



25 Years in Romania

BAT
ROMANIA

25
DE ANI
DE ALEGERI ASUMATE



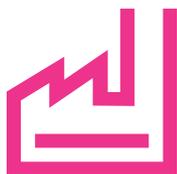
General information



over
€125 bil.
total contribution to the
economy in 25 years of
activity*



of which almost
€24 bil.
paid directly in 25 years in
Romania*



over
€500 Mill.
invested in the Ploiești
factory



60%
of BAT products go to
export to tens of other
countries from across
the world



over
50%
of the Romanian nicotine
market share, with **glo**, Kent,
Dunhill, Pall Mall, and Vogue
brands



over
3,000
employees
30,000
jobs created



The company portfolio includes a diverse range of reduced-risk products, such as e-cigarettes and nicotine products for oral use*



300,000

adult smokers already use **glo**, BAT's tobacco-heating device



over

300

scientific studies show that **glo** is a product that can reduce the risks associated with smoking



The company has invested billions of euro worldwide in the research, development, and placing on the market of reduced-risk products



In 2019, BAT launched **Choose responsibly for a Clean City** – the first national campaign for waste collection and energy-recovery use of cigarette stubs



www.stopcontrabanda.ro: the only real-time centralised system tracking cigarette seizures on Romanian territory

The impact of BAT on Romanian economy

- ▶ BAT Romania is part of the BAT group, which is active on over 180 markets all over the world and over employees 53,000 people globally.
- ▶ The company is **Romania's largest taxpayer**.
- ▶ In 2021, BAT contributed 11 billion RON in taxes and excise duties to the state budget, the equivalent of approximately 6.5% of Romania's fiscal income and about 1% of the GDP.
- ▶ In 2021, BAT paid to the Romanian state approximately 1,25 billion RON more than in 2020, in the context of the decrease of contraband from 9.4% to 8.7%.
- ▶ In the last 25 years, the company has paid directly almost 24 billion EUR in Romania.
- ▶ During its 25 years of activity on the local market (1996-2021), BAT's total (direct, indirect, and induced) contribution to the Romanian economy has amounted to **over 125 billion EUR**. The numbers are based on an independent study conducted by Civitta.
- ▶ The taxes paid by BAT to the state budget have increased yearly.
- ▶ Out of 20 legally sold cigarettes, 12 stand for the excise duty, 4 for VAT, and the rest make for the manufacturer's and seller's income. Approximately 80% of the price of a pack of cigarettes is directed towards the state budget.
- ▶ BAT invests over 1 million EUR every year in Romanian art and culture. Over the years, BAT has supported some of the biggest music events in Romania, such as Electric Castle and SummerWell, but also design festivals such as Romanian Design Week or Romanian Creative Week.

BAT's investments in Romania

- ▶ There are three entities representing BAT in Romania: the tobacco-product factory in Ploiești, a national-distribution company, and a global service centre.
- ▶ BAT is a strategic investor in Romania. BAT began building the factory in Ploiești in 1996. One year later, it started manufacturing its first products.
- ▶ BAT **invested over €500 million** into the Ploiești factory. It is the second largest in Europe and among the Group's top five in the world.
- ▶ Romania is the first country in the European Union to produce Neo, the tobacco consumables used with **glo**, the innovative device that heats tobacco without burning it.
- ▶ Romania is the **third global production centre** for such consumables, after Russia and South Korea.
- ▶ BAT will continue to produce cigarettes in Romania. In fact, as a result of investments, production has increased by 20% in the last few years.



BAT is the biggest player on the Romanian tobacco market

- ▶ BAT is the biggest player on the Romanian nicotine market, with a market share of over 50%.
- ▶ Over half of the cigarettes sold in Romania belong to BAT, and 1 of 4 cigarettes consumed in Romania is a Kent. Furthermore, BAT is a market leader for all target groups through its glo, Dunhill, Kent, and Pall Mall brands.

Over 3,000 Romanians work for BAT Romania

- ▶ BAT has a strong impact on the local workforce, both directly, through the employees in BAT units, and indirectly, through those working for the supplier network and related sectors.
- ▶ BAT is a strategic employer in Romania, having **created nearly 3,000 well-paid jobs** within its three Romanian entities: the factory in Ploiești, the BAT Trading distribution company, and the integrated-service centre in Bucharest, Global Business Services (GBS), the Group's largest centre of its kind, followed by two more, one in Kuala Lumpur – Malaysia and another in San Jose – Costa Rica.
- ▶ BAT **generates another 30,000 jobs indirectly**, along the distribution and supply chain.
- ▶ The number of BAT employees has been constantly on the rise, by an average of 10% annually in the 25 years during which the company has been present in Romania.
- ▶ BAT has tripled its employee count in the last few years: from approximately 1,200 in 2013 to over 3,000 at present.
- ▶ Almost half of BAT's employees have been with the company for at least 10 years.



- ▶ The company invests in its employees' professional development, as it provides continuing-training programmes. BAT has been **certified in 2022 as a Global Top Employer by the Top Employer Institute**.
- ▶ The average salary at BAT is almost double the average national income.

BAT Romania is the leader of the Group's operations in 6 other countries in Central and Southern Europe

- ▶ In 2020, BAT Romania took over the coordination of BAT operations in six other countries in Central and Southern Europe. Following the creation of the Central Europe South Area (CES), Bulgaria, Hungary, the Czech Republic, Slovakia, Ukraine, and Moldova now report to the Romanian BAT management team.

BAT is one of Romania's great exporters of agricultural products

- ▶ BAT is one of the great exporters of agricultural products processed in Romania and a manufacturer of top daily consumer goods.
- ▶ 60% of the cigarettes produced in Ploiești are exported to **tens of other countries from across the world**.
- ▶ According to data published by the National Institute of Statistics, in 2021, **tobacco products represented almost 50% of total foodstuff, drink, and tobacco-product exports**. Tobacco contributed positively to Romania's trade balance of about €1 billion.



Reducing smoking-related risks

Innovation and new technologies are transforming all industries, products, and consumers worldwide. The tobacco industry is no exception. We are witnessing a transformation of the industry, as a result of massive investments into the research and development sector. The effect: the emergence on the global market of new category reduced-risk nicotine products*.

- ▶ A significant part of the international medical community believes that new category products make it possible to reduce the impact of smoking on public health.
- ▶ The UK Department of Health and Social Care published a report in 2018 showing that the use of such products can potentially be **95% less harmful*** to people's health than traditional smoking.
- ▶ BAT has invested billions of dollars into the research, development and placing on the market of reduced-risk new-generation products*.
- ▶ In order to prove glo's potential to reduce smoking-related risks, BAT has so far conducted over **300 studies** covering five areas of interest: behavioural, chemical, biological, and clinical studies, as well as computer-based population modelling. Altogether the results of the tests support the reduced-risk potential of the glo device as compared to cigarettes. The vapours produced by **glo™** contain 90-95% fewer toxicants than cigarette smoke* (the comparison is made between the smoke emitted by burning a standard 3R4F reference cigarette – approximately 9 mg of tar – and the vapours obtained by using glo, with respect to the 9 types of toxicants recommended to be reduced in cigarette smoke. This does not mean that this product is less harmful than other tobacco products.)
- ▶ BAT scientists are conducting the first controlled study in the UK spanning one year intended to determine the impact of the switch from cigarettes to **glo** on overall health, as well as on toxic-substance exposure.
- ▶ The results, recorded after 6 months of the 12-month study, showed that switching completely to **glo** can reduce their exposure to certain toxicants, which reduces their risk of developing certain smoking-related diseases.



* Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

**<https://www.gov.uk/government/publications/e-cigarettes-and-heated-tobacco-products-evidence-review/evidence-review-of-e-cigarettes-and-heated-tobacco-products-2018-executive-summary>

- ▶ The results of the study are now available in a user-friendly form on www.glo.ro.
- ▶ In 2017, Romania became the **first country in the European Union** and the 6th in the world to host the launch of BAT's glo™, the company's latest new-generation product, which heats tobacco instead of burning it, thus offering a new tobacco experience. Romania was the 6th country where the product was launched, after Japan, South Korea, Canada, Switzerland, and Russia.
- ▶ About **300,000** Romanians **currently** use a **glo**.

ROMANIAN CONSUMER PERCEPTION OF TOBACCO-HEATING PRODUCTS



almost

90%

of Romanian consumers of tobacco-heating products think that, compared to smoking, these products have a lower impact on the quality of indoor air, do not cause clothes and hands to smell as much and result in a less unpleasant taste and breath.



almost

72%

of consumers say that such products make them cough less and 58% experience a reduced negative impact on their physical fitness compared to smoking.



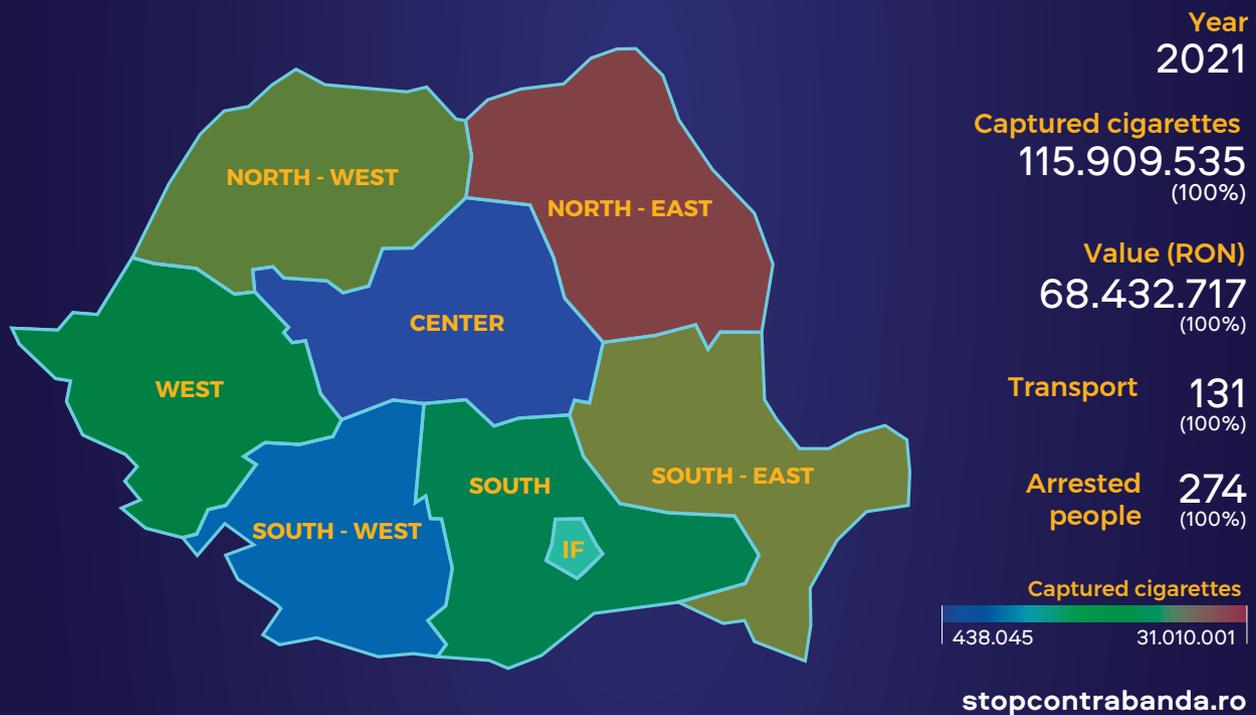
The results are part of a national research project of the Romanian Institute for Evaluation and Strategy (IRES) conducted on a representative sample of respondents who use tobacco-heating products (THP), commissioned by BAT.

CIGARETTE CONTRABAND IN ROMANIA

Romania is the country with the highest level of contraband in Eastern Europe and one of the most affected by it in the European Union.

- ▶ Romania shares a 2,000 km-long border with non-EU countries, where the price of tobacco may be up to 6 times lower than in Romania.
- ▶ In 2019, the battle against illicit trafficking of goods had an important victory when April 21st was declared the **National Day against the Illicit Trafficking of Goods**.
- ▶ In 2020, the President of Romania included contraband in the country's National Defence Strategy for 2020-2024, deeming it a threat against national security.
- ▶ In the last 10 years (2010-2020), the Romanian state has **lost over 30 billion RON** due to illicit cigarette trafficking.
- ▶ 2 billion RON is the amount lost by Romania in 2021 due to cigarette contraband.
- ▶ Romanians consume circa 10% of all the contraband cigarettes used in the European Union.
- ▶ In 2020, for the first time in the last 10 years, **contraband levels dropped under 10%**, from 13.9% in the previous year, which means that 1 in 10 cigarettes smoked in Romania currently comes from the black market, as opposed to 1 in 7 the year before.
- ▶ In 2021, cigarettes illicit market in Romania dropped down to 8,7% of the total market, with 7,4% in Nov 2021 as the lowest level in 15 years. This means more taxes from the legal business for the state budget.
- ▶ Despite this decrease, industry data shows that in 2021 approx 2,4 billion illegal cigarettes have been consumed in Romania, the equivalent of 300 trucks (approx 8 million sticks per truck loaded with pellets). A low level of the illicit trade and a predictable fiscal frame for all nicotine products are essential for continuing investments and increased contributions to the state budget.
- ▶ Each illegal cigarette container means €1 million in profits for contraband networks.
- ▶ Most products on the black market have no clear origin and do not observe European Union standards.
- ▶ At the European level, BAT signed a commitment pledging \$200 million to support actions intended to secure EU borders in 2010-2030. Romania receives yearly funding from OLAF for actions to combat illicit trafficking.

- ▶ In north-eastern Romania, the black market represents nearly over 25% of the entire market.
- ▶ The "**Stop contrabanda!**" (Stop contraband!) campaign launched by BAT in March 2017 aims to raise awareness general public to highlight the extent of a phenomenon that affects state-budget revenues, the public safety of citizens through the financing of criminal networks, the economic development of the most impacted regions, as well as consumers.
- ▶ The categories that are the most affected by the black market are young people and people with a low income. Black-market cigarettes are **sold for 50% less than those on the legal market** by people with no regard for consumer age.
- ▶ The www.stopcontrabanda.ro website developed by BAT is the only real-time centralised system tracking cigarette seizures on Romanian territory.



STOP
CONTRABANDA

CHOOSE RESPONSIBLY FOR A CLEAN CITY

In 2019, BAT launched **ALEGE ASUMAT UN ORAȘ CURAT (CHOOSE RESPONSIBLY FOR A CLEAN CITY)**, a consumer information campaign regarding responsible waste management, aiming to encourage smokers to use the specially designed street bins for selective collection on cigarette stubs.

- ▶ The cigarette stubs gathered in special street ashtrays are collected by sanitation agents in lidded plastic containers and transported to the sorting station, then on to cement factories, together with other unrecyclable waste, in order to be incinerated and used for energy recovery.
- ▶ The campaign debuted in three large cities of Romania: Bucharest - District 3, Iasi, Constanta, aiming to raise awareness on the relevant simple gestures that each of us can adopt for protecting the environment and community.
- ▶ In Nov 2021, the campaign was launched in Ploiești. Over 200 street ashtrays specially designed for cigarettes stubs collection have been installed in the center and the Boulevard, so people can be aware of their choices' impact on the environment and the community and the fact that simple gestures like using the ashtray instead of street can contribute to protecting the environment. The design of Ploiesti street ashtrays were developed by Romanian artists and awarded in the national design competition organized in 2021 by the igloo magazine. The concept reflects the idea of a bee-hive, where individual efforts are joined for the common good.



**SEVERAL TONS OF CIGARETTE STUBS
ALREADY COLLECTED IN THE FIRST
2 YEARS OF THE CAMPAIGN**

SOLAR TREES IN ROMANIA IN DOWNTOWN BUCHAREST

Eco-sustainable urban design, green energy and free wi-fi in 5 central locations in Bucharest

- ▶ Starting Nov 2021, 5 solar trees installed in central locations in Bucharest offer green energy sources for charging electronic devices in wireless and USB format. Passers-by can enjoy the free wi-fi, as well as a moment of relaxation by the solar trees, which are also an eco-sustainable urban furniture solution.
- ▶ The project continues the partnership for sustainability developed by BAT Romania, the Bucharest District 3 Administration and Green Academy.
 - ▶ **The 5 solar trees are located in central areas of Bucharest (Unirii Square, Universitatii Square, IOR park area) and offer alternative green energy options and thus contribute to building a Better Tomorrow.**
 - ▶ Each solar tree provides a green energy source capable of supporting the charging of **70 electronic devices** daily, in wireless or USB format. In addition, the solar trees offer the visitors free wi-fi access, but also a rest and relaxation area during a walk in Bucharest.
 - ▶ The devices were designed by TripAtelier and Mannebunit and they are a new invitation to **acknowledge the importance of simple gestures** and contribute, through small and easy changes, to the environment and community protection.



A PARTNERSHIP FOR SUSTAINABILITY. Bucharest District 3 Administration, BAT Romania and Green Academy

In 2019, BAT Romania, Bucharest District 3 Administration and Green Academy launched the premiere campaign "Choose responsibly a clean city" in which the first 300 street ashtrays were installed for the collection of cigarette butts and their energy recovery.

The campaign was later extended in Constanta and Iasi. Other new cities will join in the future.

CHOOSE RESPONSIBLY A CLEAN COMMERCIAL BEHAVIOUR

- ▶ In the last 20 years, BAT has constantly conducted programmes of proven success aiming to inform and educate traders and consumers regarding legal provisions, as well as the reasons why minors should not have access to nicotine products.
- ▶ Since 2019, BAT's initiative **was joined by the National Authority for Consumer Protection**, which made a dedicated phone number available for those wishing to report any violation of the law forbidding the sale of tobacco products to minors.







**DACĂ VEZI PE CINEVA VÂNZÂND
PRODUSE DIN TUTUN MINORILOR**

// SUNĂ LA 021 9551 //

- APEL GRATUIT -

**TELEFONUL CONSUMATORILOR ANPC
SAU LA REPREZENTANȚII POLIȚIEI
LOCALE**

Susținut de



Adapting to the COVID-19 health crisis

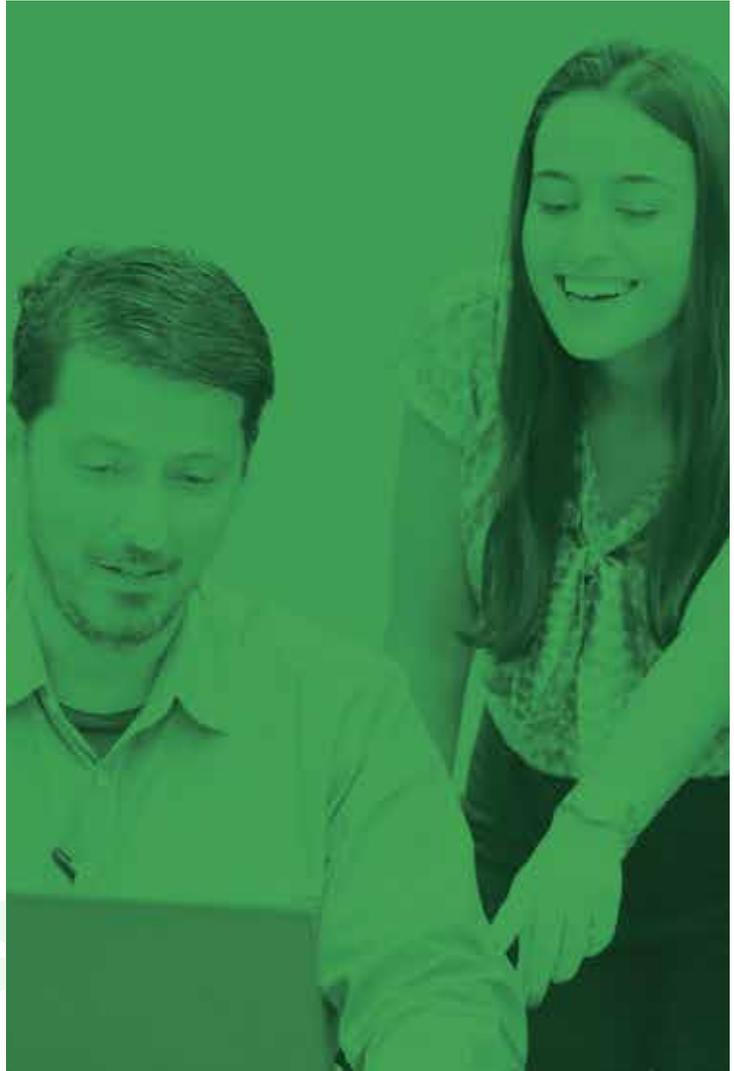
Globally

- ▶ BAT's biotechnology subsidiary, Kentucky Bioprocessing (KBP), is developing a potential vaccine against COVID-19 – currently in phase I of clinical testing on human subjects, after having been granted approval by the USA Food and Drug Administration (FDA).
- ▶ The vaccine under development employs a BAT-owned technology for the rapid growth of the tobacco plant, which makes it possible to develop a vaccine faster and safer compared to conventional methods.

În In Romania

BAT joined the efforts to combat the pandemic and contributed to the battle against COVID-19 in 3 ways:

- ▶ A €100,000 donation to Prahova County Hospital;
- ▶ A donation of 250,000 masks to the Romanian Border Police, the Romanian Police, and the Customs General Directorate – the main institutional actors in the battle against illicit trafficking;
- ▶ The acquisition of 50 mechanical ventilators, which were donated by BAT to 43 Romanian hospitals during the first months after the outbreak of the pandemic in Romania.









BAT
ROMANIA



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