



**TOBACCO  
TRANSFORMATION  
INDEX**

# **2022 Index**

# **Industry Engagement Summary**

September 2022

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# 1. Industry Engagement Process

The Tobacco Transformation Index research partner, Euromonitor International (“Index Research Partner”), consulted Index Companies<sup>1</sup>, requesting their participation on a voluntary basis. The Index team believes that industry participation is important to increase the industry’s stake in and use of the Index, to access information and perspectives on company behavior, and to strengthen the practical design of the Index.

Index Companies were given the opportunity to review and comment on the preliminary 2022 Index methodology, including proposed changes compared to the 2020 Index) and the data used to produce the company scoring and ranking. Index Companies also had the opportunity to ask clarifying questions. The consultation with Index Companies consisted of three key phases:

- 1. Introductory Letter**
- 2. Preliminary Index Methodology**
- 3. Formal Data Request and Data Validation**

For each phase, Index Companies were given an opportunity to review, comment and relay feedback. Multiple touch points across the three phases, along with communication updates throughout the iterative process, helped to reinforce the proactive approach to 2022 Index development. Company feedback was strongly encouraged, although final determination of the methodology and scoring of the Index Companies was at the sole discretion of the Index team, including Euromonitor International with advice and insight from the Technical Committee<sup>2</sup>. Apart from written feedback, the Index Research Partner offered conference calls to provide Index Companies with the opportunity to share details on their feedback, and to ask questions directly to the Index Research Partner. The nature and content of interactions with Index Companies is available for public review via the Index website.

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<sup>1</sup> The 15 companies ranked by the Tobacco Transformation Index (See Index Methodology, “Company Scope”).

<sup>2</sup> See Tobacco Transformation Index website for Technical Committee description and composition:  
[www.tobaccotransformationindex.org/what-we-do/project\\_management/](http://www.tobaccotransformationindex.org/what-we-do/project_management/)

The timeline below sets out key milestones in the process:

### 2022 Industry Engagement Timeline

<b>February 25</b>	Letter with invitation to participate shared with companies, along with Preliminary Methodology
<b>February 25 – March 31</b>	Companies share initial written feedback/questions via email and/or phone conference
<b>April 15</b>	Companies receive consolidated reply from the Index
<b>May 10</b>	Preliminary Methodology published on Index website, start of Public Comment Period
<b>June 7</b>	Live webinar presenting the Preliminary Methodology and inviting questions
<b>June 10</b>	End of Public Comment Period
<b>June 16</b>	Preliminary Data Set (including publicly available data) shared with each company (for respective company only). Companies invited to review data set and/or provide additional data for the Index team’s consideration (following the signing of NDAs)
<b>June 16 – July 30</b>	Companies review data (for respective company only) informing the final score and propose clarification of any discrepancies
<b>June 16 – July 30</b>	Consultation (via email or phone conference) as needed to answer questions related to data verification and/or the collection process
<b>August-September</b>	Index team review all inputs and finalize Methodology and Data Set for all Index Companies
<b>End September 2022</b>	Final Index and Methodology published

## 2. Company Response

### Process

An extensive list of contacts was assembled for each Index Company by reviewing company websites and leveraging networks in the tobacco industry. Following the introductory email from the Foundation for a Smoke-Free World, Euromonitor International contacted Index Companies via an Index-specific email address ([tobaccotransformationindex@euromonitor.com](mailto:tobaccotransformationindex@euromonitor.com)).

Each Index Company received an introductory email and multiple follow-up emails.

### Responses: Overview

**Six** of 15 Index Companies replied to the invitation to engage on the 2022 Tobacco Transformation Index. Of these:

**Four** of the six Index Companies offered feedback on the Preliminary Methodology<sup>3</sup>.

**Three** of the six Index Companies provided feedback during the Data Validation phase.

**One** of the six Index Companies stated its reasons for not participating in the Index via a brief email, citing a perceived lack of consensus on the role of RRP

**One of the six** Index Companies submitted multiple comments by email, including expressing the view that there is a lack of consensus on the role of RRP, stating that investments made outside of the tobacco industry should be considered, and highlighting the challenges faced by respective companies in terms of the country's regulatory environment.

**Nine** of 15 Index Companies did not respond to any communication from the Index Research Partner.

Euromonitor International offered to share subsequent material and requested opportunities to discuss comments and feedback via conference call, to encourage participation with the Index Companies.

### Responses: Methodology Review

**Four** Index Companies shared feedback on the 2022 Preliminary Methodology, **two** of whom accepted further discussion via conference call. The Index Research Partner conducted separate calls with each of the two Index Companies to discuss the schedule for consultation, feedback on indicators and weighting, inputs on the per stick equivalent conversion model,

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<sup>3</sup> See "Response to Company Feedback" document for a full list of (anonymized) points of feedback, and the Tobacco Transformation Index response

and any specific questions about the Index program. All conference calls resulted in an open and productive discussion.

Euromonitor International interacted individually with Index Companies.

### **Responses: Data Validation**

None of the Index Companies shared data with the Index Research Partner that was not already in the public domain. However, **three** Index Companies responded to the preliminary data set that was shared with each Index Company. Responses included requests for further insight into how data estimations were calculated. Index Companies also shared additional publicly available documents or data points to address certain discrepancies in data or nuances specific to their financial reporting. **Two** Index Companies accepted invitations for a conference call to discuss Preliminary Data Set feedback in greater detail.

The data sets used by the Index Research Partner to compile the Index scoring and ranking therefore consisted of (1) publicly available data, and (2) proprietary estimates developed by Euromonitor International.

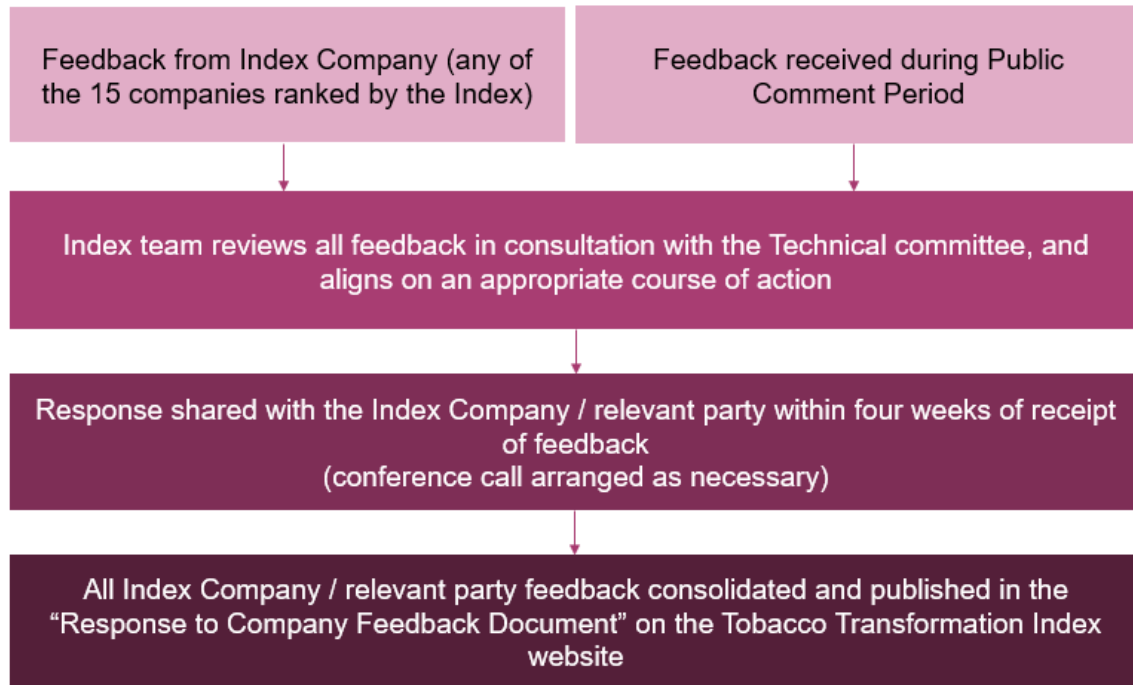
The Index Research Partner is ultimately responsible for the collection, analysis and presentation of all final data and information related to the 15 Index Companies. See Index Methodology, “Data Collection and Analysis”.

### **Principles of Engagement**

Given strict principles of transparency and accountability, the Index Research Partner communicated to Index Companies that the (1) timing, (2) nature, and (3) content of interactions with Index Companies would be publicly disclosed.

While certain Index Companies voluntarily and independently provided feedback regarding the Index methodology and/or data sets, the activity was not indicative of actual or intended coordination among those companies. The Index development process included safeguards to ensure data was not shared between competitors. Under no circumstances was Index Company scoring and ranking discussed with any Index Company.

The below graphic sets out the process for handling Methodology feedback:



## 3. Engagement Summaries<sup>4</sup>

### British American Tobacco Plc (BAT)

#### First Consultation

Tuesday, May 10, 2022

11:30 -12:00PM GMT

#### Participants

- Euromonitor International (three individuals)
- BAT (one individual)

#### Topics Discussed

##### 1. Introduction to team

- All participants on the call introduced themselves.

##### 2. Introduction to process

- Euromonitor International provided background on the Tobacco Transformation Index, including a summary of the Industry Engagement process and timeline.

##### 3. Discussion of feedback

- BAT provided initial comments on the Preliminary Methodology.
- BAT expressed the view that the Index is weighted too heavily in favor of past company actions, rather than future intentions.

##### 4. Discussion of next steps

- BAT committed to reviewing the full Preliminary Methodology document in further detail and providing more detailed feedback at a later date.

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<sup>4</sup> Companies listed in alphabetical order



# Second Consultation

Friday, July 1, 2022

10:30-11:30AM GMT

## Participants

- Euromonitor International (three individuals)
- BAT (two individuals)

## Topics Discussed

### 1. Introduction and process update

- Index Research Partner provided update on project timelines.

### 2. Discussion of feedback

BAT expressed the following views/asked the following questions in relation to the Preliminary Index Methodology:

- The BAT team reiterated that too much weight is placed on a company's current portfolio/current activity rather than where the company is planning to go in the future.
- Highlighted that there is a need to consider the regulatory context of countries in which companies operate.
- For the indicator "R&D Expenditure on High-Risk Products", BAT noted that companies may need to spend to maintain safety standards of existing products, rather than developing new products.
- In terms of the Relative Risk Hierarchy, BAT expressed the view that "traditional oral" products should continue to be categorized as high-risk products.
- Reiterated that the pricing analysis appears to be overly complicated.
- Expressed the view that a number of the measures are subjective.
- Question about the weighting of the Capital Allocation & Expenditure category.
- Question about how the stated aim of "phasing out" high-risk products will be measured.
- Request for clarification on how one of the qualitative metrics within the Strategy & Management category is scored.
- Request for clarification on how the Rate of Change indicators are calculated.

### 3. Discussion of next steps

- The Index Research Partner provided a written response to each point of feedback via email following the call.

# Philip Morris International Inc (PMI)

## First Consultation

Monday, April 11, 2022

3:45-4:15PM GMT

### Participants

- Euromonitor International (three individuals)
- PMI (two individuals)

### Topics Discussed

#### 1. Introduction to team and process

- All participants on the call introduced themselves.

#### 2. Discussion of feedback

PMI expressed the following views/asked the following questions in relation to the Preliminary Index Methodology:

- Suggested considering the possibility of incorporating data on patents/technology innovation.
- Highlighted the need to consider the efficacy of various reduced-risk products in contributing to smoking cessation.
- Reiterated the potential value of incorporating information on the number of users each company has, split by high-risk versus reduced-risk products (dual usage would be important to consider here).
- Question on stick-equivalent conversion rates used in the methodology.
- Question on source of Relative Risk Hierarchy data and request for clearer labeling.

#### 3. Discussion of next steps

- PMI committed to reviewing their respective Preliminary Data Set as soon as available, as per the established process.

## Second Consultation

Friday, July 15, 2022

11:00AM-12:00PM GMT

### Participants

- Euromonitor International (three individuals)
- PMI (two individuals)

### Topics Discussed

#### 1. Introduction to team and process

- Index Research Partner provided update on project timelines.

#### 2. Discussion of feedback

Preliminary Data Set:

- PMI requested clarification on one specific qualitative metric within the Lobbying & Advocacy category.
- Index Research Partner provided clarification on how companies are scored for this qualitative metric.

#### 3. Discussion of next steps

- Following the meeting, PMI sent the Preliminary Data Set with comments and questions for consideration.

# Swedish Match AB (Swedish Match)

## First Consultation

Tuesday, July 19, 2022

10:00-10:30AM GMT

### Participants

- Euromonitor International (three individuals)
- Swedish Match (one individual)

### Topics Discussed

#### 1. Introduction to team and process

- All participants on the call introduced themselves.
- Project timeline was discussed.

#### 2. Discussion of feedback

Preliminary Data Set feedback:

- Swedish Match provided written comments/questions in the Preliminary Data Set file regarding certain data points.
- Comments received were on product sales, product portfolio, pricing, and capital allocation & expenditure (including marketing expenditure).
- The file was reviewed in detail during the call and Euromonitor International clarified data sources, conversion rates and exchange rates used.

#### 3. Discussion of next steps

- Following the meeting, Euromonitor finalized the data set.