Review of: "Evaluating tobacco industry 'transformation': a proposed rubric and analysis"

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Transformation: creating a roadmap to accelerate the end of smoking

It was with great interest that we read the recent special communication by Edwards *et al* regarding tobacco companies' transformation initiatives, including the smoke-free future we are working toward at Philip Morris International (PMI). We agree with the authors that this topic, including the definitions and criteria to evaluate transformation, would benefit from a wider debate.

The authors express skepticism regarding PMI's progress; however, we do not believe that this skepticism is based on a fair assessment of the facts or the reality of transforming a large, publicly owned multinational company. We believe that our actions and results clearly demonstrate both the pace and scale of our efforts to replace combustible cigarettes with a sense of urgency. To make our progress both measurable and verifiable, we developed a set of key performance indicators called Business Transformation Metrics[1]. This set of metrics, most of which are externally assured, allows stakeholders to assess our transformation.

A few notable indicators of progress include:

- Non-combustible, or smoke-free, products represented almost 30% of our total net revenue in 2021. In 2015 this figure stood at just 0.2%. In 10 countries we already surpassed 50% net revenues from smoke-free products last year.
- Our smoke-free products were available in 71 markets at the end of 2021, of which 30 were in low- or middle-income countries, demonstrating that our transformation commitment is a global one.
- Since 2015, our cigarette sales volume declined by more than a quarter, from over 847 billion to around 625 billion in 2021.
- Almost all of our R&D spending and the majority of our commercial expenditure are allocated to our smoke-free business.

We remain convinced that our transformation will succeed and whilst we do not agree with the author's assessment of our progress, we do agree that "*industry transformation must have at its core the rapid elimination of the production and sale of its conventional products.*" The authors arbitrarily propose an unrealistic target that "*a transforming tobacco company must demonstrate substantial, rapid and verifiable progress towards eliminating the production and sale of conventional*

tobacco products <u>within 5 years, and must do so in all markets in which it operates</u> (emphasis added). We understand their objective, however, we also recognize that the proposal for an individual company to unilaterally end sales of cigarettes will do nothing to hasten the end of smoking. The underlying demand for cigarettes that exists today would not be removed: put simply, adult smokers would just buy cigarettes made by somebody else.

We propose that the focus should be on policies that will lead to people stop wanting to buy cigarettes in the first place.

In order to ensure success and mitigate against unintended consequences like illicit trade (as seen in South Africa with their COVID-related cigarette sales ban), we believe that ending cigarette sales should be the final part of a multi-pronged approach with the goal to reduce demand for smoked tobacco. Whilst policies are for governments to determine, we recognize that our actions can contribute to reducing demand for cigarettes. As we transform, at PMI we do not believe it is enough to simply offer a choice of combusted <u>and</u> non-combusted products to consumers as if these product types were equal. We actively advocate for differentiated regulatory and fiscal treatment of non-combusted tobacco and nicotine products and we will not oppose increased restrictions on combustible tobacco products, including plain packaging, flavor bans or sensibly increased taxes, provided those restrictions allow for availability and differentiation of smoke-free alternatives. Unfortunately, there remain far too many countries, particularly low- and middle-income countries, with large smoking populations where the only products that can legally be sold are combusted tobacco products. In the markets where our smoke-free products are available, we guide and encourage adult smokers who do not quit to make a fundamental change in behavior by switching from combustible products to smoke-free alternatives, thereby reducing the demand for smoked tobacco.

We believe that a clear roadmap agreed by political, regulatory, and public health stakeholders, supported by both civil society and businesses, offers the best prospect for further accelerating the demise of smoking and its related harms. Such a roadmap may consist of elements addressing:

- Increased investment in prevention, quitting campaigns, and cessation services, with a particular focus on vulnerable populations
- Measures to address smokers' confusion about the role of combustion and nicotine in the development of smoking-related disease
- Regulatory and fiscal differentiation between combusted tobacco products and non-combusted forms of tobacco and nicotine, coupled with robust safeguards against unintended use
- Post-market monitoring and surveillance to assess public health outcomes and the impact of policy interventions
- Phase-out policies to help permanently end smoked tobacco sales
- Post-phase-out support for smokers who still continue smoking
- Robust anti-illicit trade policies

We have developed proposals for such a roadmap and would be happy to publish more details with the aim of encouraging a broader debate amongst all stakeholders.

As is happening in New Zealand, comprehensive policy initiatives that include phase-out plans should be led by the regulators. Governments can significantly accelerate the end of smoking and it is they who can and should lead these policy initiatives—which should be applied to the entire industry—to achieve the desired outcome of ending smoking. In order to create the right environment for governments to do this, finding common ground amongst all stakeholders is both important and urgent.

Despite our differing views and positions, we welcome this important debate. We invite readers to transparently share feasible ideas on how we could move faster within current policy frameworks, and to engage in a dialogue about the workable set of innovative policy interventions that can accelerate the end of smoking.

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[1] https://www.pmi.com/docs/default-source/pmi-sustainability/pmi-integrated-report-2020.pdf (at p130)