0.55/5 - Category<sup>217</sup> Rank 8/15)



- CNTC does not publicly acknowledge its role in, but has made a formal commitment to reducing, tobacco-related death and disease, through the country’s implementation<sup>218</sup> of the Framework Convention on Tobacco Control (FCTC).
- CNTC does not set any objectives related to tobacco harm reduction.

### Product Sales (Category Score: 0.12/5 - Category Rank 15/15)



- CNTC has the highest Volume Sales of HRPs (2021: 2.47 trillion stick equivalents).<sup>219</sup>
- With 0.02% of its total volumes coming from RRP, CNTC has the tenth-highest score for Ratio of Volume Sales (RRPs versus HRPs).

### Capital Allocation & Expenditure (Category Score: 2.02/5 - Category Rank 10/15)



- At an estimated 1.5%, CNTC’s allocation of R&D Expenditure on RRP (versus its total R&D expenditure) is the 12th-highest of the Index Companies.
- At an estimated 1.5%, CNTC’s allocation of Capital Expenditure (RRPs versus HRPs) ranks it in tenth place.

<sup>217</sup> Each category is made up of multiple indicators. Certain indicator-level ranks are also listed in the text below.

<sup>218</sup> [www.tobacco.gov.cn/gjyc/hyyw/20170108/636c101796ad48de8115cb4cbdd4e65c.shtml](http://www.tobacco.gov.cn/gjyc/hyyw/20170108/636c101796ad48de8115cb4cbdd4e65c.shtml) (link not accessible outside of China)

<sup>219</sup> Negative indicator, i.e. a higher number indicates lower performance.

**Product Offer** (Category Score: 0.09/5 - Category Rank 10/15)



- CNTC offers HRPs (cigarettes, cigars, cigarillos and fine cut tobacco) in four Index Countries, and RRP (heated tobacco) in two Index Countries.
- In terms of product categories, CNTC has four HRPs, compared to one RRP, in its portfolio.

**Marketing Policy & Compliance** (Category Score: 0.31/5 - Category Rank 9/15)



- CNTC does not publicly disclose a Youth Access Prevention Policy.<sup>220</sup>

**Lobbying & Advocacy** (Category Score: 0.00/5 - Category Rank 9/15)



- CNTC does not disclose its policy positions related to tobacco harm reduction.
- CNTC does not disclose specific lobbying activities and memberships.

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<sup>220</sup> See “Definitions” section of this report

## Key Figures: China National Tobacco Corp



**Headquarters:**  
China



**Rank: 10/15 =**  
2020 Index restated rank: **10/15**



**Ownership:**  
State Owned



**Final Score: 0.74/5 ▲**  
2020 Index restated score: **0.51/5**

### Value sales: HRP & RRP



### Capital Allocation and Expenditure\*: HRP & RRP



\*Capital Allocation and Expenditure includes Marketing, M&A, R&D and Capital Expenditure

Source: Tobacco Transformation Index 2022 and Index 2020, <https://tobaccotransformationindex.org/> Euromonitor International  
Note: RRP represented 0.01% of CNTC's value sales in 2021. Showing USD figures to one decimal point only.

Parent Entity Jurisdiction	HQ	Ownership	Rank	Final Score
Indonesia	Indonesia	Privately Held	15 (of 15)	0.26 (of 5)

## Djarum PT

### Operating Environment

- Djarum PT (Djarum) operates in three of the four Index Regions, and in six of the 36 Index Countries (Brazil, Indonesia, Poland, Turkey, Ukraine, USA<sup>221</sup>). 96% of Djarum's total Volume Sales are in Indonesia.
- Djarum operates across HMICs (four Index Countries) and LMICs (two Index Countries).
- Djarum's product portfolio<sup>222</sup> consists of cigarettes, cigarillos and cigars.

### Publicly Stated Position on Tobacco Harm Reduction

- No publicly stated position found on tobacco harm reduction as defined by this Index.

### Change Since 2020 Index

- Djarum's cigarette Volume Sales increased in 2019-2021 (CAGR: +1.2%).

<sup>221</sup> Listed alphabetically

<sup>222</sup> Listed high to low in order of company's global volume sales in 2021.

## Key Performance Indicators

### Strategy & Management (Category Score: 0.00/5 - Category<sup>223</sup> Rank 12/15)



- Djarum does not publicly acknowledge its role in, nor make a formal commitment to reducing, tobacco-related death and disease.
- Djarum does not set any objectives related to tobacco harm reduction.

### Product Sales (Category Score: 0.27/5 - Category Rank 13/15)



- Djarum has the 12th-highest Volume Sales of HRPs (2021: 41.6 billion stick equivalents).<sup>224</sup>
- With 100% of its total volumes coming from HRPs, Djarum has the lowest score for Ratio of Volume Sales (RRPs versus HRPs).

### Capital Allocation & Expenditure (Category Score: 0.55/5 - Category Rank 15/15)



- Djarum does not allocate any of its R&D Expenditure toward RRP, putting the company in last place for this indicator.
- Djarum does not allocate any of its Capital Expenditure toward RRP, putting the company in last place for this indicator.

### Product Offer (Category Score: 0.00/5 - Category Rank 11/15)



- Djarum offers HRPs (cigarettes, cigarillos and cigars) in six Index Countries, and currently does not sell any RRP.
- In terms of product categories, Djarum has three HRPs and no RRP in its portfolio.

<sup>223</sup> Each category is made up of multiple indicators. Certain indicator-level ranks are also listed in the text below.

<sup>224</sup> Negative indicator, i.e. a higher number indicates lower performance.

**Marketing Policy & Compliance** (Category Score: 0.00/5 - Category Rank 10/15)



- Djarum does not publicly disclose a Youth Access Prevention Policy.<sup>225</sup>

**Lobbying & Advocacy** (Category Score: 0.00/5 - Category Rank 9/15)



- Djarum does not disclose its policy positions related to tobacco harm reduction.
- Djarum does not disclose specific lobbying activities and memberships.

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<sup>225</sup> See "Definitions" section of this report

## Key Figures: Djarum PT



**Headquarters:**  
Indonesia



**Rank: 15/15 =**

2020 Index restated rank: **15/15**



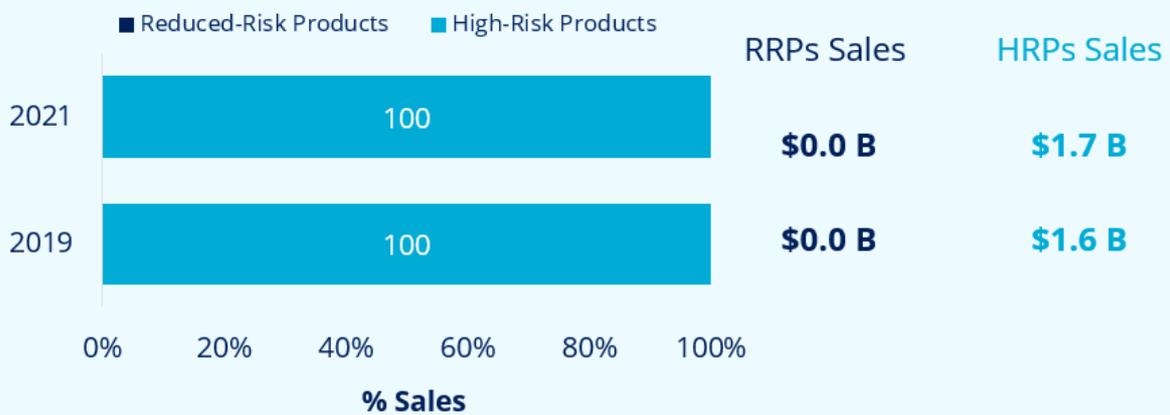
**Ownership:**  
Privately Held



**Final Score: 0.26/5 ▼**

2020 Index restated score: **0.27/5**

### Value sales: HRPs & RRP



### Capital Allocation and Expenditure\*: HRPs & RRP



\*Capital Allocation and Expenditure includes Marketing, M&A, R&D and Capital Expenditure

Source: Tobacco Transformation Index 2022 and Index 2020, <https://tobaccotransformationindex.org/> Euromonitor International

Parent Entity Jurisdiction	HQ	Ownership	Rank	Final Score
Egypt	Egypt	State Owned	13 (of 15)	0.49 (of 5)

## Eastern Co SAE

### Operating Environment

- Eastern Co SAE (Eastern) operates in one Index Region (Middle East & Africa), and in one of the 36 Index Countries (Egypt).<sup>226</sup>
- Eastern operates exclusively in LMICs.
- Eastern’s product portfolio<sup>227</sup> consists of cigarettes, shisha and cigars.

### Publicly Stated Position on Tobacco Harm Reduction

- “We will enter the market for heated tobacco by relying on imported products initially, and an integrated local production line may be launched if demand increases.”<sup>228</sup>  
(Hani Aman, Managing Director and CEO, Asharq Business, October 2021)

### Change Since 2020 Index

- Eastern’s Harm Reduction Strategy score increased as a result of the announcement that Eastern intends to start selling heated tobacco.<sup>229</sup>
- Eastern’s Ratio of R&D Expenditure (RRPs versus HRPs) also increased (Eastern does not disclose details of its R&D expenditure, the Index estimates<sup>230</sup> that 5% of the company’s R&D expenditure was on RRP in 2021).
- Eastern’s cigarette Volume Sales continued to increase in 2019-2021 (CAGR: +2.6%).

<sup>226</sup> Note: For the purposes of Index scoring. Note that Eastern reports 99.9% of its cigarette volumes are sold in Egypt, with the remaining 0.1% sold in other countries. Eastern lists its export countries on its corporate website, “Export Markets”. The list has not been updated since 2015 and no sales split per country is provided. Eastern Co. (2022). *Corporate Website*, Accessed August 31, 2022, from <https://18.216.10.211/export-staff/?lang=en>

<sup>227</sup> Listed high to low in order of company’s global volume sales in 2021, converted to Per Stick Equivalents (see Index Methodology, “Per Stick Equivalent Conversion”). Listing products within Tobacco Transformation Index scope only.

<sup>228</sup> Asharq Business (Bloomberg), October 2021, *Eastern to introduce heated tobacco in the first half of 2022*, accessed August 2022, from [www.asharqbusiness.com/article/27700](http://www.asharqbusiness.com/article/27700)

<sup>229</sup> Asharq Business (Bloomberg), October 2021, *Eastern to introduce heated tobacco in the first half of 2022*, Accessed August 2022, from [www.asharqbusiness.com/article/27700](http://www.asharqbusiness.com/article/27700)

<sup>230</sup> See Index Methodology, “Data Collection and Analysis”

## Key Performance Indicators

### Strategy & Management (Category Score: 0.55/5 - Category<sup>231</sup> Rank 8/15)



- Eastern does not publicly acknowledge its role in, nor make a formal commitment to reducing, tobacco-related death and disease.
- Eastern has an objective related to tobacco harm reduction (“to provide a product of high quality for the consumer as part of a strategy to search for alternatives that are less dangerous than traditional cigarettes”) and the objective is time-bound and measurable (“production is expected to start in the first half of 2022”<sup>232</sup>).

### Product Sales (Category Score: 0.29/5 - Category Rank 12/15)



- Eastern has the ninth-highest Volume Sales of HRPs (2021: 69.8 billion stick equivalents)<sup>233</sup>.
- In terms of Ratio of Volume Sales (RRPs versus HRPs), Eastern did not sell any RRP as of the end of 2021.

### Capital Allocation & Expenditure (Category Score: 1.11/5 - Category Rank 13/15)



- Eastern has stated that it plans to start selling heated tobacco products, with an estimated<sup>234</sup> 5% of R&D Expenditure toward RRP.
- At an estimated 1%, Eastern’s allocation of R&D Expenditure on RRP (versus its total R&D expenditure) ranks it in 12th place.

### Product Offer (Category Score: 0.00/5 - Category Rank 11/15)



- Eastern offers HRPs (cigarettes, shisha and cigars) in one Index Country (Egypt), and currently does not sell any RRP.
- In terms of product categories, Eastern currently has three HRPs and no RRP in its portfolio.

<sup>231</sup> Each category is made up of multiple indicators. Certain indicator-level ranks are also listed in the text below.

<sup>232</sup> Asharq Business (Bloomberg), October 2021, *Eastern to introduce heated tobacco in the first half of 2022*, accessed August 2022, from [www.asharqbusiness.com/article/27700](http://www.asharqbusiness.com/article/27700)

<sup>233</sup> Negative indicator, i.e. a higher number indicates lower performance

<sup>234</sup> See Index Methodology, “Data Collection and Analysis”

**Marketing Policy & Compliance** (Category Score: 0.00/5 - Category Rank 10/15)



- Eastern does not publicly disclose a Youth Access Prevention Policy<sup>235</sup>.

**Lobbying & Advocacy** (Category Score: 0.00/5 - Category Rank 9/15)



- Eastern does not disclose its policy positions related to tobacco harm reduction.
- Eastern does not disclose specific lobbying activities and memberships.

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<sup>235</sup> See "Definitions" section of this report

## Key Figures: Eastern Co SAE



**Headquarters:**  
Egypt



**Rank: 13/15 =**  
2020 Index restated rank: **13/15**

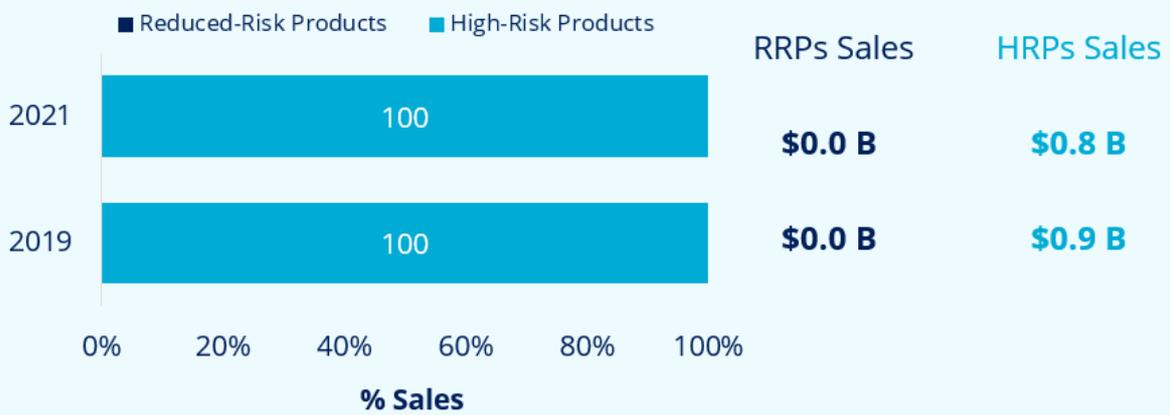


**Ownership:**  
State Owned



**Final Score: 0.49/5 ▲**  
2020 Index restated score: **0.30/5**

### Value sales: HRPs & RRP



### Capital Allocation and Expenditure\*: HRPs & RRP



\*Capital Allocation and Expenditure includes Marketing, M&A, R&D and Capital Expenditure

Source: Tobacco Transformation Index 2022 and Index 2020, <https://tobaccotransformationindex.org/> Euromonitor International

Parent Entity Jurisdiction	HQ	Ownership	Rank	Final Score
Indonesia	Indonesia	Privately Held	14 (of 15)	0.26 (of 5)

## Gudang Garam Tbk PT<sup>236</sup>

### Operating Environment

- Gudang Garam Tbk PT (Gudang Garam) operates in one Index Region (Asia Pacific), and in five of the 36 Index Countries (Bangladesh, India, Indonesia, the Philippines, Singapore<sup>237</sup>). 98% of Gudang Garam's total Volume Sales are in Indonesia.
- Gudang Garam operates across HMICs (one Index Country) and LMICs (four Index Countries).
- Gudang Garam's product portfolio<sup>238</sup> consists exclusively of cigarettes.

### Publicly Stated Position on Tobacco Harm Reduction

- No publicly stated position found on tobacco harm reduction as defined by this Index.

### Change Since 2020 Index

- Gudang Garam's cigarette Volume Sales declined in 2019-2021 (CAGR: -1.7%).

<sup>236</sup> Gudang Garam Tbk PT is 75.5% owned by the Wonowidjojo Family.

<sup>237</sup> Listed alphabetically

<sup>238</sup> Listed high to low in order of company's global volume sales in 2021.

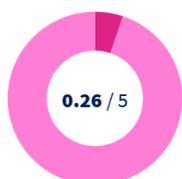
## Key Performance Indicators

### Strategy & Management (Category Score: 0.00/5 - Category<sup>239</sup> Rank 12/15)



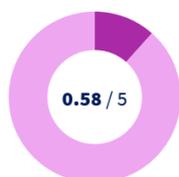
- Gudang Garam does not publicly acknowledge its role in, nor make a formal commitment to reducing, tobacco-related death and disease.
- Gudang Garam does not set any objectives related to tobacco harm reduction.

### Product Sales (Category Score: 0.26/5 - Category Rank 14/15)



- Gudang Garam has the seventh-highest Volume Sales of HRPs (2021: 91.1 billion stick equivalents).<sup>240</sup>
- With 100% of its total volumes coming from HRPs, Gudang Garam has the lowest score for Ratio of Volume Sales (RRPs versus HRPs).

### Capital Allocation & Expenditure (Category Score: 0.58/5 - Category Rank 14/15)



- Gudang Garam does not allocate any of its R&D Expenditure toward RRP, putting the company in last place for this indicator.
- Gudang Garam does not allocate any of its Capital Expenditure toward RRP, putting the company in last place for this indicator.

### Product Offer (Category Score: 0.00/5 - Category Rank 11/15)



- Gudang Garam offers HRPs (cigarettes) in five Index Countries, and currently does not sell any RRP.
- In terms of product categories, Gudang Garam has one HRP and no RRP in its portfolio.

<sup>239</sup> Each category is made up of multiple indicators. Certain indicator-level ranks are also listed in the text below.

<sup>240</sup> Negative indicator, i.e. a higher number indicates lower performance.

**Marketing Policy & Compliance** (Category Score: 0.00/5 - Category Rank 10/15)



- Gudang Garam does not publicly disclose a Youth Access Prevention Policy.<sup>241</sup>

**Lobbying & Advocacy** (Category Score: 0.00/5 - Category Rank 9/15)



- Gudang Garam does not disclose its policy positions related to tobacco harm reduction.
- Gudang Garam does not disclose specific lobbying activities and memberships.

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<sup>241</sup> See "Definitions" section of this report

## Key Figures: Gudang Garam Tbk PT



**Headquarters:**  
Indonesia



**Rank: 14/15 =**  
2020 Index restated rank: **14/15**

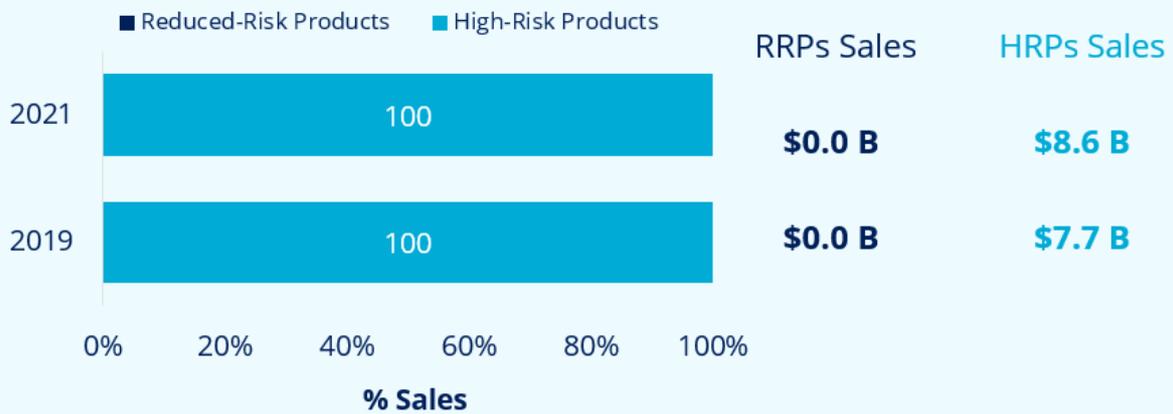


**Ownership:**  
Privately Held

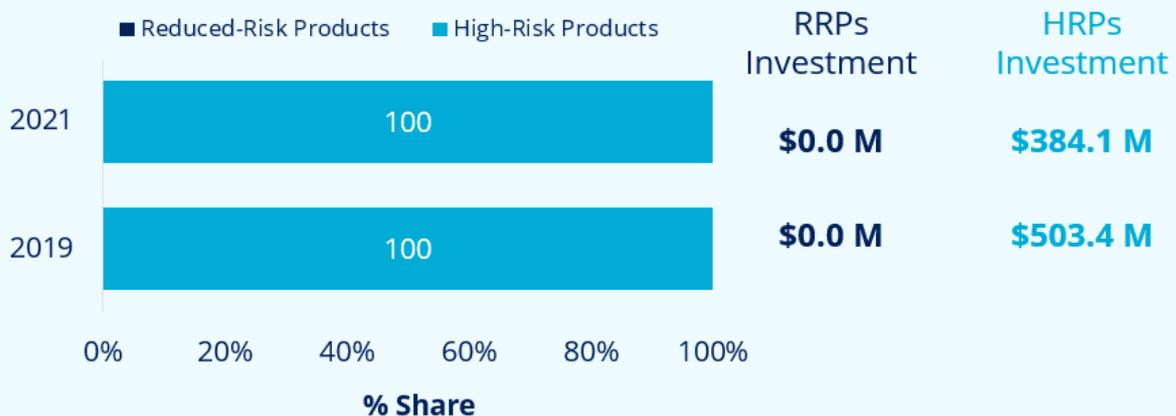


**Final Score: 0.26/5 ▼**  
2020 Index restated score: **0.29/5**

### Value sales: HRPs & RRP



### Capital Allocation and Expenditure\*: HRPs & RRP



\*Capital Allocation and Expenditure includes Marketing, M&A, R&D and Capital Expenditure

Source: Tobacco Transformation Index 2022 and Index 2020, <https://tobaccotransformationindex.org/> Euromonitor International

Parent Entity Jurisdiction	HQ	Ownership	Rank	Final Score
UK	UK	Publicly Traded	5 (of 15)	2.47 (of 5)

## Imperial Brands Plc

### Operating Environment

- Imperial Brands Plc (Imperial) operates in all four Index Regions, and in 28 of the 36 Index Countries<sup>242</sup>. Its top five countries by Volume Sales are the USA, Germany, the UK, Spain, and Russia.
- Imperial operates across HMICs (21 Index Countries) and LMICs (seven Index Countries).
- Imperial’s product portfolio<sup>243</sup> consists of cigarettes, fine cut tobacco, cigars, cigarillos, pipe tobacco, e-liquids, closed system vaping products, non-tobacco nicotine pouches and heated tobacco.

### Publicly Stated Position on Tobacco Harm Reduction

- *“We understand society’s concerns about the health risks of smoking and recognise our role in helping to reduce the harm caused by combustible tobacco products. We are committed to strengthening our Next Generation Products (NGP) performance and in doing so, to making a more meaningful contribution to harm reduction by offering adult smokers a range of potentially less harmful products. We are committed to tobacco harm reduction.”*(Imperial, Annual Report and Accounts 2021).<sup>244</sup>

<sup>242</sup> Note: In its 2021 Annual Report, Imperial reports that it sells in “over 120 countries”, Imperial Brands Plc. (2022). *2021 Annual Report*, Page 178, Accessed on August 22, 2022, from <https://www.imperialbrandspc.com/content/dam/imperialbrands/corporate2022/documents/investors/reports/annual-report-2021.pdf.downloadasset.pdf>

<sup>243</sup> Listed high to low in order of company’s global volume sales in 2021.

<sup>244</sup> Imperial Brands Plc. (2022), *Annual Report and Accounts 2021*, Page 52, Accessed August 21, 2022, from <https://www.imperialbrandspc.com/content/dam/imperialbrands/corporate2022/documents/investors/reports/annual-report-2021.pdf.downloadasset.pdf>

## Change Since 2020 Index

- Imperial's Product Sales category score declined following the "strategic exit"<sup>245</sup> of RRP's in Russia (MyBlu closed system vaping product) and Japan (Pulze heated tobacco, Myblu nicotine-free closed system vaping product) in 2021.<sup>246</sup>
- Imperial's Product Offer category score also declined as the number of countries in which Imperial sold RRP's declined.

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<sup>245</sup> Imperial Brands Plc. (2021). *Annual Report and Accounts 2021*, Page 69, Accessed August 23<sup>rd</sup>, 2022, from <https://www.imperialbrandspc.com/investors/annual-report-accounts-2021.html>

<sup>246</sup> Note, as of 2021 Imperial was trialing heated tobacco in two new countries, Greece, and Czech Republic, outside of Index Country scope. Imperial Brands Plc. (2022). *Annual Report 2021*, Page 21 <https://www.imperialbrandspc.com/investors/annual-report-accounts-2021.html>

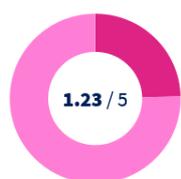
## Key Performance Indicators

### Strategy & Management (Category Score: 4.82/5 - Category<sup>247</sup> Rank 4/15)



- Imperial publicly acknowledges its role in, and has made a formal commitment to reducing, tobacco-related death and disease, as part of its “Forging a Path for a Healthier Future” vision.<sup>248</sup>
- Imperial has an objective related to tobacco harm reduction (including a “contribution to a healthier future for our consumers and society through potentially reduced risk products”<sup>249</sup>), but the objective is not time-bound or measurable.

### Product Sales (Category Score: 1.23/5 - Category Rank 8/15)



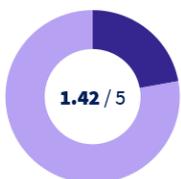
- Imperial has the fifth-highest Volume Sales of HRPs (2021: 268.5 billion stick equivalents).<sup>250</sup>
- With 1.3% of its total volumes coming from RRP, Imperial has the eighth-highest score for Ratio of Volume Sales (RRPs versus HRPs).

### Capital Allocation & Expenditure (Category Score: 3.65/5 - Category Rank 5/15)



- At 73%, Imperial’s allocation of R&D Expenditure on RRP (versus its total R&D expenditure) is the sixth-highest of the Index Companies.
- At 38%, Imperial’s allocation of Capital Expenditure (RRPs versus HRPs) ranks it in fifth place.

### Product Offer (Category Score: 1.42/5 - Category Rank 9/15)



- Imperial offers HRPs (cigarettes, fine cut tobacco, cigars, cigarillos, pipe tobacco) in 27 Index Countries, and RRP (e-liquids, closed system vaping products, non-tobacco nicotine pouches, heated tobacco) in 12 Index Countries.
- In terms of product categories, Imperial has five HRPs, compared to four RRP, in its portfolio.

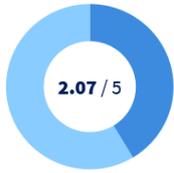
<sup>247</sup> Each category is made up of multiple indicators. Certain indicator-level ranks are also listed in the text below.

<sup>248</sup> Imperial Brands Plc. (2021). *Annual Report and Accounts 2021*, Page 52, Accessed August 21, 2022, from <https://www.imperialbrandspc.com/content/dam/imperialbrands/corporate2022/documents/investors/reports/annual-report-2021.pdf.downloadasset.pdf>

<sup>249</sup> Ibid. Page 6

<sup>250</sup> Negative indicator, i.e. a higher number indicates lower performance.

### Marketing Policy & Compliance (Category Score: 2.07/5 - Category Rank 5/15)



- Imperial’s Youth Access Prevention Policy (“Prohibit Sales to Those Under the Age of 18 Worldwide” principle) is outlined in its Code of Conduct, which is published on Imperial’s corporate website.<sup>251</sup>
- Imperial discloses the numbers but not the details of reported violations of its Youth Access Prevention Policy.

### Lobbying & Advocacy (Category Score: 2.29/5 - Category Rank 5/15)



- Imperial discloses its policy positions related to tobacco harm reduction in the “Our Beliefs” section of its corporate website.<sup>252</sup>
- Imperial does not disclose specific lobbying activities and memberships in all jurisdictions in which it operates.

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<sup>251</sup> Imperial Brands Plc. (2020). *Corporate Website, Code of Conduct*, Page 29, Accessed August 21, 2022, from <https://www.imperialbrandsplc.com/content/dam/imperialbrands/corporate2022/documents/healthier-futures/governance/our-code-of-contact/English-Code-of-Conduct.pdf.downloadasset.pdf>

<sup>252</sup> Imperial Brands Plc. (2022). *Corporate Website, Our Beliefs*, Accessed August 23, 2022, from <https://imperialbrandsscience.com/about-us/positions/>

## Key Figures: Imperial Brand Plc



**Headquarters:**  
UK



**Rank: 5/15** =  
2020 Index restated rank: **5/15**



**Ownership:**  
Privately Held



**Final Score: 2.47/5** ▼  
2020 Index restated score: **2.81/5**

### Value sales: HRPs & RRP



### Capital Allocation and Expenditure\*: HRPs & RRP



\*Capital Allocation and Expenditure includes Marketing, M&A, R&D and Capital Expenditure

Source: Tobacco Transformation Index 2022 and Index 2020, <https://tobaccotransformationindex.org/> Euromonitor International

Parent Entity Jurisdiction	HQ	Ownership	Rank	Final Score
India	India	Publicly Traded	9 (of 15)	1.41 (of 5)

## ITC Ltd<sup>253</sup>

### Operating Environment

- ITC Ltd (ITC) operates in one Index Region (Asia Pacific), and in one of the 36 Index Countries (India).
- ITC operates exclusively in LMICs.
- ITC's product portfolio<sup>254</sup> consists of cigarettes, cigars, and NRT products.

### Publicly Stated Position on Tobacco Harm Reduction

- No publicly stated position found on tobacco harm reduction as defined by this Index.

### Change Since 2020 Index

- ITC's Capital Allocation and Expenditure category score increased as ITC invested in an e-cigarette manufacturing facility in 2021 for export to Europe and the USA.<sup>255</sup>
- ITC's Marketing Policy & Compliance category score increased. Its 2021 Integrated Report refers to its marketing policy, which includes specific provisions concerning health warnings and advertising.<sup>256</sup>
- ITC's Lobbying and Advocacy category score increased, as ITC added a policy on Responsible Advocacy to its corporate website.<sup>257</sup>

<sup>253</sup> ITC Ltd is publicly traded but state enterprises own 24.2% of the company

<sup>254</sup> Listed high to low in order of company's global volume sales in 2021.

<sup>255</sup> ITC Ltd. (2021). *Annual Report 2021*, Page 123, Accessed August 22, 2022, from <https://www.itcportal.com/about-itc/shareholder-value/annual-reports/itc-annual-report-2021/pdf/ITC-Report-and-Accounts-2021.pdf>

<sup>256</sup> ITC Ltd. (2021). *Integrated Report 2021*, Page 46, Accessed August 22, 2022, from <https://www.itcportal.com/about-itc/shareholder-value/itc-integrated-report-2021.pdf>

<sup>257</sup> ITC Ltd. (2021). *Corporate Website*, Accessed August 21, 2022, from <https://www.itcportal.com/about-itc/policies/sustainability-policy.aspx#ResponsibleAdvocacy>

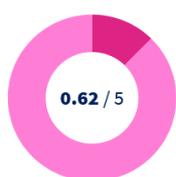
## Key Performance Indicators

### Strategy & Management (Category Score: 0.32/5 - Category<sup>258</sup> Rank 10/15)



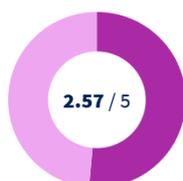
- ITC does not publicly acknowledge its role in, nor make a formal commitment to reducing, tobacco-related death and disease.
- ITC sells NRT products and has obtained regulatory approvals for the future manufacture and export of nicotine and nicotine derivative products.<sup>259</sup> ITC does not set any objectives related to tobacco harm reduction.

### Product Sales (Category Score: 0.62/5 - Category Rank 9/15)



- ITC has the tenth-highest Volume Sales of HRPs (2021: 61.4 billion stick equivalents).<sup>260</sup>
- With 0.04% of its total volumes coming from RRP, ITC has the ninth-highest score for Ratio of Volume Sales (RRPs versus HRPs).

### Capital Allocation & Expenditure (Category Score: 2.57/5 - Category Rank 9/15)



- ITC's allocation of R&D Expenditure on RRP (versus its total R&D expenditure), at an estimated<sup>261</sup> 3%, is the tenth highest of the Index Companies.
- At an estimated 31%, ITC's allocation of Capital Expenditure (RRPs versus HRPs) ranks it in seventh place.

### Product Offer (Category Score: 2.60/5 - Category Rank 6/15)



- ITC offers both HRPs (cigarettes, cigars) and RRP (NRT products) in one Index Country (India). Vaping and heated tobacco products are banned in India.
- In terms of product categories, ITC has two HRPs, compared to one RRP in its portfolio.

<sup>258</sup> Each category is made up of multiple indicators. Certain indicator-level ranks are also listed in the text below.

<sup>259</sup> Business Standard. (July 2021). *ITC diversifies tobacco into nicotine and derivatives for US vaping market*, Accessed August 21, 2022, from [https://www.business-standard.com/article/companies/itc-diversifies-tobacco-into-nicotine-and-derivatives-for-us-vaping-market-121071401140\\_1.html](https://www.business-standard.com/article/companies/itc-diversifies-tobacco-into-nicotine-and-derivatives-for-us-vaping-market-121071401140_1.html)

<sup>260</sup> Negative indicator, i.e. a higher number indicates lower performance.

<sup>261</sup> See Index Methodology, "Data Collection and Analysis"

**Marketing Policy & Compliance** (Category Score: 0.88/5 - Category Rank 8/15)



- ITC does not publicly disclose a Youth Access Prevention Policy.

**Lobbying & Advocacy** (Category Score: 0.96/5 - Category Rank 8/15)



- ITC does not disclose its policy positions related to tobacco harm reduction.
- ITC does not disclose specific lobbying activities and memberships in all jurisdictions in which it operates.

## Key Figures: ITC Ltd



**Headquarters:**  
India



**Rank: 9/15 =**  
2020 Index restated rank: **9/15**

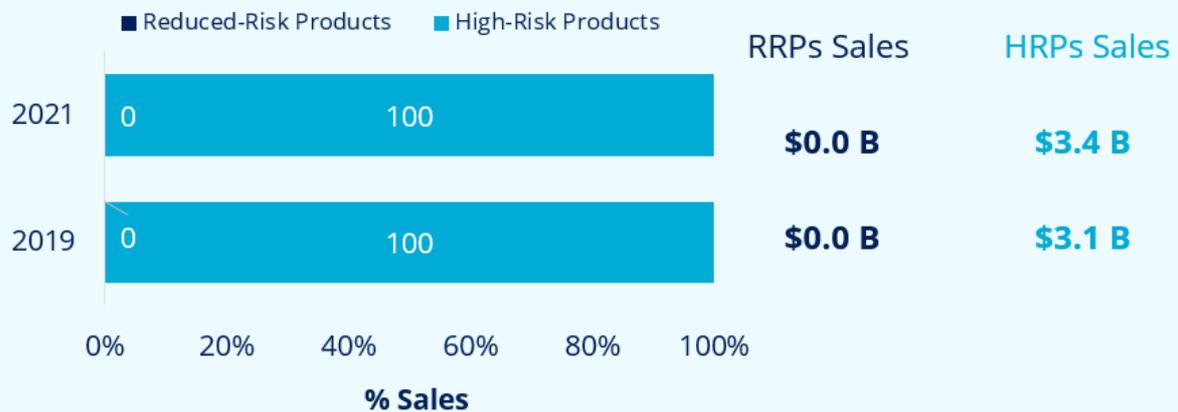


**Ownership:**  
Publicly Traded

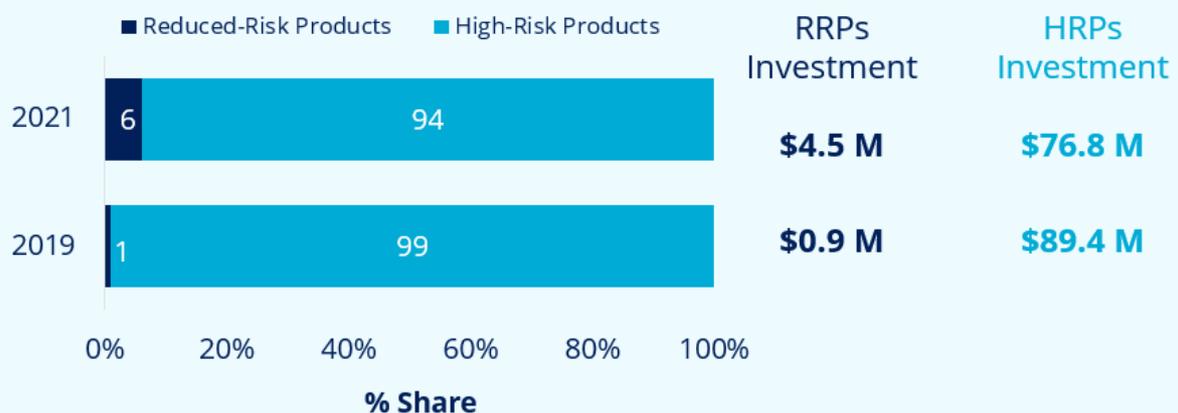


**Final Score: 1.41/5 ▲**  
2020 Index restated score: **1.10/5**

### Value sales: HRPs & RRP



### Capital Allocation and Expenditure\*: HRPs & RRP



\*Capital Allocation and Expenditure includes Marketing, M&A, R&D and Capital Expenditure

Source: Tobacco Transformation Index 2022 and Index 2020, <https://tobaccotransformationindex.org/> Euromonitor International  
Note: RRP represented 0.1% of ITC's value sales in 2021. Showing USD figures to one decimal point only.

Parent Entity Jurisdiction	HQ	Ownership	Rank	Final Score
Japan	Japan	Publicly Traded	6 (of 15)	2.41 (of 5)

## Japan Tobacco Group<sup>262</sup>

### Operating Environment

- Japan Tobacco Group (JT) operates in all four Index Regions, and in 34 of the 36 Index Countries.<sup>263</sup> Its top five countries by Volume Sales are Japan, Russia, Turkey, the UK and Italy.
- JT operates across HMICs (24 Index Countries) and LMICs (10 Index Countries).
- JT's product portfolio<sup>264</sup> consists of cigarettes, fine cut tobacco, cigarillos, shisha, heated tobacco, e-liquids, pipe tobacco, closed system vaping products, cigars, snus, and non-tobacco nicotine pouches.

### Publicly Stated Position on Tobacco Harm Reduction

- *"Smoking is a cause of serious disease including lung cancer, coronary heart disease, emphysema and chronic bronchitis. JTI supports efforts to advise smokers accordingly. Everyone should be appropriately informed about the health risks of smoking. Reduced-Risk Products: We believe products that do not involve combustion and do not produce tobacco smoke are products with the potential to reduce the risks associated with smoking. We are committed to developing and bringing to market Reduced-Risk Products that meet consumer expectations."* (JT corporate website, "Our Six Core Principles")<sup>265</sup>

### Change Since 2020 Index

- JT's Strategy and Management category score increased as JT announced in 2021 that for the first time the board's bonus would partly (10% of the total) depend on RRP performance.<sup>266</sup>

<sup>262</sup> Japan Tobacco Group is publicly traded but the Government of Japan owns 33.3% of the company.

<sup>263</sup> In its 2021 Annual Report, JT reports that it operates "over 70 markets", Japan Tobacco Group. (2022). *2021 Annual Report*, Accessed August 22, 2022, from [www.jti.com/sites/default/files/global-files/documents/jti-annual-reports/JTG\\_integrated\\_report2021.pdf](http://www.jti.com/sites/default/files/global-files/documents/jti-annual-reports/JTG_integrated_report2021.pdf)

<sup>264</sup> Listed high to low in order of company's global volume sales in 2021.

<sup>265</sup> Japan Tobacco Group. (2022). *Corporate Website*, Accessed August 2022, from <https://www.jti.com/about-us/our-business/our-six-core-principles>

<sup>266</sup> Japan Tobacco Group. (2022). *Integrated Report 2021*, Accessed August 22, 2022, from [https://www.jti.com/sites/default/files/global-files/documents/jti-annual-reports/JTG\\_integrated\\_report2021.pdf](https://www.jti.com/sites/default/files/global-files/documents/jti-annual-reports/JTG_integrated_report2021.pdf)

- JT's Product Sales and Product Offer category scores declined following the company's decision to withdraw its closed system vaping product (Logic) from Ukraine in January 2021, citing a "lack of demand".<sup>267</sup>
- JT's Product Sales category score was also negatively impacted by the company's increasing (CAGR 2019-2021: +0.8%) HRP Volume Sales.

## Key Performance Indicators

### Strategy & Management (Category Score: 4.96/5 - Category<sup>268</sup> Rank 2/15)



- JT publicly acknowledges its role in, and has made a formal commitment to reducing, tobacco-related death and disease as part of its "Six Core Principles."<sup>269</sup>
- JT has an objective related to tobacco harm reduction, and the objective is time-bound and measurable (setting objectives for RRP market share in "key" countries by 2027).<sup>270</sup>

### Product Sales (Category Score: 1.29/5 - Category Rank 7/15)



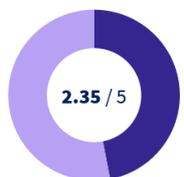
- JT has the fourth-highest Volume Sales of HRPs (2021: 545.6 billion stick equivalents).<sup>271</sup>
- With 1.8% of its total volumes coming from RRP, JT has the seventh-highest score for Ratio of Volume Sales (RRPs versus HRPs).

### Capital Allocation & Expenditure (Category Score: 3.07/5 - Category Rank 6/15)



- At 77%, JT's allocation of R&D Expenditure on RRP (versus its total R&D expenditure) is the fifth highest of the Index Companies.
- At 25%, JT's allocation of Capital Expenditure (RRPs versus HRPs) ranks it in sixth place.

### Product Offer (Category Score: 2.35/5 - Category Rank 7/15)



- JT offers HRPs (cigarettes, fine cut tobacco, cigarillos, shisha, pipe tobacco, cigars) in 34 Index Countries, and RRP (heated tobacco, e-

<sup>267</sup> Novosti Novostey. (2020). *JTI Ukraine stops selling Logic Compact e-cigarettes in Ukraine*, Published December 26, 2020. Accessed August 21, 2022, from <https://novosti-novostey.tv/ukraina/jti-ykraina-prekrashaet-prodaj-e-sigaret-logic-compact-v-ykraine/>

<sup>268</sup> Each category is made up of multiple indicators. Certain indicator-level ranks are also listed in the text below.

<sup>269</sup> Japan Tobacco Group. (2021). *Corporate Website, Our Six Core Principles*, Accessed August 21, 2022, from [www.jti.com/about-us/our-business/our-six-core-principles](http://www.jti.com/about-us/our-business/our-six-core-principles)

<sup>270</sup> Japan Tobacco Group. (2021). *Corporate Website, JT GROUP 2021 FINANCIAL RESULTS & 2022 FORECAST*, Accessed August 21, 2022, from [www.jti.com/jt-group-2021-financial-results-2022-forecast](http://www.jti.com/jt-group-2021-financial-results-2022-forecast)

<sup>271</sup> Negative indicator, i.e. a higher number indicates lower performance.

liquids, closed system vaping products, snus, non-tobacco nicotine pouches) in 14 Index Countries.

- In terms of product categories, JT has six HRPs, compared to five RRP, in its portfolio.

### Marketing Policy & Compliance (Category Score: 1.92/5 - Category Rank 7/15)



- JT's Youth Access Prevention Policy ("Minors Should Not Smoke and Should Not Have Access to Tobacco Products" principle) is outlined in its Code of Conduct and in its Six Core Principles, which are published on JT's corporate website.<sup>272</sup>
- JT does not disclose numbers or details of any reported violations of its Youth Access Prevention Policy.

### Lobbying & Advocacy (Category Score: 2.29/5 - Category Rank 5/15)



- JT discloses its policy positions related to tobacco harm reduction on a specific section of its corporate website ("Our Views on Regulation").<sup>273</sup>
- JT does not disclose specific lobbying activities and memberships in all jurisdictions in which it operates.

<sup>272</sup> Japan Tobacco Group. (2021). *Corporate Website, Our Six Core Principles*, Accessed August 22, 2022, from [www.jti.com/about-us/our-business/our-six-core-principles](http://www.jti.com/about-us/our-business/our-six-core-principles)

<sup>273</sup> Japan Tobacco Group. (2021). *Corporate Website, Our Views on Regulation*, Accessed August 22, 2022, from <https://www.jti.com/about-us/our-business/our-views-on-regulation>

## Key Figures: Japan Tobacco Group



**Headquarters:**  
Japan



**Rank: 6/15 =**  
2020 Index restated rank: **6/15**



**Ownership:**  
Publicly Traded



**Final Score: 2.41/5 ▼**  
2020 Index restated score: **2.58/5**

### Value sales: HRPs & RRP



### Capital Allocation and Expenditure\*: HRPs & RRP



\*Capital Allocation and Expenditure includes Marketing, M&A, R&D and Capital Expenditure

Source: Tobacco Transformation Index 2022 and Index 2020, <https://tobaccotransformationindex.org/> Euromonitor International

Parent Entity Jurisdiction	HQ	Ownership	Rank	Final Score
South Korea	South Korea	Publicly Traded	7 (of 15)	2.33 (of 5)

## KT&G Corp

### Operating Environment

- KT&G Corp (KT&G) operates in three of the four Index Regions, and in nine of the 36 Index Countries.<sup>274</sup> Its top five countries by Volume Sales are South Korea, Indonesia, Russia, Nigeria and Vietnam.
- KT&G operates across HMICs (five Index Countries) and LMICs (four Index Countries).
- KT&G’s product portfolio<sup>275</sup> consists of cigarettes, heated tobacco and closed system vaping products.

### Publicly Stated Position on Tobacco Harm Reduction

- *“KT&G will secure leadership in the future tobacco business by developing responsible products, launch innovative platforms, and strengthening R&D capability.”* (KT&G Report, Bok-in Baek, CEO, 2020)<sup>276</sup>

### Change Since 2020 Index

- KT&G’s Product Sales category score declined as its Volume Sales of cigarettes increased at the highest rate in 2019-2021 (CAGR: +6.8%) compared to other Index Companies. Its cigarette exports grew faster than its domestic sales.<sup>277</sup>
- KT&G’s heated tobacco Volume Sales also increased following a distribution deal with PMI in January 2020, offsetting in part the cigarette volume growth.<sup>278</sup>
- KT&G’s Strategy and Management category score increased as KT&G clarified its objectives related to tobacco harm reduction (“become a global top tier NGP player by 2025”).<sup>279</sup>

<sup>274</sup>In its 2021 Integrated Report, KT&G reports that it exports HRPs in “around 124 countries” and RRP in “23 countries”, KT&G. (2022). 2021 Integrated Report, Accessed on August 21, 2022, from <https://en.ktng.com/ktngReport?cmsCd=CM0046>

<sup>275</sup> Listed high to low in order of company’s global volume sales in 2021.

<sup>276</sup> KT&G Corp. (2020). 2020 Annual Report, Page 51, Accessed August 21, 2022, from <https://en.ktng.com/ktngReport?cmsCd=CM0046>

<sup>277</sup> Ibid. Page 6

<sup>278</sup> Philip Morris International Inc.(2020). Corporate Website Media Center, Published January 29, 2020, Accessed August 24, 2022, from <https://www.pmi.com/media-center/news/pmi-deal-to-distribute-kt-and-g-smoke-free-products-globally>

<sup>279</sup> KT&G Corp. (2021). 2020 KT&G Report, Page 19, Accessed August 22, 2022, from <https://en.ktng.com/ktngReport?cmsCd=CM0046>, NGP stands for Next Generation Product

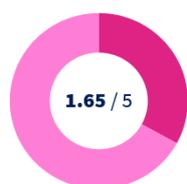
## Key Performance Indicators

### Strategy & Management (Category Score: 2.23/5 - Category<sup>280</sup> Rank 7/15)



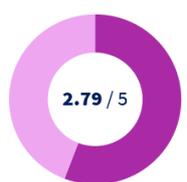
- KT&G does not publicly acknowledge its role in, nor make a formal commitment to reducing, tobacco-related death and disease.<sup>281</sup>
- KT&G has an objective related to tobacco harm reduction, (“to become a global top tier player by 2025 in the NGP market”<sup>282</sup>), but the objective is not time-bound or measurable.

### Product Sales (Category Score: 1.65/5 - Category Rank 6/15)



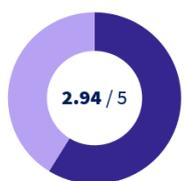
- KT&G has the eighth-highest Volume Sales of HRPs (2021: 73.9 billion stick equivalents).<sup>283</sup>
- With 4.7% of its total volumes coming from RRP, KT&G has the sixth-highest score for Ratio of Volume Sales (RRPs versus HRPs).

### Capital Allocation & Expenditure (Category Score: 2.79/5 - Category Rank 7/15)



- At 60%, KT&G’s allocation of R&D Expenditure on RRP (versus its total R&D expenditure) is the seventh-highest of the Index Companies.
- At 15%, KT&G’s allocation of Capital Expenditure (RRPs versus HRPs) ranks it in seventh place.

### Product Offer (Category Score: 2.94/5 - Category Rank 2/15)



- KT&G offers HRPs (cigarettes) in six Index Countries, and RRP (heated tobacco, closed system vaping products) in five Index Countries.
- In terms of product categories, KT&G has one HRP and two RRP in its portfolio.

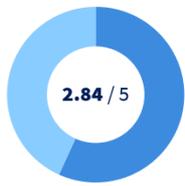
<sup>280</sup> Each category is made up of multiple indicators. Certain indicator-level ranks are also listed in the text below.

<sup>281</sup> KT&G Corp. (2020). *2020 Annual Report*, Page 19, Accessed August 22, 2022, from <https://en.ktng.com/ktngReport?cmsCd=CM0046>

<sup>282</sup> Ibid. Page 51

<sup>283</sup> Negative indicator, i.e. a higher number indicates lower performance.

### Marketing Policy & Compliance (Category Score: 2.84/5 - Category Rank 4/15)



- KT&G's Youth Access Prevention Policy ("Protection of Minors" principle) is outlined in its Responsible Marketing Policy, which is published on KT&G's corporate website.<sup>284</sup>
- KT&G discloses numbers but no details of reported violations of its Youth Access Prevention Policy.<sup>285</sup>

### Lobbying & Advocacy (Category Score: 2.21/5 - Category Rank 7/15)



- KT&G does not disclose its policy positions related to tobacco harm reduction.
- KT&G discloses its lobbying activities and memberships in all jurisdictions in which it operates.<sup>286</sup>

<sup>284</sup> KT&G Corp. *Corporate Website, Policies*, Accessed August 2022, from <https://en.ktng.com/policies>

<sup>285</sup> KT&G Corp. (2021). *2020 KT&G Report*, Page 18, Accessed August 21, 2022, from <https://en.ktng.com/ktngReport?cmsCd=CM0046>

<sup>286</sup> *Ibid.* Page 134

## Key Figures: KT&G Corp



**Headquarters:**  
South Korea



**Rank: 7/15 =**  
2020 Index restated rank: **7/15**

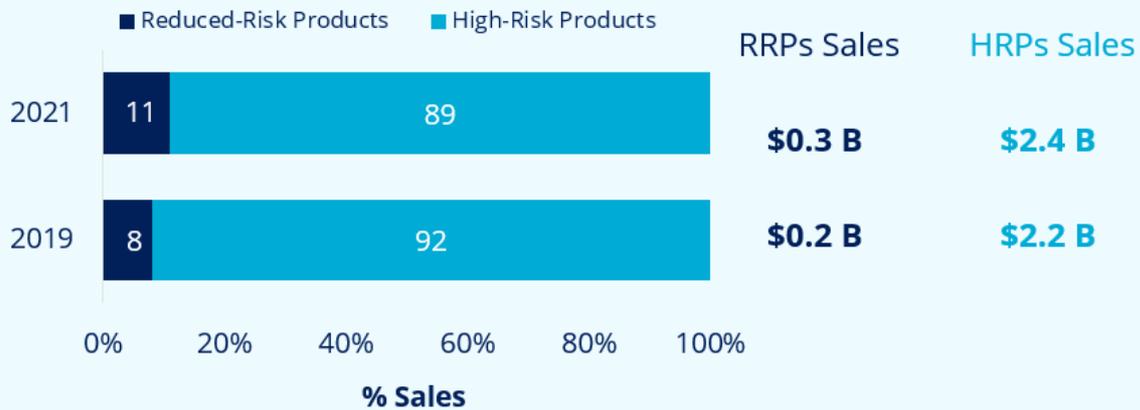


**Ownership:**  
Publicly Traded



**Final Score: 2.33/5 ▲**  
2020 Index restated score: **1.97/5**

### Value sales: HRPs & RRP



### Capital Allocation and Expenditure\*: HRPs & RRP



\*Capital Allocation and Expenditure includes Marketing, M&A, R&D and Capital Expenditure

Source: Tobacco Transformation Index 2022 and Index 2020, <https://tobaccotransformationindex.org/> Euromonitor International

Parent Entity Jurisdiction	HQ	Ownership	Rank	Final Score
USA	Switzerland	Publicly Traded	2 (of 15)	3.69 (of 5)

## Philip Morris International Inc

### Operating Environment

- Philip Morris International Inc (PMI) operates in all four Index Regions, and in 32 of the 36 Index Countries. Its top five countries by Volume Sales are Indonesia, Russia, Japan, Turkey and Italy.
- PMI operates across HMICs (23 Index Countries) and LMICs (nine Index Countries).<sup>287</sup>
- PMI's product portfolio<sup>288</sup> consists of cigarettes, heated tobacco, fine cut tobacco, cigarillos, pipe tobacco, moist snuff, closed system vaping products, snus, non-tobacco nicotine pouches and cigars.

### Publicly Stated Position on Tobacco Harm Reduction

- *"We can make an important contribution to accelerating the end of smoking. To achieve this objective, we are dedicating the vast majority of our resources to commercializing our smoke-free products. Everyone within our organization—regardless of business function—plays a crucial role in delivering on this purpose."* (Jacek Olczak, CEO, Integrated Report 2021)<sup>289</sup>

### Change Since 2020 Index

- PMI's Strategy and Management category score increased as it clarified its commitment to "purposefully phase out cigarettes".<sup>290</sup>
- PMI's Capital Allocation and Expenditure category score increased as R&D spend on RRP's increased from 98% in 2019 to 99% in 2021.<sup>291</sup>

<sup>287</sup> In its 2021 Annual Report, PMI reports that it sells in "over 180 markets", Philip Morris International Inc. (2022). *Integrated Report 2021*, Accessed August 21, 2022, from <https://philipmorrisinternational.gcs-web.com/static-files/517af46c-2750-4185-9b1d-7d8e8f47a854>

<sup>288</sup> Listed high to low in order of company's global volume sales in 2021.

<sup>289</sup> Philip Morris International Inc. (2021). *Integrated Report 2021*, Page 61, Accessed August 21, 2022, from [https://pmidotcom3-prd.s3.amazonaws.com/docs/default-source/pmi-sustainability/pmi-integrated-report-2021.pdf?sfvrsn=646e6ab6\\_4](https://pmidotcom3-prd.s3.amazonaws.com/docs/default-source/pmi-sustainability/pmi-integrated-report-2021.pdf?sfvrsn=646e6ab6_4)

<sup>290</sup> Philip Morris International Inc. (2022). *Integrated Report 2021*, Page.17-18, 22, 31-33, 39, Accessed August 22, 2022, from [https://pmidotcom3-prd.s3.amazonaws.com/docs/default-source/pmi-sustainability/pmi-integrated-report-2021.pdf?sfvrsn=646e6ab6\\_4](https://pmidotcom3-prd.s3.amazonaws.com/docs/default-source/pmi-sustainability/pmi-integrated-report-2021.pdf?sfvrsn=646e6ab6_4)

<sup>291</sup> Philip Morris International Inc. (2022). *Annual Report 2021*, Page 49, Accessed August 22, 2022, from <https://philipmorrisinternational.gcs-web.com/static-files/517af46c-2750-4185-9b1d-7d8e8f47a854>

- PMI's Product Offer category score increased as PMI added Shiro non-tobacco nicotine pouches and Kaptan snus to its portfolio, through the acquisition of AG Snus in May 2021.<sup>292</sup>

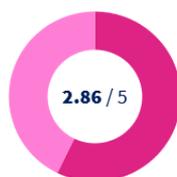
## Key Performance Indicators

### Strategy & Management (Category Score: 5.00/5 - Category<sup>293</sup> Rank 1/15)



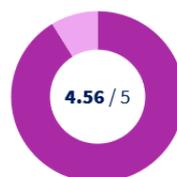
- PMI publicly acknowledges its role in, and has made a formal commitment to reducing, tobacco-related death and disease as part of its “Vision For a Smoke-Free Future.”<sup>294</sup>
- PMI has an objective related to tobacco harm reduction, and the objective is time-bound and measurable (RRPs to generate more than 50% of its total revenue by 2025<sup>295</sup>).

### Product Sales (Category Score: 2.86/5 - Category Rank 3/15)



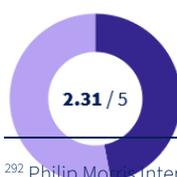
- PMI has the third-highest Volume Sales of HRPs (2021: 659.8 billion stick equivalents).<sup>296</sup>
- With 12.8% of its total volumes coming from RRP, PMI has the fourth-highest score for Ratio of Volume Sales (RRPs versus HRPs).

### Capital Allocation & Expenditure (Category Score: 4.56/5 - Category Rank 1/15)



- At 99%, PMI's allocation of R&D Expenditure on RRP (versus its total R&D expenditure) is the highest of the Index Companies.
- At 70%, PMI's allocation of Capital Expenditure (RRPs versus HRPs) ranks it in second place.

### Product Offer (Category Score: 2.31/5 - Category Rank 8/15)



- PMI offers HRPs (cigarettes, fine cut tobacco, cigarillos, pipe tobacco, cigars) in 32 Index Countries, and RRP (heated tobacco,

<sup>292</sup> Philip Morris International Inc. (2022). *Integrated Report 2021*, Page 89, Accessed August 22, 2022, from [https://pmidotcom3-prd.s3.amazonaws.com/docs/default-source/pmi-sustainability/pmi-integrated-report-2021.pdf?sfvrsn=646e6ab6\\_4](https://pmidotcom3-prd.s3.amazonaws.com/docs/default-source/pmi-sustainability/pmi-integrated-report-2021.pdf?sfvrsn=646e6ab6_4)

<sup>293</sup> Each category is made up of multiple indicators. Certain indicator-level ranks are also listed in the text below.

<sup>294</sup> Philip Morris International Inc. (2022). *Integrated Report 2021*, Page 17, Accessed August 22, 2022, from [https://pmidotcom3-prd.s3.amazonaws.com/docs/default-source/pmi-sustainability/pmi-integrated-report-2021.pdf?sfvrsn=646e6ab6\\_4s](https://pmidotcom3-prd.s3.amazonaws.com/docs/default-source/pmi-sustainability/pmi-integrated-report-2021.pdf?sfvrsn=646e6ab6_4s)

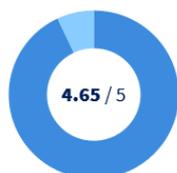
<sup>295</sup> Ibid.

<sup>296</sup> Negative indicator, i.e. a higher number indicates lower performance.

moist snuff, non-tobacco nicotine pouches, closed system vaping products, snus) in 19 Index Countries.

- In terms of product categories, PMI has five HRPs, compared to five RRP, in its portfolio.

### Marketing Policy & Compliance (Category Score: 4.65/5 - Category Rank 1/15)



- PMI's Youth Access Prevention Policy ("Combusted Tobacco Products solely for Adult Smokers" principle) is outlined in its Marketing Codes for Combusted and Non-Combusted Alternatives, which is published on PMI's corporate website.<sup>297</sup>
- PMI publicly discloses numbers and details of reported violations and established breaches of its Youth Access Prevention Policy.<sup>298</sup>

### Lobbying & Advocacy (Category Score: 2.50/5 - Category Rank 2/15)



- PMI discloses its policy positions related to tobacco harm reduction on a specific section of its corporate website ("Our Views and Standards").<sup>299</sup>
- PMI does not disclose specific lobbying activities and memberships in all jurisdictions in which it operates.

<sup>297</sup> Philip Morris International Inc. (2021). *Corporate Website, Our Views and Standards*, Accessed August 21, 2022, from <https://www.pmi.com/our-views-and-standards/standards/marketing-standards>

<sup>298</sup> Philip Morris International Inc. (2021). *Integrated Report 2021*, Page 43, Accessed August 21, 2022, from [https://pmidotcom3-prd.s3.amazonaws.com/docs/default-source/pmi-sustainability/pmi-integrated-report-2021.pdf?sfvrsn=646e6ab6\\_4s](https://pmidotcom3-prd.s3.amazonaws.com/docs/default-source/pmi-sustainability/pmi-integrated-report-2021.pdf?sfvrsn=646e6ab6_4s)

<sup>299</sup> Philip Morris International Inc. (2021). *Corporate Website, Our Views and Standards*, Accessed August 21, 2022, from <https://www.pmi.com/our-views-and-standards/our-views/regulation>

## Key Figures: Philip Morris International Inc



**Headquarters:**  
Switzerland



**Rank: 2/15** =  
2020 Index restated rank: **2/15**



**Ownership:**  
Publicly Traded



**Final Score: 3.69/5** ▲  
2020 Index restated score: **3.33/5**

### Value sales: HRP & RRP



### Capital Allocation and Expenditure\*: HRP & RRP



\*Capital Allocation and Expenditure includes Marketing, M&A, R&D and Capital Expenditure

Source: Tobacco Transformation Index 2022 and Index 2020, <https://tobaccotransformationindex.org/> Euromonitor International

Parent Entity Jurisdiction	HQ	Ownership	Rank	Final Score
Sweden	Sweden	Publicly Traded	1 (of 15)	3.88 (of 5)

## Swedish Match AB

### Operating Environment

- Swedish Match AB (Swedish Match) operates in all four Index Regions, and in 11 of the 36 Index Countries<sup>300</sup>. Its top five Index Countries by Volume Sales<sup>301</sup> are the USA, Sweden, Switzerland, the UK and Poland.
- Swedish Match operates across HMICs (nine Index Countries) and LMICs (two Index Countries).
- Swedish Match’s product portfolio<sup>302</sup> consists of cigars and cigarillos, snus, moist snuff, non-tobacco nicotine pouches and chewing tobacco.

### Publicly Stated Position on Tobacco Harm Reduction

- “*Swedish Match has a vision of A world without cigarettes, and we are committed to making important contributions on our path towards that vision. When cigarette smokers find attractive and less harmful alternatives, and choose to stop smoking altogether, they benefit, and so does society.*”<sup>303</sup> (Lars Dahlgren, President and CEO, Swedish Match Annual Report 2021, signed March 2022)

### Change Since 2020 Index

- Swedish Match’s ratio of total Volume Sales from RRP’s is the highest of all Index Companies (53%). Volume sales of RRP’s increased further over the 2019-2021 review period (from 15.9 to 17.6 billion stick equivalents), especially Volume Sales of non-tobacco nicotine pouches in the USA.

<sup>300</sup> In its 2021 Annual Report, Swedish Match reports that it operates in “the US, Scandinavia and Other markets”, Swedish Match AB. (2022). *Annual Report 2021*, Accessed on August 31, 2022, from [www.swedishmatch.com/globalassets/reports/annual-reports/2021\\_swedishmatchannualreport\\_interactive\\_en.pdf](http://www.swedishmatch.com/globalassets/reports/annual-reports/2021_swedishmatchannualreport_interactive_en.pdf)

<sup>301</sup> Listed high to low by total volume sales, converted to Per Stick Equivalents (see Index Methodology, “Per Stick Equivalent Conversion”), covering products within the Tobacco Transformation Index scope only (see Index Methodology, “Product Scope”).

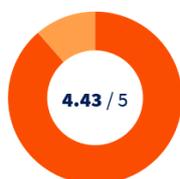
<sup>302</sup> Listed high to low in order of company’s global volume sales in 2021, converted to Per Stick Equivalents (see Index Methodology, “Per Stick Equivalent Conversion”). Listing products within Tobacco Transformation Index scope only.

<sup>303</sup> Swedish Match AB. (2022). *Annual Report 2021*, Page 9, Accessed July 2022, from [www.swedishmatch.com/globalassets/reports/annual-reports/2021\\_swedishmatchannualreport\\_interactive\\_en.pdf](http://www.swedishmatch.com/globalassets/reports/annual-reports/2021_swedishmatchannualreport_interactive_en.pdf)

- Swedish Match’s Volume Sales of HRPs increased over the 2019-2021 review period (from 13.5 to 15.9 billion stick equivalents), due to a year of “record sales”<sup>304</sup> for the company’s USA cigar division in 2021.
- In 2021, Swedish Match’s Ratio of Number of Countries (RRPs versus HRPs) increased, as the company expanded distribution of its Zyn non-tobacco nicotine pouch brand to three more Index Countries, as well as increasing (by one) the number of Index Countries in which it sells chewing tobacco.
- Swedish Match’s Capital Allocation & Expenditure category score declined marginally in the 2022 Index, compared to the 2020 Index. The company’s share of R&D expenditure on RRP’s declined from 96% (2019) to 91% (2021), and its share of Capital Expenditure on RRP’s declined from 92% (2019) to 91% (2021).

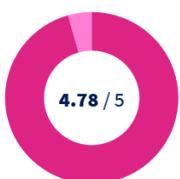
## Key Performance Indicators

### Strategy & Management (Category Score: 4.43/5 - Category<sup>305</sup> Rank 5/15)



- Swedish Match publicly acknowledges its role in, and has made a formal commitment to reducing, tobacco-related death and disease.
- Swedish Match has an objective related to tobacco harm reduction (“the development and commercialization of nicotine harm reduction products that are attractive to cigarette users and dramatically safer sources of nicotine compared to cigarettes,”<sup>306</sup>) but the objective is not time-bound or measurable.

### Product Sales (Category Score: 4.78/5 - Category Rank 1/15)



- Of the 15 Index Companies, Swedish Match has the lowest Volume Sales<sup>307</sup> of HRPs (2021: 15.9 billion stick equivalents).<sup>308</sup>
- With 53% of its total volumes coming from RRP’s, Swedish Match ranks first for Ratio of Volume Sales (RRP’s versus HRP’s).

<sup>304</sup> Ibid. Page 26.

<sup>305</sup> Each category is made up of multiple indicators. Certain indicator-level ranks are also listed in the text below.

<sup>306</sup> Swedish Match AB. (2022). *Annual Report 2021*, Page 36, Accessed August 2022, from [www.swedishmatch.com/globalassets/reports/annual-reports/2021\\_swedishmatchannualreport\\_interactive\\_en.pdf](http://www.swedishmatch.com/globalassets/reports/annual-reports/2021_swedishmatchannualreport_interactive_en.pdf)

<sup>307</sup> Total volumes adjusted to Per Stick Equivalents and Relative Risk Assessment (see Index Methodology, “Additional Scoring Elements”)

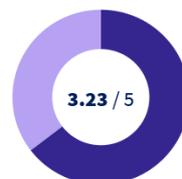
<sup>308</sup> Negative indicator, i.e. a higher number indicates lower performance

### Capital Allocation & Expenditure (Category Score: 3.70/5 - Category Rank 4/15)



- At 91%, Swedish Match's allocation of R&D Expenditure on RRP's (versus its total R&D expenditure) is the second-highest.
- Swedish Match's allocation of Capital Expenditure (RRP's versus HRP's), also at 91%, ranks it ahead of all other Index companies.

### Product Offer (Category Score: 3.23/5 - Category Rank 1/15)



- Swedish Match offers HRP's (cigars and cigarillos) in one Index Country (the USA), and RRP's (snus, moist snuff, non-tobacco nicotine pouches and chewing tobacco) in ten Index Countries.
- In terms of product categories, Swedish Match has two HRP's, compared to four RRP's.

### Marketing Policy & Compliance (Category Score: 2.07/5 - Category Rank 5/15)



- Swedish Match has a Youth Access Prevention Policy<sup>309</sup> ("Adult-only policy"), which is published in its Code of Conduct<sup>310</sup> and is also available in its 2021 Annual Report and on the company's corporate website.<sup>311</sup>
- Swedish Match does not disclose numbers or details of any reported violations of its Youth Access Prevention Policy.

### Lobbying & Advocacy (Category Score: 2.50/5 - Category Rank 2/15)



- Swedish Match discloses its policy positions related to tobacco harm reduction on its corporate website and in its Annual Reports.
- Swedish Match does not disclose specific lobbying activities and memberships in all jurisdictions in which it operates.

<sup>309</sup> See "Definitions" section of this report

<sup>310</sup> Swedish Match AB. (2021). *Code of Conduct*, Accessed July 2022, from [www.swedishmatch.com/globalassets/documents/policies/codeofconduct\\_en.pdf](http://www.swedishmatch.com/globalassets/documents/policies/codeofconduct_en.pdf)

<sup>311</sup> Ibid.

## Key Figures: Swedish Match AB



**Headquarters:**  
Sweden



**Rank: 1/15 =**  
2020 Index restated rank: **1/15**

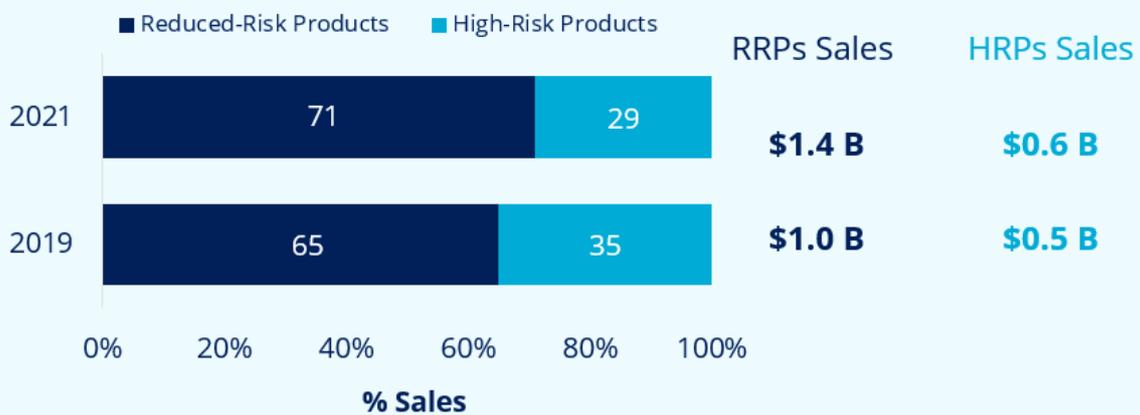


**Ownership:**  
Publicly Traded



**Final Score: 3.88/5 ▼**  
2020 Index restated score: **3.93/5**

### Value sales: HRPs & RRP



### Capital Allocation and Expenditure\*: HRPs & RRP



\*Capital Allocation and Expenditure includes Marketing, M&A, R&D and Capital Expenditure

Source: Tobacco Transformation Index 2022 and Index 2020, <https://tobaccotransformationindex.org/> Euromonitor International

Parent Entity Jurisdiction	HQ	Ownership	Rank	Final Score
USA	USA	Privately Held	8 (of 15)	1.92 (of 5)

## Swisher

### Operating Environment

- Swisher operates in all four Index Regions, and in 18 of the 36 Index Countries. Its top five countries by Volume Sales are the USA, South Africa, Japan, the UK and India.
- Swisher operates across HMICs (12 Index Countries) and LMICs (six Index Countries).
- Swisher’s product portfolio<sup>312</sup> consists of cigars, cigarillos, chewing tobacco, moist snuff, pipe tobacco and non-tobacco nicotine pouches.

### Publicly Stated Position on Tobacco Harm Reduction

- *“Swisher strongly believes in adult consumer choice. Arbitrary restrictions of flavored cigars and other traditional tobacco products artificially constrain the American marketplace all the while encouraging unintended consequences and economic harm. We are working with our U.S. partners and the Food and Drug Administration with the hope of continuing meaningful conversations as regulations regarding flavored products are shaped. We remain committed to working hand in hand with all our government and corporate partners to ensure adult consumers, and only adult consumers, have access to our products, just as we have done for years.”* (Swisher corporate website, “Corporate Governance”)<sup>313</sup>

### Change Since 2020 Index

- Swisher’s Product Sales category score increased as Swisher sold 81 million units of Rogue non-tobacco nicotine pouches in the USA in 2021. The brand was launched in 2020.
- Swisher’s HRP Volume Sales increased over the 2019-2021 review period, in particular due to its Volume Sales of cigars (CAGR: +2.5%).
- Swisher’s Product Offer category score also increased as Swisher introduced Rogue non-tobacco nicotine pouches in 2020.<sup>314</sup>

<sup>312</sup> Listed high to low in order of company’s global volume sales in 2021.

<sup>313</sup> Swisher. (2022). *Corporate Website Governance*, Accessed August 22, 2022, from <https://swisher.com/governance>

<sup>314</sup> Swisher. (2020). *Corporate Website*, Published February 14, 2020, Accessed August 22, 2022, from <https://swisher.com/modern-nicotine-products-offer-retailers-new-opportunity-with-adult-tobacco-users/>

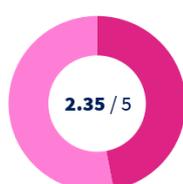
## Key Performance Indicators

### Strategy & Management (Category Score: 0.32/5 - Category<sup>315</sup> Rank 10/15)



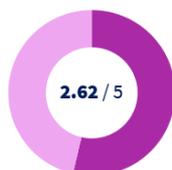
- Swisher does not publicly acknowledge its role in, nor make a formal commitment to reducing, tobacco-related death and disease.
- Swisher does not set any objectives related to tobacco harm reduction.

### Product Sales (Category Score: 2.35/5 - Category Rank 5/15)



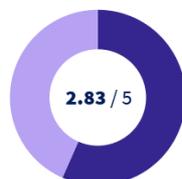
- Swisher has the 14th-highest Volume Sales of HRPs (2021: 31.6 billion stick equivalents).<sup>316</sup>
- With 2.9% of its total volumes coming from RRP, Swisher has the fifth-highest score for Ratio of Volume Sales (RRPs versus HRPs).

### Capital Allocation & Expenditure (Category Score: 2.62/5 - Category Rank 8/15)



- At an estimated 10%, Swisher's allocation of R&D Expenditure on RRP (versus its total R&D expenditure) is the eighth highest of the Index Companies.
- At an estimated 10%, Swisher's allocation of Capital Expenditure (RRPs versus HRPs) ranks it in ninth place.

### Product Offer (Category Score: 2.83/5 - Category Rank 3/15)



- Swisher offers HRPs (cigars, cigarillos, pipe tobacco) in 17 Index Countries, and RRP (chewing tobacco, moist snuff, non-tobacco nicotine pouches) in two Index Countries (Brazil and the USA).
- In terms of product categories, Swisher has three HRPs, compared to three RRP, in its portfolio.

<sup>315</sup> Each category is made up of multiple indicators. Certain indicator-level ranks are also listed in the text below.

<sup>316</sup> Negative indicator, i.e. a higher number indicates lower performance.

**Marketing Policy & Compliance** (Category Score: 0.00/5 - Category Rank 10/15)



- Swisher does not publicly disclose a Youth Access Prevention Policy.

**Lobbying & Advocacy** (Category Score: 0.00/5 - Category Rank 9/15)



- Swisher does not disclose its policy positions related to tobacco harm reduction.
- Swisher does not disclose specific lobbying activities and memberships in all jurisdictions in which it operates.

## Key Figures: Swisher



**Headquarters:**  
USA



**Rank: 8/15 =**  
2020 Index restated rank: **8/15**



**Ownership:**  
Privately Held



**Final Score: 1.92/5 ▲**  
2020 Index restated score: **1.40/5**

### Value sales: HRPs & RRP



### Capital Allocation and Expenditure\*: HRPs & RRP



\*Capital Allocation and Expenditure includes Marketing, M&A, R&D and Capital Expenditure

Source: Tobacco Transformation Index 2022 and Index 2020, <https://tobaccotransformationindex.org/> Euromonitor International

Parent Entity Jurisdiction	HQ	Ownership	Rank	Final Score
Thailand	Thailand	State Owned	12 (of 15)	0.49 (of 5)

## Tobacco Authority of Thailand

### Operating Environment

- Tobacco Authority of Thailand (TOAT) operates in one Index Region (Asia Pacific), and in one of the 36 Index Countries (Thailand).
- TOAT operates exclusively in LMICs.
- TOAT’s product portfolio<sup>317</sup> consists exclusively of cigarettes.

### Publicly Stated Position on Tobacco Harm Reduction

- *“TOAT acknowledges that currently, the stance of tobacco control in Thailand still affirms that new cigarette replacements are dangerous and prohibited for distribution in the country. Meanwhile, if the global trend is still going this way (increasing demand of alternative tobacco products), Thailand cannot resist consumer demand and evidence of research, and must liberalize the distribution and consumption of non-cigarette tobacco products legally.”*<sup>318</sup> (TOAT, “Next Step Annual Report 2021”, published January 2022<sup>319</sup>)

### Change Since 2020 Index

- TOAT’s score for the indicator Capital Expenditure on HRP’s increased as a result of lower capital expenditure (as a share of revenues) compared to the 2020 Index. TOAT cites lower expenditure in the “construction”<sup>320</sup> category as the reason for the decline in expenditure.

<sup>317</sup> Listed high to low in order of company’s global volume sales in 2021.

<sup>318</sup> Tobacco Authority of Thailand. (2022). *2021 Annual Report*, Page 55, Accessed May 20, 2022, from [https://www.thaitobacco.or.th/wp-content/uploads/2021/10/ToatYrRep63\\_2.pdf](https://www.thaitobacco.or.th/wp-content/uploads/2021/10/ToatYrRep63_2.pdf)

<sup>319</sup> Tobacco Authority of Thailand. (2022). *Next Step Annual Report 2021*, Page 98, Accessed August 15, 2022, from <https://www.thaitobacco.or.th/2022/01/0041366.html>

<sup>320</sup> Ibid. Page 88.

## Key Performance Indicators

### Strategy & Management (Category Score: 0.00/5 - Category<sup>321</sup> Rank 12/15)



- TOAT does not publicly acknowledge its role in, nor make a formal commitment to reducing, tobacco-related death and disease.
- TOAT does not set any objectives related to tobacco harm reduction.

### Product Sales (Category Score: 0.34/5 - Category Rank 10/15)



- TOAT has the 13th-highest Volume Sales of HRPs (2021: 18.7 billion stick equivalents).<sup>322</sup>
- With 100% of its total volumes coming from HRPs, TOAT has the lowest score for Ratio of Volume Sales (RRPs versus HRPs).

### Capital Allocation & Expenditure (Category Score: 1.24/5 - Category Rank 12/15)



- TOAT does not allocate any of its R&D Expenditure toward RRP, putting the company in last place for this indicator.
- TOAT does not allocate any of its Capital Expenditure toward RRP, putting the company in last place for this indicator.

### Product Offer (Category Score: 0.00/5 - Category Rank 11/15)



- TOAT offers HRPs (cigarettes) in one Index Country (Thailand), and currently does not sell any RRP. RRP are currently banned in Thailand.
- In terms of product categories, TOAT has one HRP and no RRP in its portfolio.

<sup>321</sup> Each category is made up of multiple indicators. Certain indicator-level ranks are also listed in the text below.

<sup>322</sup> Negative indicator, i.e. a higher number indicates lower performance.

**Marketing Policy & Compliance** (Category Score: 0.00/5 - Category Rank 10/15)



- TOAT does not publicly disclose a Youth Access Prevention Policy.<sup>323</sup>

**Lobbying & Advocacy** (Category Score: 0.00/5 - Category Rank 9/15)



- TOAT does not disclose its policy positions related to tobacco harm reduction.
- TOAT does not disclose specific lobbying activities and memberships in all jurisdictions in which it operates.

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<sup>323</sup> See "Definitions" section of this report

## Key Figures: Tobacco Authority of Thailand



**Headquarters:**  
Thailand



**Rank: 12/15** ▼  
2020 Index restated rank: **11/15**



**Ownership:**  
State Owned

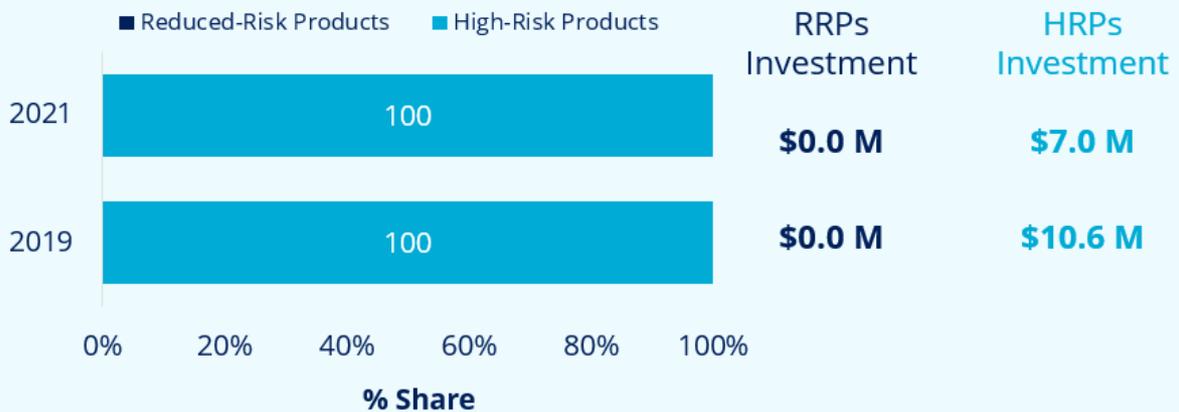


**Final Score: 0.49/5** ▲  
2020 Index restated score: **0.42/5**

### Value sales: HRPs & RRP



### Capital Allocation and Expenditure\*: HRPs & RRP



\*Capital Allocation and Expenditure includes Marketing, M&A, R&D and Capital Expenditure

Source: Tobacco Transformation Index 2022 and Index 2020, <https://tobaccotransformationindex.org/> Euromonitor International

Parent Entity Jurisdiction	HQ	Ownership	Rank	Final Score
Vietnam	Vietnam	State Owned	11 (of 15)	0.54 (of 5)

## Vietnam National Tobacco Corp

### Operating Environment

- Vietnam National Tobacco Corp (Vinataba) operates in one Index Region (Asia Pacific), and in one of the 36 Index Countries (Vietnam).
- Vinataba operates exclusively in LMICs.
- Vinataba’s product portfolio<sup>324</sup> consists of cigarettes, cigars and cigarillos.

### Publicly Stated Position on Tobacco Harm Reduction

- “Today, new generation cigarettes are being traded illegally in thousands of retail locations. The Vietnam Veterans Association is also proposing the Ministry of Industry and Trade to amend Decree 67 to submit to the Prime Minister to establish a clear legal basis and strictly manage...new generation tobacco products on the Vietnamese market.”<sup>325</sup> (Vinataba, “News” section of company website, April 2022)

### Change Since 2020 Index

- Vinataba’s Product Sales category score increased following a moderate decline (CAGR: -0.7%) in the company’s Volume Sales of HRPs.
- Vinataba’s ratio of R&D expenditure on RRP’s increased following the company’s statement in August 2021 that it plans to “invest in production and develop new generation tobacco and alternative products”.<sup>326</sup>
- Vinataba does not disclose details of its R&D expenditure. The Index has estimated<sup>327</sup> that 3% of the company’s R&D expenditure, and 0.5% of the company’s capital expenditure, was on RRP’s in 2021.

<sup>324</sup> Listed high to low in order of company’s global volume sales in 2021.

<sup>325</sup> Vietnam National Tobacco Corp. (2022). “News” section of corporate website, published April 2022, Accessed May 1, 2022, from [www.vinataba.com.vn/2022/04/13/chong-thuoc-la-lau-can-nhung-giai-phap-dong-bo-va-hieu-qua/](http://www.vinataba.com.vn/2022/04/13/chong-thuoc-la-lau-can-nhung-giai-phap-dong-bo-va-hieu-qua/)

<sup>326</sup> Vietnam National Tobacco Corp. (2021). “News” section of corporate website, published August 2021, Accessed May 1, 2022, from [www.vinataba.com.vn/2021/08/12/dang-uy-tong-cong-ty-thuoc-la-viet-nam-so-ke-5-nam-thuc-hien-nghi-quyet-trung-uong-4-khoa-xii-4/](http://www.vinataba.com.vn/2021/08/12/dang-uy-tong-cong-ty-thuoc-la-viet-nam-so-ke-5-nam-thuc-hien-nghi-quyet-trung-uong-4-khoa-xii-4/)

<sup>327</sup> See Index Methodology, “Data Collection and Analysis”.

## Key Performance Indicators

### Strategy & Management (Category Score: 0.00/5 - Category<sup>328</sup> Rank 12/15)



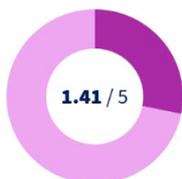
- Vinataba does not publicly acknowledge its role in, nor make a formal commitment to reducing, tobacco-related death and disease.
- Vinataba does not set any objectives related to tobacco harm reduction.

### Product Sales (Category Score: 0.32/5 - Category Rank 11/15)



- Vinataba has the 11th-highest Volume Sales of HRPs (2021: 46.4 billion stick equivalent).<sup>329</sup>
- With 100% of its total volumes coming from HRPs, Vinataba has the lowest score for Ratio of Volume Sales (RRPs versus HRPs).

### Capital Allocation & Expenditure (Category Score: 1.41/5 - Category Rank 11/15)



- At an estimated 3%, Vinataba's allocation of R&D Expenditure on RRP (versus its total R&D expenditure) is the 11th-highest of the Index Companies.
- At an estimated 0.5%, Vinataba's allocation of Capital Expenditure (RRPs versus HRPs) ranks it in 11<sup>th</sup> place.

### Product Offer (Category Score: 0.00/5 - Category Rank 11/15)



- Vinataba offers HRPs (cigarettes, cigars, cigarillos) in one Index Country (Vietnam), and currently does not sell any RRP.
- In terms of product categories, Vinataba has three HRPs and no RRP in its portfolio.

<sup>328</sup> Each category is made up of multiple indicators. Certain indicator-level ranks are also listed in the text below.

<sup>329</sup> Negative indicator, i.e. a higher number indicates lower performance.

**Marketing Policy & Compliance** (Category Score: 0.00/5 - Category Rank 10/15)



- Vinataba does not publicly disclose a Youth Access Prevention Policy.<sup>330</sup>

**Lobbying & Advocacy** (Category Score: 0.00/5 - Category Rank 9/15)



- Vinataba does not disclose its policy positions related to tobacco harm reduction.
- Vinataba does not disclose specific lobbying activities and memberships in all jurisdictions in which it operates.

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<sup>330</sup> See “Definitions” section of this report

## Key Figures: Vietnam National Tobacco Corp



**Headquarters:**  
Vietnam



**Ownership:**  
State Owned

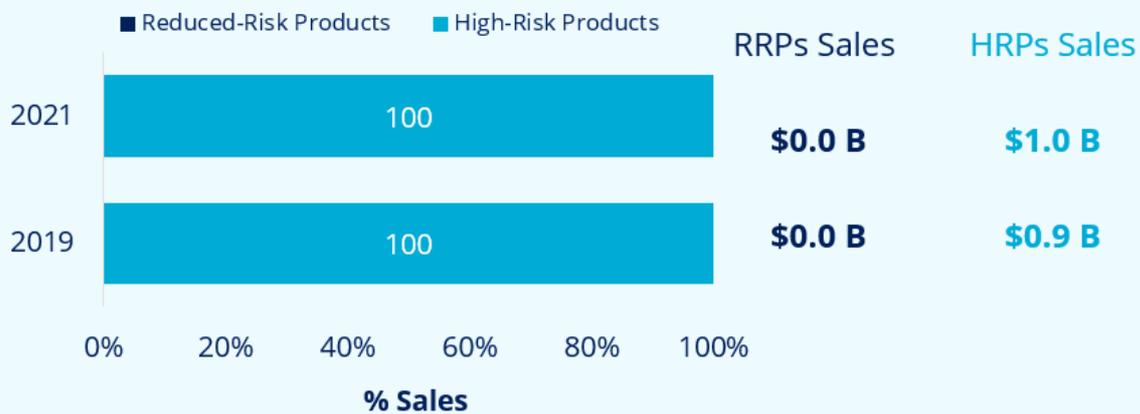


**Rank: 11/15** ▲  
2020 Index restated rank: **12/15**

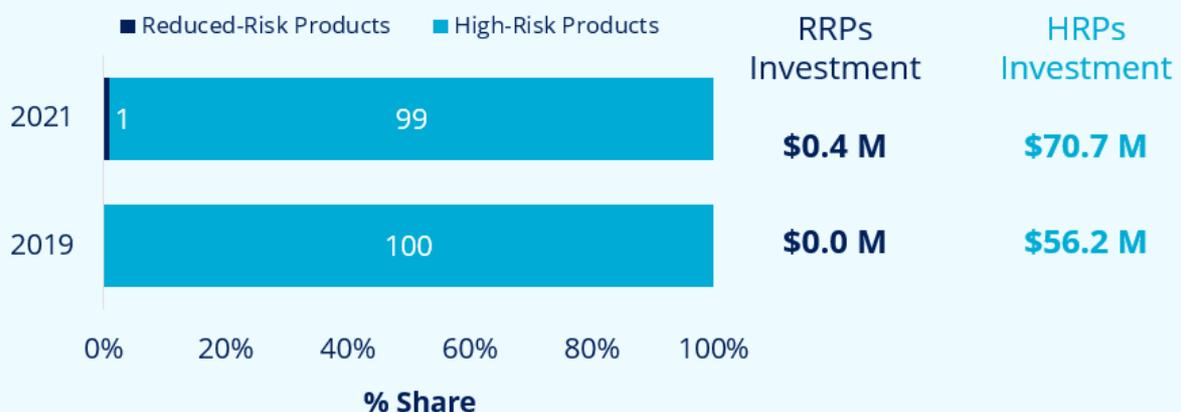


**Final Score: 0.54/5** ▲  
2020 Index restated score: **0.35/5**

### Value sales: HRPs & RRP



### Capital Allocation and Expenditure\*: HRPs & RRP



\*Capital Allocation and Expenditure includes Marketing, M&A, R&D and Capital Expenditure

Source: Tobacco Transformation Index 2022 and Index 2020, <https://tobaccotransformationindex.org/> Euromonitor International

# Appendix

## List of Sources

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