



## Tackle climate change

19

### Net carbon emissions scope 1 + 2 (metric tons)

#### KPI description

PMI has set ambitious targets to reduce its scope 1+2 emissions, including a science-based target to reduce absolute emissions in line with a 1.5°C scenario, and a goal to achieve carbon neutrality (scope 1+2) by 2025.

## Definitions

**Carbon neutrality** Aligned with the working definition of the Science Based Target initiative (SBTi), individual actors are carbon neutral when CO<sub>2</sub>e emissions attributable to an actor exclusively claimed by the actor, such that the actor's net contribution to global CO<sub>2</sub>e emissions over a given time period (e.g., one year) is zero. Carbon neutrality is an intermediate step toward net zero, as it happens before the net zero emissions state, and it can be reached using carbon credits (offsetting) or with mitigation activities within the value chain (insetting) (source: SBTi, UNFCCC Race to Zero, and others).

**Offsetting** The act of compensating or canceling out all, or a portion of, the GHG emissions released into the atmosphere through investments in activities that reduce or remove an equivalent amount of GHG emissions and that are located outside the boundaries of the organization or a particular product system. Such investments are often in the form of purchasing a carbon credit. Offsetting is effectuated by purchasing and retiring an amount of carbon credits equivalent to the volume of GHG emissions that is being compensated (source: Voluntary Carbon Market Initiative, 2021).

**Insetting** A company's efforts to prevent, reduce, or remove emissions within its own supply chain, but outside of its operational boundaries. The SBTi considers such insetting measures to be distinct from efforts to "compensate," instead proposing that insetting measures are directly accounted for in a company's efforts to abate all its supply chain emissions as it pursues its net zero target. See glossary in [PMI's Low Carbon Transition Plan](#).

**Scope 1 GHG emissions** Direct GHG emissions that occur from sources that are owned or controlled by PMI, for example, emissions from combustion in owned or controlled boilers, vehicles, etc., and emissions from chemical production in owned or controlled process equipment.

**Scope 2 GHG emissions** Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heat, or cooling consumed by PMI.

**Location based** Emissions from electricity consumption calculated based on the national grid of the country where the facility is located, without taking into consideration an actor's specific emissions.

**Market based** Emissions of the specific providers that PMI has purposefully chosen (i.e., factories that purchase green electricity).

**Biogenic emissions** The direct CO<sub>2</sub>e emissions generated by the combustion of biofuels.

## Scope

The baseline year chosen for reporting is 2019. The reporting period of GHG emissions is aligned with PMI's financial reporting, which is calendar year, i.e., January 1 until December 31.

**Included** Gases included are carbon dioxide, methane, and nitrous oxide<sup>1</sup>. The geographic and physical boundaries set for scope 1+2 emissions reporting are:

- Manufacturing: All emissions from PMI-owned manufacturing sites (emissions from third-party manufacturing sites are included in scope 3 emissions)
- PMI's fleet
- Warehousing: PMI-owned or PMI-operated warehouses
- Offices: PMI-owned or PMI-operated office spaces
- Others: Other facilities under PMI's operational control such as data centers

In line with the GHG Protocol guidelines, biogenic emissions are reported separately from scope 1+2 GHG emissions; however, we include them in our scope 1+2 science-based targets.

**Excluded** The following items are excluded from our reporting as they have been assessed against materiality threshold defined as 5 percent of total scope 1+2 emissions:

- IQOS stores<sup>2</sup>
- HFCs<sup>1</sup> gases
- Energy consumed by electric vehicles<sup>3</sup>

All exclusions are assessed annually.



## Calculation methodology

**Methodology and conversion factors** PMI's scope 1+2 emissions are calculated in accordance with the GHG Protocol's "[A Corporate Accounting and Reporting Standard](#)" (2004). Scope 2 emissions are calculated using the location-based and market-based reporting methods in adherence with the GHG Protocol's "[Scope 2 Guidance](#)" (2015).

To calculate scope 1+2 emissions, fuel consumption by type, as well as acquired electricity, steam, heat, or cooling consumed by PMI, is transformed, if needed, to energy units using standard conversion factors and calorific values.

Thereafter, to convert energy units to CO<sub>2</sub>e emissions, CO<sub>2</sub>e emission factors per energy type or country are used. PMI sources emission factors from the U.K. government's GHG Conversion Factors for Company Reporting and the International Energy Agency's (IEA) Emissions Factors. In line with the GHG Protocol guidelines, PMI reports both market-based and location-based CO<sub>2</sub>e emissions.

Our methodology takes a conservative approach and uses location-based emission factors unless 100 percent of the electricity purchased is certified green electricity, in which case we assume zero emissions. Where a PMI affiliate classifies their electricity as green, a green energy certificate must be submitted to the central sustainability team for validation and meet the GHG scope 2 emissions protocol requirements. Such certificates are verified externally by third parties as part of the annual data verification process.

**Verification of offsetting and insetting credits** PMI invests in offsetting and insetting projects that comply with rigorous international standards. Selected projects are certified against reputable carbon standards including the Verified Carbon Standard (VCS)<sup>4</sup> and the Gold Standard<sup>5</sup>; additionally some VCS projects carry the Climate, Community & Biodiversity Standards (CCBS).<sup>6</sup>

The principles at the basis of those carbon standards define generated credits as real, triggering additional GHG emission reduction in comparison with business as usual, and projects are assessed using a technically sound GHG emission reduction quantification methodology specific to each project type. Carbon methodologies further ensure that projects delivering credits meet, among others, the criteria of permanence, avoided leakage, and double counting. They also require that the emission reduction units are verified by an independent and accredited third party with credits that can be issued after the emission reduction has taken place and has been verified through an audit.

The CCBS, applicable for some VCS projects, evaluates land management projects from the early stages of development through implementation and fosters the integration of best-practice and multiple-benefit approaches into project design and implementation. The CCBS can also be applied to projects that reduce GHG emissions from deforestation and forest degradation or projects that remove carbon dioxide by sequestering carbon or other land management.

## Data management

On a monthly basis, the amount of energy consumed in PMI's direct operations (scope 1+2), by type of energy source<sup>7</sup> is reported in PMI's central environmental management system. Input data include:

- Manufacturing sites: the amount of energy consumed by type of energy source based on invoiced amounts or consumption reports from suppliers
- PMI's fleet: the kilometers travelled, and respective fuel consumed, by the vehicles in our fleet
- Warehouses, offices, and others: data on the amount of energy consumed collected on a quarterly basis, based on purchased quantities derived from consumption reports or invoiced amounts

Following the raw data input and validation of the consumption data into PMI's central environmental management system, the system automatically calculates the resulting CO<sub>2</sub>e emissions for manufacturing sites, fleet, offices, and warehouses. All data are validated by PMI-accountable subject-matter experts or third-party representatives. For external reporting purposes (e.g., PMI's Value Report and CDP submissions), the consolidation of CO<sub>2</sub>e emissions is done by PMI's Central Operations Sustainability team.

**Restatement of baseline** In line with the maximum exclusion amount for scope 1+2 as defined by the SBTi, PMI applies a significance threshold of +/-5 percent for restatement of baseline emissions. On such occasions, the baseline year is recalculated, to reflect changes in the company that would otherwise compromise the consistency and relevance of the reported GHG emissions information. All restatements of the baseline are validated by the responsible PMI head of function and verified by the third-party verifier.

**Data verification** The scope 1+2 GHG emissions are reviewed and verified annually by an external third party according to ISO 14064-3:2019 and the verification statement is published on [PMI.com](#).

[See the external verification statement from SGS for scope 1+2 here.](#)

<sup>1</sup> HFCs historical emissions are accounted for in Swedish Match operations, while in 2025 these were further incorporated for PMI's scope.

<sup>2</sup> Since 2022 a minor portion of PMI's retail stores was included in the scope 1+2 emissions, while in 2025 these were fully incorporated.

<sup>3</sup> Emissions associated with the energy consumption from electric vehicles have been included from 2025 reporting year.

<sup>4</sup> [verra.org](#).

<sup>5</sup> <https://www.goldstandard.org/>

<sup>6</sup> [climate-standards.org](#).

<sup>7</sup> Energy sources include fossil fuels (diesel, fuel oil, natural gas, petrol, LPG, and coal), biofuels (biodiesel, bioethanol, biomass), district steam, district heating, district cooling, and electricity (renewable versus nonrenewable, split according to source (solar, wind, biofuel)).