

China National Tobacco Corp

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

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 Korea¹). 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 portfolio² 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 Limited³, Annual Report 2021⁴)

Change Since 2020 Index

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

¹ Listed alphabetically

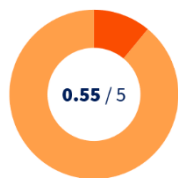
² Listed high to low in order of company's global volume sales in 2021.

³ 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.

⁴ 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

Key Performance Indicators

Strategy & Management (Category Score: 0.55/5 - Category⁵ Rank 8/15)



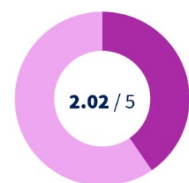
- CNTC does not publicly acknowledge its role in, but has made a formal commitment to reducing, tobacco-related death and disease, through the country's implementation⁶ of the Framework Convention on Tobacco Control (FCTC).
- CNTC does not set any objectives related to tobacco harm reduction.

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



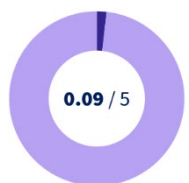
- CNTC has the highest Volume Sales of HRPs (2021: 2.47 trillion stick equivalents).⁷
- With 0.02% of its total volumes coming from RRP, CNTC has the tenth-highest score for Ratio of Volume Sales (RRP versus HRPs).

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 (RRP versus HRPs) ranks it in tenth place.

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.

⁵ Each category is made up of multiple indicators. Certain indicator-level ranks are also listed in the text below.

⁶ www.tobacco.gov.cn/gjyc/hyyw/20170108/636c101796ad48de8115cb4cbdd4e65c.shtml (link not accessible outside of China)

⁷ Negative indicator, i.e. a higher number indicates lower performance.

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



- CNTC does not publicly disclose a Youth Access Prevention Policy.⁸

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.

⁸ 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.