

Press Release

Logista Presents the Annual Report on the Distribution of Smoking and Inhaling Products 2024

In 2023 the sector transferred more than EUR 15 billion to the state

The illicit market causes a yearly damage of €300 million to the Treasury

Sustainability: RECYCLE-CIG, the activated circuit for the collection and recycling of used electronic cigarettes

Rome, 29 February 2024

Logista Italia, in partnership with **The European House - Ambrosetti**, presents the *Annual Report on the Distribution of Smoking and Inhaling Products 2024*, which not only analyses the current context and future prospects of the smoking and inhaling products sector - between innovation and sustainability - but also highlights the evolution of the sales network, also intended as a legality safeguard in a sector that has always been at the centre of counterfeiting and product smuggling phenomena.

The market context

The Report highlights the "irreversible transformation" that has been affecting the smoking and inhaling products sector for the past decade, driven by a process of product innovation implemented by the industry. The transformation is reflected in the fact that, while traditional products (cigarettes, cigars, cigarillos, etc.) remain the dominant segment of the market with more than 80% of sales, there is a steady growth trend for smokeless tobacco products, which accounted for 4% in 2019 and 18% in 2023. E-cigs as a whole represent a 5% share of smokers.

The distribution network and the tobacconists' network, safeguard of legality

Logista Italia's distribution network serves around 60,000 outlets (tobacconists and proximity shops), covering 100% of Italian municipalities on a weekly basis, with a ratio of one tobacconist for every 1,150 inhabitants and an average daily access of 15 million customers. These figures confirm the distinctive customer proximity of this essential safeguard.

The excise duties paid to the Treasury amount to approximately EUR 15 billion per year. Thanks to the control that the Customs and Monopoly Agency (ADM) exercises over the tobacconists' shops, they are now genuine subsidiary points of the State. The retailer network, together with Logista's distribution network, therefore continue to play an important role in upholding legality in the smoking products sector, both through the product tracking system (*Track&Trace*) activated by Logista, and

through the verification of the legal requirements that retailers apply to consumers for the purchase of certain products, including tobacco and assimilated products.

The sustainability challenge

Also in 2023, Logista confirmed its commitment to environmental protection by continuing the implementation of the Logista Green Box initiative, i.e. the take-back and reuse of used cardboard packaging for the delivery of products to points of sale. In the last year, thanks to a system of economic incentives, 80% of the cartons were returned for reuse. On the same level is the RECYCLE-CIG project, an initiative that Logista has launched thanks to a Programme Agreement with the MASE (Ministry of the Environment and Energy Security), which also involves the WEEE Coordination Centre and FIT (Italian Tobacconists Federation) for the collection and take-back of electronic cigarettes and exhausted tobacco heater devices - about 50 million devices are sold in Italy every year - and the subsequent recycling of reusable raw materials. The national roll-out of the project is under way and 30,000 retailers across the country have already signed up.

Fighting Illegality

Counterfeiting and smuggling of tobacco products are a criminal phenomenon and a serious problem for public safety, citizens' health, businesses in the legal sector and tax revenues. According to the estimates of the study conducted by Ipsos and Logista, soon to be published, the illicit market for tobacco products is around 3.8% of the total market, with a loss of revenue for the state coffers of approximately EUR 300 million per year. The first step needed to fight the phenomenon is to strengthen penalties, even for quantities of less than one kilogram, a necessary measure to strike street smuggling, a tool used by criminals to raise cash.

As far as electronic cigarettes are concerned, an equally complex challenge is their online sale, linked to the difficulties of control for the protection of consumer health and tax revenue to the State. The Delegated Law on Tax Reform incorporated an amendment to ban the online sale of e-cigarettes containing nicotine. For the rule to become operational, it will be necessary to wait for the implementing decrees, which the Government is expected to issue as soon as possible.

Also part of the challenges of the policy to fight illicit offences is the phenomenon of the illegal circulation of a large quantity of cartridges, which are an accessory to smoking products that escape traceability due to the lack of a more solid circulation and sale system, as is the case for smoking and inhalation products.

Finally, an equally relevant issue is that of the free sale of light cannabis products following the Supreme Court ruling of 10 July 2019. These products, although similar to smoking and inhalation products, are sold as non-smoking products, thus bypassing the current system of restrictions such as the prohibition on selling to minors, distance selling, advertising and in the absence of health checks. Stricter regulation would allow them to be distributed within the already established channels that guarantee the same safety standards as smoking and inhaling products.

Logistics and Distribution at Country's Service

The topics addressed by the Report are commented on in the institutional speeches by **Hon. Sen. Gian Marco Centinaio** and Vice-President of the Senate and the **Hon. Federico Freni**, Undersecretary at the Ministry of Economy and Finance.

Perspectives of the sector and policy proposals are the subject of discussion at the round table consisting of:

Dr. Mario Antonelli (National Chairman, Italian Tobacconists Federation)

Hon. Giovanni Luca Cannata (Vice-President, Budget Commission, Chamber of Deputies)

Hon. Mauro D'Attis (Vice-President, Anti-Mafia Inquiry Commission, Chamber of Deputies)

Hon. Paola De Micheli (Vice-Chairwoman of the Commission for Productive Activities, Chamber of Deputies)

Hon. Simonetta Matone (Justice Commission, Chamber of Deputies)

Hon. Sen. Fausto Orsomarso (Finance and Treasury Commission, Senate of the Republic)

Hon. Nicola Ottaviani (Secretary Budget Commission, Chamber of Deputies)

Dr. Federico Rella (Vice-President and Director of Corporate Affairs, Logista Italia)

Sen. Gian Marco Centinaio, Vice-President of the Senate, commented: *'The tobacco sector is responding effectively to the challenges of innovation and, in particular, the efforts that Logista is making in the dual direction of environmental and digital transition, in line with Italian and European objectives, are to be appreciated. In the face of market transformations, the political framework must guarantee the protection of companies operating in this field from counterfeiting and smuggling. Personally, then, I believe that we must oppose any attempt to legalise cannabis and carry out very strict controls on cannabis light shops, whose activity does not always appear transparent and respectful of the rules'*.

Hon. Mauro D'Attis, Vice-President of the Anti-Mafia Enquiry Commission, Chamber of Deputies, commented: *'The presentation of the Annual Report on Distribution 2024, prepared by Logista in collaboration with The European House - Ambrosetti, is an opportunity to discuss issues of the highest interest for national institutions. I am happy to be able to point out that on the subject of smuggling and illicit markets, there is not only the need to amend and update the current regulations governing the matter, because alongside the sanctioning aspect there is the need, first and foremost, to invest in the culture of fighting illegality. We must do this'* D'Attis emphasizes, *'by starting with young people, with schools, because they have always been places that are hostile to mafias. The political framework has the task of acting in this sense in order to defend those supply chains and companies that work in a controlled and safe manner'*.

Federico Rella, Vice-President and Corporate Affairs Director of Logista Italia, commented: *'Sustainability, innovation, the fight against crime and the need for clear regulations are the key words of the Distribution Report 2024 realised with TEHA. Through the use of advanced systems, human centric technologies and a precise growth strategy aimed at business diversification, we confirm ourselves as a key player in the supply chain. The consolidation of sustainability projects such as the Logista Green Box, for the recovery of packaging, and the launch of RECYCLE-CIG, for the collection and recycling of exhausted electronic cigarettes, show how Logista is able to grasp the great challenges of our time. This is for us,'* concludes Rella, *'the meaning of Logistics and Distribution at the country's service.'*

Mario Antonelli, National Chairman of the Italian Tobacconists Federation, commented: *'We tobacconists, always moving with the times, have never suffered change but, on the contrary, have been its protagonists. This is why we have always shared the policies of environmental protection and technological innovation. Ours is a category capable of ensuring proximity services from which a large number of citizens can benefit. Our network,'* continues Antonelli, *'the most capillary in Italy, is the ideal candidate for any type of collaboration that can bring benefit to citizens. This is why we are strategic partners of Logista in initiatives involving our sector. Not the least of which is the RECYCLE-CIG project, through which we hope to make our contribution both to the virtuous circuit of the circular economy and to the safeguarding of the environment. We tobacconists, who have always been at the service of citizens, are now also a green category and we are very proud of this'*.

About Logista Italia

Logista is the leading distributor to proximity retailers in Europe. In Italy, it has built one of the largest proximity logistics and trade networks and is recognized as an efficient and neutral partner. With more than 90 depots, it supplies 60,000 points of sale throughout the country, guaranteeing the State a revenue of around 15 billion euros per year. Logista is committed to numerous sustainability initiatives designed to minimize the impact of business by considering environment, community and business in a vision of mutual development.

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