



**TOBACCO
TRANSFORMATION
INDEX**

Technical Committee Statement on 2022 Index

September 2022

About the Index Technical Committee

The Index [Technical Committee](#) provides advice and insight to guide the development of a robust Tobacco Transformation Index methodology in the areas of:

- Metrics and assessment criteria
- Determination of weightings at the individual indicator, sub-category, and category levels
- Technical consistency with stated goals

The Technical Committee collaborates with the Index team and works in concert with the Advisory Panel in advancing the Index program through its release cycles.

Technical Committee Statement

The Technical Committee, upon rigorous review, believes the 2022 Tobacco Transformation Index (“the Index”) is based on reliable publicly available data and expert estimates using a consistent and sound methodology, leading to a robust result aligned with the goals of the Index and Foundation.

In our view, the Index makes an important contribution to the industry and stakeholders. Critically, the Index provides comparable data to evaluate the world's 15 largest companies (“Index Companies”) selling High-Risk Products (HRPs) and how they are or are not shifting to offering Reduced Risk Products (RRPs).

The key improvement in the 2022 Index is using a logarithmic instead of a linear scale when normalizing values. The “Key Changes” section of the 2022 Index Ranking Report, and the 2022 Index Methodology, explain the reasons for the shift in detail.

In summary, using a logarithmic scale for normalizing values (which, in certain instances, are very large, e.g., CNTC’s HRP volumes) ensures that the normalized value used is not reduced to near zero for the other Index Companies. Hence, the weighting of that category or sub-category is reflected as intended and clearer differentiation between the Index Companies is achieved.

As a result of the methodological change, 2022 values are compared with restated 2020 values using the logarithmic normalization.

This statement is the unanimous view of the Technical Committee.

Erik Bloomquist, CFA

Pieter Vorster

September 2022