PHILIP MORRIS INTERNATIONAL

change in motion

PMI Value Report 2025

About PMI

Philip Morris International is a leading international consumer goods company, actively delivering a smoke-free future and evolving its portfolio for the long term to include products outside of the tobacco and nicotine sector. The company's current product portfolio primarily consists of cigarettes and smoke-free products, including heat-not-burn, nicotine pouch and e-vapor products. Our smoke-free products are available for sale in over 105 markets, and as of December 31, 2025 PMI estimates they were used by over 43 million legal-age consumers around the world, many of whom have moved away from cigarettes or significantly reduced their consumption. The smoke-free business accounted for 41.5% of PMI's full year 2025 total net revenues.

Since 2008, PMI has invested over $16 billion to develop, scientifically substantiate and commercialize innovative smoke-free products for adults who would otherwise continue to smoke, with the goal of completely ending the sale of cigarettes. This includes the building of world-class scientific assessment capabilities, notably in the areas of pre-clinical systems toxicology, clinical and behavioral research, as well as post-market studies.

Following a robust science-based review, the U.S. Food and Drug Administration has authorized the marketing of Swedish Match's *General* snus and *ZYN* nicotine pouches and versions of PMI's *IQOS* devices and consumables - the first-ever such authorizations in their respective categories. Versions of *IQOS* devices and consumables and *General* snus also obtained the first-ever Modified Risk Tobacco Product authorizations from the FDA.

With a strong foundation and significant expertise in life sciences, PMI has a long-term ambition to expand into wellness areas.

References to "PMI", "we", "our" and "us" mean Philip Morris International Inc., and its subsidiaries.

For more information, please visit www.pmi.com and www.pmiscience.com.

Evolved organizational model

With our smoke-free business now operating at scale across our regions, including substantial growth from our U.S. business, PMI has implemented an evolved organizational model with three business units: PMI International, PMI U.S., and PMI Wellness unit (Aspeya). This change was implemented effective January 1, 2026, and as a result PMI realigned its reportable segments accordingly. The four geographic segments have been replaced with three new reportable segments: International Smoke-Free, International Combustibles, and U.S. As of the first quarter of 2026, our reporting will reflect these changes.

In this Value Report 2025, sustainability-related disclosures and accountability frameworks correspond to our 2025 organizational model, the structure accountable for delivering the performance we present. However, as this report introduces our Value Plan 2030+, we also highlight, where applicable, the evolving responsibilities and governance changes that will take effect with our evolved organization. The report references the current position titles of Company Management members in instances where they are quoted.

Artificial intelligence tools were used to assist with drafting and copy-editing of this report. The final content was reviewed and finalized by PMI employees.

Contents

About this report

PMI Value Report 2025 constitutes the company's 11th consecutive disclosure on the topics outlined herein. This page outlines the basis for preparation of the PMI Value Report 2025, published on March 31, 2026.

As we enter the second decade of our reporting journey, we have renamed our annual publication from the "Integrated Report" to the "Value Report," starting with the 2025 reporting cycle. This change reflects our commitment to transparently communicating how PMI creates, preserves, and enhances value over the short, medium, and long term. This report provide a comprehensive and integrated view of our strategy, management, performance, and future outlook in relation to our most significant sustainability-related topics. The Value Report continues to build on the foundation established by previous Integrated Reports, offering stakeholders a holistic perspective on our approach to sustainable value creation.

PMI's Board of Directors oversaw the report's preparation and publication, with review by the Chairman, as well as by all members of the Sustainability Committee, which is comprised of Company Management members, and includes the Group CEO PMI, Group Chief Financial Officer, and Group Chief Legal Officer.

The report's content is informed by a formal sustainability materiality assessment, which we conducted in 2024 and updated in 2025 following the principles of double materiality (read more in PMI Sustainability Materiality Report 2025). Accordingly, we refer to a sustainability matter as material in this report if it is associated with a significant effect that our business operations have or can have on society or the environment, or if it presents a substantial risk or opportunity with the potential to affect our company's performance. The assessment identified six strategic priorities structured under two pillars: product impact and operational impact (read more here). For each priority, we describe relevance, management

approach, targets, performance, and outlook. Although the report's content is mainly determined by material sustainability issues, it also includes supplementary details to address the interests and demands of stakeholders or provide necessary context.

Additionally, the report marks the conclusion of PMI's 2025 Roadmap and introduces our Value Plan 2030+, which will guide future initiatives.

Aligned with our financial calendar, this report covers January 1 to December 31, 2025, unless specified otherwise. Where full-year data is not available, we use the most recent actuals (typically through September 2025) and reliable estimates for the remainder. Provisional figures are footnoted in performance tables and will be updated with actuals on our website in 2026.

The report encompasses PMI's global operations, including subsidiaries consolidated in Philip Morris International's financial statements as of December 31, 2025, and excludes joint ventures, partnerships, or license agreements, unless specified otherwise. This year's report includes information pertaining to Swedish Match, acquired in 2022, unless otherwise indicated. Information, data, and aspirations related to Aspeya, PMI's Wellness unit, are generally excluded, except when specified otherwise. Where Aspeya's own sustainability materiality assessment identified relevant issues (read more here), dedicated feature boxes highlight Aspeya's work.

All financial and nonfinancial data are sourced from PMI's internal systems or robust estimation methodologies aligned with international reporting standards when available.

Metrics are consolidated in the performance tables available at the end of this report for ease of reference and comprehensive review. The narrative data presented in this report should be

considered alongside the footnotes provided in the Performance metrics section.

Key performance indicators (KPIs) referenced in the PMI VALUE Index are included as part of this report (read more here). These KPIs were selected based on their relevance to our strategic priorities and objectives. Methodology details, including definitions, calculation approaches, and data sources for each KPI, are available on our Non-financial KPI hub.

All our Business Transformation Metrics (available on page 16) and KPIs included in PMI Sustainability Index 2023–2025 (available on PMI.com) have received limited independent assurance from PricewaterhouseCoopers SA (PwC); assurance statements are available on PMI.com. SGS has externally verified our environmental, health, and safety data, including 2025 greenhouse gas emissions, with verification statements accessible on PMI.com. All data points that are externally assured or verified are footnoted in the respective performance tables available at the end of this report.

This report has been prepared with reference to the Global Reporting Initiative (GRI) Universal Standards (2021) and relevant topic-specific standards. Our 2025 GRI Index is available on PMI.com. Moreover, we follow guidance from the International Sustainability Standards Board (ISSB) of the IFRS Foundation, including SASB Standards, Integrated Thinking Principles, and the Integrated Reporting Framework. Our SASB Index is also available on PMI.com. Additionally, we began to take into account specific disclosure standards associated with IFRS S1 and S2, and the EU Corporate Sustainability Reporting Directive (CSRD), without explicitly citing them in our documentation.

We welcome your feedback and suggestions. Please contact us at sustainability@pmi.com.

Additional resources

This report is accompanied by a set of publications available on our corporate website:

– **Reporting indices** map content of this report against SASB Standards and GRI Standards

– **Non-financial KPI hub,** where we make available our performance metrics and key data reporting standards

– **Stories of Impact** shed light on specific value creation initiatives and on the work of our markets around the world

– **PMI Sustainability Materiality Report 2025** details the methodology and results of our latest sustainability materiality assessment, which followed the requirements of the EU CSRD

– **PMI's Climate Transition Plan 2025** prepared in line with the Transition Plan Taskforce (TPT) Disclosure Framework, summarizes key climate-related risks and opportunities, responds to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and references the relevant requirements of IFRS S2 Climate-related Disclosures.

– **PMI Critical Raw Materials (CRMs) Assessment** details the methodology we used to assess the inherent sourcing, environmental, and social impacts and risks associated with the CRMs used in our products.

Additional information and resources are available on PMI.com/sustainability.

Letter from our Group CEO PMI

At PMI, the sustainability of our business is our strategy. It is how we secure resources, manage risk, meet stakeholder expectations, and future-proof a business built to deliver results today, while securing the ability to deliver tomorrow.

As we close the chapter on our 2020–25 Roadmap, I am proud to reflect on the remarkable journey our organization has undertaken over the past years and the progress achieved. The goals we set for ourselves in 2019 were ambitious, and through the dedication and resilience of our teams, we have reached significant milestones that have strengthened our position in the market and enhanced our ability to deliver value to our employees, consumers, suppliers, shareholders, and society.

Central to these achievements has been our unwavering commitment to our purpose: transforming our company to no longer base its success on making or selling cigarettes. We do this by focusing on maximizing access to smoke-free products for adult smokers, empowering them to switch from cigarettes to less harmful alternatives. This has not been a simple shift in our product portfolio—it has been a fundamental reimagining of our business model, our value proposition, and our role in society. By placing harm reduction at the core of our strategy, we have redefined our value proposition and, with it, the long-term sustainability of our business.

To bring this vision to life, we have made significant investments, amounting to over USD 16 billion since 2008, in scientific research, product development, manufacturing, and commercialization. These efforts have ensured that our smoke-free products are not only scientifically substantiated as less harmful than cigarettes, but also accessible, acceptable, and affordable for adult smokers worldwide. The consistent dedication of the vast majority of our resources toward building and growing our smoke-free business is producing meaningful outcomes: by the end of 2025, around 43.5 million adults were using our smoke-free products, demonstrating the tangible impact of our sustained efforts. This year, we have also surpassed a major milestone by expanding the availability of our smoke-free products to 106 markets worldwide. This expansion has been reflected in our financial performance, with smoke-free products accounting for 41.5 percent of our net revenues—amounting to close to USD 17 billion in 2025.

For our business transformation to deliver its intended positive impact on public health and society, it is essential that our products are used exclusively by adults.

Recognizing our role, we have long made it a top priority to implement and continuously strengthen robust safeguards that help prevent underage people access.

Preventing youth access to our products is among the most material elements of our strategy—but this is one component of a broader, integrated approach. At PMI, the long-term sustainability of our business is not an outcome of our strategy; it is the strategy itself. This is vital for ensuring the long-term resilience of our business in a dynamic environment. By proactively addressing environmental and social impacts throughout our operations and value chain, we strengthen our ability to manage risks and capitalize on opportunities.

Environmentally, in 2025, we have continued to embed circularity principles into our product design. Our efforts to reduce greenhouse gas emissions have persisted throughout both our direct operations and our broader value chain, further mitigating risks and improving operational efficiency. In November 2025, we published an updated Climate Transition Plan informed by identified climate risks and opportunities, enhancing transparency around our decarbonization strategy. Moreover, in 2025, we achieved carbon neutrality in scope 1+2 , as well as our goal of sourcing tobacco with no net deforestation risk to managed natural forests.

On the social front, we have achieved significant advancements in enhancing the livelihoods of those working in our tobacco supply chain, eliminating systemic child labor, and supporting their attainment of a living income. In our highest-risk markets, we have conducted human rights impact assessments and implemented action plans covering identified findings. Internally, we have fostered a culture of inclusion and continuous learning while remaining steadfast in our commitment to protect the well-being and mental health of our employees.

While we are proud of these accomplishments, our journey has not been without its challenges and progress has not always been linear. We have learned valuable lessons from the obstacles we faced—whether in adapting to shifting market dynamics, navigating global uncertainties, or overcoming operational and technical hurdles.

Importantly, progress toward our aspirations is often not entirely within our direct control. As we operate within a complex ecosystem, external factors, such as regulatory developments, societal expectations, and the actions of other stakeholders, can either accelerate or impede the pace and magnitude of change. These experiences have underscored the need for agility and collaboration, and have provided us with valuable insights to calibrate and best inform our future plan.

With this report, I am pleased to introduce our Value Plan 2030+, which builds on the progress and learnings gained over recent years. This plan sets a bold course for sustainable growth, innovation, and long-term value creation. It refines our focus on the product and operational impacts that matter most across our value chain, enabling us to mitigate risks proactively, anticipate regulation, optimize resources, achieve operational efficiencies, and pursue opportunities. This, in turn, enables us to maintain an ambitious yet practical agenda that underpins our vision of becoming a substantially smoke-free business by 2030.

The path we have chosen is driven by pragmatism and conviction. This is not about following trends. It is about leading a transformation that positions PMI to thrive in a world that will look very different from the one we know today. We are securing the resources, capabilities, and stakeholder trust that will sustain our business for decades to come. The future belongs to companies that prepare for it and we intend to be one of them.

I invite you to explore this report, which details our progress and learnings, as well as our Value Plan 2030+ for the years ahead. Thank you for your continued support and partnership as we embark on the next phase of our journey.

Jacek Olczak, Group CEO PMI

Letter from our Group Chief Financial Officer

Our approach to value creation is anchored in a simple conviction: long-term financial success depends on the health of the resources and relationships that make it possible.

By investing in natural, human, social, intellectual, and manufactured capital—what we define as nonfinancial capitals—we strengthen the very foundations on which long-term financial success depends. This is not peripheral to our business; it is fundamental to our growth, resilience, and identity as a forward-thinking organization.

We have made significant strides in the past few years by formally linking our VALUE Index (formerly Sustainability Index) to long-term variable executive compensation. This bespoke instrument, designed in direct alignment with the results of our sustainability materiality assessment and our business strategy, has ensured that our leadership's incentives are directly aligned to those value drivers most critical to our success. The 2023–25 Index, now fully vested, stands as a testament to our progress and our willingness to hold ourselves accountable to rigorous standards.

Building on these strong foundations, we are proud to introduce the streamlined 2026–28 VALUE Index. This next-generation Index is meticulously aligned with our Value Plan 2030+, reflecting sharpened alignment with strategy and focus on the areas where we can drive the most meaningful impact. We are setting clear, ambitious, and measurable targets that reinforce our unwavering commitment to long-term value creation.

To be clear: our focus on nonfinancial performance is a deliberate allocation of resources into areas deemed strategic to our success. Sustainability, as we define it, is performance across all forms of capital—not just financial. These capitals are not abstract concepts; they are the assets and capabilities that underpin our operations, our products, and our competitive position. Investing in them is not discretionary, it is how we secure the inputs and relationships on which our financial performance ultimately depends.

Importantly, the integration of sustainability within our finance function has proven invaluable. It has enabled us to embed value considerations into our core financial planning, risk management, and performance measurement processes. We measure nonfinancial performance with the same rigor we apply to financial performance, because they are both determinative of our future.

This approach ensures that value creation across all forms of capital is not managed in isolation, but is fully integrated with our business strategy and financial objectives, supporting robust decision-making and long-term resilience.

Achieving meaningful and lasting progress requires the commitment and alignment of our entire organization, at every level of seniority and in every geography. Our experience over the past decade, particularly in driving the transition away from cigarettes to smoke-free products, has shown that real change happens when everyone works toward a shared vision. By uniting our global teams behind clear objectives and empowering them to take ownership, we are able to deliver tangible results at scale and accelerate our impact across all areas of our business.

The core of our strategy continues to be the successful transformation of our company. A decade into this journey, we have developed a more nuanced understanding of the systemic nature of the change we are seeking—and the humility to recognize that while much lies within our power, much also lies beyond it. This understanding has driven the revamp of our Business Transformation Metrics (BTMs): a set of financial and nonfinancial indicators that measure the pace and scale of our transformation. The revision of these, now more refined, metrics is designed to make visible a fundamental truth: that change accelerates when stakeholders work together toward a common goal, and that it is difficult to shift the status quo without genuine engagement and collaboration. The BTMs guide our internal decision-making and enable our stakeholders to transparently assess not only our performance, but where collective action can unlock progress that no single actor could achieve alone.

The road to transformation requires patience, persistence, and partnership. While we cannot control all variables that influence our progress, we can and will continue to demonstrate our commitment through concrete actions, transparent reporting, and an unwavering focus on our smoke-free vision.

Critical to the success of our Value Plan 2030+ is the strength of our governance. We have embedded sustainability into our enterprise risk management practices, enabling us to assess nonfinancial risks and opportunities at par with financial ones. Robust data management, clear controls, and reliable reporting processes ensure we can measure what matters with the same rigor we apply to financial performance. Our Board of Directors and Company Management actively oversee this integration, setting expectations, monitoring progress, and holding the organization accountable. The result is a holistic and complete view of performance that reflects how value is truly created and protected across our business.

As we enter this next chapter, we are confident that our disciplined approach—grounded in strong governance, rigorous measurement, and clear-eyed investment in what drives long-term value —will continue to deliver sustainable value for our shareholders, and all our other stakeholders. A CFO's role has always been to steward the resources that determine a company's success. Today, that stewardship must extend beyond the balance sheet to the natural systems, human capabilities, and stakeholder relationships on which every line of that balance sheet ultimately depends. This is not a departure from financial discipline, it is its fullest expression. Because financial and nonfinancial performance are, in truth, inseparable measures of a company built to last.

I invite you to explore this Value Report for a deeper understanding of our transformation—its challenges, its progress, and its promise. Together, we continue building a company whose success is measured not only in financial results, but in the strength of the foundations that make those results possible. We manage for today. We invest for tomorrow. And we measure both with equal conviction.

Emmanuel Babeau, Group Chief Financial Officer

Global footprint

Our operations are centered around reaching consumers in markets around the world.

~43.5m

Legal-age adult consumers of our smoke-free products, and around 126m of our cigarette brands

106

Markets where our smoke-free products are available for sale, and around 170 markets where our cigarette brands are sold

~84,900

Employees, representing more than 130 nationalities

315

Direct retail physical stores (*IQOS* stores) in 66 markets, and 49 consumer service centers

~350,300

Contracted farmers supplying us with tobacco, located in 23 countries

~20,700

Suppliers worldwide

50

PMI-owned manufacturing facilities in 31 countries, of which 21 facilities producing smoke-free products

Sourcing

1.

Operations (R&D, manufacturing)

2.

Commercialization

3.

Consumers and product end-of-life

4.

Note: Data presented on this page are as of December 31, 2025. For definitions, please refer to the Glossary. Data presented should be considered alongside the footnotes provided in the Performance metrics section.

Product portfolio

We commercialize a wide range of products designed to meet adult consumers, preferences and drive the sustainable growth of our business.

Smoke-free business

41.5%

Combustible tobacco products

58.5%

$40.6 billion
PMI's net revenues in 2025

Smoke-free business

Our smoke-free product portfolio is composed of three categories that do not require combustion to be consumed, including heat-not-burn, oral (such as snus and nicotine pouches), and e-vapor products.

Our two leading smoke-free products are commercialized under the *IQOS* and *ZYN* brands. *IQOS* is a heat-not-burn product that uses electronics to heat tobacco or a nontobacco substrate in a controlled manner to generate a nicotine-containing aerosol. *ZYN* is an oral nicotine pouch product. Our e-vapor products generate an aerosol by heating a nicotine-containing e-liquid formulation and are available in closed-pod (*VEEV inPRIME* and *VEEV ONE*) and single-use formats (*VEEV NOW*).

Our wellness products, which are still in the early stages of development and commercialization, are also part of our smoke-free business.

Combustible tobacco products

We seek to maintain our competitive position in the cigarette market while we transition away from combustible tobacco products. This provides us with better access to trade partners and adult smokers, which enhances our ability to support adults who would otherwise smoke in switching to smoke-free alternatives. Remaining competitive in the cigarette market also helps us finance the necessary R&D, manufacturing, and commercialization investments for our smoke-free portfolio. Moreover, it paves the way for the rest of the industry to follow our lead. Our cigarette brands are sold in approximately 170 markets, in many of which they hold the number one or number two market share position. Our portfolio includes a wide range of premium, mid-price, and lower-price brands, including *Marlboro, L&M, Chesterfield, Philip Morris*, and *Parliament*.

Our global portfolio of main smoke-free products[1]

Technology
Heats tobacco or non-tobacco substrate without burning it, using induction heating (SMARTCORE INDUCTION SYSTEM™)

Nicotine source
Uses real tobacco that contains naturally present nicotine, and, for non-tobacco consumables, the nicotine derived from tobacco leaf is added to the substrate

Technology
Heats tobacco without burning it, using resistive heating with a blade (HEATCONTROL™ TECHNOLOGY)

Nicotine source
Uses real tobacco, nicotine naturally present in tobacco

Technology
Heats tobacco without burning it, using resistive external heating with no blade (ROUNDHEAT TOBACCO SYSTEM™)

Nicotine source
Uses real tobacco, nicotine naturally present in tobacco

Technology
Heats tobacco without burning it, using heating with a pin

Nicotine source
Uses real tobacco, nicotine naturally present in tobacco

Technology
Moist nicotine pouch for oral use

Nicotine source
High quality nicotine derived from tobacco leaf

Technology
Dry nicotine pouch for oral use

Nicotine source
High quality nicotine derived from tobacco leaf

Technology
Tobacco pouch for oral use

Nicotine source
Uses real tobacco, nicotine naturally present in tobacco

Technology
VEEV NOW ULTRA uses cotton mesh heating technology, *VEEV ONE* uses compact ceramic heating technology and *VEEV inPRIME* uses AdvanceVape Induction System™

Nicotine source
High quality nicotine derived from tobacco leaf and added in e-liquid

lil HYBRID combines heated tobacco and liquid technologies

lil HYBRID uses real tobacco, nicotine naturally present in tobacco

Circle labels: SMOKE-FREE; Heat-not-burn; Oral; E-vapor; IQOS ILUMA PRIME; IQOS ILUMA; IQOS ILUMA i ONE; IQOS ILUMA ONE; IQOS ILUMA i; IQOS ORIGINALS ONE and DUO; IQOS ILUMA i PRIME; BONDS by IQOS; ZYN moist; ZYN dry; General snus; lil SOLID Ez introduced by IQOS; lil HYBRID* introduced by IQOS; VEEV inPRIME; VEEV ONE; VEEV NOW ULTRA

1. Product availability may differ from market to market.

Operating context

Understanding and accounting for the wider environment in which our activities take place is essential for developing successful approaches and realizing significant advancements.

Market trends

Overview of the global nicotine industry

Products within the global tobacco and nicotine industry fall into three main categories: combustible tobacco products, smoke-free products, and therapeutic cigarette replacements (often known as nicotine replacement therapies or NRTs).

Combustible tobacco products (e.g., cigarettes, fine-cut tobacco, pipe tobacco, cigars, and cigarillos) burn tobacco to deliver nicotine.

Smoke-free products do not require combustion to deliver nicotine. The category includes inhalable products (including heat-not-burn and e-vapor products) and oral products (such as nicotine pouches or snus). As they do not combust, these products expose their users to significantly lower levels of toxicants, compared with cigarette smoking, but are not risk-free.

Therapeutic cigarette replacements, which include nicotine gums and patches, among other forms, aim to help smokers quit smoking. These products deliver nicotine and usually require a pharmaceutical approval process to be followed; in some countries, their use requires prescriptions from medical professionals.

Prevalence of tobacco smoking worldwide

Combustible tobacco products currently represent the largest share of the global tobacco and nicotine industry sales, with cigarettes remaining the dominant tobacco product used by nicotine consumers worldwide.

There are still an estimated one billion smokers worldwide according to public health data—a figure that has remained largely unchanged for decades. Current trends suggest this number is unlikely to decline significantly in the near future, even as smoking continues to be a leading driver of noncommunicable diseases.

Although the World Health Organization (WHO) no longer provides long-term projections for smoking prevalence, it has already indicated that the global target of reducing tobacco use by 30 percent by 2025 most likely has been missed.[1]

Epidemiological evidence indicates that smoking rates continue their long-term decline in most markets where comprehensive measures, including access to smoke-free alternatives, are in place. However, smoking prevalence is not declining as rapidly (or in some cases is stabilizing or rising) in certain markets such as Australia, Brazil, France, Hong Kong, and Turkey, where smoke-free products face regulatory restrictions or outright bans. These markets are also characterized by high levels of illicit trade, both in cigarettes and smoke-free alternatives.

Growth of smoke-free alternatives

In recent years, the development, commercialization, and subsequent adoption by adult consumers of various smoke-free products have led to rapid category growth. Within the nicotine industry, smoke-free products are in the process of replacing combustible tobacco products.

In particular, we estimate that the heat-not-burn segment volume grew in the international market (which excludes China and the U.S.) at a compound annual growth rate (CAGR) of around 12 percent over the past three years, driven both by increased adoption in the initial launch markets and geographic expansion.

In parallel, we estimate that the nicotine pouch segment grew at a compound annual growth rate of over 50 percent over the past three years. While nicotine pouches are estimated to still account only for around 1 percent of total nicotine industry volumes (including the U.S.), this growth rate highlights the potential of this dynamic category.

Competition

As in other consumer goods sectors, manufacturers in the tobacco and nicotine industry compete on product quality, brand recognition, brand loyalty, taste, R&D, innovation, packaging, customer service, marketing, advertising, and retail price.

Smoke-free products

There is increasing competition in smoke-free products, with more tobacco manufacturers shifting their resources toward developing, acquiring, and commercializing these products.

Despite advances in science and technology that present the opportunity to phase out combustible tobacco products, the business strategy of most international cigarette manufacturers appears to be focused on continuing to grow cigarette sales while expanding their portfolios to also include smoke-free alternatives.

Cigarettes

The global cigarette sector includes four large international manufacturers—British American Tobacco, Imperial Brands, Japan Tobacco, and PMI—along with two major manufacturers focused primarily on their respective domestic markets: China National Tobacco Corporation in China and Altria Group, Inc. in the U.S. (Altria is the parent company of Philip Morris USA, which operates exclusively in the U.S. and is not affiliated with PMI).

1. WHO Global Report on Trends in Prevalence of Tobacco Use 2000-2024 and Projections 2025-2030, October 2025.

Our perspective:

Despite its mandate to monitor tobacco use, the WHO conflates the category of "smoked products" with heated tobacco products, and other tobacco products with snus. This obscures the key fact that tobacco harm is primarily driven by combustion and smoke, which smoke-free products do not involve. Mixing these categories together risks masking meaningful progress in reducing smoking prevalence, precisely the outcome that matters most for public health and is central to our value proposition. In 2026, we will undertake a dedicated effort to analyze and publish data on cigarette smoking prevalence across markets— examining and comparing trends in markets where smoke-free alternatives are accessible versus where they face regulatory restrictions or outright bans. Our aim is to contribute evidence that can inform more effective policy discussions and support public health outcomes grounded in science.

PMI total international share of market (in %)

	2015	2023	2024	2025
Total international market share[1]	28.4%	28.6%	29.0%	29.2%
– Cigarettes	28.4%	23.8%	23.7%	23.4%
– Heated tobacco units	0.0%	4.7%	5.3%	5.8%
Cigarette over cigarette market share[2]	28.4%	25.4%	25.5%	25.3%

1. Defined as PMI's cigarette and HTU in-market sales volume as a percentage of total industry cigarette and HTU sales volume, excluding China and the U.S., including cigarillos in Japan.

2. Defined as PMI's cigarette in-market sales volume as a percentage of total industry cigarette sales volume, excluding China and the U.S., including cigarillos in Japan.

Note: Sum of share of market by product categories might not foot to total due to rounding.

Source: PMI estimates.

State of regulation

The global regulatory landscape for tobacco and nicotine products remains uneven and, in many markets, disconnected from the growing body of scientific evidence on harm reduction. While awareness of smoke-free alternatives as significantly less harmful than continued smoking is increasing among legal-age consumers and some policymakers, regulatory frameworks have not kept pace.

Many jurisdictions continue to treat all nicotine-containing products uniformly—regardless of their fundamentally different risk profiles—effectively limiting adult smokers' access to better options and undermining the public health potential that tobacco harm reduction can deliver. This gap between scientific evidence and regulatory reality is the central challenge our industry navigates, and closing it is essential to accelerating the decline of smoking globally.

Health authorities worldwide have invested heavily in reducing smoking prevalence through public awareness campaigns, cessation support, and regulatory and fiscal measures—including high excise taxes, public smoking bans, and comprehensive regulations governing packaging, health warnings, ingredients, flavors, and marketing. These measures have been effective in reducing smoking rates in some countries, but only to a degree. In some parts of the world, smoking rates have stagnated for decades, while in others, excessively restrictive policies have led to unintended (but avoidable) consequences, such as thriving illegal markets and persistently high smoking rates. Despite clear evidence of the limitations of conventional approaches alone, policymakers, including global public health organizations such as the WHO, have not adapted their tobacco control strategies.

Conversely, some countries have adopted more comprehensive strategies that are already yielding favorable results. By integrating tobacco harm reduction within national policy frameworks, these nations apply risk-proportionate regulation and taxation—imposing the strictest controls on the most harmful products, namely combusted tobacco, while establishing proportionate regulatory conditions for scientifically substantiated, less harmful smoke-free alternatives. This approach recognizes that some adult smokers are unlikely to quit through cessation alone, and that complementing conventional tobacco control with harm reduction policies—which leverage scientifically substantiated, less harmful nicotine delivery alternatives—offers a more comprehensive pathway to reducing smoking prevalence more quickly than traditional measures in place. Rather than treating all nicotine products equally regardless of their risk profile, this approach creates enabling conditions for adult smokers to switch to better options, consistent with harm reduction principles. Evidence from these markets suggests that jurisdictions embracing this differentiated approach achieve more rapid declines in smoking prevalence than those adhering strictly to conventional strategies—including bans on less harmful alternatives or policies that excessively restrict consumer access to them.

Our perspective:

While much progress has been achieved, and access to smoke-free products has grown significantly in the past decade, the truth is that we estimate that more than 190 million adult smokers in over 20 markets (nearly 20 percent of adult smokers globally) still have no legal access to less harmful alternatives than cigarettes. Conversely, cigarettes, the most harmful way to consume nicotine, continue to be legally available everywhere.

PMI advocates for comprehensive and risk-proportionate regulation of all tobacco and nicotine-containing products. Regulations should discourage starting, promote quitting, and encourage adults who would otherwise smoke to switch to smoke-free alternatives. A risk-based approach to regulation and taxation is needed: applying stricter measures to the most harmful products (cigarettes) while implementing balanced regulation of smoke-free alternatives, including quality and safety standards, regulation of flavors, product presentation and marketing, alongside robust safeguards against underage access and use, noncompliant products and marketing practices, supported by strong enforcement. Regulators should mandate ongoing monitoring to assess policy effectiveness and allow timely adjustments. Such approaches can accelerate the shift away from combustible tobacco and benefit public health. The role of policymakers is critical. Revisiting tobacco control strategies can accelerate the end of smoking by both encouraging switching to smoke-free products among adult smokers who would otherwise smoke, and minimizing the risk of underage use, alongside more traditional cessation and prevention measures.

Illicit trade prevention

The illicit tobacco and nicotine trade is a complex and rapidly evolving global challenge. Worldwide, up to 15 percent of cigarettes consumed annually—nearly 500 billion cigarettes—are illicit.[1] Over USD 47 billion in tax revenue is lost globally each year due to illicit cigarettes.[2] When it comes to smoke-free products, the illicit segment is estimated to account for more than 76 percent of global e-vapor volume, driven by consumer demand for banned flavors and formats.[3]

Fueled by regulatory inconsistencies and enforcement gaps, criminal networks exploit vulnerabilities to distribute unregulated products.

The growth of smoke-free products has added new dimensions to the problem. Inadequate regulatory frameworks, coupled with high consumer demand, have made these products a prime target for illicit operators.

Illicit tobacco and other illicit nicotine products pose significant risks to both public health and public safety. Manufactured in substandard conditions, they often contain unknown ingredients, lack proper labeling, and bypass safety standards. The widespread availability of illicit cigarettes, for instance, undermines global tobacco control efforts, including those led by the World Health Organization (WHO) Framework Convention on Tobacco Control (FCTC) and its Protocol to Eliminate Illicit Trade in Tobacco Products.

Beyond health risks, illicit trade facilitates corruption, weakens the rule of law, and finances transnational criminal organizations, in addition to disrupting local communities, exposing them to crime and aggressive actions of criminal gangs involved in the illicit tobacco market.

1. PMI estimates based on industry reports and third-party research studies; excludes China and the U.S.
2. WHO FCTC, Global Treaty Marks Anniversary in Fight Against Illicit Tobacco Trade, 25 September 2025
3. Euromonitor International Limited 2025, Global Illicit E-Vapour Market: Trends, Challenges and Future Outlook, July 2025

Excessive restrictions and outright bans on both cigarettes and smoke-free products often push consumers toward illicit alternatives. Inconsistent enforcement, lengthy authorization processes, and unclear rules around smoke-free products create opportunities for black-market growth.

In the case of cigarettes, tax increases are intended to discourage smoking by raising prices. However, when taxes are set too high or implemented without proper market analysis, they widen the price gap between legal and illegal products. This makes illicit offerings more attractive, encouraging consumers to shift to the black market rather than quit. As a result, governments lose tax revenue, public health is undermined, and criminal networks gain ground. Thoughtful, balanced taxation is essential; otherwise, extreme policies risk fueling illicit trade instead of reducing consumption. This approach should apply to all tobacco and nicotine product categories.

Illicit trade dynamics not only undermine public health goals but can also compromise underage access prevention efforts. If left unchecked, illicit nicotine products could be accessible to underage users via informal retail and online platforms. Some of these products feature youth-appealing flavors and packaging, bypassing age-verification protocols and undermining prevention campaigns. Strengthening digital enforcement and retailer accountability is critical.

Our perspective:

For PMI, eliminating the illicit tobacco and nicotine trade has been a long-standing priority. We recognize that tackling this issue requires ongoing collaboration with governments, regulators, law enforcement bodies, and other stakeholders. We focus our efforts on securing our supply chain, protecting our products, and collaborating with private and public sectors, including law enforcement agencies across the world.

Read more about our work in the Illicit trade prevention chapter.

Stakeholder engagement

PMI regards stakeholder engagement as fundamental to the creation of shared and sustainable value. Actively seeking open dialogue with our stakeholders allows us to understand their expectations and the impacts our business generates, and to respond in a proactive manner that is proportionate to our ability to manage such impacts effectively. PMI functions as part of a broader societal framework, where many impacts represent shared challenges. Through our engagements and advocacy efforts we seek to achieve change on a broader scale beyond what we can achieve alone.

Our stakeholder engagement activities are guided by transparency, integrity, and respect, and governed by our Code of Conduct and its accompanying Policies, summarized in this Overview of our Engagement Principles.

Read more about how we engage with each key stakeholder group, what are the key topics discussed, and how we are responding on PMI.com.
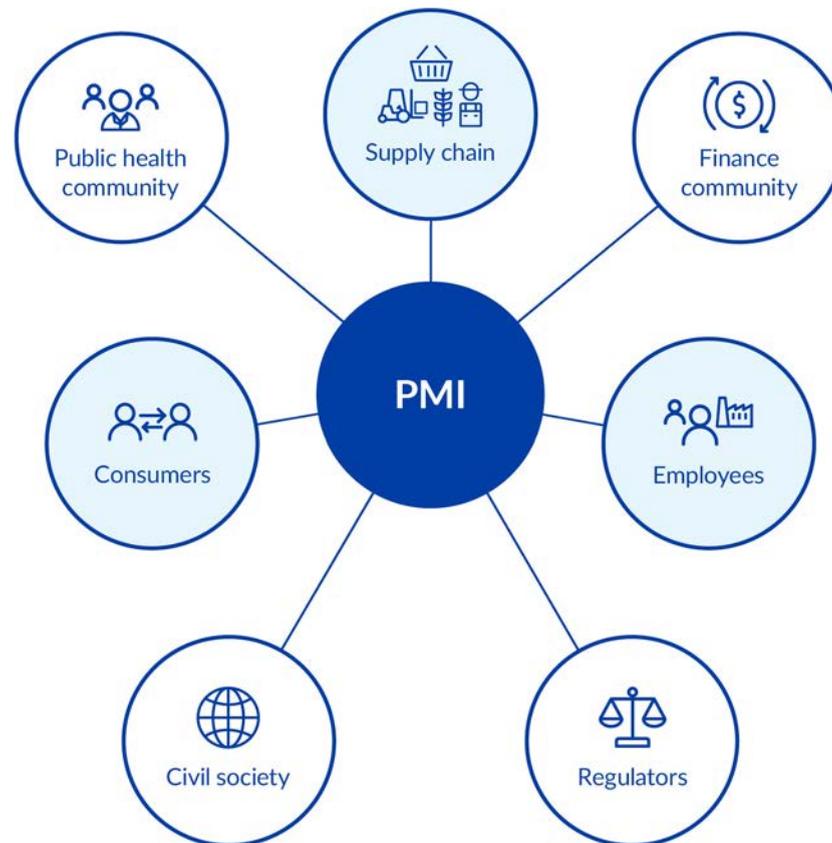
The need for open collaboration

Around one billion adults smoke today according to public health data. Achieving a smoke-free future requires broad collaboration. When a company like PMI is excluded from participation in relevant forums, initiatives, or partnerships—regardless of its strong commitment to transition, measurable progress, and positive change—it fragments efforts and limits the diversity of ideas and resources needed for progress. This approach maintains the status quo instead of enabling the urgent, collective action society needs. Solving smoking as a broad-scale issue demands that all willing participants work cohesively, share knowledge, and pool resources to make smoking obsolete. Only through inclusive collaboration can the meaningful and rapid change critically needed by society occur.

Translating engagement into strategic action

Our stakeholder engagement approach shapes our sustainability priorities and strategic direction.

Among our key stakeholders, certain groups—consumers, our employees, and workers in our value chain—have emerged as central to the social side of our Value Plan 2030+ . These areas indicate where our actions can generate the most meaningful positive outcomes. By focusing on those most connected to our products and operations, we turn stakeholder input into actions: expanding access to less harmful alternatives, ensuring fair labor, and fostering an inclusive, supportive workplace.

Other stakeholders—including policymakers and regulators, the finance community, civil society, and the public health community—play a vital role by setting the frameworks, policy environments, and signals for capital allocation that shape how we operate. Their perspectives and mechanisms ultimately influence our operating environment and help determine our business success.

Global trends

We operate on a global scale in a fast-paced world. Our long-term success requires that we monitor, anticipate, and respond to the challenges and opportunities shaping our reality today and in the future. Global trends intersect with our strategies and initiatives and inform how we interact with the external environment. By continuously analyzing these trends, we distinguish between external factors beyond our control and strategic levers within our influence. This distinction enables us to transform market conditions into competitive differentiators: positioning health and wellness evolution, natural capital preservation, human capital development, trust building, AI integration, and geopolitical awareness as definable assets that drive sustainable value creation while navigating system-level constraints.

These six trends have been integral to the development of our Value Plan 2030+, shaping how we understand the operating environment we navigate, the risks we must mitigate, and the opportunities we can capture. Each trend presents both challenges and pathways for differentiation as we accelerate our transformation toward a smoke-free future, expand into wellness, and build resilience across our global operations. Read more on PMI.com.

Wellness evolution

Consumer expectations are shifting toward holistic health and environmental consciousness, with people increasingly seeking choices that serve both personal wellbeing and planetary health without requiring trade-offs. This evolution shapes demand for our smoke-free products and creates opportunities in adjacent wellness areas where we can apply our capabilities in consumer behavior, product innovation, and regulated markets.

Natural capital preservation

Climate volatility, ecosystem degradation, and resource scarcity are creating material business risks that affect operational continuity and supply chain resilience. Our business depends on natural capital—water, fertile soil, stable agricultural systems—and the transition to renewable energy and circular economy practices is essential for securing access to the inputs our operations require while meeting stakeholder expectations for environmental stewardship.

Human capital development

The future of work is being transformed by technological disruption, demographic shifts, and evolving workplace expectations. These are reshaping talent markets and skill requirements. Strategic investment in upskilling, reskilling, and workplace wellbeing is essential for building a human capital capable of driving innovation, executing our transformation strategy, and maintaining the organizational agility needed to navigate rapid change in our industry and markets.

Trust erosion

Disinformation and declining institutional trust are undermining stakeholder confidence across industries, making transparency, verifiable actions, and independent verification increasingly critical for maintaining social license to operate. For a company undergoing transformation in a controversial sector, building and maintaining trust through consistent delivery, candid communication, and credible evidence is foundational to accessing markets, engaging regulators, and securing stakeholder support.

Artificial intelligence (AI) integration

Advanced technologies and AI are reshaping competitive dynamics by enhancing operational efficiency, accelerating product development, and creating new business models. Investing in technological infrastructure, intellectual capital, and human capital capable of leveraging these tools is essential for maintaining competitive positioning, while addressing data stewardship, cybersecurity, and transparency requirements is critical for managing compliance and stakeholder expectations.

Geopolitical fragmentation

Increasing geopolitical complexity, divergent regulatory frameworks, and supply chain vulnerabilities are creating operational challenges and market access risks. Building resilience through regionalization, supplier diversification, and enhanced risk management capabilities—while developing geopolitical awareness to anticipate disruptions and adapt strategies—is essential for maintaining business continuity and navigating a multipolar world.

Letter from our Chief Sustainability Officer

Transformation is not simply a matter of internal resolve—it is an endeavor shaped by the system in which we operate.

Transformation is rarely straightforward. It demands courage to step away from what made us successful in the past, but it also requires the collective will of an entire ecosystem to embrace new pathways. Consumers need viable alternatives that they are ready to choose. Regulators must develop frameworks to assess novel business models. Investors need criteria that recognize the value being created through transition. And stakeholders and critics should join in open dialogue, fostering engagement, rather than exclusion.

Real change emerges when diverse actors unite around shared objectives, each bringing their unique perspective and capabilities to bear. This is why stakeholder engagement sits at the heart of our approach to value creation. We advocate for regulatory frameworks that create space for innovation while protecting public health, seek dialogue with those who challenge us, and collaborate across our value chain to address systemic challenges that no single company can solve alone. The world needs organizations with global reach, established infrastructure, and unwavering determination to drive change at scale.

This year marks a pivotal moment in our sustainability journey. We are proud to present our Value Plan 2030+, built on a rigorous double materiality assessment and a decade of hard-won lessons. We have identified six strategic priorities that reflect what matters most to our stakeholders and our business: consumers and product health impact, circularity, climate change, nature and biodiversity, our own workforce, and workers throughout our value chain.

We have anchored our Value Plan 2030+ in six guiding principles that translate aspiration into achievable progress.

Integration ensures that value creation is woven directly into our business imperatives. Our sustainability priorities align with commercial imperatives because they are fundamentally the same priorities: delivering products that meet consumer needs while reducing harm, operating efficiently in a resource-constrained world, building resilient supply chains, and developing our own employees. When sustainability drives innovation in product development, informs capital allocation decisions, and shapes how we enter new markets, it becomes a source of competitive advantage.

Materiality keeps us focused on where we can create the greatest value for society, the environment, and our business. Our sustainability materiality assessment has crystallized the issues which truly matter for our business resilience and where PMI's actions can drive meaningful change. This clarity allows us to allocate resources strategically, set targets that move the needle, and communicate transparently about our contributions without overstating our role or impact.

Sphere of influence grounds our strategy in reality. Our Value Plan 2030+ is explicit about what we control directly and what requires the action of and collaboration with others. This honesty about our limitations is not weakness; it is the foundation for effective partnerships. Many of the challenges we are seeking to address are systemic, first and foremost—making cigarettes obsolete. We cannot accomplish this alone, nor do we have full control over when and how it will happen. When we acknowledge that eliminating cigarettes requires regulatory action alongside our commercial efforts, or that climate solutions demand multistakeholder cooperation, we create space for the collective action that transformation requires.

Regulatory responsiveness positions us to navigate an increasingly complex policy landscape. Whether we are anticipating emerging requirements, ensuring compliance with regulations governing our environmental and social performance or mandating disclosures across 100+ markets, or contributing to policy dialogue, our strategy is built to flex with evolving expectations. This principle recognizes that regulation is not an obstacle to manage, but a signal to interpret, revealing societal priorities and creating frameworks within which sustainable business models can thrive.

Challenging yet realistic targets balance ambition with achievability. We set goals that stretch our capabilities and demonstrate leadership while remaining grounded in operational reality and available technology pathways. Our targets are designed to give clarity to internal and external stakeholders on what we are trying to achieve, set with the sobriety and humility needed to be ambitious yet achievable, constrained to what is within our power of control, and mindful that much of our overall success is contingent on systems change.

Outcome-driven measurement shifts our focus from activities to impact. Rather than reporting on inputs and initiatives, we are tracking real-world outcomes—actual reductions in environmental footprint, measurable improvements in worker welfare, tangible progress toward our smoke-free vision. This principle ensures that our performance indicators reflect what stakeholders ultimately care about: the impact of our interventions, and how they contribute to our business success.

Together, these principles create a strategy that is comprehensive yet focused, ambitious yet pragmatic, and deeply integrated into how we operate and grow. They reflect our conviction that sustainable business success is built on value creation across every capital we depend on.

We know the path ahead is not linear. There will be challenges we have not anticipated, setbacks we will need to navigate, and moments when progress feels frustratingly slow. The current landscape presents its own complexities: political volatility, shifting policy priorities, and evolving stakeholder expectations require us to remain agile and resilient. However, our experience driving the smoke-free transformation has taught us that when we unite behind a clear vision and a strong strategy, mobilize our global teams, and work in genuine partnership with others, we can deliver incredible outcomes.

That is the spirit with which we present our Value Plan 2030+ as an invitation to dialogue, a platform for collaboration, and a roadmap for the next chapter: turning sustainability into lasting business value.

Jennifer Motles
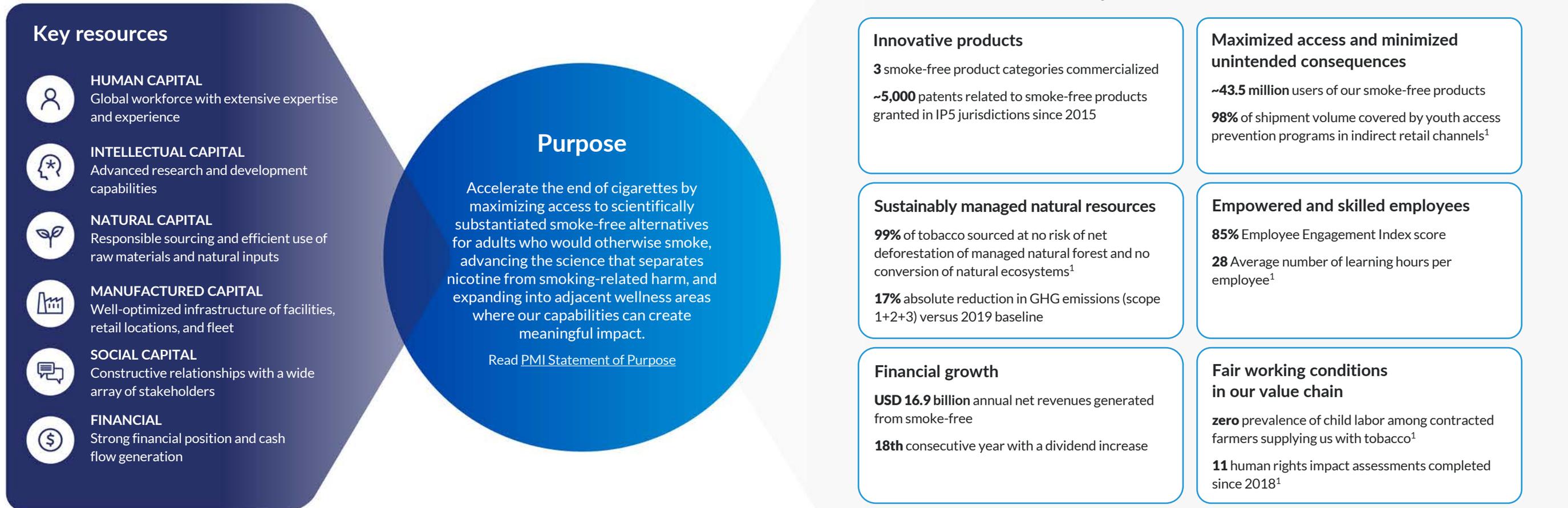Chief Sustainability Officer

Value creation

Our approach to value creation extends beyond financial performance to encompass the broad range of resources and relationships on which our long-term success depends. We recognize that sustainable business results require investing deliberately in multiple forms of capital—human, intellectual, natural, manufactured, and social—alongside financial capital. These interconnected assets form the foundation that enables us to operate today while building the capabilities needed for tomorrow.

By integrating this understanding into how we allocate resources, assess risks, and measure performance, we ensure that value creation reflects not only immediate financial returns but also the management of our physical assets and infrastructure, the responsible stewardship of natural resources, the development of our people, the advancement of our scientific capabilities, and the strengthening of trust with stakeholders.

This comprehensive view positions us to capture opportunities that emerge from addressing societal challenges while mitigating risks that could undermine our ability to deliver sustainable growth.

The diagram below illustrates how these different forms of capital flow through our business model to generate outcomes across multiple dimensions.

Key resources

HUMAN CAPITAL
Global workforce with extensive expertise and experience

INTELLECTUAL CAPITAL
Advanced research and development capabilities

NATURAL CAPITAL
Responsible sourcing and efficient use of raw materials and natural inputs

MANUFACTURED CAPITAL
Well-optimized infrastructure of facilities, retail locations, and fleet

SOCIAL CAPITAL
Constructive relationships with a wide array of stakeholders

FINANCIAL
Strong financial position and cash flow generation

Purpose

Accelerate the end of cigarettes by maximizing access to scientifically substantiated smoke-free alternatives for adults who would otherwise smoke, advancing the science that separates nicotine from smoking-related harm, and expanding into adjacent wellness areas where our capabilities can create meaningful impact.

Read PMI Statement of Purpose

Key outcomes in 2025

Innovative products

3 smoke-free product categories commercialized

~5,000 patents related to smoke-free products granted in IP5 jurisdictions since 2015

Maximized access and minimized unintended consequences

~43.5 million users of our smoke-free products

98% of shipment volume covered by youth access prevention programs in indirect retail channels[1]

Sustainably managed natural resources

99% of tobacco sourced at no risk of net deforestation of managed natural forest and no conversion of natural ecosystems[1]

17% absolute reduction in GHG emissions (scope 1+2+3) versus 2019 baseline

Empowered and skilled employees

85% Employee Engagement Index score

28 Average number of learning hours per employee[1]

Financial growth

USD 16.9 billion annual net revenues generated from smoke-free

18th consecutive year with a dividend increase

Fair working conditions in our value chain

zero prevalence of child labor among contracted farmers supplying us with tobacco[1]

11 human rights impact assessments completed since 2018[1]

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1. See dedicated standards available in PMI's Non-financial KPI hub for further details on KPI methodology.

Note: For additional information regarding the 2025 values presented on this page, please refer to the footnotes within the Performance metrics section, as applicable.

Change in motion

For more than a decade, PMI has pursued an industry-leading shift away from cigarettes—a transformation that goes far beyond product innovation to encompass how we allocate capital, engage stakeholders, and measure success.

This is change in motion: a fundamental reshaping of our business model designed to create lasting value while addressing the significant harm of our legacy products.

"Change in motion" captures the reality that transformation is not a project with a defined end date, it is the continuous work of improvement, innovation, and adaptation that keeps us relevant and resilient. We do not transform once and declare victory. We transform continuously because markets evolve, science advances, stakeholder expectations rise, and new opportunities emerge. Motion implies momentum, direction, and purpose. It means we transform continuously, building on each success, learning from each challenge, and maintaining the drive that propels us forward.

This is who we are: a company perpetually in motion toward a better future, refusing to stand still even as we celebrate how far we have come. We embed value considerations—environmental, social, and financial—into our core business decisions. This focus guides us to direct resources toward what matters most: reducing the harm caused by smoking, building competitive advantages in smoke-free products, while respecting environmental and social boundaries. By weaving these priorities into investments, planning, and performance measures, we ensure both immediate progress and long-term resilience. Yet, our progress depends not only on our efforts, but on how the broader system evolves. Achieving a smoke-free future requires progressive regulatory interventions, public health policies that reflect harm reduction, scientific consensus on alternatives, and widespread consumer acceptance of new products.

Acknowledging what lies within and beyond our sphere of influence is not a limitation but a foundation for effective action. It allows us to be transparent about the pace and scope of change we can deliver directly versus what requires collective effort. It creates space for diverse actors (governments, public health authorities, civil society, the scientific community) to contribute their unique capabilities toward shared objectives. And it grounds our strategy in reality, ensuring that our targets reflect not only our ambitions, but also the systemic nature of the challenges we seek to address. This perspective shapes everything that follows: how we define our strategic priorities, how we measure progress, and how we engage with those who will play a critical role in whether our transformation succeeds.

Three corridors drive our transformation and propel our progress forward:

1. Making cigarettes obsolete

Supporting transformation

Combustible tobacco products

2. Maximizing access to smoke-free products

Growth priorities

Smoke-free products

3. Beyond smoke-free

Emerging opportunities

Wellness

Making cigarettes obsolete: our sphere of influence

Our vision to make cigarettes obsolete is both a societal imperative and our most significant business opportunity. Yet achieving this vision depends fundamentally on how the system in which we operate evolves. While we control what products we develop, how we market them, and where we deploy them, we do not control regulatory frameworks that facilitate or hinder transition, competitive dynamics, consumer preferences, nor the actions of governments and civil society organizations that influence consumer behavior.

This is why our sphere of influence matters so much. We can, and do, invest billions in R&D to develop better alternatives and scientifically substantiate their harm reduction potential. We can, and do, make these less harmful alternatives increasingly accessible and affordable to adult smokers and nicotine users. But we cannot unilaterally end cigarette sales. Doing so without adequate regulatory frameworks and accessible alternatives would simply shift consumption to illicit markets or other manufacturers' products, achieving no public health benefit while abandoning adult smokers who lack access to better options. In pursuing our vision of a smoke-free future, we are eager to see supply and demand measures introduced that build on smoking cessation efforts while driving large-scale consumer switching as quickly as possible for those who do not quit. Read more on PMI.com.

Today, we estimate that around 40 percent of smoke-free product users still also smoke cigarettes, with many of them in the process of fully switching to smoke-free products—a process that may require more or less time but can be expedited through enhanced innovation and broader market access to diverse product categories.[1] Making cigarettes obsolete means ensuring that all adult smokers, whether they use one smoke-free product or several, complete their transition away from combustible tobacco. Read more in the Access to smoke-free products chapter.
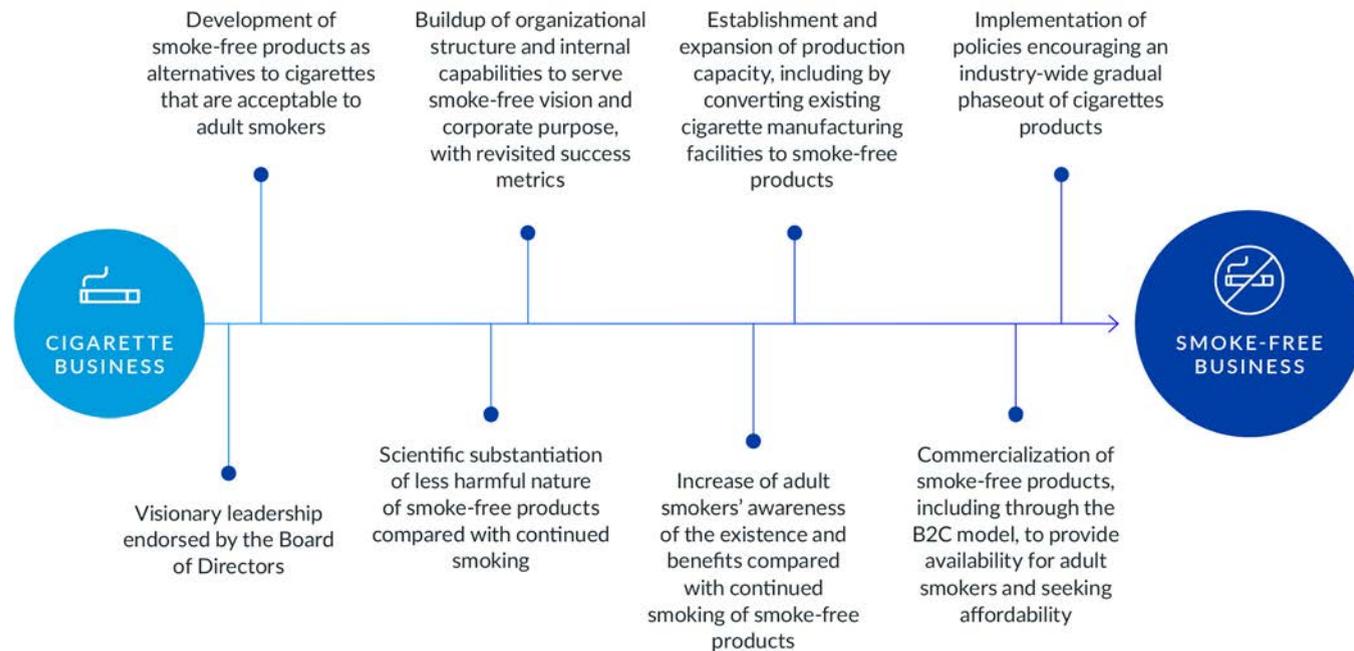
1. Past seven-day use based on consumer panel data in Q3'25. International based on 63 international markets (excl. U.S. and China). Source: PMI Market Research, PMI Financials or estimates.

We work within our sphere of influence by demonstrating through concrete actions and transparent metrics that we are committed to this transformation—even when it means cannibalizing our legacy business. We advocate for evidence-based regulation that can accelerate adoption of smoke-free alternatives while preventing underage access. We are willing to collaborate with public health authorities, even those who fundamentally disagree with our harm reduction approach, because transformation requires diverse voices and perspectives. And we measure our progress through Business Transformation Metrics that hold us accountable to this journey, creating transparency about where we succeed and where systemic barriers slow our progress.

In 2025, our shipment volume for combustible tobacco products declined by 28.9 percent compared with the levels pre-transformation, recorded in 2015. A stronger decrease of 36.9 percent was observed in markets where our smoke-free alternatives were available for sale.[1]

In 2025, across the wider industry encompassing all markets except China—including some where PMI does not operate—the volume of combustible tobacco products fell by 21 percent relative to 2015. In the markets where our smoke-free products were commercialized, the reduction across the industry reached 30 percent. In contrast, in those markets where smoke-free products are not available, industry combustible tobacco products volumes actually experienced a growth of 10 percent during that timeframe.

Change in motion:
supply and demand measures needed to drive cigarette obsolescence

Development of smoke-free products as alternatives to cigarettes that are acceptable to adult smokers

Buildup of organizational structure and internal capabilities to serve smoke-free vision and corporate purpose, with revisited success metrics

Establishment and expansion of production capacity, including by converting existing cigarette manufacturing facilities to smoke-free products

Implementation of policies encouraging an industry-wide gradual phaseout of cigarettes products

CIGARETTE BUSINESS

SMOKE-FREE BUSINESS

Visionary leadership endorsed by the Board of Directors

Scientific substantiation of less harmful nature of smoke-free products compared with continued smoking

Increase of adult smokers' awareness of the existence and benefits compared with continued smoking of smoke-free products

Commercialization of smoke-free products, including through the B2C model, to provide availability for adult smokers and seeking affordability

Regulatory encouragement and support from civil society through appropriate supply and demand measures are essential to achieve the systemic change required. Read more on PMI.com.

Maximizing access to smoke-free products: the science of nicotine and harm reduction

Our second strategic priority centers on accelerating adult smoker conversion to smoke-free alternatives through our "Access" framework: making our products available in more markets, ensuring they are affordable for diverse income levels, increasing awareness of their availability and benefits compared with smoking, building acceptability through a multi-category portfolio, and advancing advocacy for regulatory frameworks that facilitate transformation while protecting public health. Read more in the Access to smoke-free products chapter.

Importantly, this framework also includes our commitment to promoting and encouraging transparent research on nicotine science, separating the effects of nicotine alone from the harmful act of smoking and advancing scientific understanding of harm reduction. Read more in the Scientific research and product development chapter.

Beyond smoke-free: exploring adjacent avenues of growth in wellness

As we build on the foundation of our smoke-free transformation, we are establishing pathways beyond smoke-free products into wellness—an area that naturally complements our harm reduction mission and leverages our scientific capabilities, regulatory expertise, and consumer insights. This is not a departure from our smoke-free strategy but a natural evolution that leverages our transformation learnings while diversifying our business model beyond nicotine products entirely. Read more in the Wellness chapter.

While our focus remains on making cigarettes obsolete through smoke-free alternatives, these adjacent avenues represent the next horizon: opportunities to apply what we have learned about transformation, stakeholder engagement, and harm reduction to new challenges in consumer wellness.

1. For definitions, please refer to the Glossary. Data presented should be considered alongside the footnotes provided in the Performance metrics section.

Business Transformation Metrics: demonstrating intentionality through transparency

Since 2016, our Business Transformation Metrics (BTMs) have provided stakeholders with clear, comparable indicators of our progress toward a smoke-free future. These metrics go beyond traditional reporting frameworks to capture aspects unique to our transformation—the decline in cigarette volumes, the growth of smoke-free alternatives, geographic expansion into new markets, and the financial performance of our smoke-free business. BTMs exist to demonstrate intentionality. They show that our transformation is not rhetoric but a measured, strategic commitment backed by capital allocation, commercial focus, and executive accountability.

In 2025, we reviewed our BTMs and updated them to more accurately reflect the current phase of our transformation. As our smoke-free business matures and external expectations shift, we refined these metrics to enhance their clarity, relevance, and alignment with stakeholder priorities. We retired certain indicators that no longer reflect our strategic focus, evolved others to capture progress more precisely, and introduced new metrics where gaps existed. The result is a leaner, more focused set of core BTMs that provide meaningful transparency about our transformation journey while acknowledging the changing landscape and external factors that influence our business transformation

This evolution was essential to ensure that our metrics continue to provide meaningful and transparent insights, capturing not only our progress but also the areas where our control is the strongest; where we retain significant, though sometimes partial, control; and where our influence is more limited or shared—evaluating the broader outcomes and impacts on society and stakeholders, highlighting shifts that occur beyond our direct sphere of control.

2025 progress

Our investments in R&D, capital expenditure, and commercial spending remained fundamentally focused on advancing our smoke-free strategy. In 2025, we achieved a significant milestone: our smoke-free products became available in more than 100 markets worldwide, with more than 50 percent of these classified as low- and middle-income countries (excluding PMI Global Travel Retail)—successfully meeting our aspirations for 2025. This expansion reflects tangible momentum in our transition away from combustible products, with measurable positive outcomes in both consumer adoption and health objectives. For a comprehensive review of our progress, refer to the Consumers and Performance metrics sections of this report.

Outlook

Looking ahead to 2030, we continue to aspire to be a substantially smoke-free business, with smoke-free-related net revenues representing over two-thirds of our total annual net revenues globally. Moreover, also by 2030, we aim for around 60 of our markets to have smoke-free net revenues making up over 50 percent of their total net revenues. Of these markets, we aspire for around 40 to derive more than 75 percent of their net revenues from smoke-free.

These aspirations form the backbone of our Business Transformation-Linked Financing Framework issued in 2024 and they are integral components of our VALUE Index, which links performance across our strategic priorities to long-term variable executive compensation.

Category	Business Transformation Metrics	2015 (baseline)	2023	2024	2025*	Aspiration
INPUT	Adjusted R&D expenditure ratio (smoke-free/total)	69.6%	99.4%	99.5%	99.7%	
	Capital expenditure ratio (smoke-free/smoke-free+combustibles)[1]	27%	79%	81%	89%	
	Commercial expenditure ratio (smoke-free/total)	8%	74%	78%	77%	
OUTPUT AND OUTCOME	Number of markets where smoke-free products are available for sale[2]	7	84	95	106	
	- Number of markets where at least two categories of smoke-free products are available for sale[2,3]	0	36	45	52	
	Smoke-free product shipment volume (in billion units)[4]	1	140	159	179	
	- Smoke-free product shipment volume—heated tobacco units (in billion units)	0	125	140	155	
	- Shipment volume—oral products (in billion equivalent units)[5]	0	14	17	21	
	- Shipment volume—e-vapor (in billion equivalent units)	0	1	2	3	
	Smoke-free net revenues (in billion USD)[6]	0.2	12.8	14.7	16.9	
	Adjusted net revenues ratio (smoke-free/total)[6,7]	0.7%	36.4%	38.7%	41.5%	>2/3 by 2030
	- Net revenues ratio in markets where PMI smoke-free products have been available for sale for at least three years[2,6,8]	n/a	41.7%	42.7%	49.5%	
	Number of markets where >50% of net revenues are smoke-free[6]	0	25	23	27	~60 by 2030
	Number of markets where >75% of net revenues are smoke-free[6]	0	3	6	8	~40 by 2030
IMPACT	Total number of users of PMI smoke-free products (in millions)[9]	n/a	~33.5	~39	~43.5	
	Change in combustible tobacco product shipment volume versus 2015 baseline[10]	n/a	(27.9)%	(27.6)%	(28.9)%	
	- Change in combustible tobacco product shipment volume in markets where PMI smoke-free products are available for sale versus 2015 baseline[2,8,10]	n/a	(34.5)%	(35.4)%	(36.9)%	
	Change in combustible tobacco product industry volume versus 2015 baseline[10,11(a)]	n/a	(19)%	(19)%	(21)%	
	- Change in combustible tobacco product industry volume in markets where PMI smoke-free products are available for sale versus 2015 baseline[2,8,10,11(b)]	n/a	(26)%	(27)%	(30)%	
	- Change in combustible tobacco product industry volume in markets where PMI smoke-free products are not available for sale versus 2015 baseline[8,10,11(c)]	n/a	0 %	4 %	10 %	

* The 2025 data are subject to PwC's Limited Assurance Report, available here.
Note: Unless otherwise stated, all business transformation metrics include Swedish Match related data as of November 11, 2022 (acquisition date), as well as Wellness business.
1. Excludes PMI's Tech and other Capital expenditures that are not allocated to smoke-free nor combustible tobacco products.
2. For definition of available for sale, see Glossary.
3. Categories refer to heated tobacco, e-vapor and oral smoke-free products.
4. Includes heated tobacco units, e-vapor unit equivalents and oral smoke-free products in pouch or pouch equivalents, excluding snuff, snuff leaf and U.S. chewing tobacco.
5. Excludes snuff, snuff leaf and U.S. chewing tobacco.
6. For definition of net revenues related to smoke-free, see Glossary.
7. Data excludes the combustibles net revenues impact related to termination of distribution arrangement in the Middle East in 2023.
8. Based on number of markets where PMI's smoke-free products have been available for sale at the end of each respective year presented.
9. Total PMI smoke-free users is defined as the sum of total IQOS users, total oral smokeless users, and total e-vapor users of PMI products and considering poly-users across PMI's smoke-free product categories. For definitions, see Glossary.
10. Combustible tobacco products volume includes cigarettes and other tobacco products expressed in cigarette equivalent units. The indicator is calculated based on millions of units.
11. Worldwide, including the U.S., excluding China. For definition of industry, see Glossary. The industry estimates are calculated at the market and product level based on a methodology that includes the list of sources (such as third-party information from market research firms). The figures are reported on a monthly basis, governed by an internal standard. The 2015 baseline for each value is respectively 3.4 (a), 2.7 (b) and 0.8 (c) in billion equivalent unit and was used as the basis for computing 2025 metrics.

Closing our 2025 Roadmap

This year concludes our 2025 Roadmap, which we introduced in 2020. Our teams' dedication and collaborative spirit have driven meaningful advancements across all areas of focus, enabling us to deliver on key goals and create lasting value for our stakeholders.

On this page, we present a concise summary of our achievements and the milestones reached for each goal. Further details of both our successes and the lessons learned along the way can be found in the dedicated chapters of this report.

Building on the strong foundation laid by our 2025 Roadmap, the next pages of this report introduce our new plan for 2030 and beyond.

		Goals	2025 achievements summary
Product impact	**Purposefully phase out cigarettes**	Intentionally work toward phasing out cigarettes by ensuring that we become a substantially smoke-free company by net revenues by 2030 and continue to reduce our combustible shipment volume	In 2025, our smoke-free business net revenues reached USD 16.9 billion and represented 41.5 percent of our total annual net revenues. While our combustible cigarette business continued to show resilient performance, our commitment to drive their end is unwavering and our combustible tobacco product shipment volume decreased by 28.9 percent versus 2015.
	Maximize the benefits of smoke-free products	Develop and commercialize science-based smoke-free alternatives, making them available in 100 markets (of which at least half are low- and middle-income markets) and continue to increase the total number of users	By the end of the year, our smoke-free products were available for sale in 106 markets, of which more than 50 percent were low- and middle-income markets (excluding PMI Global Travel Retail). We estimate that approximately 43.5 million adults worldwide were using our smoke-free products.
		Deploy robust youth access prevention programs in indirect retail channels and ensure that sales of our products abide by our Marketing Codes	We covered the vast majority (98 percent) of our shipment volume with youth access prevention programs in our indirect retail channels.
	Seek net positive impact in wellness and healthcare	Lay the foundation to evolve into a broader lifestyle, consumer wellness and healthcare company in the long term	Through both partnerships with companies of complementary expertise and end-to-end development of in-house brands and products, Aspeya, PMI's wellness unit, continued to innovate, optimize formulas, and prioritize responsible innovation.
	Reduce post-consumer waste	Reduce post-consumer waste and prevent littering by implementing comprehensive programs covering all our consumables	Our anti-littering programs for cigarette butts covered 91 percent of shipment volumes, while end-of-life take-back programs for smoke-free consumables covered 56 percent of shipment volumes by year-end.
		Follow eco-design and circularity principles for all smoke-free electronic devices	All new PMI-designed electronic devices launched on the market by year-end 2025 implemented eco-design requirements and obtained eco-design certification.
Operational impact	**Foster an empowered and inclusive workplace**	Nurture a fair and inclusive culture that promotes the continuous development of our employees	By year-end, 76 percent of employees globally had access to structured lifelong learning opportunities. Further, in 2025, 34.4 percent of senior roles were held by women and we continued to harness the variety of nationalities in our workforce to drive our success.
	Improve the quality of life of people in our supply chain	Eradicate systemic child labor in our tobacco supply chain	Child labor prevalence affected zero percent of our purchased tobacco, demonstrating continued eradication of systemic child labor issues in the farms we contract with.
		Ensure all contracted tobacco farmers make a living income; partner with our direct suppliers to promote a living wage for their workers	Through the implementation of initiatives aimed at boosting farm productivity and encouraging income diversification, 99.6 percent of contracted farmers supplying tobacco to PMI made a living income by year-end 2025.
	Tackle climate change	Achieve carbon neutrality in our operations and accelerate our decarbonization toward net zero across our value chain	Our absolute scope 1+2 greenhouse gas (GHG) emissions decreased by 46 percent versus 2019, and we achieved carbon neutrality in our direct operations. Further, our absolute scope 1+2+3 GHG emissions decreased by 17 percent within the same timeframe.
	Preserve nature	Promote biodiversity, address critical water challenges, ensure no conversion of natural ecosystems, and halt deforestation in both our tobacco and pulp and paper supply chains	We achieved 99 percent of tobacco purchased at no risk of net deforestation of managed natural forest and no conversion of natural ecosystems. Our water stewardship initiatives have contributed to optimizing a total of 17.44 million cubic meters of water in our tobacco-growing areas since 2019.

Note: For additional information regarding the 2025 values presented on this page, please refer to the footnotes within the Performance metrics section, as applicable.

Our approach to sustainability

Meaningful progress and long-term business value are realized when a clear vision is translated into action through robust processes, collective accountability, and a commitment to transparency.

Our approach is grounded in this conviction, and in our understanding that sustainable business value is created by investing across all forms of capital, not financial capital alone.

Understanding sustainability as a driver of long-term value creation

As set out in this report's introduction, we view value creation through six interconnected capitals: financial, manufactured, intellectual, human, social and relationship, and natural. Sustainability is the lens through which we steward and grow these capitals over time, ensuring that the value we create today strengthens (rather than depletes) the capitals we, and others, depend on tomorrow. This understanding shapes how we compete. Integrating sustainability across our business activities strengthens our competitive positioning by unlocking value through multiple channels.

We maintain rigorous standards of accountability and transparency that enable us to navigate evolving regulatory landscapes efficiently. We build resilience by identifying environmental and social risks proactively, protecting our operations and reputation from unforeseen disruptions.

We drive operational excellence through continuous improvement, optimizing how we use resources and deliver projects. We pursue innovations that generate environmental and social benefits alongside commercial returns, differentiating our offerings and enhancing brand value. And we strive to create positive systemic change within our company and across our industry.

While each of these dimensions matters, it is through innovation and sustained investment across various forms of capital that sustainability becomes a true competitive advantage, not a parallel agenda, but the very substance of how we build durable business value.

By investing in natural, human, social, intellectual, and manufactured capital—not just financial capital—we strengthen the foundations on which our business depends and position ourselves to capture opportunities others cannot see. This means we are not merely managing risks or meeting compliance baselines but actively building capabilities that drive differentiation and growth.

From understanding to action

Our approach embeds this understanding into decision-making across the organization. Through our sustainability materiality assessment, we have identified where our actions intersect most significantly with business imperatives and where we can create the greatest impact.This clarity allows us to allocate resources toward initiatives that deliver measurable outcomes: reducing the harm caused by smoking, respecting environmental boundaries, strengthening supply chain resilience, and maintaining the trust that enables us to operate and grow. In doing so, we ensure that value considerations (environmental, social, and financial) shape investment decisions, operational planning, and performance measurement in ways that advance both near-term results and long-term resilience.

This is what we mean by sustainable business value: outcomes that are durable precisely because they strengthen and preserve, rather than deplete, the foundations on which our business and society depend.

Regulatory compliance
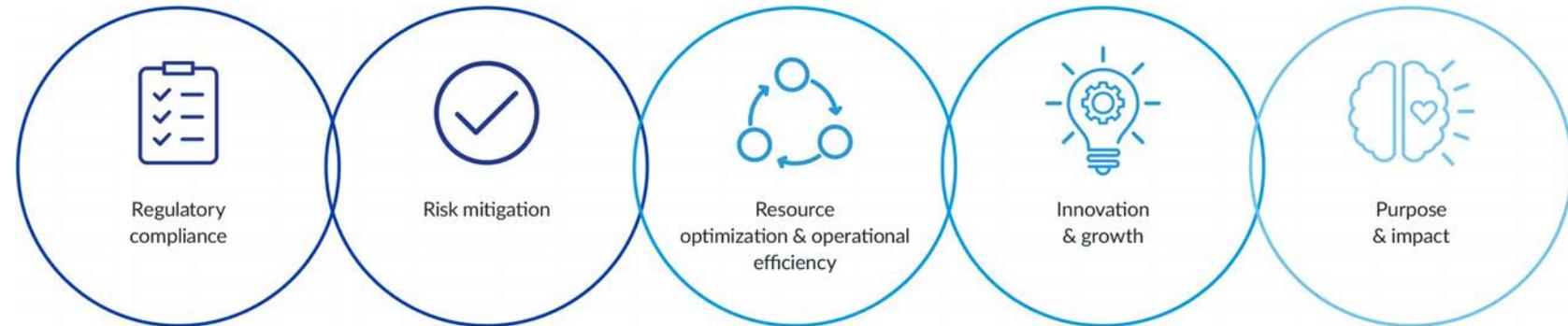
Regulatory bodies globally are enforcing stricter guidelines on transparency and accountability in sustainability, making compliance with evolving sustainability standards crucial. Ensuring readiness is the basis and foundation of our strategy.

Risk mitigation

Identifying and mitigating sustainability-related risks tied to environmental and social issues is essential for business resilience. It protects our operations, enhances our reputation, and creates growth opportunities, ensuring our long-term success.

Resource optimization & operational efficiency

Streamlining processes and optimizing resource allocation can enhance productivity, reduce costs, and boost profitability and competitive advantage. This involves adopting technology, adopting circular practices, optimizing our supply chain, and developing our employees.

Innovation & growth

Aligning sustainability with long-term goals, driving innovation for competitive value, and future-proofing our business are interconnected strategies that ensure our company's enduring success and relevance in a rapidly changing world.

Purpose & impact

Transformational leadership is core to our approach to sustainability. It is about inspiring significant, lasting changes at PMI and in our industry—influencing standards, shaping policy, and driving systemic change that redefines market expectations.

Defining our priorities

By relying on a comprehensive, double materiality-based approach that evaluates topics from both impact and financial perspectives, we ensure a balanced understanding of how sustainability issues affect both our business and society.

Recognizing the dynamic nature of these topics, we review and update our sustainability materiality assessment annually, with in-depth evaluations that can capture any significant shift. This cyclical process ensures continuous improvement and agility.

Our latest assessment, completed in 2024 and updated in 2025, reflects ongoing improvement and robust governance. It aligned with the requirements of the European Sustainability Reporting Standards (ESRS) and leveraged PMI's Enterprise Risk Rating Methodology for cohesive risk management.

The outcome provided a critical foundation for shaping our strategic priorities. These priorities serve as overarching categories that thoughtfully group together our material sustainability-related matters, offering structure and clarity to guide our agenda:

– Consumers
– Circularity
– Our workforce
– Workers in our value chain
– Climate
– Nature

In this report, the opening section of every chapter summarizes key results from the materiality analysis for each strategic priority, and an overview of the overall results of the assessment is available on page 145. More information regarding the assessment's methodology and outcomes can be found in our separate Sustainability Materiality Report 2025.

Our strategic framework

We have organized our six strategic priorities based on their connection with our products (or WHAT we produce) or with our operations (or HOW we produce them), and whether they are social or environmental in essence.

This distinction has underpinned our strategy for several years. Product impact, which considers the consequences of our offerings throughout their lifecycle on people and the planet, is where our approach truly distinguishes us. Operational impact encompasses the broader effects arising from our business practices and activities across the value chain.

The result of this double categorization is our updated framework, reflecting clearly the priorities of our Value Plan 2030+.

Connectivity and trade-offs

The six priorities in the framework are deeply interconnected. As we develop and implement programs, our aim is to identify holistic solutions that serve not one, but many or all of these priorities. However, we recognize that trade-offs are inevitable, and making informed decisions about how, when, and where to allocate resources is essential. We discuss connectivity and trade-offs in further detail at the end of the individual chapters of this report, each focused on one of our strategic priorities.

Reporting transparently

Our annual Value Report and additional sustainability disclosures provide a clear, transparent overview of our approach, performance, and outlook.

Our sustainability reporting process is designed and reviewed in collaboration with internal risk teams to address key risks such as errors, inaccurate data, and subjective statements. All content is reviewed by multiple individuals, up to PMI's Sustainability Committee—comprised of members of Company Management.

We leverage automation and AI to improve efficiency and reduce manual errors in data collection and processing, though all AI-generated content is reviewed and finalized by humans. Important data is routinely assessed by our independent internal audit team, and selected quantitative information is verified by external assurance providers.

As sustainability disclosure moves toward mandatory frameworks, we actively support standard harmonization, recognizing its role in building market confidence and enabling meaningful comparisons. Our Sustainability Team collaborates with our finance, legal, and risk management functions to ensure our reporting meets current requirements while proactively preparing for future changes, remaining committed to continually enhancing the accuracy and reliability of our disclosures.

Setting aspirations and targets

Our aspirations, detailed in our Value Plan 2030+, define what we aim to achieve across our strategic priorities over the medium to long term. To measure progress, we established clear targets and performance indicators aligned with recognized external reporting standards wherever possible.

We set ambitious yet feasible targets based on available resources, our maturity on sustainability topics, industry benchmarks, and our sphere of influence. This includes assessing what lies within our direct control versus what requires collaboration with others, a distinction that allows us to derisk our strategy by being transparent about the pace and scope of change we can deliver directly versus what depends on systemic shifts.

Each chapter in this report concludes with a comprehensive outline of our targets through 2030.

Social   **Environmental**

Product impact — Consumers | Circularity

Operational impact — Our workforce | Climate ; Workers in our value chain | Nature
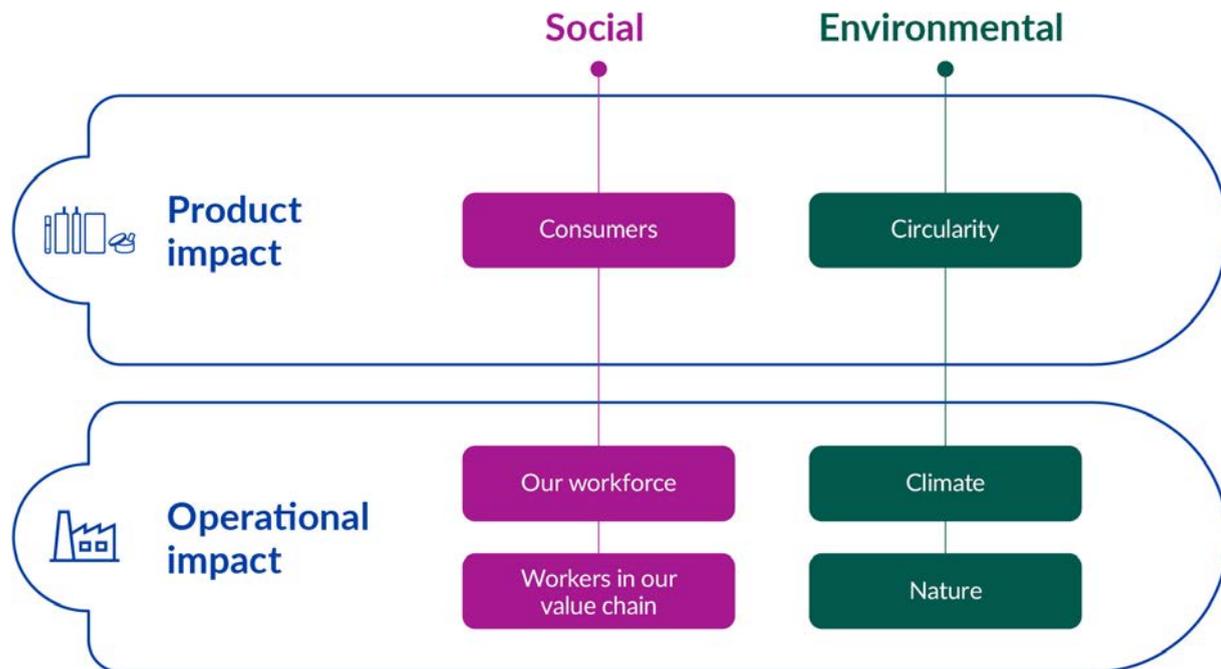
Integrating sustainable value creation into governance and management

Our governance structure ensures accountability and execution at every organizational level.

Board of Directors

The Board of Directors of Philip Morris International Inc. (the "Board" or "Board of Directors") plays a critical role in ensuring robust oversight of our Value Plan 2030+, which the Board approved at the end of 2025. While the Nominating and Corporate Governance Committee (NCGC) is responsible for overseeing the company's overall sustainability strategies and performance, several other Board committees provide focused oversight on specific sustainability topics. Further, the Audit and Risk Committee (ARC) reviews all sustainability information included in the company's financial reporting framework, as well as the internal controls and procedures related to sustainability disclosures. The Compensation and Leadership Development Committee (CLDC) oversees executive compensation, including the evaluation of company performance against the PMI VALUE Index (formerly PMI Sustainability Index, until 2025). Our Chief Sustainability Officer provides at least annual updates to the CLDC, NCGC, ARC, and the full Board of Directors on sustainability matters. In addition, relevant members of Company Management responsible for specific sustainability topics regularly update their respective committees.

PMI's 2026 Proxy Statement contains detailed information on our Board and committee structure, the independence of its members, and the responsibilities and meeting frequency of each committee. The Board has adopted corporate governance guidelines that—together with the company's charter, bylaws, Board committee charters, PMI's Code of Conduct, and related-person transactions policy—serve as the governance framework for the company. Each of these documents is available on PMI.com.

Company Management

Members of Company Management are responsible for driving progress on our strategic priorities and delivering on our targets within their respective areas of responsibility. Accountability of relevant Company Management members for specific topics, as applicable to the 2025 reporting period, is detailed in each chapter of this report dedicated to our strategic priorities.

To ensure alignment and effective oversight across the organization, PMI's Sustainability Committee—composed of members of Company Management, including our Group CEO PMI—meets at least four times per year. In 2025, the Sustainability Committee's discussions included the review of PMI's VALUE Index performance, sustainability disclosures publication, the methodology and results of our sustainability materiality assessment, and updates on key initiatives. Importantly, the Sustainability Committee played a central role in informing the development of our Value Plan 2030+ and formally approved its adoption and related targets.

Our Chief Sustainability Officer (CSO), reporting to the Group Chief Financial Officer, spearheads the integration of sustainability into our corporate strategy, regularly briefing the Sustainability Committee and Board of Directors on progress and strategic implications.

Operational management and program delivery

Through a cross-functional Sustainability Advisory Group, our CSO orchestrates collaboration across departments to capture emerging opportunities, manage risks, and monitor progress. The Sustainability Team is responsible for defining PMI's overall sustainability strategy and establishing priorities, aspirations, and targets—all informed by the sustainability materiality assessment—and for reporting on progress. Program-specific working groups coordinate initiatives to maximize business impact and operational efficiency. Regions and markets are responsible for the deployment of PMI's strategy. At regional and market levels, dedicated sustainability coordinators ensure strategic alignment while adapting initiatives to local business contexts and tracking performance against key metrics.

Linking key value drivers to executive compensation—PMI VALUE Index

Developed in 2021, PMI's VALUE Index, formerly Sustainability Index (the Index) consists of a set of key performance indicators (KPIs) designed to link executive compensation to performance across our strategic priorities and incentivize progress. Since 2022, the Index is linked to 30 percent of our performance-based long-term equity awards, demonstrating its continued strategic importance.

This linkage reflects our understanding that long-term business success depends fundamentally on performance across multiple dimensions of value creation, not financial capital alone. By tying executive compensation to these outcomes, we ensure leadership accountability for strengthening the very foundations our business requires to operate and grow. The KPIs selected for the Index are material drivers of our competitive positioning and future resilience—including Business Transformation Metrics that track our smoke-free growth, environmental indicators that address resource constraints and climate risks, and social metrics that safeguard our supply chain integrity, workforce capabilities, and responsible marketing and commercialization of our products.

Each indicator directly influences our ability to deliver sustainable value over time.

The Index evolves year on year to reflect the maturity of KPIs, different time horizons, and evolving challenges and priorities. Each Index is built on carefully selected KPIs that track our progress. At the start of each performance share unit (PSU) cycle, our Board of Directors approves these KPIs, their weight, and target ranges for each KPI. Learn more on PMI.com.

Final score of PMI's 2023–25 Sustainability Index

The year 2025 marked the completion of the performance cycle for the Sustainability Index 2023–25, which achieved a performance rating of 125 percent for Product Sustainability and 150 percent for Operational Sustainability. The Index total score for the 2023–25 cycle was 133 percent. Further details about this Index performance and scoring are available in PMI's Proxy Statement 2026 and on PMI.com.

The results of this 2023–25 Index were subject to limited external assurance by PwC (see the external statement on PMI.com). In addition, all KPIs included in the 2023–2025 Index underwent external verification: climate-related KPIs were independently verified by SGS, while the remaining KPIs were assured by PwC. These independent assurance statements are also available on PMI.com.

For more information:

– PMI.com for PMI's Sustainability Index PSU cycles 2022–24, 2023–25, 2024–26, and 2025–27

– PMI's annual Proxy Statement: for disclosure of performance, scoring, and achievement for vested awards.

– PMI's Non-financial KPI hub: for a transparent explanation of how we define and measure progress, each Index KPI has its own standard, which includes definitions, assumptions, scope, methodology, and basis for preparation.

Introduction of PMI's VALUE Index

Building on this foundation, we developed a new VALUE Index (the Index) aligned with our Value Plan 2030+. This Index will serve for the next three PSU cycles, starting with the 2026-28.

While it continues to follow the same guiding principles, structure, and governance, the updated Index features a streamlined set of individual KPIs, reflecting a more focused approach to incentivizing progress on key strategic matters. Building on learnings from previous cycles, this refinement prioritizes outcome-driven indicators that demonstrate tangible progress against our long-term objectives.

The VALUE Index maintains key structural elements that ensure consistency and strategic alignment. It preserves the established division between Product impact and Operational impact components, and aligns with the six strategic priorities of PMI Value Plan 2030+. Product Impact continues to receive greater weight in accordance with the results of our SMA, accounting for 20 percent of the PSU award (versus 10 percent for Operational Impact).

The Index mechanics, including governance processes and performance measurement methodologies, remain consistent with our established approach, ensuring comparability across cycles while incorporating targeted improvements that enhance relevance and clarity in tracking our transformation journey.

More information about these mechanics is available on PMI.com.
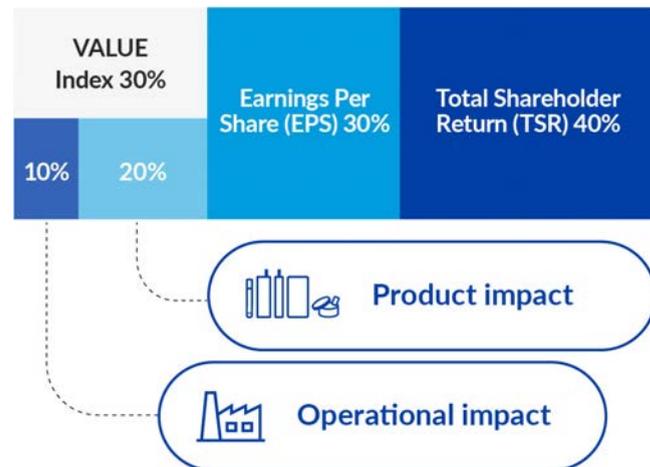
VALUE Index

VALUE stands for **Viability**, **Adaptability**, **Long-term performance**, and **Uplifting Excellence**. Accordingly, the (new) VALUE Index best demonstrates how our approach to value creation extends beyond financial performance to encompass the full range of resources and relationships on which our success is based. It recognizes that sustainable business results require investing deliberately in multiple forms of capital—human, intellectual, natural, manufactured, and social—alongside financial capital. This name better reflects the intended outcome of our efforts: to create, preserve, and enhance value over the short, medium and long term through risk mitigation, regulatory compliance, operational efficiency, innovation, and purposeful impact. The term VALUE positions these drivers more clearly as fundamental to enterprise strategy rather than compliance or reporting activities, while maintaining full transparency on the underlying performance metrics that matter to our business. In this way, the VALUE Index operationalizes our core conviction: that the sustainability of our business depends on performance across every capital we steward, not just the financial returns we generate.

PMI VALUE Index 2026–2028

Strategic priorities	Key performance indicators	KPI weight
Consumers	Adjusted net revenues ratio (smoke-free/total)	80%
	Number of markets where >50% of net revenues are smoke-free	
	Percentage of PMI's total shipment volume covered by youth access prevention programs in indirect retail channels	
Circularity	Percentage of overall recycled content in device portfolio	20%
Product Impact performance		**100%**
Our workforce	Three-year average turnover at senior roles who were recently hired or promoted/upgraded	50%
Workers in our value chain	Proportion of the most economically vulnerable farmers benefiting from interventions that drive a measured increase in income	
Climate	Absolute scope 3 Forest, Land, and Agriculture (FLAG) greenhouse gas emissions reduction versus 2019 baseline	50%
Nature	Proportion of priority forest area in PMI tobacco and paper and pulp-based product supply chains with zero deforestation	
Operational Impact performance		**100%**

VALUE Index 30%

10% | 20% | Earnings Per Share (EPS) 30% | Total Shareholder Return (TSR) 40%

Product impact

Operational impact

Policies and commitments

A robust set of sustainability-related policies, guidelines, and standards guides decision-making and risk management across PMI. Covering key areas such as environmental impact, supply chain resilience, and human rights, these instruments serve as operational guardrails that support sustainable business practices, strengthen stakeholder trust, and enhance business integrity.

We provide on this page an overview of key sustainability-related policies that are publicly available in full on PMI.com. These policies, alongside additional relevant commitments, guidelines, and standards are referenced throughout the chapters of this report dedicated to each of our six strategic priorities.

PMI policy	Overview	Strategic priorities covered
Agricultural Labor Practices (ALP) Code	Our ALP Code defines the labor practices, principles, and standards PMI expects to be met on all tobacco farms with which PMI or PMI's suppliers have contracts to grow tobacco for PMI. It focuses on child labor, income and work hours, fair treatment, forced labor and human trafficking, safe work environment, freedom of association, terms of employment, and compliance and enforcement.	Workers in our value chain
Code for Design, Marketing & Sales of Combusted Tobacco Products	This Code establishes the core principles, practices, and governance processes to follow for all design, marketing, consumer engagement, and sales activities for PMI combustible tobacco products, ensuring we meet strict ethical and regulatory standards. It sets strict principles for responsibly marketing and selling combustible tobacco products only to adult smokers who choose to continue smoking, with robust safeguards against underage appeal, misleading claims, and interference with quitting.	Consumers
Code for Design, Marketing & Sales of Smoke-free Products	This Code establishes the core principles, practices, and governance processes to follow for all design, marketing, consumer engagement, and sales activities for PMI smoke-free products, ensuring we meet strict ethical and regulatory standards. It sets strict principles for responsibly marketing and selling smoke-free products only to adult consumers, with robust safeguards against underage appeal, misleading claims, and interference with quitting.	Consumers
Code of Conduct	The PMI Code of Conduct sets out the fundamental principles and standards of ethical behavior expected from all employees, officers, and directors. It serves as a cornerstone for responsible business conduct, fostering a culture of integrity, respect, and accountability across all PMI operations.	Consumers Circularity Our workforce Workers in our value chain Climate Nature
Environmental Policy	This Policy serves as a foundational element in our approach, providing a comprehensive, materiality-based framework for managing environmental matters. This policy empowers us to proactively identify and address environmental risks, seize sustainable business opportunities, and ensure strong governance over all environmental decision-making processes. Through this framework we are able to maintain the trust of our stakeholders by making substantiated commitments and practicing transparent accountability.	Circularity Climate Nature
Good Agricultural Practices (GAP)	GAP defines the principles and measurable standards to be met by all those who grow and supply tobacco to PMI. These principles and standards are organized around three focus areas (pillars): Crop, Environment, and People (ALP). Governance is the foundation of these pillars and incorporates the management processes that must be put in place to successfully implement GAP.	Workers in our value chain Climate Nature
Human Rights Commitment	This Commitment outlines PMI's dedication to respecting and promoting human rights across our global operations and value chain. The document details PMI's foundational principles—including prohibitions on child and forced labor, anti-bribery, responsible sourcing, data privacy, diversity and inclusion, fair working conditions, and respect for land rights and freedom of association—and describes systematic due diligence, capacity building, risk assessment, grievance mechanisms, and transparent reporting as core elements of its human rights governance.	Consumers Circularity Our workforce Workers in our value chain Climate Nature
Responsible Sourcing of Minerals Policy	This Policy outlines the company's commitment to ensuring that minerals in its supply chain—particularly 3TGs and cobalt—are sourced responsibly, in line with OECD guidance and human rights principles, and without contributing to conflict or abuses. It establishes due diligence expectations for suppliers, mandates sourcing from validated conflict-free smelters and refiners, and reinforces PMI's ongoing efforts to strengthen responsible mineral practices as its business evolves.	Circularity Workers in our value chain Nature
Responsible Sourcing Principles (RSP)	The RSPs strive to ensure a long-term sustainable supply that protects the environment and enhances livelihoods within our value chain. It outlines the values, as well as the process and performance requirements, that our suppliers must refer to and adhere to as part of their business relationship with PMI. It sets out expectations regarding legal compliance, business integrity, human rights, and environmental stewardship.	Circularity Workers in our value chain Climate Nature
Zero Deforestation Manifesto (ZDM)	The ZDM complements and details the deforestation-related aspects described in PMI's Environmental Policy. It outlines PMI's approach to eliminate deforestation risks in its value chain, which includes annual risk assessments, supplier and farmer engagement, third-party verification, and respect for local communities' rights, with progress reported annually and a focus on sustainable sourcing, traceability, and restoration activities to protect biodiversity and forest ecosystems.	Climate Nature

Risk management for long-term value

Our business operates in a complex, volatile and regulated environment with a rapidly evolving global landscape where stakeholder expectations are constantly increasing. In response to such expectations, we run a robust Enterprise Risk Management (ERM) program to manage current and future risks that may introduce variations to our expected performance and business objectives. This program enables us to effectively manage uncertainties while enhancing the company's resilience and protecting its value (read more in PMI Proxy Statement 2026).

We integrate sustainability-related risks and opportunities into our enterprise risk management framework. By proactively addressing uncertainties tied to our Value Plan 2030+, we protect long-term enterprise value, secure access to sustainable financing, and meet stakeholder expectations.

These sustainability-related risks and opportunities relate to factors and drivers that could impact our strategic objectives. At the corporate level, the Group Chief Financial Officer oversees these risks and has appointed the Chief Sustainability Officer to manage risk response efforts. Material sustainability-related matters are embedded across all key risk areas, and dedicated working groups regularly assess and address key risk drivers. We continuously adapt our practices to respond to evolving regulations and stakeholder expectations, ensuring our Value Plan 2030+ remains resilient and value-driven.

Our ERM function strongly collaborates with our Sustainability and other cross-functional teams to conduct PMI's sustainability materiality assessment (SMA). This collaboration ensures that sustainability-related risks and opportunities are assessed in a manner consistent with how other types of risks and opportunities are assessed. It also enables us to assess the financial materiality of sustainability matters holistically, ensuring an aligned view between the outward impact assessment and the inward financial risk and opportunity assessment. Read more in this dedicated report.

Specialized assessments

Risks to long-term value can be multi-faceted and vary in nature, reflecting potential adverse impacts across the multiple forms of capital on which our business depends, including natural and social. While our SMA identifies where sustainability issues intersect with business value, we complement this with specialized, periodic assessments designed to delve into the unique aspects and intricacies of specific sustainability matters. These targeted assessments allow us to properly consider the nuances of underlying impacts and risks and how they may affect our business continuity and long-term success. The management responses are tailored to the distinctive characteristics of each concern. The results of these assessments are integrated into our SMA and, where material, inform our enterprise-wide risk landscape, enabling rapid response to protect the capitals our business requires to operate and grow.

Human rights saliency mapping | A saliency assessment aims to pinpoint significant human rights concerns and evaluate them from the perspective of those affected, applying the "scale," "scope," and "remediability" criteria as outlined by the UN Guiding Principles on Business and Human Rights (UNGPs). In 2025, we updated our human rights saliency mapping in collaboration with an external expert, Article One. This refresh considered key groups of rights holders present where we operate, including consumers, employees and contractors, suppliers and supply chain workers, and other relevant stakeholders.The process involved identifying and then prioritizing both existing and potential negative impacts, on an inherent basis, for each stakeholder group to guide ongoing mitigation efforts.

In summary, for consumers, the findings highlighted the importance of the product health impact, scientific integrity, and the need for responsible approaches to marketing and sales, which are discussed in the Consumers chapter. For employees and contractors, the primary topics highlighted were occupational health and safety—including mental health —and security matters, which are discussed in the Our workforce chapter. Generally, the connection between environmental consequences and effects on human rights was emphasized for a wider range of stakeholders—our work is described in the Climate and Nature chapters. We describe the findings pertaining to suppliers and workers in the supply chain in the Workers in our value chain chapter. Meanwhile, access to grievance mechanisms continued to be highlighted as a priority, pervasive across all stakeholder groups considered.

Human rights impact assessments | To strengthen our due diligence framework and proactively identify and mitigate adverse impacts along our operations and value chain, we conduct human rights impact assessments (HRIAs) in the highest-risk countries in which we operate. To identify and prioritize markets that have the highest inherent human rights challenges, we refer to a range of independent international indices, and factor in the extent and nature of PMI's footprint in each market, including presence of manufacturing facilities and type of supply chain. Our HRIAs are carried out by independent expert organizations and follow a formal process aligned with the UNGPs. Our methodology begins with country-level scoping, where we analyze external reports and internal data to understand the local human rights landscape. This is followed by deep stakeholder engagement, including interviews and focus groups with employees, contractors, suppliers, and community members, ensuring that the voices of rights-holders are central to our process. Our assessments span corporate offices, manufacturing sites, and third-party networks, allowing us to capture a comprehensive view of potential impacts. Each assessment results in tailored action plans that guide our efforts to mitigate negative impacts and strengthen human rights practices.

Climate change risks and opportunities assessment | We conduct biannual Climate Change Risks and Opportunities (CCRO) assessments in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We employ a rigorous and science-based modeling approach, aligned with internationally recognized best practices, to evaluate physical and transition risks throughout our value chain, enabling robust projections through 2040. A detailed explanation of our assessment process is included in PMI's Climate Transition Plan 2025.

Nature risks and opportunities assessment | We also conduct Nature Risks and Opportunities (NRO) assessment in line with the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD). This assessment is informed both by our global biodiversity impact assessment and by our global and local water risk assessments (all described in the Nature chapter). We anticipate sharing outcomes from our NRO assessment in 2026.

Environmental risk analysis | In addition to conducting CCRO and NRO assessments, we carry out Environmental Risk Analyses (ERAs) at our own facilities to identify site-specific environmental risks associated with our direct processes. This operational risk assessment conducted at site level covers both physical and regulatory risks, and includes water, biodiversity, and waste management topics among others.

Critical raw materials assessment | As our company continues to transform, we are placing increasing emphasis on assessing sustainability impacts and risks across our electronics supply chain, gradually extending this analysis down to critical raw materials. We expect this assessment to serve as a foundation for the implementation of more targeted mitigation strategies, supporting our efforts to continuously enhance our supply chain due diligence and eco-design efforts. Read more in the Workers in our value chain and the Circularity chapters.

We continue to work toward integrating specialized sustainability risk assessments into our ERM program, strengthening alignment with the Enterprise Risk Rating Methodology. This approach enhances comparability between risks and opportunities, enabling more informed decisions about resource allocation and ensuring that long-term considerations are effectively incorporated.

Introducing our Value Plan 2030+

Purpose-aligned and grounded in the results of our sustainability materiality assessment, our new strategy for 2030 and beyond will chart the course for our next phase of sustainable growth.

Built on the progress we have made over the past decade and the clarity gained through our sustainability materiality assessment, our new strategy defines how we will continue building a business model fundamentally oriented toward reducing harm while creating value.

This report unveils our Value Plan 2030+, which translates this understanding into measurable strategies and targets across six priorities: (1) consumers, (2) circularity, (3) our workforce, (4) workers in our value chain, (5) climate, and (6) nature.

This plan identifies where our actions intersect most significantly with business imperatives, ensuring our initiatives drive tangible outcomes across various forms of capital. Further insights can be found in the introductions to the individual chapters of this report, focusing on each strategic priority.

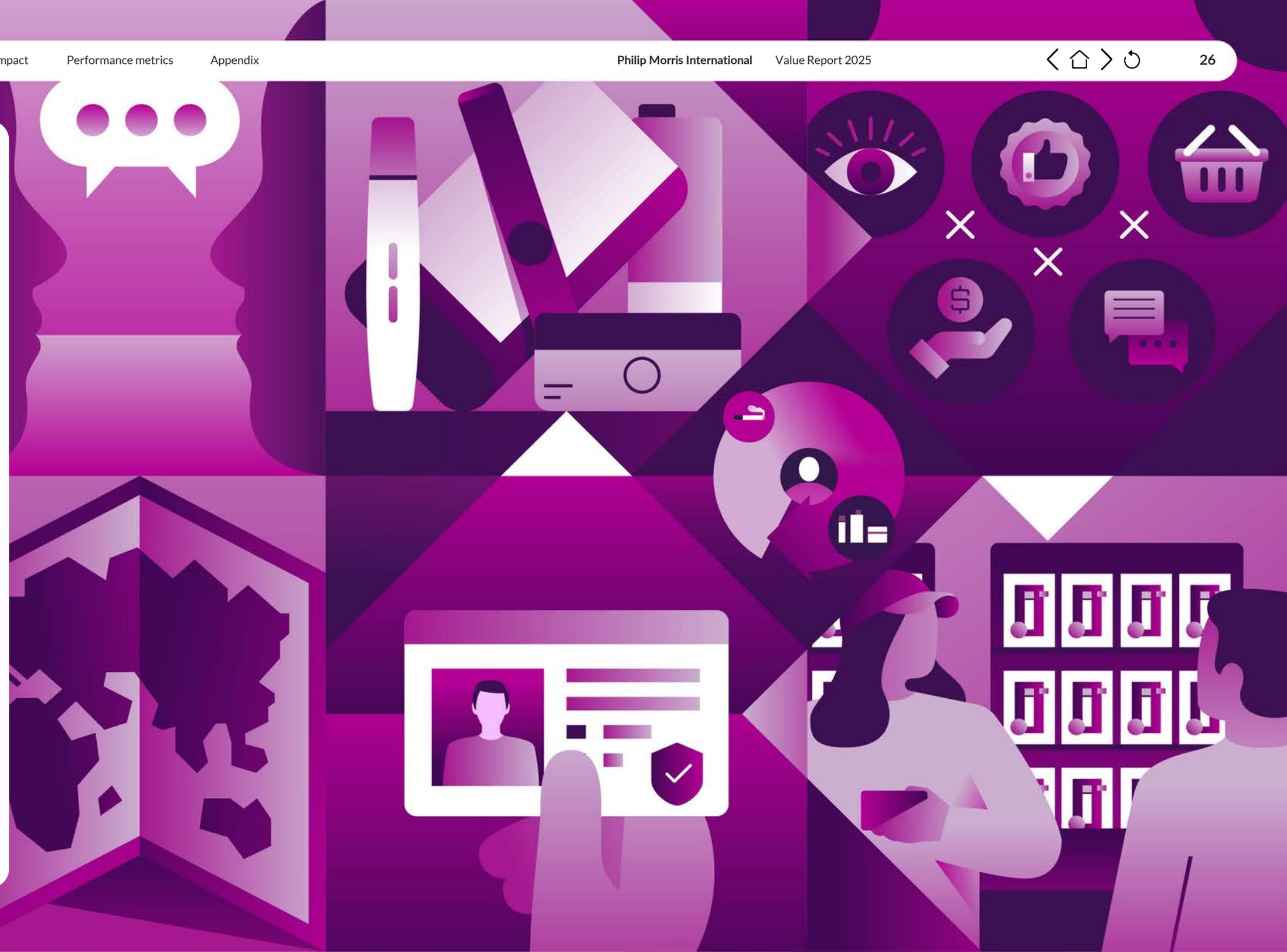|	Strategic priority	Aspiration	Targets
Product impact	**Consumers**	Lead the change by maximizing access to smoke-free products among legal age consumers and actively working to make cigarettes obsolete, while continuing to uphold robust safeguards that help ensure the responsible marketing, sale, and use of our products.	– >2/3 net revenue ratio (smoke-free/total) by 2030 – ~60 markets where net revenues from smoke-free exceed 50% of total net revenues, including ~40 where they exceed 75% of total net revenues by 2030 – 100% of online sales orders in our online direct retail channels subject to technology-based mandatory age verification, where technology is available, by 2030 – >95% success rate of PMI's Challenge 30 global mystery shopper program across PMI International's markets which have a brand retail presence as of 2026 – >90% of total shipment volume covered by youth access prevention programs in indirect retail each year as of 2026
	Circularity	Embed sustainability across the full lifecycle of our product portfolio—electronic devices, consumables, and packaging—by prioritizing the use of recycled and responsibly sourced materials, optimizing product durability and recyclability, and fostering responsible end-of-life management.	– ≥10% recycled content in our electronic device portfolio by 2030 – ≥80% of our shipment volume covered by markets with anti-littering program in place for cigarettes, every year through 2030 – 1 consumable with plastic-free filter per PMI heat-not-burn technology platform commercialized by 2030
Operational impact	**Our workforce**	Empower our employees to thrive throughout their career by nurturing a growth mindset, providing skills development, and fostering an inclusive workplace where everyone can succeed in a fast-changing environment.	– ≥80% Wellbeing Index score, maintained through 2030 – 100% of our employees earn a living wage, maintained through 2030 – Global EQUAL SALARY certification, maintained through 2030 – <5% three-year average turnover for senior roles filled through recent hires or promotions, maintained through 2030 – 80-90% three-year average internal development rate for managerial roles, maintained through 2030 – 100% coverage of ISO 45001 certification of PMI entities producing over three billion cigarette equivalents or more than 0.5 billion unit equivalents (pieces or pouches) annually, maintained through 2030 – <0.1 recordable incidents per 200,000 hours worked, maintained through 2030
	Workers in our value chain	Improve the livelihoods of workers in our value chain through a transparent, tailored, and risk-based due diligence that enables targeted and impactful interventions.	– 90% of priority suppliers meeting PMI's sustainability due diligence standard by 2030 – >90% of priority suppliers with identified child labor risk having implemented targeted prevention and remediation initiatives by 2030 – <0.1% prevalence of child labor in our tobacco and nicotine agricultural supply chain by 2030 – >95% of contracted tobacco farmers supplying tobacco to PMI achieving a living income, each year as of 2026 – >80% of the most economically vulnerable contracted tobacco farmers benefiting from interventions that drive a measurable increase in income by 2030 – >95% of contracted farmers supplying tobacco to PMI with access to basic drinking water, maintained through 2030
	Climate	Accelerate decarbonization toward net zero across our entire value chain to strengthen resilience, by prioritizing climate change mitigation and adaptation strategies that address evolving risks and seize opportunities.	– Net zero scope 1+2+3 GHG emissions by 2040 – 90% reduction in absolute scope 1+2+3 GHG emissions versus 2019 baseline by 2040 – 72% reduction in absolute scope 3 FLAG GHG emissions versus 2019 baseline by 2040 – 50% reduction in absolute scope 1+2 GHG emissions versus 2019 baseline by 2030 – 33.3% reduction in absolute scope 3 FLAG and 27.5% reduction in absolute scope 3 industrial GHG emissions versus 2019 baseline by 2030 – 100% of vulnerable direct operations locations and key tobacco sourcing locations covered by climate adaptation plan by 2030 – 15% of total electricity consumed in our manufacturing operations self-generated by 2030
	Nature	Preserve and restore biodiversity, water, and forests across our operations and broader value chain to safeguard the long-term resilience of ecosystems and drive measurable progress toward achieving no net loss of natural resources.	– All priority manufacturing sites certified by the Alliance for Water Stewardship (AWS), maintained through 2030 – No net loss on ecosystems connected to our value chain by 2033 – All priority tobacco-growing areas with regenerative agriculture practices implemented by 2033 – Zero deforestation of priority forest area in our tobacco and pulp and paper-based product supply chains by 2026 – ≥60% circular water use in our priority manufacturing sites by 2030, and 100% by 2033 – ≥25 million cubic meters of water optimized in our tobacco supply chain by 2033

PRODUCT IMPACT

Product impact

Consumers

In this section

Consumers

Our aspiration is to lead the change by maximizing access to smoke-free products among legal-age consumers and continue working to make cigarettes obsolete, while continuing to uphold robust safeguards that help ensure the responsible marketing, sale, and use of our products.

Sustainability materiality summary

Consumers, as one of our six priorities, represents the area with the greatest number of significant matters in terms of both our impact on society and effects on our own business. Our material impacts (both potential and actual), risks, and opportunities pertain to:

– **Product health impact:** Cigarette smoking leads to serious health risks. By promoting and providing access to scientifically substantiated smoke-free alternatives, we aim to reduce these risks for those adult smokers who would otherwise smoke and decide to switch. However, a lack of clear understanding among stakeholders about the potential reduced risk profile of these products can hinder harm reduction efforts, and there is a need to continue generating, publishing, and sharing scientific evidence and accurate information on smoke-free products.

– **Marketing and sales practices:** Responsible marketing continues to be a priority. Nevertheless, ineffective enforcement and youth-appealing marketing practices and product features from irresponsible players in the industry results in appeal to unintended audiences (such as underage). At the same time, high product prices may limit access for some adult smokers. Effective product design, regulatory advocacy, and targeted brand strategies can help convert more adult smokers to smoke-free products. However, misunderstandings and competitor actions could prompt stricter regulations and reduce consumer adoption.

– **Illicit tobacco trade prevention:** The proliferation of illicit tobacco and nicotine products creates risks for consumers, governments, and legal market operators, like our company.

These different matters have effects that are expected to span both the short and medium term, primarily targeting the downstream segment of our value chain—specifically, the distribution and use stages of our products.

An overview of our sustainability materiality assessment results is available here, and further details can be found in this dedicated report.

Business value creation

Focusing on these material issues is fundamental to how we create value. By continually investing in research and development, we remain at the forefront of science and technology, enabling us to leverage expanded capabilities and deliver advanced products that meet evolving consumer needs. Central to our approach is advancing the science of nicotine and tobacco harm reduction, as public understanding of both remains limited, creating confusion that undermines public health progress.

Responsibly transitioning adult smokers to smoke-free products, while upholding stringent marketing standards and robust underage people access prevention measures, directly strengthens stakeholder trust and safeguards our market access in a dynamic regulatory environment, in addition to being the right thing to do.

As we continue to expand our presence in the smoke-free sector, we unlock new revenue streams supporting both our business transformation and long-term growth. The higher net revenues and gross margins per unit on smoke-free products reflect our continued strong investment in science, innovation, and commercial infrastructure and brand-building initiatives, also providing an attractive return on these investments, which we redeploy to drive further growth in the smoke-free category, where the opportunity to switch further adult smokers remains very substantial. Diversifying our portfolio to include additional smoke-free products and adjacent wellness solutions puts consumers first, helps manage market risks, and create additional growth opportunities.

Likewise, preventing illicit tobacco trade helps protect consumers and safeguard the integrity of our brands.

Management approach

Our approach is rooted in science and innovation, the commercialization of high-quality products, and responsible marketing and sales practices, all designed to accelerate the shift away from cigarettes and reduce harm for adult smokers.

Individual risk reduction
Science-based alternatives to cigarette smoking

×

Adult smokers switching
Access to smoke-free products and cigarette phase-out, upholding responsible marketing and sales practices

=

Population harm reduction
Maximized benefits of smoke-free products

Every facet of our business is aligned with the goal of expanding access to scientifically substantiated smoke-free products to replace cigarettes.

Making cigarettes obsolete and maximizing access to smoke-free products

Our approach is founded on a steadfast commitment to rigorous scientific research and continuous innovation. We prioritize investments in research and development (R&D) to offer scientifically substantiated less harmful alternatives to cigarette smoking. We focus on scientific integrity and transparency and on maintaining high standards of product reliability as fundamental principles guiding our work. Reducing the harm associated with cigarette smoking, at the population level, depends not only on the existence of smoke-free alternatives with a significantly lower risk profile compared with cigarettes, but on their broad adoption by legal-age smokers.

To this end, we work relentlessly to maximize access, which entails enhancing consumer awareness, acceptability, availability, and affordability of our smoke-free products, while putting in place robust safeguards against underage access. Dedicated advocacy efforts and multistakeholder partnerships, striving to shape regulatory frameworks that facilitate access, are also key. Yet we believe it is not enough to simply offer better choices to consumers. Rather, we are seeking to make cigarettes obsolete (read more here). Nonetheless, smoking is a systemic issue shaped by numerous factors, including complex interdependencies among public health, regulation, cultural norms, and commercial interests. Addressing this challenge requires coordinated action across sectors and sustained engagement with stakeholders at every level.

We uphold the highest standards of responsible marketing and sales. Our practices are designed to ensure that our products target their intended audience (adults who smoke or use nicotine products) while guarding against underage access to nicotine products. Our commercialization strategy incorporates comprehensive safeguards end-to-end, starting with our own product design and development and marketing

content restrictions, all the way to ongoing monitoring and evaluation of our practices and to advocating for strong regulation and enforcement. Further, we actively combat illicit tobacco trade, notably by implementing robust supply chain controls and collaborating with law enforcement agencies.

Beyond smoke-free

In the immediate- and near-term, our focus is on driving growth within our smoke-free business and accelerating the transition away from cigarettes. However, looking toward the longer term, we are laying the groundwork for broader expansion into wellness through our PMI Wellness unit, Aspeya. Our approach to the wellness category leverages our deep expertise in life science and advanced technology platforms to address specific unmet needs.

In addition, our corporate venture capital arm, PM Equity Partner Sàrl (PMEP), is dedicated to building and developing a portfolio of minority strategic investments, from early- to growth-stage companies, to support delivery of our smoke-free vision and beyond nicotine objectives. Read more here.

Policies, guidelines, and standards ↗

– PMI Code of Conduct

– PMI Marketing Code for Smoke-Free Products

– PMI Marketing Code for Combusted Tobacco Products

– Our Scientific Standards and Guidelines

Additional internal policies also apply, including PMI U.S. Marketing Code for Smoke-Free Products, PMI Product Quality and Compliance Policy, and PMI Know Your Customer and Anti Diversion Policy, PMI External Communications and Engagement policy, Aspeya-specific policies, as well as internal guidelines and standards to guide operational activities.

2025 governance

– Developing, improving, and assessing our smoke-free products was the joint responsibility of different members of PMI's senior management: the Senior Vice President Research & Development, the Chief Life Sciences Officer, the President Smoke-Free Products Category & Chief Consumer Officer.

– PMI Senior Vice President, Research & Development was responsible for consistent product integrity, quality, and reliability.

– The President of Smoke-Free Products Category & Chief Consumer Officer oversaw PMI's smoke-free products growth trajectory.

– The President Smoke-Free Products Category & Chief Consumer Officer and the President Combustibles Category & Global Combustibles Marketing were responsible for overseeing our product marketing and sales activities.

– The Senior Vice President & General Counsel oversaw our work to prevent the illicit trade of our products.

– Our wellness and healthcare business was headed by the Aspeya CEO.

Evolved organizational model as of 2026: With our evolved organizational model, PMI Corporate will continue to define PMI's overall strategic approach, while the PMI International, PMI U.S., and PMI Wellness (Aspeya) business units will define how to best execute performance, attributing accountability as appropriate in their own leadership structures. We plan to communicate more about this evolved governance and management model in our future Value Report.

Concluding our 2025 Roadmap journey

Performance against our 2025 aspirations at a glance

>90%

Of shipment volume covered by markets with youth access prevention programs in indirect retail channel

We have met our aspiration of maintaining over 90 percent shipment volume coverage by markets with youth access prevention programs for indirect retail channels, achieving 98 percent in 2025.

Achieved ✓

100

Markets where PMI smoke-free products are available for sale

We have surpassed our aspiration, with 106 markets where our smoke-free products were commercialized by year-end 2025. This marked a significant milestone in expanding access and accelerating the availability of smoke-free alternatives across the world.

Achieved ✓

>50%

Of markets globally where PMI smoke-free products are available for sale that are low- and middle-income markets

We have reached our 2025 aspiration, as more than 50 percent of the markets where our smoke-free products were available for sale by the end of the year (excluding PMI Global Travel Retail) were low- to middle-income markets.

Achieved ✓

The aspirations outlined above mark the completion of our 2025 strategy. Details on the targets that will guide our direction through 2030 and beyond are available on page 46. Further information regarding the 2025 performance values mentioned above can be found on the following pages, as well as within the Performance metric tables located at the end of this report.

"In 2025, amid economic uncertainty, geopolitical tensions, and evolving regulations, PMI reinforced its position as a global leader in business transformation. Our smoke-free business continued its strong trajectory, with shipment volumes rising, smoke-free products now available in over 100 markets and adopted by around 43.5 million smoke-free product users. In the U.S., *ZYN* became the first nicotine pouch brand authorized by the FDA, setting a new industry benchmark. *VEEV* delivered profitable growth, and our multicategory strategy accelerated consumer conversion and expanded choice across markets. Throughout this progress, we maintained our commitment to responsible marketing and robust underage people access prevention, helping to ensure our products are marketed and sold only to legal-age consumers. These safeguards remain central to our strategy. Innovation continued to drive our success, with *IQOS ILUMA i* entering new markets, *ZYN* expanding globally, and *VEEV* strengthening its position in e-vapor.

What began as a vision is now change in motion—visible in our results, embedded in our operations, and creating real value for shareholders, consumers, and society alike. The momentum we have built is clear. We are no longer just imagining a world beyond cigarettes, we are building it market by market, product by product, and we will not slow down."

Jacek Olczak, Group CEO PMI

Progress in 2025

Scientific research and product development

The best choice a person can make is to never start smoking. For those who do smoke, their best course of action is to quit. However, many do not. Those adults who would otherwise smoke should have access to nicotine-containing products that represent a better alternative than continued smoking.

We deploy a comprehensive scientific research and product development program, following rigorous standards, evidence-based assessment, and ongoing commitment to transparency and quality in advancing smoke-free products.

Rigorous R&D practices

Our scientific assessment is built on a collaborative, multidisciplinary approach, bringing together expertise from fields such as chemistry, toxicity, biology, clinical, medical, behavioral, and data sciences.

We adhere to rigorous scientific standards to ensure the quality and integrity of our research. Our R&D considers the U.S. FDA's draft guidance on modified risk tobacco products (2012) and aligns with relevant international standards, including ISO standards, OECD Principles of Good Laboratory Practice, Good Clinical Practices, and Good Epidemiological Practices. We also uphold rigorous standards for animal testing, reflecting our commitment to ethical research and animal welfare. Further, all our clinical studies are conducted in accordance with the Declaration of Helsinki and Good Clinical Practice principles.

For inhalable smoke-free products, we conduct aerosol and toxicology studies to confirm the absence of combustion and that the aerosol from each product contains lower levels of harmful or potentially harmful constituents present than in cigarette smoke. We conduct clinical studies as relevant to gather human data on product use, acceptance, and potential to lower the risk of smoking-related diseases, compared with continued smoking. Additionally, we perform perception and behavior studies to assess how adult consumers perceive and use smoke-free products. After launch, we continue evaluating our products through post-market studies, safety monitoring, and further clinical and epidemiological research as relevant.

Nicotine science

Nicotine is a well-known chemical compound found in the tobacco plant and present in products such as cigarettes, cigars, snus, nicotine pouches, e-cigarettes, heated tobacco products, and nicotine replacement therapies.

While nicotine is addictive and not risk-free, it is not the primary cause of smoking-related diseases; smoking itself is. The harmful effects are mainly linked to the high levels of chemicals emitted when tobacco is burnt. In the context of tobacco harm reduction, nicotine remains a key factor: it is one of the reasons people smoke and is therefore an important component of smoking alternatives, helping adult smokers to transition away from smoking.

The understanding of nicotine's effects has been and still is conflated with smoking, often creating an unfortunate bias that nicotine itself is as harmful as smoking or the primary cause of smoking-related diseases—which is not the case. Because most knowledge about nicotine has been derived from research conducted in the context of smoking, there has been and still is limited understanding of the effects of nicotine alone.

Advancing nicotine science independent of smoking helps establish a more accurate understanding of this compound—what it is and is not, its risks and potential benefits, including possible therapeutic applications. As new nicotine-containing products are developed that separate nicotine from the traditional smoking ritual, research is needed to further clarify the effects of both new nicotine products and nicotine itself.

We are committed to advancing this knowledge by actively conducting and publishing dedicated research on nicotine and nicotine-containing products, with the goal of further assessing and understanding our smoke-free products and informing public health discussions. In 2025, we have begun exploring potential associations between nicotine consumption and cognitive effects such as focus and attention in adults.

Learn more about nicotine (what it is, what its effects are, why it is often conflated with smoking, etc.) on PMIscience.com.

Transparency in our scientific methods and results

We are committed to openly sharing our findings and invite review and feedback, which we hope can foster dialogue with scientific experts and the wider public health community. We welcome objective studies by external parties to foster a science-based debate and understanding on tobacco harm reduction and nicotine science.

We publish our findings in peer-reviewed journals, conferences, or on PMIscience.com, and issue regular Scientific Updates. In 2025, these updates covered perception and behavior studies and safety surveillance. Since 2008, we have published 551 papers on smoke-free products and related science.

We have more than 1,600 scientists, including our Wellness business, working in our R&D centers. Our teams continue to present at external conferences and virtual events, sharing data in fields such as aerosol chemistry, toxicology, clinical studies, and consumer research.

Growing scientific consensus

Over the past several years, a growing number of organizations and institutions around the world have conducted studies on our smoke-free products, on scientific methodologies, and/or on results. These include public health institutions from different countries that have used their findings for policymaking and regulations, as shown here.

The number of independent studies assessing the reduced harm potential of heated tobacco products published each year has significantly increased over the past years, as shown on PMIscience.com. The harm reduction profile of our oral products is supported by the extensive research on Swedish snus, as well as harm reduction data specific to nicotine pouches (read more here).

Independent studies generally support key aspects of our research. However, some third-party studies have either overstated risks, taken findings out of context, or reached different conclusions about smoke-free products, often due to methodological differences or severe limitations that are understated, and comparing with complete cessation instead of continued smoking. To address this, open debate and consensus on language, terminology, and definitions are needed to ensure research is comparable and suitable to advance scientific understanding.

Scientific substantiation of the harm reduction potential of smoke-free products

In 2025, almost the totality of our R&D expenditure (99.7 percent) continued to be allocated toward our smoke-free business. Between 2015 and year-end 2025, our R&D work and its associated innovations resulted in around 5,000 patents granted for smoke-free technologies by the world's five largest intellectual property offices (IP5).

Our R&D pipeline spans a range of smoke-free products—each at different stages of development, scientific evaluation, and commercialization. Newly developed products undergo fit-for-purpose testing.

None of our smoke-free products involve combustion. The totality of the scientific evidence available to date points toward harm reduction, which means that by avoiding combustion, these products, which are manufactured according to rigorous specifications, expose their users to significantly lower levels of toxicants, compared with cigarette smoking. While smoke-free products are not risk-free and contain nicotine, which is addictive, the absence of combustion makes them a better choice for adults than smoking.

Conceptual depiction of the cumulated risk of smoking and the effect of cessation over time
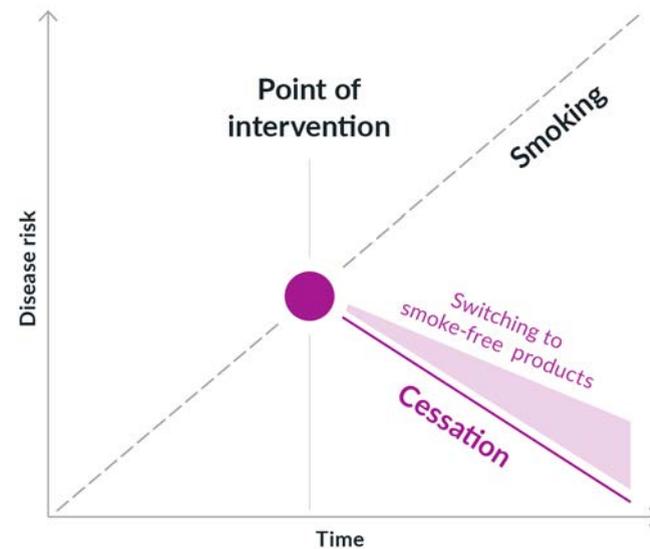
Note that the straight lines used in this figure are for illustration purposes only, as the accumulation of disease risk and the reduction upon cessation and switching to a smoke-free product follow different trajectories for specific diseases.

Heat-not-burn products

We assess the health impact of switching from cigarette smoking to our heat-not-burn products. We focus on outcomes such as symptoms, physical function, mortality, and healthcare utilization, including hospitalizations.

Our primary areas of research are chronic obstructive pulmonary disease (COPD), where improvements in respiratory symptoms and function may occur soon after switching, and cardiovascular disease, such as heart attack and stroke, where positive effects may become evident after about three years.

The data currently available on our IQOS tobacco heating system range from aerosol chemistry to nonclinical and clinical and behavioral studies, with research showing comparability between different heating technologies used in our flagship heat-not-burn product.

A list of clinical studies and their status is available on PMIscience.com. Moreover, results from the most recent real-world studies will be disclosed, when available, here.

The totality of the evidence demonstrates that IQOS is a better alternative to cigarettes (read more on PMIscience.com). This evidence resulted in the U.S. FDA determining that the marketing of the 2.4 and 3.0 versions of IQOS in the U.S. with reduced exposure information would be appropriate to promote public health.

Oral nicotine products

Although oral nicotine products are a recent addition to PMI's portfolio of smoke-free products, their development covers data specific to nicotine pouches as well as the extensive research on Swedish snus. This includes numerous epidemiological studies for snus use in Sweden which provide evidence of population-level harm reduction (read more on PMIscience.com).

In addition, the U.S. FDA has authorized the marketing of eight snus smokeless tobacco products from Swedish Match USA, Inc. (part of the PMI U.S. business unit) through the modified risk tobacco product (MRTP) pathway. In this first ever set of modified risk orders granted, the authorized reduced risk claim states that, "Using General Snus instead of cigarettes puts you at lower risk of mouth cancer, heart disease, lung cancer, stroke, emphysema, and chronic bronchitis." The MRTP for General Snus was renewed for another eight years in November 2024, reconfirming the product as "appropriate to promote public health."

In 2025, the FDA also authorized 20 ZYN nicotine pouch products through the premarket tobacco product application (PMTA) pathway, following an extensive scientific review. The FDA found that authorizing ZYN is appropriate for the protection of public health and noted that ZYN can help people switch from cigarettes and other combusted tobacco products. On June 17, 2025, the FDA issued a filing letter to Swedish Match USA, Inc. for its MRTP applications for the same 20 ZYN nicotine pouch products that were authorized through the PMTA pathway, with the proposed claim, "Using ZYN instead of cigarettes puts you at a lower risk of mouth cancer, heart disease, lung cancer, stroke, emphysema, and chronic bronchitis." On January 22, 2026, PMI experts presented scientific evidence to the FDA Tobacco Products Scientific Advisory Committee (TPSAC) as part of the FDA's process for a MRTP designation for their ZYN nicotine pouch products. If granted, this designation would allow PMI's U.S. family of businesses to communicate to adult smokers that switching completely to ZYN reduces their risk of certain smoking-related diseases. In the following FDA presentation to the TPSAC, the FDA stated that, "The evidence suggests the proposed modified risk claim 'Using ZYN instead of cigarettes puts you at a lower risk of mouth cancer, heart disease, lung cancer, stroke, emphysema, and chronic bronchitis' is scientifically accurate."

E-vapor products

Scientific evidence consistently demonstrates that e-cigarettes pose a much lower risk than combustible cigarettes. Moreover, they can play a significant role in helping individuals move away from smoking, thereby supporting harm reduction efforts.

In 2024, the Royal College of Physicians conducted a comprehensive review of e-cigarettes within the context of harm reduction. The review concluded that there is clear evidence e-cigarettes cause substantially less harm than continued smoking and should be actively promoted as an effective tool for quitting smoking.[1] A Cochrane review published in 2025 found that using nicotine-containing e-cigarettes can help people who smoke tobacco to successfully quit smoking for six months or longer.[2]

We conducted a clinical study in the U.K. in 2022 that found that, after five days, participants who switched from cigarettes to e-vapor products had lower exposure to harmful and potentially harmful chemicals (HPHCs) compared with those who continued smoking. The reduction in exposure was comparable to that observed in participants who stopped using all nicotine-containing products during the study period.[3]

Product quality and reliability

We maintain high standards of product quality, reliability, and regulatory compliance, supported by robust quality management systems that ensure every product meets strict standards from design through delivery.

1. https://www.rcp.ac.uk/media/t5akldci/e-cigarettes-and-harm-reduction_executive-summary_0_0.pdf

2. cochranelibrary.com/cdsr/doi/10.1002/14651858.CD010216.pub10/pdf/full.

3. Study Details | NCT05487456 | Reduced HPHC Exposure in Cigarette Smokers Switching to P4M3 Gen. 2.0 Compared to Continuing Smoking, or Smoking Abstinence | ClinicalTrials.gov.

Our products are manufactured using ingredients compliant with applicable regulatory requirements and with industry and PMI standards. The tobacco used in our heated tobacco products, cigarettes, and oral tobacco-containing products is tested for the presence of crop protection agent residues to ensure it does not exceed permissible levels per industry guidelines. Nicotine and nicotine salts used in nontobacco heat-not-burn consumables, e-liquids and oral nicotine products satisfy European and U.S. pharmacopoeia specifications. Other ingredients (apart from flavoring extracts from tobacco) are either food grade or otherwise satisfy European or U.S. pharmacopoeia specifications. We do not add any ingredients classified as carcinogens, mutagens, or reproductive toxicants.

Ingredients—and nonsubstrate material such as the plastic and other components of cartridges that house the e-liquid, and the paper and other components that house the tobacco mixture—are subject to rigorous toxicological risk assessment. Disclosure of ingredients in our smoke-free and combustible tobacco products is notably available in EU member state public health websites, as required under the Tobacco Products Directive, as well as made available to many regulators across the globe.

We partner only with suppliers who meet our demanding criteria to secure high-quality raw materials, components, and finished products, applying robust procurement processes, detailed auditing, and rigorous quality assurance procedures.

Our manufacturing facilities operate under ISO 9001 principles, with careful material selection and operator training. Our manufacturing quality management systems are subject to inspection by authorities and certification bodies.

Our packaging for cigarettes, heated tobacco units, and e-vapor products is equipped with unique identifiers, providing full traceability from factory to shelf. We plan to implement such identifiers to our oral nicotine products in 2026. This robust approach enables us to quickly identify and address any product quality issues, assuring that integrity and reliability remain uncompromised for every item we release. If a product quality issue should arise, we can leverage this traceability to investigate problems and undertake any necessary containment actions in an efficient and targeted manner.

Smoke-free products post-market safety monitoring

Post-market safety surveillance is an integral part of our comprehensive assessment program, and it is fundamental to our product safety and quality assessment. Our surveillance system for smoke-free products is designed to exceed regulatory standards, setting new benchmarks for industry transparency and consumer protection, to allow us to proactively monitor adverse events.

Our post-market safety surveillance data show that, between 2014 and the end of October 2025, our heat-not-burn products have shown a steady safety profile, while the number of markets where they are available expanded significantly. The percentage of adverse events (i.e., health-related events, such as cough, headache, or throat irritation for instance) meeting the criteria for seriousness has remained stable at an average of around 2.3 percent of the total number of adverse events recorded. Oral products have also presented a stable safety profile. Safety data collected since 2020 until the end of December 2025 showed 1.4 percent of the total number of adverse events recorded meeting the criteria for seriousness. E-vapor products, similarly to the heat-not-burn and oral products, have shown a stable safety profile, with 0.7 percent adverse events assessed as serious from 2015 until the end of December 2025. These safety profiles are close to the safety profile for nicotine replacement therapies, which serves as a reference for evaluating the safety of smoke-free products. Read more in PMI Scientific Update 22, issued in October 2025.

"PMI's Research & Development (R&D) organization plays a central role in delivering PMI's smoke-free vision through consumer-centric and science-based innovation and robust product stewardship. R&D's mandate is to advance the next generation of smoke-free products through cutting-edge research and innovation, rigorous scientific assessment, and purpose-driven product development—ensuring consumer needs, safety, and quality remain paramount. In 2026, R&D will remain focused on harmonizing global quality frameworks, driving breakthrough product and technology innovation, and upholding scientific rigor to support PMI's strategy and long-term value creation. These advancements reinforce PMI's commitment to responsible innovation while ensuring that products meet high standards of performance and safety. These efforts position R&D as a key enabler of PMI's change in motion—delivering consumer-centric, science-based solutions that support PMI's Value Plan 2030+ and the achievement of our smoke-free purpose."

Michele Cattoni, Chief Global R&D Officer
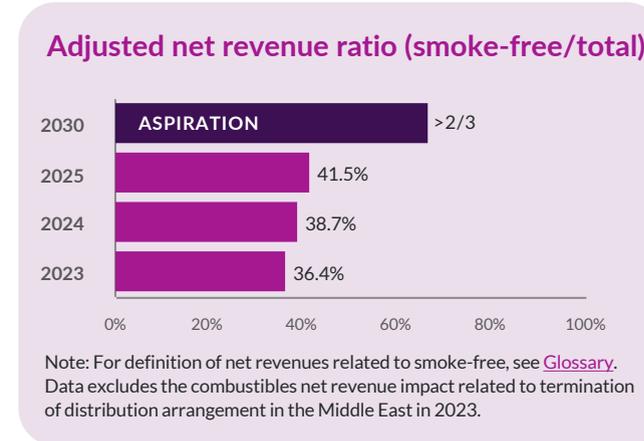
Access to smoke-free products

Smoke-free products have the potential to reduce the risk of smoking-related disease (versus continued smoking) and benefit public health, but this potential is only realized if adults who would otherwise smoke switch completely to these better alternatives.

ACCESS

Awareness × Acceptability × Availability

× Affordability × Advocacy

While adhering to strict Marketing Codes and complying with applicable laws and regulations, we work relentlessly to enhance adult consumers' access to our smoke-free alternatives to cigarettes. Our strategy is based on our "five As" framework:

– **Awareness:** We work to inform adult smokers about the existence and benefits of smoke-free products through awareness campaigns and transparent communications.

– **Acceptability:** We invest in ongoing product development and portfolio expansion to ensure smoke-free alternatives are satisfying, reliable, and high-quality—meeting the varied preferences of adult consumers.

– **Availability:** We work to increase the number of markets where smoke-free products are available and to deepen in-market penetration, leveraging our direct and indirect retail ecosystem to make it as convenient as possible for adult smokers to purchase our products.

– **Affordability:** We strive to maintain competitive pricing and offer a variety of smoke-free options at different price points.

– **Advocacy** initiatives support these actions, calling for the adoption of tax and regulatory frameworks that recognize the potential reduced risks associated with smoke-free products in contrast to traditional combustible tobacco products. Balanced regulation is instrumental in fostering change and enhancing adult smokers' access to better alternatives.

Building on these efforts, our work in 2025 resulted in sustained growth of our smoke-free products, which accounted for 22.3 percent of our shipment volumes. Further, our smoke-free business generated USD 16.9 billion in net revenues in 2025, representing 41.5 percent of our annual net revenues. In markets where our smoke-free products have been available for sale for a minimum of three years, this ratio increases, with our smoke-free business accounting for 49.5 percent of our annual net revenues.[1]

Adjusted net revenue ratio (smoke-free/total)

2030	**ASPIRATION** >2/3
2025	41.5%
2024	38.7%
2023	36.4%

0% 20% 40% 60% 80% 100%

Note: For definition of net revenues related to smoke-free, see Glossary. Data excludes the combustibles net revenue impact related to termination of distribution arrangement in the Middle East in 2023.

As of the end of 2025, we estimate that approximately 43.5 million adults were using our smoke-free products.

Moreover, we estimate that, by the end of September 2025, out of all legal-age nicotine users in the top 20 markets where our smoke-free products were available for sale, 47.5 percent of them were exclusively smoking versus 53.5 percent in September 2023.

1. For definitions, please refer to the Glossary. Data presented should be considered alongside the footnotes provided in the Performance metrics section.

Total smoke-free product users[1] (in millions)

~+10m vs. FY'23

~33.5 (FY'23)

~39 (FY'24)

~43.5 (FY'25)
IQOS: >35m
Oral: ~7m
VEEV: >1m
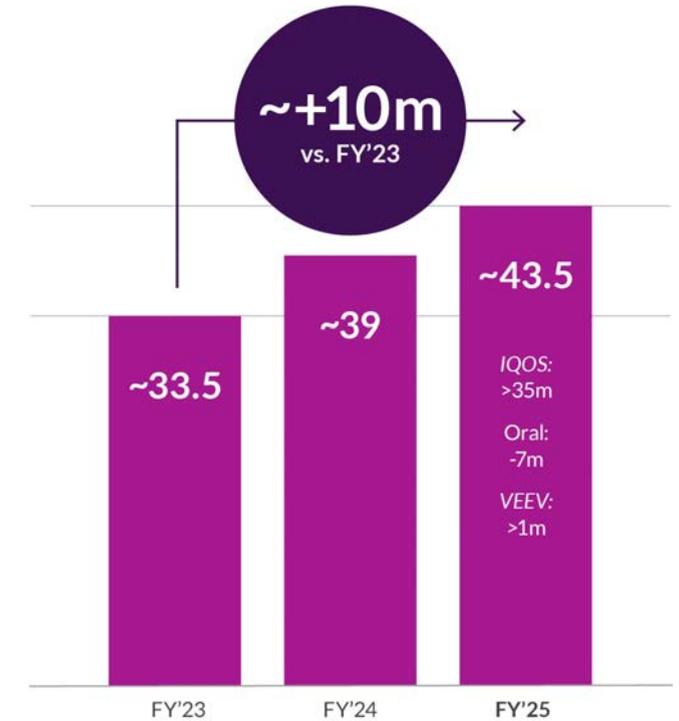
1. See Glossary for definition. Total may not foot due to rounding. Users include estimates of poly-use. Source: PMI Market research or estimates.

Awareness

We strive to improve adult smokers' awareness of the existence of smoke-free alternatives and inform them of both their benefits and risks. This includes explaining key concepts—such as combustion and tar, nicotine, and harm reduction—and addressing misconceptions. Our messaging is grounded in rigorous scientific evidence and designed to be clear, accessible, and relevant for diverse audiences.

The regulatory environment is key to driving consumer awareness and encouraging adult smokers who would otherwise continue to smoke to switch to better alternatives.

While markets in which we sell our smoke-free products are experiencing ongoing improvements in awareness, the persistent lack of understanding regarding this product category still poses a major challenge to realizing tobacco harm reduction at scale.

Our 2025 activities have centered on continuing existing initiatives and widening our informational scope to include different smoke-free products from our portfolio, beyond heat-not-burn products. This strategy is designed to help adult smokers gain a clearer understanding of the full range of alternatives available to them.

Cigarette brand reach

Where permitted and in markets where PMI smoke-free products are available, we continue to engage adult smokers, leveraging the power of our cigarette brands. We do this by featuring a QR code or weblink either on the pack or an insert of our cigarette packaging, leading to online age-gated information about our smoke-free products.

Where allowed, we also reach out to the adult consumers who are still using cigarettes and are registered in our combustible cigarettes database, and who have expressed their interest in receiving marketing communications, to drive awareness of smoke-free alternatives and support switching.

Communication at retail

We use both online and offline communications to engage adult consumers, including those who use competitors' brands. Where allowed, we display visible communications materials at our own retail locations and in indirect points of sale where our smoke-free products are sold. We also do targeted consumer communications at locations where the audience is predominantly adult.

Beyond point-of-sale materials, our trained retail staff plays a key role in informing adult smokers about our full range of products and the benefits of smoke-free alternatives in comparison with cigarettes. We also provide face-to-face and digital training to our key accounts and trade partners to ensure consistent and accurate communication about our products.

Digital communications

Our online presence also drives awareness among legal-age consumers. Our primary channels of online communications are our age-gated, product-dedicated websites, which contain a listing of scientifically substantiated smoke-free product statements to enable adult smokers to better understand the benefits of our smoke-free products, compared with cigarettes.

Where allowed, we also engage with our consumers via customer care and support. Where permitted, we complement this engagement via PMI-owned social media accounts which are strictly related to smoke-free products and dedicated to legal-age nicotine users (read more about our approach here).

Smoke-free users engagement

We have also designed a series of consumer programs to raise awareness across all our smoke-free alternatives among adult consumers who are still using cigarettes. These programs focus on category education with the primary objective of moving cigarette consumers to a smoke-free alternative. For example, the refer-a-friend program allows current adult consumers to introduce our smoke-free products to an adult friend who smokes or uses nicotine products and share their first-hand experience of the benefits of a smoke-free journey in comparison with continuing smoking. Our frontliners are also trained and equipped with materials and tools to raise awareness on the benefits of switching to smoke-free products and able to answer adult consumers' questions and guide them to start their smoke-free journey.

By implementing improvements to our consumer initiatives at every stage and deploying them widely across different markets, we observed a rise in brand awareness, a higher count of adult consumers engaged, and more adult smokers beginning their smoke-free journey as a direct outcome.

Acceptability

Acceptability refers to the extent to which our smoke-free products are viewed as satisfactory, suitable, or appealing by adult smokers, including their willingness to consider, try, and switch to them as alternatives to traditional cigarettes. It includes factors such as taste, sensory experience, ease of use, perceived risk, social norms, and overall satisfaction, all of which influence whether individuals are open to switching to smoke-free products instead of staying with combustible tobacco.

Moreover, some consumers may choose to use various smoke-free products at different moments, guided by their personal preferences and situations. We refer to this as poly-usage across multiple smoke-free product categories. Different product formats offer distinct sensory experiences, levels of convenience, and degrees of discretion, meaning that no single product may fully address every moment or context in an individual's day. Understanding and supporting this behavior is central to our acceptability strategy: the more completely our smoke-free portfolio can replace the role that cigarettes once played across the full range of a consumer's daily situations, the more likely that individual is to transition away from combustible cigarettes entirely.

Providing a diverse range of product choices improves acceptability and facilitates moving away from cigarette use, enabling individuals to identify options that align with their unique requirements. Our approach to acceptability is therefore anchored in offering the right portfolio, a seamless consumer experience deployed by our go-to-market infrastructure, and a broad set of consumer programs and services.

We conduct post-market studies to understand how our smoke-free products are used, helping us evaluate their acceptance among adult users. In 2025, those showed that around 71 percent of adults who used our flagship heat-not-burn product, *IQOS*, successfully stopped smoking cigarettes.

Smoke-free product portfolio

We offer a broad variety of experiences, technologies, tastes, and price options to suit the wide-ranging preferences and needs of legal-age nicotine users. We leverage perception and behavior studies to understand user preferences and refine product design.

In 2025, we continued to expand our smoke-free portfolio, with in total 24 smoke-free (heat-not-burn and e-vapor) device versions available for sale by year-end.

Our portfolio of heat-not-burn products is based on three heating technologies: induction (for the *IQOS ILUMA* series), blade (for *IQOS 3*), and resistive external heating (for *BONDS by IQOS*). The latter, which we continue to roll out, provides a full-flavor experience that helps to broaden consumer acceptance, particularly among more traditional legal-age cigarette smokers. Our heat-not-burn consumables consist of sticks (referred to as heated tobacco units) that either contain tobacco or a nicotine-infused substrate.

Our oral nicotine products, mainly comprised of nicotine pouches and snus, include our flagship *ZYN* product. Snus contains ground tobacco, while nicotine pouches are tobacco-free, using plant fibers and nicotine.

Our e-vapor portfolio comprises both a reusable vape pod system (*VEEV ONE*), used with a replaceable cartridge which holds the e-liquid in a disposable closed tank, and a single-use e-vapor device (*VEEV NOW*). In 2025, we launched our latest innovation, *VEEV inPRIME*, a reusable pod system offering an upgraded premium user experience.

Role of flavors and nicotine

The responsible use of flavors plays a vital role in assisting adult smokers to make a complete transition to smoke-free products and help us compete with third-party smoke-free product brands. We assess our selection of flavors to prevent particular appeal to unintended audiences, such as nonusers and underage people (read more here), while still supporting more adult smokers in making the switch.

Nicotine is also a key factor influencing the acceptability of smoke-free alternatives among adult smokers, alongside elements such as taste, sensory experience, and ritual. In our smoke-free products, nicotine content is carefully considered to meet the preferences of adult smokers seeking acceptable alternatives to cigarettes. It is important to note that the amount of nicotine present in a product (nicotine content) differs from the amount released during use (nicotine yield) and the amount actually absorbed by the body (nicotine exposure). These levels can vary depending on several factors, including the product type and how it is used. Read more on PMIscience.com.

> ### Expanding our oral smokeless portfolio
>
> Within our oral category, menthol and mint-type flavors continue to lead our *ZYN* portfolio. We have invested significant effort in expanding our oral smokeless portfolio to better serve adult consumers seeking alternatives to smoking. This portfolio now offers a comprehensive range of nicotine strengths —vertically—from low-nicotine options to responsibly formulated higher strengths (with the vast majority of our portfolio ranging from 1.5 mg to 11 mg strength). Horizontally, we have broadened our variety of flavors, ensuring a selection that responsibly caters to diverse adult audience preferences while upholding our commitment to high standards and responsible marketing.
>
> Read more about the process we have in place to govern and ensure the responsible use of flavors in our products, including oral nicotine products, in the Responsible marketing and sales practices section.

Consumer support infrastructure

We have a suite of consumer programs and post-purchase digital engagement, together aimed at providing the right infrastructure to support adult smokers along every step of their journey away from cigarettes.

For instance, where allowed, we offer guided trials and lending programs for heat-not-burn products. We also support consumers in the first 90 days of their smoke-free journey with onboarding programs that provide product information. Our customer support is always available to follow up on any inquiry from consumers via several means. In 2025, our average Consumer Net Promoter Score post-contact, a measure that summarizes our ability to resolve consumer issues on a scale ranging from -100 to +100, was rated at +70, which is considered exceptional performance by industry benchmark.

Availability

To achieve our vision for a smoke-free future, we are working to ensure better alternatives reach as many adult smokers as possible. To this end, we continue to increase the number of markets where we commercialize smoke-free products and expand our presence within each market, leveraging our direct and indirect retail ecosystem.

However, in some jurisdictions, regulations constrain our ability to make smoke-free products available. The opposition to smoke-free alternatives often results in obstacles or, at times, absolute barriers to market entry, as their sale may be entirely banned. Read more about our advocacy efforts on page 37.

Our efforts to expand availability are supported by our production infrastructure. During 2025, we devoted 89 percent of our capital expenditure toward smoke-free product initiatives, which mainly consisted of investments in the U.S. related to oral nicotine products, along with expansion of production capacity for heat-not-burn products at existing and new sites. At year-end 2025, 21 of our 50 manufacturing sites worldwide were engaged, either entirely or in part, in

producing heated tobacco units or oral nicotine products, up from 16 of 51 factories in 2024. This reflects the continuous expansion of the oral category with new factories in the U.S. and in new markets such as in Pakistan, as well as the capacity increase and new production sites of heat-not-burn products.

Market expansion

We exceeded our goal of commercializing our smoke-free products in 100 markets by the end of 2025, reaching a total of 106 markets worldwide.

Number of markets where PMI smoke-free products are available for sale

Year	Value
2025	ASPIRATION 100
2025	106
2024	95
2023	84

Note: For definition of available for sale, see Glossary.

By year-end 2025, our heat-not-burn product, *IQOS*, was commercialized in 79 markets (2024: 76), our e-vapor products, *VEEV*, in 47 markets (2024: 40), and our modern oral pouches (*ZYN*) in 56 markets (2024: 37).

Our priority is to further expand product portfolio availability within the markets where we are already present with smoke-free products, in addition to continuing increasing the total number of markets where at least one smoke-free option is available for sale. By the end of 2025, denoting smoke-free growth and maturity, at least two smoke-free categories (i.e., heated tobacco, e-vapor, or oral nicotine products) were available for sale in a total of 52 markets, and all three categories in 26 markets.

Market penetration

Our market entry strategy typically begins with launching our smoke-free products in a primary city, followed by expansion into smaller cities and, ultimately, broader regional or nationwide coverage. Focusing first on key urban centers allows us to better understand local market dynamics and consumer preferences, which in turn informs our approach as we scale up.

As we expand within each market, our priority shifts to ensuring that adult consumers can conveniently access and purchase our smoke-free products wherever they are. To achieve this, we focus on increasing in-market availability by leveraging a diverse range of distribution channels. This approach is designed to meet consumers where they are—whether in urban centers or more remote areas—and to provide a seamless purchasing experience.

The channels we leverage include:

– Direct retail channels, such as brand retail locations (e.g., *IQOS* stores) and e-commerce websites. As of the end of 2025, there were over 1,500 direct retail touchpoints (including 315 permanent *IQOS* boutiques, 129 temporary touchpoints, and over 1,000 permanent touchpoints) worldwide and PMI-owned e-commerce sites for our smoke-free products in 56 markets.

– Indirect retail channels, such as tobacconists, convenience stores, gas stations, consumer electronics or vape stores, and online channels. Some of these retailers only sell smoke-free consumables while others allow consumers to purchase smoke-free devices. As of the end of 2025, there were around 1.5 million points of sale at which our smoke-free product consumables were sold.

The progress of our in-market expansion is reflected in the increasing count of markets where our smoke-free related net revenues account for at least half of the total annual net revenues, rising from 23 markets in 2024 to 27 in 2025. Notably, in 8 of these markets, our smoke-free related net revenues comprised over 75 percent of the total annual net revenues in 2025.

This progress keeps us on track toward our 2030 aspirations of reaching approximately 60 markets where smoke-free make up more than 50 percent of net revenues, and around 40 markets where they account for over 75 percent.

Number of markets where net revenues from smoke-free exceed 50% of total net revenues

2030	ASPIRATION ~60
2025	27
2024	23
2023	25

Note: For definition of net revenues related to smoke-free, see Glossary.

Number of markets where net revenue from smoke-free exceed 75% of total net revenues

2030	ASPIRATION ~40
2025	8
2024	6
2023	3
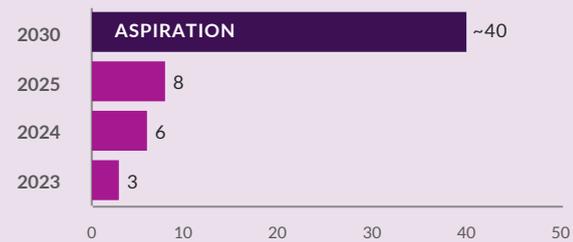
Note: For definition of net revenues related to smoke-free, see Glossary.

Affordability

All adult smokers should have the possibility to afford better alternatives to cigarettes, with purchasing power not being a barrier to achieving a smoke-free future.

Balanced global commercialization

Intentional about our smoke-free products being available to all adult smokers, we set ourselves the goal to have low- and middle-income markets represent at least half of the markets where we commercialize our smoke-free products. As of the end of 2025, we achieved this aspiration, with our smoke-free products available in 53 low- and middle-income markets, or 50.5 percent of the markets where we commercialized them globally (excluding PMI Global Travel Retail). Although this goal will conclude after 2025, we remain committed to maintaining a balanced representation of markets and regions in our commercialization efforts.

Proportion of markets where PMI smoke-free products are available for sale that are low- and middle-income markets

2025	ASPIRATION >50%
2025	50.5%
2024	47.9%
2023	47.0%
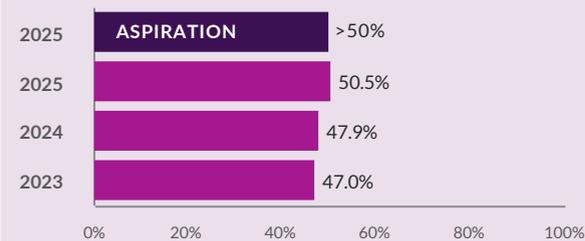
Note: Excluding PMI Global Travel Retail. World Bank report issued in 2022 is used on a comparative basis for income level classification. For definition of low- and middle-income markets, see Glossary.

Portfolio variety

Our commitment to affordability is primarily supported by our varied selection of products, which includes both devices and consumables offered across a range of price points. As our smoke-free product portfolio has matured and expanded across multiple formats and tiers, so too has our ability to serve adult smokers across a wider spectrum of purchasing power. What began with a single product at a single price point has evolved into a diversified offering that allows us to reach consumer segments that were previously underserved, ensuring that affordability is not a barrier to transitioning away from cigarettes. This portfolio breadth is a deliberate outcome of our commercialization strategy and a prerequisite for achieving population-level impact.

Regarding our heat-not-burn products, *IQOS* is available in a variety of formats, ranging from a compact all-in-one device to a more sophisticated version featuring advanced capabilities, which are available at different price points to suit diverse consumer preferences. For heat-not-burn consumables, we have introduced *DELIA* (marketed as *SENTIA* in Japan), which is positioned at a more accessible price point compared with *TEREA*, and was available for purchase in 23 markets at the end of 2025. More generally, the price at which the consumer buys heated tobacco units is typically below that of premium cigarettes, or can even be at the low end of cigarette pricing.

Regarding our e-vapor product portfolio, the pricing approach for *VEEV NOW*, which is a disposable all-in-one device, is designed to motivate adult users to shift from single-use products to reusable options. Our selection of reusable products includes *VEEV ONE* and *VEEV inPRIME*.

Device value optimization

To help address the economic barriers encountered by adult smokers moving toward smoke-free products that necessitate the acquisition of a reusable electronic device, we have introduced specific initiatives. Programs include device trade-ins and the resale of previously used devices that have been refreshed or repaired. We also focus on advancing the longevity of our devices and provide free maintenance services to maximize their useful life, which not only lowers the typical annual costs for adult users but also lessens the environmental impact of these products (refer to the Circularity chapter for additional information).

Advocacy

Our capacity to provide adult smokers with access to smoke-free products depends on a range of elements, many of which are beyond our control. Regulatory environments determine whether we can legally and effectively introduce these products into a market. In some countries, stringent regulations significantly limit our ability to reach adult smokers, sometimes making market entry impossible, especially where outright bans on sales exist. Some regulations and policies can restrict access to smoke-free alternatives, hinder initiatives to educate adult smokers about their options, and potentially benefit cigarettes by imposing regulatory requirements on smoke-free products that do not account for their lower health risks compared with cigarettes, thereby affecting the products' affordability and appeal.

Read more about the importance of multistakeholder collaboration and comprehensive policy measures to accelerate the end of cigarettes and support a successful transition to a smoke-free future on PMI.com.

What we advocate for: risk-proportionate regulation that accelerates the end of smoking

Tobacco harm reduction is a public health approach focused on reducing the negative health effects of smoking by promoting less harmful alternatives. Growing scientific evidence shows that smoke-free products, while not risk-free, can significantly lower exposure to harmful chemicals compared with continued smoking. When adult smokers switch to these alternatives, smoking rates can decline more rapidly, leading to better public health outcomes.

However, the effectiveness of harm reduction depends on regulatory environments that balance access by adult smokers while helping prevent these products from being accessed or used by unintended audiences, especially underage. We advocate for risk-proportionate regulations that recognize the potential reduced-risk profile of smoke-free alternatives and create frameworks that encourage switching away from cigarettes rather than preserving the status quo where cigarettes, remain available while less harmful alternatives face disproportionate restrictions or outright bans. Specifically, we advocate for:

Regulations that ensure availability: Smoke-free products must be accessible to adult smokers who would otherwise continue smoking. We advocate for regulations that facilitate market access for scientifically substantiated alternatives, subject to high safety and quality product requirements, and rules to prevent irresponsible market practices, and minimum age for purchasing products, combined with mandatory age verification and distribution controls. Policies that ban these products while allowing continued cigarette sales perpetuate the most harmful option, promote illicit markets and undermine public health objectives.

Regulations that enable awareness: Adult smokers need accurate information to make informed decisions. We support regulatory frameworks that allow responsible communication about smoke-free alternatives—including comparative risk information versus continued smoking—while implementing robust safeguards to prevent underage exposure and unintended use. Clear, science-based messaging helps adult smokers understand their options without misleading vulnerable populations.

Regulations that support acceptability: We support regulations that allow product features that are critical for adult consumers, acceptance and switching, including scientifically substantiated nicotine limits, and flavors appealing to adult smokers, while strictly prohibiting flavors and flavor descriptors, other features, packaging, and marketing particularly designed to attract underage or nonusers.

Regulations that support affordability: The relative pricing environment between cigarettes and smoke-free alternatives is important. At PMI, we support a risk-proportionate taxation model for tobacco and nicotine-containing products, which can support affordability for adult consumers while advancing public policy objectives. Fiscal frameworks that differentiate products based on their risk profiles can help ensure that less harmful alternatives are priced at levels that are accessible to adult smokers who would otherwise continue to smoke. When excise taxes are calibrated in a risk-proportionate manner, they can reduce unintended consequences such as down-trading or illicit trade, while preserving consumer choice and supporting switching away from combustible products.

Regulations that prevent underage access to tobacco and nicotine: We are aware that the behavior of some other market players may not always align with responsible marketing and sales practices to which we adhere and reflect in our internal policies. This is why we actively advocate for the strict enforcement of minimum age of purchase laws and appropriate penalties for those who provide access to these products to underage people. The right regulation, coupled with strong enforcement and a "zero-tolerance" approach, plays a fundamental role in youth access prevention, helping to ensure that only legal-age adults can purchase our products. Read more about the strong safeguards against unintended use we advocate for, as part of a roadmap of supply and demand measures that can help make cigarettes obsolete, on PMI.com.

Our position is clear: all tobacco and nicotine products should be regulated and only accessible to adults, with regulatory measures proportionate to their differing risk profiles. Risk-proportionate approaches recognize that different products pose different levels of risk and should be regulated accordingly, with the most harmful products (combustible tobacco) facing the strictest measures. Evidence-based regulations for less harmful, noncombustible alternatives should encourage adult smokers to switch. At the same time, strong safeguards must prevent unintended consequences, such as underage and nonsmoker use.

Increasing regulatory and fiscal differentiation of smoke-free products

We believe governments play a crucial role in setting industry-wide standards that maintain the integrity of public health, and prevent and punish irresponsible behavior. We are open, transparent, and vocal about what we stand for: a world where cigarettes are a thing of the past. However, we cannot achieve this vision alone. The right regulatory framework can either accelerate progress toward this reality or create barriers that preserve the status quo. We continue to advocate for balanced, risk-proportionate regulations and the implementation of robust safeguards, drawing on the growing body of scientific evidence that demonstrates the important role smoke-free products can play in reducing smoking rates. We strive to work collaboratively with policymakers, public health experts, and other stakeholders to help accelerate the decline of smoking.

Reflecting wider global shifts, 2025 was marked by important regulatory developments. For instance, in Taiwan, eight *TEREA* variants and three *IQOS ILUMA* devices where authorized for commercialization after a two-year long assessment process by the regulator. In the U.S., the FDA authorized the marketing of 20 *ZYN* products. Progress was also made on the adoption of product standards for various smoke-free products across various countries including in the Middle East and Africa. In parallel, some countries decided to proceed with excessive and disproportionate regulations of smoke-free products, including outright bans of some smoke-free product categories (e.g., Vietnam, France), while some countries with large populations, such as India, Brazil, and Turkey, remain blocked to smoke-free products, allowing their markets to legally sell only the most harmful products, such as cigarettes.

In 2025, PMI continued to advance its smoke-free transformation through constructive engagement with fiscal authorities promoting predictable, proportionate, and differentiated excise tax frameworks between combustible and smoke free alternatives. By the end of 2025, in 58 markets where our heated tobacco products were available for sale, these products had a dedicated fiscal classification. Further, in 66 markets, higher excise taxation was applied for cigarettes compared with heated tobacco products, reinforcing the role of fiscal policy as a key enabler to make smoke-free products affordable to consumers. E-cigarettes and nicotine pouches had dedicated fiscal classifications in a majority of launch markets, typically with significantly lower excise burdens than cigarettes. Additionally, multi-year excise tax frameworks, securing fiscal differentiation for smoke-free products were in place in 26 markets globally by year-end 2025, supporting regulatory certainty and long-term sustainability.

An overview of governments that acknowledge that smoke-free products have a role to play in reducing the harm caused by smoking, and that have adopted a tobacco harm reduction approach, is available here.

"Where regulation treats all nicotine products alike—regardless of their risk profile—it inadvertently protects the cigarette. That is an outcome none of us should accept. We advocate for regulatory frameworks that are risk-proportionate: frameworks that maintain more restrictive regulation on cigarettes while recognizing that smoke-free alternatives, though not risk-free, represent a fundamentally better option for adults who would otherwise continue to smoke. This means differentiated taxation that does not make smoke-free products more expensive than cigarettes, science-based product standards that enable innovation, and policies that allow adult smokers to access smoke-free products and obtain accurate information about them.

We operate within the regulatory frameworks of every market we serve. This is not contingent on whether we agree with every policy. Some regulations, in our view, do not reflect the science, do not differentiate based on risk, and may not serve the long-term interests of public health, or the overall betterment of society. We comply with them nonetheless. That is what it means to be a responsible company operating within a system we seek to improve but do not control. What we can control is the quality of our science, the integrity of our advocacy, and the consistency of our actions. What we cannot control—regulatory decisions, political dynamics, the pace of policy evolution—we work to influence through evidence, transparency, and engagement, never by circumventing the rules as they stand.

Our dedication to ending smoking remains firm, but no single actor can achieve this alone. It is through the coordinated actions of multiple stakeholders—governments, regulators, public health authorities, and industry—that we can successfully render cigarettes obsolete."

Christos Harpantidis, Chief Corporate Affairs Officer

Responsible marketing and sales practices

Our commercial activities focus on enhancing adult consumers' awareness and understanding of our smoke-free product range, while simultaneously taking measures to guard against our products reaching unintended groups such as underage people.

Our marketing and sales policies and practices reflect our commitment to market all our products responsibly. Our Marketing Codes set global standards that apply to all our commercial activities, even in markets where local laws are less strict. In some cases, certain markets may enforce even stricter local guidelines than our global Marketing Codes.

All PMI employees involved in our commercialization activities, as well as third parties we engage and who are involved in such activities (including agencies, promotional staff, and call center agents), must follow the Marketing Codes and are trained on them at least every two years. Around 59,900 people have participated in at least one Marketing Codes-related training session in the past two years. Of this total, approximately 39,900 were PMI employees and around 20,000 were third-party workers.

Our commercialization strategy incorporates responsible marketing and sales principles and practices end-to-end, starting with our own product design and development, all the way to monitoring the effectiveness of our youth access prevention measures, and to advocating for strong regulation and enforcement.

Product development

Design and packaging

We design our products specifically for adult consumers. Before commercialization, we carefully review features such as the shape, size, labeling, and colors of our devices, consumables, and packaging to ensure they are appropriate for legal-age users and do not particularly appeal to unintended audiences, in particular to underage people.

We warn consumers about the health effects of our products. All our consumable packaging contains health warnings, even if the law does not require them.

Use of flavors

We maintain rigorous governance over the flavors incorporated into our products, with increased vigilance for new taste dimension (NTD) flavors—which are those extending beyond traditional tobacco, menthol, or kretek. Our approach to flavors is comprehensive, focusing not only on the development of flavors themselves but also on how they are named, packaged, and marketed. All elements are critical to ensure that our flavored products provide a satisfying experience for adult nicotine users, which supports their complete transition to better alternatives, while minimizing unintended appeal among nonusers or underage people.

NTD proposals undergo a thorough, multi-step pre-market assessment that includes product evaluation, legal, regulatory and policy review, and, when appropriate, behavioral research. More specifically, this assessment considers, among other things, the flavor dimension of each product—such as unique nontobacco tastes and aromas like fruity or botanical notes—as well as the manner in which the flavored product will be labeled, marketed, and introduced within its regulatory and commercial environment.

We also selectively conduct behavioral research on some of our novel-flavored smoke-free products to assess whether adult consumers are likely to adopt those products, while at the same time confirming in a pre-market setting that adult non-users of tobacco and nicotine products are unlikely to try and use them. For example, we conducted comprehensive premarket assessment studies with flavored heat-not-burn, e-vapor, and oral nicotine products in 2023, 2024, and 2025 across seven PMI International markets, involving close to 14,000 adults. We found consistently low interest among unintended audiences: adult former nicotine users showed minimal intention to use our products (0.0–6.7 percent), with even lower rates among those adults who had never used tobacco or nicotine products (0.0–3.5 percent). Similarly, among young legal-age adults who had never used tobacco or nicotine products, intention to use remained very low (0.0–4.7 percent).

We enforce responsible naming, packaging, and marketing standards for our NTD flavored products. For our cigarette brands, variant names and descriptions are restricted to tobacco, menthol, or kretek, and packaging and marketing is prohibited from displaying fruit references or images, or descriptors like "sweet". For smoke-free products, explicit and factual descriptors are permitted, but only within carefully defined boundaries; imagery is limited to approved categories such as tobacco, mint, coffee, clove, and other flavors defined as botanicals. Communications about flavor descriptors for smoke-free products are tightly regulated and only permitted in adult-restricted channels. Importantly, PMI does not act as a first mover on NTD flavors in cigarettes in the markets where such segment does not exist. PMI launches NTD flavored products solely as a reaction to competitors' actions. We support responsible regulation of flavors for both combustible and smoke-free products, including calling for governments to ban certain flavor-related features (read more on PMI.com).

Through this disciplined approach—spanning sensory formulation, behavioral validation, and responsible marketing—we aim to ensure that flavors and their marketing are used responsibly to help adult smokers transition to better alternatives, while guarding against use by nonusers and supporting strong regulatory frameworks.

Value Plan 2030+

Responsible approach to flavors

We remain committed to subjecting all NTD flavors (i.e., flavors beyond tobacco, kretek, and menthol, which are considered as traditional and adult-oriented flavors) to a comprehensive evaluation before they are made available commercially. This includes calibrating the sensory profile of each flavor —moderating aroma and taste intensity to levels that support adult smokers' transition while minimizing appeal to nonusers—alongside rigorous naming, packaging, and marketing standards.

On-device age-verification technology

On-device access restriction through age-verification technology could serve as an additional measure in our youth access prevention framework. While consumers have welcomed our efforts to equip our devices with technology to guard against use by underage people, many have also indicated that their overall user experience deteriorated. They explained that the need to unlock the device via an application was impractical, making it a barrier to purchase and, importantly, putting at risk our ability to successfully switch adult smokers away from cigarettes.

We continue to invest in R&D for on-device activation capabilities for both heat-not-burn and e-vapor products.

Brand building, marketing, and communications

Marketing communications

We communicate about our smoke-free products and brands to help adult consumers find and choose the options that best meet their preferences. We provide balanced, evidence-based information on the risks and benefits of using PMI's smoke-free products, ensuring all communications and product claims are accurate and not misleading.

We communicate about our combusted tobacco products and their brands exclusively to current adult smokers, while also engaging them regarding the benefits of switching, particularly where we can communicate with them directly through on-pack communications and other touchpoints.

Our Marketing Codes are intended to help direct all communications activities to adult tobacco and nicotine consumers, while minimizing the potential of reach or particular appeal to underage audiences. These standards govern the content of all our consumer communications, such as requiring that promotional materials do not feature celebrities popular with youth or models who are, or appear to be, under 25 years old (as a baseline requirement). The Codes also ensure that our advertisements, marketing, and sales materials are displayed only in venues where at least 75 percent of the audience is reasonably expected to be above the legal age, or at least 18 years old in markets without a defined minimum age.[1]

Digital content creators and social media presence

Demonstrating our dedication to ongoing progress, in 2025 we continued to pilot a controlled initiative with digital content creators in selected international markets. This initiative was designed to deepen our understanding and evaluation of the responsible application of this channel, ensuring that the best responsible marketing practices are consistently upheld. Creators are individuals who produce content related to some of our smoke-free products, such as technical reviews, product unboxing, or personal conversion journey narratives, and are required to be at least 35 years old. Additionally, all published content is age-gated, ensuring that it is accessible only to legal-age users, and we only engage with digital content creators whose general audience is minimum 75 percent legal age adult.

We also maintain a presence on social media through smoke-free products-related owned brand accounts across 70 markets. All 282 accounts are age-gated to ensure access is restricted to legal-age adults and aligned with our Responsible Marketing practices. Our channels operate with the highest integrity, applying strict audience controls and platform-level safeguards to prevent engagement from minors, in line with our commitment to responsible digital communication.

1. In the U.S., we operate under the specific U.S. Marketing Code for Smoke-Free Products, which mandates higher thresholds.

Youth access prevention in our retail universe

### Trade partners engagement in indirect retail

All our cigarettes and more than 90 percent of our smoke-free consumables are sold in indirect channels, which we do not own and thus have limited control of.

In the indirect retail channels where we have direct engagement, we require the inclusion of strict minimal contractual requirements in our agreements with third-party retailers who sell tobacco and other nicotine products, requiring them to ensure the products are being sold to age-verified consumers prior to sale.

We also deploy our youth access prevention program for indirect retail globally, which complements our Marketing Codes requirements. The program involves yearly communications from our affiliate's management to our trade partners, delivery of youth access prevention (YAP) education by our field staff or via digital platforms, and the requirement for materials promoting YAP to be prominently displayed at point-of-sale. The primary objective is to remind retailers that tobacco and nicotine products should not be sold to underage people, and their role in preventing underage access, and to help them effectively enforce minimum age requirements.

By the end of 2025, markets representing 98 percent of our total shipment volume had implemented YAP programs, continuing to exceed our ongoing target. Part of our VALUE Index and linked to our executives' long-term variable compensation since 2021, this 2025 metric was externally assured.

Proportion of shipment volume covered by markets with youth access prevention programs in indirect retail channels

Maintain	ASPIRATION >90%
2025	98%
2024	99%
2023	98%
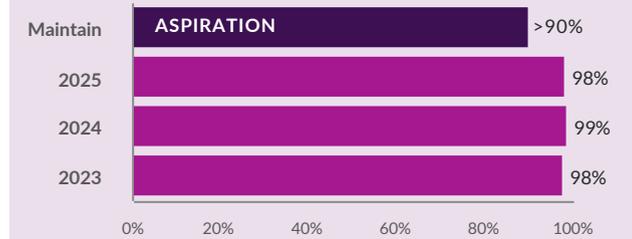
Note: See PMI's Non-financial KPI hub for further details.

Value Plan 2030+

YAP in indirect retail

We will continue to deploy our indirect retail global YAP program, with the objective of maintaining the same coverage of our shipment volume. We also plan to pursue supplementary initiatives aimed at reinforcing our indirect retail controls. In the case of digital sales channels, we plan to seek partnerships with online indirect retailers to facilitate the broad adoption of age-verification requirements at the point of purchase, thereby reducing the need for couriers to perform these checks upon delivery of the goods. For brick-and-mortar locations, we will continue to pilot programs that introduce age-verification technologies to strengthen age-verification controls, and we will report progress.

Using age-verification technology to strengthen controls in indirect retail

Emerging technologies are expanding the toolkit available for youth access prevention in indirect retail. Age-verification innovations, from facial recognition to digital identity authentication, offer the potential to reinforce existing controls with precise and scalable age-verification capabilities that guard against products reaching those who are not age-verified adults, supporting retailers in maintaining the highest standards of responsible sales practices. During 2025, we piloted some of these age-verification technologies with some of our indirect retailers.

Age verification in direct channels

E-commerce

When selling our products online, we always implement age-verification methods, albeit the methods implemented are based on what is available and viable to implement in the market. These may include:

– Asking consumers to upload a copy of their ID.

– Requesting certain personal data from consumers (e.g., name, surname, phone number), and using that data to identify them and to verify that they are of legal age via reliable third-party databases (such as ones operated by a financial institution or government agency).

– Using our contact center agents to age-verify a consumer face-to-face via a virtual video call.

– Using innovative facial analysis age-verification tools, which scans the consumer's face and flags anyone who appears to be below the legal age for purchase for further ID check, only allowing sale if the person is above the legal age. This tool is operational in 15 markets by year-end 2025, and we are currently investigating options to further expand its use in other markets, in line with applicable laws and regulations.

By the end of 2025, 83 percent of online orders in our owned e-commerce relied on age-verification technology at order placement, meaning that consumers could not have their orders shipped if they did not prove their legal age via one of the previously explained methods (2024: 74 percent). Where these technologies are not available, or when a person cannot be age-verified using any of the methods that are part of our portfolio of verifications, we apply alternatives like face-to-face age verification by delivery couriers or at collection pickup points.

Value Plan 2030+

YAP in our own online channel

We plan to increase the share of online transactions, processed through our e-commerce platforms or contact centers, that are subject to enhanced age-verification, including options like facial analysis, ID upload, data match, or conducting real-time virtual calls. By 2030, we target to reach complete coverage, where technology is available. In addition, we plan to keep investigating emerging technologies, like voice estimation assisted by artificial intelligence, aiming to enhance controls in our online channels

Physical stores

At our own brick-and-mortar branded retail, any consumer who wishes to purchase our products must be age-verified by a trained salesperson. We reviewed our Marketing Code and strengthened the control: as of July 2025, our brand retail staff are required to ID check a customer unless they are certain the individual is at least 30 years old, an increase from the prior threshold that set the control at legal age. In 2025, we also ran a few trials to introduce enhanced age-verification technologies across our brand retail outlets, yet our main attention has been on expanding the monitoring of successful implementation of existing age controls via our Mystery Shopper Program (MSP).

Monitoring and remediation

We have a solid infrastructure in place to monitor compliance with our Marketing Codes and to evaluate the effectiveness of our YAP efforts.

Market self-assessments

To meet the standards outlined in our Marketing Codes, an annual self-evaluation is performed to assess compliance across the markets. The 2025 review, our fourth self-assessment wave, enabled us to ascertain the extent to which this year's requirements were fulfilled, with particular attention given to the execution of activities aimed at preventing youth access in indirect retail environments.

Internal monitoring

Our Compliance function investigates potential incidents of noncompliance with applicable laws, regulations, the PMI Code of Conduct, and PMI Policies, including PMI's Marketing Codes. In 2025, there were 49 substantiated allegations of violations of our Marketing Codes (2024: 25). In response to these violations, PMI took disciplinary action against the involved individuals, which in some cases resulted in termination of employment.

As an outcome of our enterprise risk assessment, PMI's Risk & Assurance function's internal audit team conducts independent reviews of the processes and controls in place to implement our Marketing Codes. These audits are conducted in different markets and global functions. Audit procedures vary per audit depending on various factors, but generally include field visits to certain points of sale, testing of the age verification process, and inspecting programs that have been deployed, such as marketing and communications. Internal audits in 2025 found that issues related to compliance with the Marketing Codes for PMI's Combusted Tobacco Products and Smoke-Free Products were insignificant in nature, and these issues were mainly procedural. No significant issues related to youth access were identified in the locations visited based on the audit procedures performed by the internal audit teams.

Piloting age-verification solutions to strengthen youth access prevention in indirect retail in Austria

In 2025, we piloted for the first time a technology-enabled age-verification (AV) solution in Austria, with a primary objective to demonstrate, with concrete data, our ability to prevent underage people from purchasing our products with a very high certainty through digital AV at the point of sale. This would provide unprecedented proof of responsible commercialization practices and effective self-regulation, showing that every single product unit is sold exclusively to age-verified adult consumers, allowing us to claim in a substantiated way that our products are not sold to unintended audiences (specifically underage). For this pilot, we tested an AV technology integrated directly into the cashier system at the point of sale. When a customer attempted to purchase an age-restricted product, the system automatically prompted an age check, using, among other options, facial age-estimation technology to assess in real time whether the customer appears to be above the legal age threshold.

Read more in **this dedicated** Story of Impact.

As we continue refining these solutions, we are also advancing technology-powered age-verification pilots in Switzerland, Belgium, and Poland to broaden our learnings and assess applicability across diverse retail and regulatory contexts.

Mystery Shopper Program (MSP) in direct retail: Challenge 30 program

Our Challenge 30 MSP consists of third party agents, who do not work for PMI, conducting mystery visits to our brand retail (i.e. boutiques, islands, and pop-up stores) and attempting to buy our products. All shoppers are of legal age for tobacco and nicotine usage, but are selected using a facial age estimation software that determines them as having a visual age below 25 years old. They seek to check whether our Challenge 30 program is implemented during their attempt to purchase (i.e., whether mystery shoppers appearing below 30 years old are ID-checked). They then report back whether they were ID-checked (or not). The MSP remains a reliable and comprehensive way to monitor effectiveness of our YAP measures.

In 2025, we deployed our MSP in 34 markets globally, covering direct retail and online orders. We decided to raise the frequency of MSP activities and established a bold target to elevate performance and to meet our internal standards, which are often more stringent than applicable regulations. We are determined to achieve operational excellence in line with our DNA and will not compromise on the rigorous enforcement of YAP, which is vital to our business success.

Value Plan 2030+

Challenge 30 global mystery shopper program in direct retail

Beginning in 2026, we will conduct a multi-year mystery shopping exercise to validate the implementation of our Challenge 30 program across all PMI International's markets which have a brand retail presence. Our Challenge 30 program sets a high standard, as it requires our frontliners to check the ID of anyone seeking to purchase our products unless they are certain that the person is at least 30 years old. This is an approach that goes beyond the legal requirements of many countries. As of 2026, we target at least 95 percent adherence to the Challenge 30 program. While this 95 percent target is a very ambitious threshold, it is important to recognize that determining whether someone appears under 30 is inherently subjective, and as such we have taken this into account in shaping our preliminary target for the program.

Post-market research

We conduct extensive post-market studies that serve two key purposes: confirming our premarket perception and behavior assessments, and monitoring use patterns among adult smokers and (re-)initiation among never and former smokers. The results from post-market studies conducted across three markets in Asia and Europe in 2025, which sampled in each country between 3,000 and 7,000 adults from the general population and between 1,000 and 2,000 *IQOS* users annually, strongly confirm our heat-not-burn products are reaching their intended audience: over 94 percent of adult users were previously either smoking or consuming nicotine-containing products.

Importantly, our premarket perception and behavioral assessment studies, validated by subsequent post-market research, demonstrate that adult consumers accurately understand *IQOS*'s risk profile—recognizing it as a reduced-risk but not risk-free alternative to cigarettes.

Our post-market studies also cover other smoke-free product categories. However, the current low prevalence of PMI products beyond heat-not-burn in these markets does not yet enable us to provide reliable and comparable estimates. We are committed to continuing to monitor the use of our smoke-free products after commercialization, ensuring they reach the intended audience.

Overall, independent studies confirm our studies data and show that our flagship heat-not-burn product, *IQOS*, is reaching the intended audience—adults who already smoke or consume tobacco or nicotine products—while *IQOS* use among adults who have never before used tobacco or nicotine products, or had already stopped using them, is low.[1,2,3]

1. Anthony A. Laverty, Constantine I. Vardavas, Filippos T. Filippidis, Prevalence and reasons for use of Heated Tobacco Products (HTP) in Europe: an analysis of Eurobarometer data in 28 countries, The Lancet Regional Health - Europe, Volume 8, 2021, 100159, ISSN 2666-7762, https://doi.org/10.1016/j.lanepe.2021.100159. (https://www.sciencedirect.com/science/article/pii/S2666776221001368)

2. Patterns of heated tobacco product use and biochemically verified smoking status among customers of dedicated heated tobacco product stores - PubMed

3. https://www.fda.gov/media/124247/download?attachment (2019 data)

"At PMI, we have a clear and unambiguous position: no one underage should have access to tobacco, or to nicotine, in any form. Guarding against underage access to all our nicotine-containing products continues to be a cornerstone of PMI's strategy. Our strategic ambition is to continue to be an industry leader in responsible marketing and continue to exemplify the industry benchmark in youth access prevention—not only by putting robust controls in place, but by actively enforcing them and systematically monitoring their effectiveness. We lead across all touchpoints under our direct control and, in channels where our control is more limited, we actively partner with trusted third parties, industry peers, supporting regulators, and law enforcement to allow the same kind of rigor."

Frederic de Wilde, CEO PMI International

Illicit trade prevention

We take a comprehensive approach to combating illicit trade in tobacco and other nicotine products, including dedicated measures and resources focused on securing our supply chain, protecting our products, and collaborating with law enforcement agencies worldwide.

Illicit trade not only results in significant revenue loss for both our company and governments, but also exposes consumers to unregulated products. Addressing this global issue protects consumers, supports fair competition, and preserves our business' reputation and long-term viability.

Supply chain security

We deploy robust supply chain controls, from careful selection of suppliers and customers and sophisticated monitoring to advanced tracking and tracing technologies, and collaboration with law-enforcement agencies.

We adhere to a mandatory "Know Your Customer" policy that directs our operations, ensuring that we engage solely with organizations demonstrating strong ethical values and a commitment to integrity in their business conduct.

To identify and investigate anomalies, we keep track of sales volumes, focusing particularly on customers who handle large quantities of our products. Additionally, we utilize sophisticated machine learning and artificial intelligence solutions to observe patterns in illegal online trade and to prevent unauthorized online sellers from distributing PMI brands.

We also utilize track-and-trace technologies to prevent product diversion—not only in the EU, where they are mandated, but in all the countries where we operate. These technologies provide the ability to record the forward movement of products and trace backwards their history along the supply chain, as well as verifying product authenticity and addressing counterfeiting issues by leveraging visible security features.

In 2025, we continued to expand the scope of our track-and-trace processes and technologies, extending our coverage to more than 150 countries. This involves tracking the production and movement of our products across more than 40 combustible product factories and more than 20 smoke-free consumable factories, including third-party manufacturers.

Further, we support and help law enforcement agencies by inspecting and authenticating seized products, and performing forensic evaluations. We also profile illicit products, share intelligence on emerging routes and trends shaping the black market, and train officials on the innovative authentication and security features we use to protect our products.

Since 2020, we have conducted more than 470 training sessions with law enforcement agencies across the world, reaching more than 78,000 officials.

Multistakeholder collaboration

If we truly want to have an impact on deterring illicit trade flows, and protect consumers and our brands from smugglers and counterfeiters, our internal efforts need to be coupled with strong cross-sectoral collaboration and partnerships. A joined approach by governments, the private sector, and civil society is vital to helping combat the practice, especially in today's hyper-connected world—with growing concerns around global security, the proliferation of criminal organizations, and the surge of new digital tools. Read more about it here.

"As smoke-free products reshape the global nicotine landscape, illicit trade is evolving right alongside it. Counterfeit and contraband products cut directly across what we are trying to build. They bypass the quality and safety standards we insist on. They weaken the regulatory frameworks meant to protect consumers. And they put unverified products into the hands of adults and, potentially, minors. Illicit trade isn't just a commercial threat; it's a public health and public safety issue—and it deserves the same seriousness we apply to the transition itself.

PMI is uniquely positioned to lead. In 2026, we are rolling out track-and-trace solutions across our entire portfolio—including the nicotine pouch category by year-end—strengthening our forensic capabilities, and investing in the intelligence infrastructure needed to stay ahead of increasingly sophisticated illicit networks. But technology alone won't solve the problem. Effective enforcement depends on genuine partnership: it requires strong cooperation with law-enforcement agencies, with governments, and with industry peers who share our commitment to legitimate, regulated markets.

We will also continue to bring evidence and insight into the policy debate. Well-intentioned regulation that ignores illicit trade can end up doing the opposite of what it aims for—driving consumers away from regulated products and into unregulated ones, with no public-health gain. Our ambition is straightforward: to help shape anti-illicit-trade frameworks that are as forward-looking as the smoke-free products they exist to protect.

After all, if illicit trade were a legal theory, it would be the one where everyone agrees on the facts—and still hopes someone else will argue it."

Yann Guérin, Group Chief Legal Officer

Invested in innovation and growth in the U.S.

2025 was a year defined by regulatory and commercial achievements, focused underage access prevention initiatives, and strategic investments for PMI U.S. through its "Invested in America" strategic platform.

Regulatory consensus and scientific substantiation

PMI U.S. is a leader in modern nicotine, helping the country's estimated 30 million adult smokers leave cigarettes and other traditional tobacco products behind.

PMI is proud to have the largest share of both pre-market and modified risk product authorizations from the U.S. Food and Drug Administration (FDA):

– The first FDA-authorized heated tobacco system, including a modified exposure claim (*IQOS 2.4, 3.0,* and *HEETS*)

– The first FDA-authorized snus product, including a modified risk claim (*General Snus*)

– The first FDA-authorized nicotine pouch product (*ZYN*), with a modified risk product application pending

In January 2025, the FDA granted authorization for 20 *ZYN* variants manufactured and sold in the U.S. Following its extensive scientific review, the FDA concluded that *ZYN* is appropriate for the protection of public health, potentially benefiting adults who currently use cigarettes and/or smokeless tobacco products and completely switch away. As part of its evaluation, the FDA reviewed data regarding youth use and found that youth use of nicotine pouches remains low despite growth in the nicotine pouch category overall. For example, the FDA's 2024 National Youth Tobacco Survey showed that 1.8 percent of U.S. middle and high school students reported currently using nicotine pouches. The 2025 NYTS data released by the FDA appear consistent with the 2024 findings, showing youth use of nicotine pouches remains low, despite sales data showing category growth.

PMI U.S. looks forward to expanding its portfolio for adult consumers through *IQOS ILUMA* and *ZYN ULTRA* in the future, as it awaits the FDA's review of pending applications.

Access to smoke-free products

To meet the growing demand among legal-age consumers for smoke-free alternatives to cigarettes, PMI has made over USD 20 billion in U.S.-related investments since 2022, including the acquisition of Swedish Match, that are majority-related to both acquiring and further investing in U.S. manufacturing capabilities, commercial rights and infrastructure, and U.S. jobs. For example, in October 2025, PMI U.S. announced a USD 37 million expansion at its Wilson, North Carolina facility to increase production capacity for heated tobacco units for *IQOS*. Altogether, the infrastructure investments in Colorado, Kentucky, and North Carolina are expected to generate more than 1,000 direct and 1,500 indirect jobs, with an ongoing annual economic impact estimated at over USD 800 million.

PMI U.S. smoke-free product portfolio

PMI is committed to improving public health through science-backed smoke-free products that offer adult consumers better alternatives to smoking. PMI U.S.'s smoke-free portfolio includes heated tobacco, smokeless tobacco, snus, and nicotine pouches.

Today, *ZYN* is the leading smoke-free brand and the fourth-largest nicotine brand overall in the U.S., with shipment volumes growing by approximately 37 percent in 2025.

Our *IQOS 3.0* heat-not-burn product has been available since it was relaunched in the U.S. in select markets in 2025. Following the launch of its "Be the First" pilot program for *IQOS* in March 2025 in Austin, Texas, product availability expanded to Mississippi and Florida, as well as select military bases across the U.S.

Responsible marketing and sales practices

In the U.S., the law is clear: no one under 21 should have access to tobacco or nicotine products. Preventing underage access remains a core priority. PMI U.S. reinforces this commitment through a comprehensive 10-point approach focused on

responsible marketing, retail safeguards, and real-world monitoring. The company directs its marketing to adult consumers (21+); all owned digital platforms restrict access through independent age verification, limiting access to current nicotine consumers of legal age. PMI U.S. does not pay social media influencers to endorse its products. Only individuals 35+ appear in branded advertising.

PMI U.S. serves on the Advisory Council of the national nonprofit organization We Card, which champions comprehensive training for retail employees in addition to providing in-store signage and point-of-sale materials. It is all part of the effort to support compliance with the minimum age of 21 for purchasing nicotine products in the U.S. and requirements for ID checks at retail. PMI U.S. is also a founding board member and investor in TruAge®, a free retail technology that helps stores detect fake IDs and restrict underage access.

Illicit trade prevention

PMI U.S. is a funder and leading partner of United to Safeguard America from Illegal Trade (USA-IT) to combat black-market trade. USA-IT is a coalition of more than 100 national and state brand enforcement experts, law enforcement, leading industry associations, and civic organizations. It provides training programs and information to help law enforcement, local officials, and the public to tackle all forms of illegal trade (read more here). PMI has a long and successful history of fighting illegal trade, but resources from both the private and public sector are necessary to combat well-funded and seasoned criminals. Tackling illegal trade requires cooperation and public-private partnerships, making full use of existing expertise, information sharing, innovative solutions, and evolving technologies that USA-IT leverages though the coalition.

Philanthropy

Since 2022, PMI U.S. has donated over USD35 million to U.S. charitable organizations focused on supporting the veterans community and advancing economic empowerment. In 2025, PMI U.S. gave nearly 12 million USD to approximately 600 organizations across 47 states and the District of Columbia.

"As the U.S leader in modern nicotine, we are advancing scientifically substantiated, smoke-free alternatives that help switch cigarette smokers. We are also deepening our investment and strengthening U.S. manufacturing, creating high-quality jobs, supporting local communities, and contributing to better public health outcomes. As we look to 2026, PMI U.S. will accelerate the adoption of smoke-free products by expanding the reach and impact of our *ZYN* and *IQOS* portfolios. And we remain unwavering in responsible marketing and youth access prevention, helping ensure our products reach legal-age adults (21+) only and that our communications meet the highest standards of accuracy and integrity."

Stacey Kennedy, CEO PMI U.S.

Wellness

Beyond smoke-free, we recognize the value of working toward the next horizon, steadily advancing wellness initiatives that support our long-term vision.

While our immediate and medium-term priority is driving growth in our smoke-free business and accelerating the transition away from cigarettes, we are also laying important groundwork for the future. PMI's Wellness unit, Aspeya, is exploring adjacent avenues of growth to commercialize products in the field of consumer wellness. Through Aspeya, we continue to develop capabilities in wellness, leveraging our expertise in life science and technology to address unmet consumer and patient needs. It is doing this by harnessing scientific knowledge to reimagine how ingredients can be used, and working toward the development and commercialization of a pipeline of wellness products and brands.

Currently, Aspeya is focused on applying scientific standards to innovate and optimize formulas in a number of areas. These include consumer wellness products, nonrecreational cannabinoid products for medicinal use with innovative technologies, and the clinical development of an inhaled therapeutic asset. In addition, Contract Development and Manufacturing Organization (CDMO) services are also provided in the field of oral and intra-oral delivery systems.

Consumer wellness

We are targeting the energy segment with consumer wellness products, aiming to offer consumers healthy, innovative, and holistic solutions to support their physical and mental energy level.

To succeed in this space, we are taking a combined approach through partnerships and, alongside this mode, developing and commercializing proprietary products.

For partnerships, we are establishing alliances with companies with complementary expertise by combining technologies and industry expertise to bring innovation to the market. In doing so, we are co-developing and co-commercializing new products.

Our partnership with NeuroGum, Inc. (Neuro), a U.S. company, is developing and marketing gum and mints formulated to support energy, calm, and focus. This has led to the launch of three products: two (NEURO™ Sleep & Recharge™ and NEURO™ Memory & Focus™) are available for sale in the U.S., and one (NEURO™ Energy & Focus™) is available only in India.

We are also steering the end-to-end development and commercialization of in-house brands and products. In 2025, Aspeya launched in Canada its first internally developed consumer wellness product line—*ENERGY BIRD*. Available to consumers in Canada via e-commerce sites, it offers a system of Natural Health Products (NHPs) that are mindfully designed to help manage energy throughout the day.

Cannabinoids

We are pioneering a scientific and responsible approach to nonrecreational cannabinoids, with the aim to address unmet medical and well-being needs. With a patient-first mindset, we are developing and commercializing best-in-class cannabinoid products for medical use that people can trust.

We are doing this by combining a scientific approach, technical expertise, and real-world patient data, and through a commitment to consistent, high standards for cannabinoid products, quality, safety profile, and reliability.

In 2025, the *LUO* cannabinoid brand for medical use, which is available in Canada with medical authorization, was further developed to offer more options for physicians to address unmet needs, with additional strengths introduced. The orally formulated *LUO* portfolio offers high-quality standards and enables healthcare professionals to more precisely select dosage for their patients.

Inhaled therapeutics

Our clinical development program for an inhaled drug-device combination asset is designed to test the safety and efficacy of an established migraine treatment delivered via an inhalable administration route. With this program, we aim to unlock the potential for this medicine to offer patients rapid and sustained relief from migraine pain and other symptoms.

In 2025, following FDA approval for Aspeya's first Investigational New Drug (IND) submission, a clinical study was successfully completed in the U.S. The results will be published in 2026.

Contract development and manufacturing organization (CDMO)

Drawing on our oral technology platform, the CDMO business provides services to Aspeya and unrelated third-party companies in the pharmaceutical and consumer wellness industry. This involves developing and manufacturing oral and intra-oral delivery systems on a contract basis.

Operating revenues generated through the CDMO business represented the majority of Aspeya's net revenues in 2025.

"Within our wellness business, we will continue to prioritize responsible innovation and launch scientifically substantiated products, with the aim to discover new and better ways to improve the quality of people's lives. We remain committed to empowering healthy lifestyles and targeting specific unmet needs.

In 2025, Aspeya made good progress, particularly in Canada, where we launched our first proprietary consumer product line —*ENERGY BIRD*—and added additional strengths to *LUO*, which is a medicinal cannabinoid product authorized by healthcare professionals."

Michael Kunst, CEO Aspeya

The path ahead:

Value Plan 2030+

Aspiration and targets

Our aspiration is to lead the change by maximizing access to smoke-free products among legal-age consumers and continue working to make cigarettes obsolete, while continuing to uphold robust safeguards that help ensure the responsible marketing, sale, and use of our products.

To deliver on this aspiration, we will work to achieve the following targets:

Business transformation

– Be a substantially smoke-free business by 2030, with smoke-free-related net revenues representing over two-thirds of our total annual net revenues globally

– In around 60 of our markets, have over half of their total net revenues derived from smoke-free by the end of 2030. Of these markets, we aim for around 40 to derive more than 75 percent of their net revenues from smoke-free and around 20 to derive between 50 and 75 percent of their net revenues from smoke-free

Responsible marketing and commercialization

– Ensure that all sales orders made via our online direct retail channels (either e-commerce or customer service centers) undergo technology-based mandatory age verification by 2030, where technology is available*

– Reach and sustain as of 2026 a success rate of at least 95 percent of our Challenge 30 mystery shopper program across all PMI International's markets which have a brand retail presence*

– Continue to implement our youth access prevention program in indirect retail across markets representing at least 90 percent of our total shipment volume throughout 2030

– Continue to subject all new taste dimension flavors for our products to a comprehensive evaluation before they are made available commercially*

We will begin reporting performance toward newly established targets (marked with an asterisk) in our next annual Value Report and will provide methodological details in our Non-financial KPI hub.

Advancing our agenda

Synergy of internal action and external context

While we maintain substantial influence over our consumer engagement strategies through dedicated internal resources and programs, it is important to recognize that the broader external environment can significantly affect our ability to achieve consumer-related objectives. The interplay between our direct actions and external factors, particularly regulatory frameworks, shapes the pace and scale of our progress.

Regulatory frameworks that recognize and support tobacco harm reduction can accelerate progress by enabling adult smokers to access scientifically substantiated, reduced-risk alternatives. Conversely, overly restrictive or prohibitive regulations that do not differentiate between product risk profiles may limit consumer access to better alternatives, hinder innovation, and inadvertently drive consumers toward illicit or unregulated products. In addition, irresponsible behaviors of competitors and other industry players can influence both regulatory responses and public perceptions. When competitors do not adhere to responsible marketing or sales practices, or when illicit products proliferate, it can undermine public trust, prompt regulations, and create an uneven playing field. This underscores the need for industry-wide standards and strong enforcement to ensure that all market participants are held to the same high standards of consumer protection. Navigating this complex landscape requires ongoing dialogue with stakeholders, strategic adaptation, and a commitment to advocating for balanced regulatory frameworks that prioritize public health while supporting consumer choice and innovation.

Connectivity and trade-offs

Our ability to deliver on our consumer-related objectives is fundamentally rooted in the expertise, dedication, and engagement of our employees. Their commitment to excellence and innovation enables us to develop, market, and support smoke-free products that meet the evolving needs of legal-age consumers.

As we accelerate the shift to smoke-free products to advance public health, we recognize that this transformation brings complex trade-offs across our strategic priorities. While our smoke-free transition addresses our most material negative impact, it also introduces new challenges for our Climate, Nature, and Circularity goals—such as increased demand for electronic components, energy, and critical raw materials. Additionally, the evolution of our value chain brings new risks and responsibilities: the expansion into electronics and nicotine segments requires heightened attention to labor practices, human rights, and responsible sourcing, while the gradual decline in tobacco demand has socioeconomic implications for farmers and communities traditionally focused on tobacco cultivation. We are transparent about these tensions and work proactively to mitigate them by embedding sustainability into product design, supply chain management, and end-of-life solutions, while supporting workers throughout our value chain as it evolves.
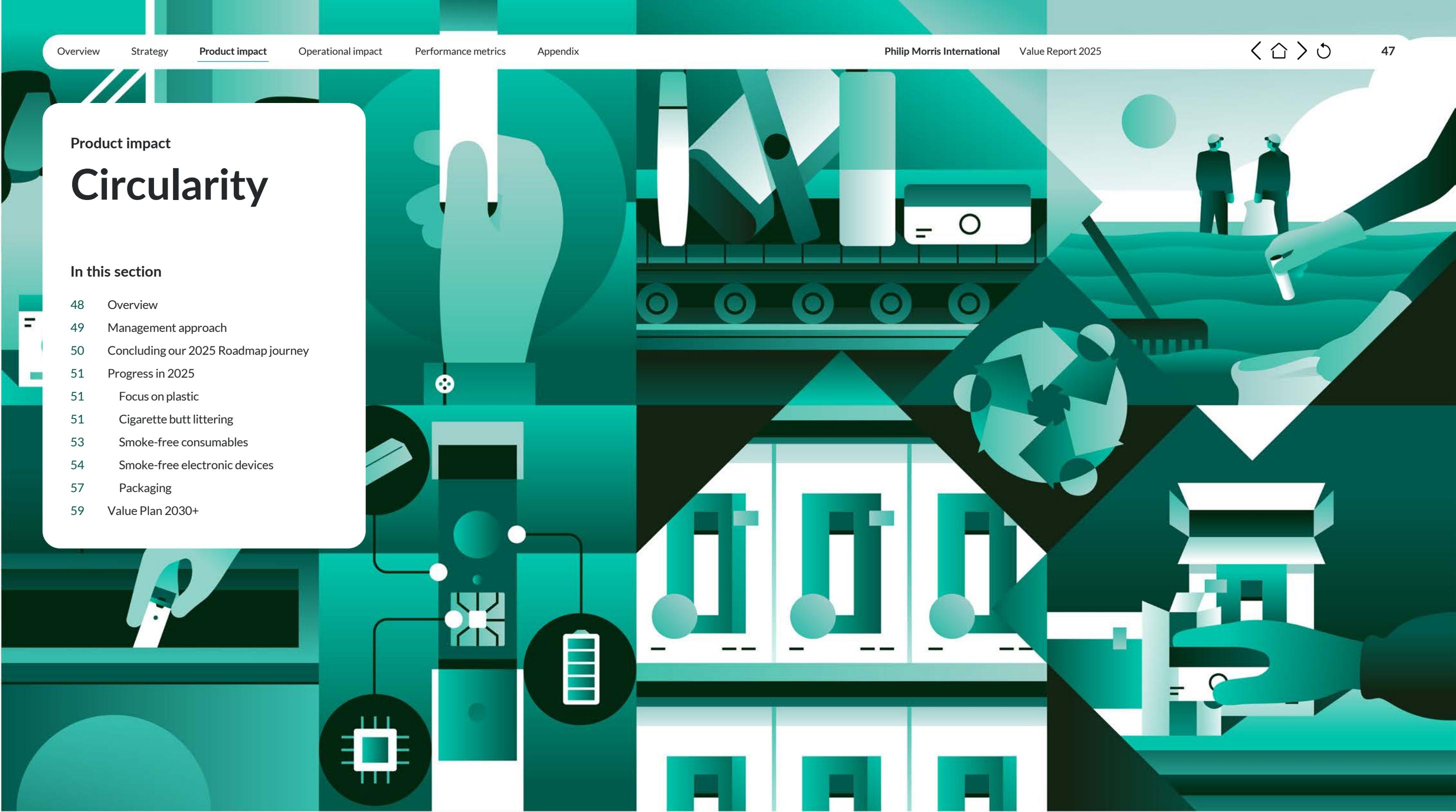
Product impact

Circularity

In this section

Circularity

Our aspiration is to embed sustainability across the full lifecycle of our product portfolio—electronic devices, consumables, and packaging—by prioritizing the use of recycled and responsibly sourced materials, optimizing product durability and recyclability, and fostering responsible end-of-life management.

Sustainability materiality summary

Through our sustainability materiality assessment, we identified actual material impacts (positive and negative) as well as a material opportunity, all of which pertain to the topic **product-related resource outflows**.

From an impact standpoint, the noncircular design of electronic products, particularly single-use items, can intensify the consumption of limited natural resources, especially as options for recycling or reuse are often unavailable. When consumables reach the end of their life cycle—including cigarette butts and smoke-free consumables—improper disposal can result in environmental litter. However, introducing filters that do not contain plastic could help to lessen environmental impact.

We have also identified an opportunity to proactively adopt more circular processes and product lines, which can help better position our organization for shifts in regulatory requirements, lower expenses, and boost operational effectiveness.

The effects of these impacts and this opportunity primarily occur at the end-of-life stage of our products. Their duration varies, encompassing short- to long-term horizons, which are indicative of the existing product mix and its projected direction.

An overview of our sustainability materiality assessment results is available here, and further details can be found in this dedicated report.

Business value creation

By proactively embedding circularity into our operations and product design, we are better equipped to anticipate and navigate potential regulatory barriers, such as outright bans on materials or products due to their environmental profile, and anticipate emerging regulatory expectations.

This forward-looking approach not only helps safeguard our market access and maintain a diverse product portfolio, but also drives cost reductions and operational efficiencies. At the same time, it enables us to meet growing consumer preferences for sustainable products and can strengthen our company's reputation.

For example, designing devices for easier disassembly and repair not only extends product lifespan, which favors consumer satisfaction, but also supports compliance with emerging right-to-repair regulations and recyclability standards in key markets. Further, supporting appropriate infrastructure for device collection and recycling enables recovery of valuable materials, can strengthen brand reputation, and helps us meet consumer expectations. This approach also ensures that PMI is well positioned to meet evolving regulatory requirements, such as minimum recycled content mandates, which are increasingly being adopted globally.

Management approach

We aim to preserve resources, reduce waste, and address inappropriate disposal of our products, including littering.

We seek to design and implement impactful strategies tailored to our entire product portfolio, including packaging, and tied to specific programs and aspirations:

– **Cigarettes:** We prioritize sustainable design by investing in research and development to replace filters with plastic-free alternatives. In parallel, we strive to reduce cigarette butt littering by encouraging behavior change through impactful awareness-raising campaigns and by empowering consumers to dispose of cigarette butts properly, regardless of the materials used.

– **Smoke-free consumables:** Our portfolio of smoke-free consumables consists of heated tobacco units, e-vapor disposables , cartridges containing e-liquids that are used for e-vapor products, and oral nicotine products. We explore options to reduce plastic intensity in our heat-not-burn consumables, which, after cigarettes, represent the largest share of plastic use in our consumables portfolio. We also deploy end-of-life take-back programs for our consumers to collect and return their used consumables for the waste to be managed responsibly, where market context permits. As our portfolio evolves, we are refining our approach and plan to conduct assessments to better understand consumer disposal practices across different consumables categories, to inform the development of tailored strategies to address end-of-life management.

– **Smoke-free electronic devices:** Our smoke-free devices consist of heat-not-burn and e-vapor products. With each new generation of our products, we aim to further embed eco-design principles, whereby we incorporate environmental criteria into the requirements of the product design. This enables us to improve device performance, including its robustness and durability, increase resource efficiency (minimizing waste and raw material extraction, and incorporating recycled materials where feasible), and enhance product repairability and recyclability. We also aim to promote responsible disposal of devices and recovery of materials.

– **Packaging:** We incorporate the principles of circularity and design our packaging for recyclability while seeking to use the minimum amount of material needed to ensure product quality. We also seek to reduce our carbon footprint and intensity wherever possible, by reducing packaging material, size, volume, and weight. However, with the inclusion and growth of the oral nicotine products in our portfolio, our plastic footprint for packaging is increasing, as nicotine pouches are typically packaged in rigid, single-use polypropylene cans that present greater sustainability challenges than the primarily fiber-based packaging used for our other products.

We use life-cycle analysis (LCA) to assess the carbon footprint of a selection of our products, evaluating impacts from raw material sourcing through to end-of-use and end-of-life. This comprehensive approach allows us to identify opportunities to reduce greenhouse gas (GHG) emissions and intensity, as well as improve other environmental considerations related to waste, use of natural resources and virgin materials. We understand, however, there may be trade-offs associated with the occasional misalignment of factors such as material selection, product durability, recyclability, and overall environmental impact with our product performance standards or consumer preferences.

Further, we inform our strategy by considering policy and regulation governing circular economy. Specifically, we are considering how government-regulated extended producer responsibility (EPR) schemes can effectively support efforts to reduce post-consumer waste toward a sustainable and circular economy.

2025 governance

The Senior Vice President, Research & Development and Senior Vice President, Operations led our company's efforts to improve product design and increase circularity cross-functionally.

The President of Smoke-Free Products Category & Chief Consumer Officer and our President of Combustibles Category & Global Combustibles Marketing drove our agenda on post-consumer waste management for their respective categories.

Evolved organizational model as of 2026: With our evolved organizational model, PMI Corporate will continue to define PMI's overall strategic approach, while the PMI International, PMI U.S., and PMI Wellness (Aspeya) business units will define how to best execute performance, attributing accountability as appropriate in their own leadership structures. We plan to communicate more about this evolved governance and management model in our future Value Report.

Policies, standards, and guidelines

Environmental Policy

Responsible Sourcing of Minerals Policy

Responsible Sourcing Principles

These publicly available documents are complemented by additional internal policies, including PMI's Eco-design Guidelines and guidance on the implementation of local consumable take-back programs.

Concluding our 2025 Roadmap journey

Performance against our 2025 aspirations at a glance

≥1 million
Smoke-free electronic devices refreshed or repaired (cumulative since 2021)

2025: 1.36 million   Achieved ✓

100%
Of smoke-free electronic devices introduced on the market as of the end of 2025 that have eco-design certification

2025: 100%   Achieved ✓

90%
Of PMI smoke-free electronic device sales volume covered by the CIRCLE program

2025: 92%   Achieved ✓

≥80%
Of shipment volumes covered by markets with end-of-life take-back programs in place for smoke-free consumables

2025: 56%   Not achieved ✕

≥80%
Of shipment volumes covered by markets with anti-littering programs in place for combustible cigarettes

2025: 91%   Achieved ✓

15%
Reduction in average packaging weight reduction for combustible tobacco products versus 2018 baseline

2025: 17.1%   Achieved ✓

15%
Reduction in average packaging weight reduction for heat-not-burn tobacco products versus 2018

2025: 16.1%   Achieved ✓

100%
Proportion of packaging formats that are designed for recyclability

2025: 99.5%[1]   Achieved ✓

[1] Our 2025 result of 99.5% reflects the achievement of our aspiration. While we plan to continue investing in innovation to develop packaging solutions that meet both performance and sustainability requirements, current material and availability of technology limit our ability to achieve full design for recyclability.

The aspirations outlined above mark the completion of our 2025 strategy. Details on the targets that will guide our direction through 2030 and beyond are available on . Further information regarding the 2025 performance values mentioned above can be found on the following pages, as well as within the Performance metric tables located at the end of this report.

"As we close our 2025 strategy, we can point to meaningful progress in reducing the carbon and environmental footprint of our products. By integrating eco-design principles into the earliest stages of product development, we have ensured that our new-generation devices carry third-party certified eco-design attributes—having more recycled content, built to be more durable, more repairable. This has reinforced our understanding that extending the useful life of a device is among the most effective ways to reduce its environmental impact.

We carry these lessons forward into our 2030+ strategy with a broader lens—one that spans not only devices, but also smoke-free consumables and cigarettes. Each presents distinct circularity challenges. For consumables, effective take-back and recycling depends on infrastructure and regulation that extend well beyond our direct control, requiring adaptable, localized solutions built in partnership with multiple stakeholders. For our cigarette filters, reducing the environmental impact of littering remains a responsibility we take seriously for as long as these products are in the market. And as our product mix evolves, so does the complexity of our packaging, where we will continue to prioritize fiber-based materials and minimize plastic use wherever feasible and in line with evolving regulatory requirements. With 99.5 percent of our packaging formats now designed for recyclability—effectively meeting our 2025 aspiration—our focus shifts from achieving the threshold to advancing real-world recycling outcomes.

Across all product categories, our approach is the same: invest in innovation, collaborate with suppliers, design for recyclability where current technology and regulation allows, and be transparent about both our progress and our constraints. As materials science and recycling infrastructure advance, we intend to move with them—always balancing sustainability with the product quality and safety our consumers expect."

Michele Cattoni, Chief Global R&D Officer, and Scott Coutts, Chief Global Operations

Progress in 2025

Focus on plastic

We seek to achieve a reduction in plastic usage, while also supporting responsible disposal of our plastic-containing products at their end-of-life.

As a global manufacturer, we source plastic materials and plastic-containing items for various products. In 2025, we purchased approximately 164,000 tons of plastic worldwide.

In 2025, the largest share of plastic we purchased remained cellulose acetate (CA), used in cigarette and heated tobacco unit (HTU) filters, followed by the plastic used in our packaging (the large majority of it coming from our oral nicotine products' packaging). Our plastic minimization efforts therefore focus on these two areas.

Efforts centered on the consumables used with our heat-not-burn products have led to significant reductions in recent years (read more here). However, despite such initiatives to reduce plastic per unit, our volume growth translates into a rising trend in our overall plastic footprint. It is also essential to acknowledge that, while reducing plastic has environmental value, new and alternative materials may present other environmental challenges. At the same time, regulatory requirements play a critical role. For instance, in addition, in jurisdictions where regulations require it, we implement "child-resistant" measures to prevent accidental or unintended access to and use of our products by children. These measures include, for example, child-resistant packaging for oral nicotine products, which makes the increase in plastic use unavoidable. In this context, we continue to explore innovative solutions that align with stakeholders' expectations and available technologies, and are compatible with existing regulation, to further reduce our product-related environmental footprint despite our business growth.

PMI's 2025 plastics footprint

Cigarette filters	**46%**
Heated tobacco unit filters	**30%**
Packaging	**23%**
Electronic devices	**1%**
Other	**1%**

Note: The plastics footprint calculation does not include the plastic content found in certain composite materials. 'Other' category accounts for less than 1 percent of the total plastic footprint and includes various types of plastics that do not fit into any of the predefined categories.

Value Plan 2030+

Developing plastic-free heat-not-burn consumables

A viable alternative to cellulose acetate (CA) in our product filters has not yet been identified. Nevertheless, we are committed to continuing our investment in research and development in this area. Despite the complexities and uncertainties involved, we are setting a target to commercialize at least one heat-not-burn consumable with a plastic-free filter per technology platform by 2030. This means that each HTU category available by that date—spanning today our induction, blade, and resistive external heating technologies (read more here)—will have at least one commercialized variant with a plastic-free filter solution. This approach gives us the flexibility to move progressively toward a plastic-free portfolio while allowing us to respond to evolving consumer preferences, quality standards, scalability challenges, and the necessary trade-offs between them.

Cigarette butt littering

We are committed to finding solutions that reduce the environmental impact of cigarette butts through both material innovation and anti-littering programs, recognizing that both approaches are necessary to address this multifaceted challenge. In line with this, our work centers around two pillars:

1. **Sustainable design:** We invest in research and development of filter alternatives that have a better environmental profile, seeking to replace CA and make them plastic-free.

2. **End-of-life management:** We inspire change in consumer habits through "reach activities" which focus on directly communicating with consumers through owned channels and trade engagement, and "impact activities" which aim to raise broader public awareness and develop solutions in collaboration with external partners and stakeholders.

Sustainable design

We invest in R&D to find options that contribute to avoiding or significantly reducing the environmental impact of cigarette butts. While changing materials will not solve the problem of littering, we believe material innovations can reduce environmental impact when or if cigarette butts are improperly discarded.

Tobacco product filters are traditionally made from CA. CA is a thermoplastic cellulose fiber made from high-purity wood pulp, and as such, considered a bioplastic produced from renewable biomass sources. To replace CA in our cigarette filters, we evaluate alternative filter materials via extensive analytical testing, machinability trials, and prototype testing to understand whether consumers will accept them.

We strive for any new plastic-free filter material or design to satisfy the following criteria:

– Consistent quality and performance criteria with CA filter product design

– Acceptable taste characteristics, visual appearance and experience for consumers

– Similar or reduced material carbon footprint compared with CA filters

– Favorable to industrialization at scale

Our initial pilot test of a plastic-free filter solution with adult smokers in 2024 yielded promising results but revealed complex factors affecting consumer preferences. In response, we expanded our assessment in 2025 and will continue in 2026 to thoroughly evaluate the acceptability of new filter materials. This expansion aims to properly evaluate the acceptability of new filter materials. To achieve this, we are conducting a more comprehensive series of pilot tests across different geographies. These tests involve various legal-age consumer groups, brands, price points, and product specifications. Our approach aligns with the criteria mentioned above, ensuring a thorough evaluation of any new filter solution.

Understanding the misleading notion of biodegradability

Cellulose acetate (CA) does biodegrade, eventually (over several months or years), depending on the surrounding conditions. When talking about "biodegradable materials" it is important to highlight that the environment around them plays a key role in the speed and outcome of such biodegradation. Even materials that are fundamentally biodegradable in certain environments might not biodegrade in others. Sadly, consumers tend to incorrectly assume that littering biodegradable products causes no environmental damage, which can lead to exacerbating littering behavior. Raising consumers' awareness and promoting a change in their behavior is a crucial component to reduce environmental impact. Behavior that avoids littering and innovation that reduces post-consumer waste are the most environmentally responsible actions. Our company remains committed to investing in R&D to find viable and more sustainable alternatives to CA.

End-of-life management

Beyond our R&D activities, and acknowledging that littering is a behavior that happens regardless of the material composition of our products, we remain focused on encouraging consumer behavior change to prevent cigarette butt littering. Our approach includes active participation in awareness-raising and anti-littering campaigns, as well as cleanup activities across markets. We also contribute to extended producer responsibility (EPR) schemes, where reasonable, proportionate, and relevant or where mandated by law such as the EU Single-Use Plastics Directive (SUP).

While many consumers dispose of their cigarette butts properly, too many end up in the environment. To change this, consumers require convenient solutions that are viable and compatible with their socioeconomic realities, local culture, available waste management infrastructure, and overall maturity of the environmental solutions offered locally.

Our data from consumer insights indicate a general lack of awareness about the environmental impact of improper disposal of cigarette butts. They show that only one in four adult smokers are aware that CA is one of the main components of cigarette filters. Further, only half of adult smokers surveyed identified either the cigarette filter or the plastic wrap outside the pack as main pollutants (out of all components of cigarettes and their packaging). Data from specific markets indicate a reduction in littering rates once awareness-raising initiatives have taken place. This correlation highlights the positive impact that targeted awareness campaigns can have on consumer behavior regarding sustainable end-of-life management practices.
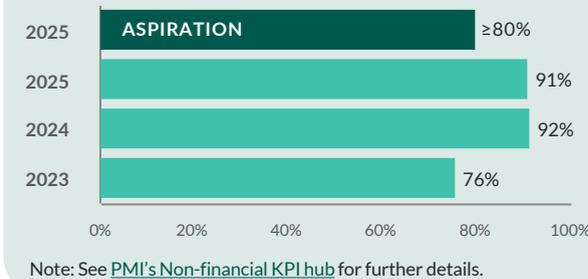
This is why, to drive behavior change, we are actively and voluntarily investing in the management of our products' post-consumer impact across markets globally, including where EPR legislation is in place. We focus on educating consumers about the environmental impact of littering and making it socially unacceptable, tailoring our interventions to local socioeconomic and cultural contexts. Each market leads its own anti-littering campaigns, adapting strategies to local habits and challenges, with central support to ensure initiatives are both relevant and effective.

In order to meet their objective, our markets must deploy at least one "reach" and one "impact" activity each year.

1. **Reach activities:** Convey messages about the environmental impact of littering and raise awareness of correct disposal directly to consumers, mainly via our owned channels or trade engagement in more restrictive markets. Examples include on-pack and point-of-sale messaging and digital trade engagement.

2. **Impact activities:** Raise awareness of the issue beyond only the consumers of our brands and develop solutions in partnership with civil society organizations, local governments, and other stakeholders. Examples include corporate communication campaigns, initiatives to identify litter hotspots and improve public infrastructure, distribution of portable ashtrays, etc.

Proportion of shipment volumes covered by markets with anti-littering programs in place for combustible cigarettes

Year	Value
2025	ASPIRATION ≥80%
2025	91%
2024	92%
2023	76%

Note: See PMI's Non-financial KPI hub for further details.

In 2025, we successfully implemented anti-littering programs in five new markets, but as some other markets failed to meet the criteria for having a program in place, the total number of markets worldwide reached 70 (2024: 69). As a result, by the end of 2025, markets representing 91 percent of our shipment volumes for combustible cigarettes had anti-littering programs in place, once again exceeding our 2025 aspiration of 80 percent coverage.

We publish case studies and market stories that share details about the different creative solutions our markets have introduced to deploy various anti-littering activities. Read more about these initiatives on PMI.com. These examples showcase how local realities are relevant when deploying successful programs. Collectively, all markets' efforts seek to address the issue of cigarette butt littering at all levels of activity, from on-the-ground activations, local partnerships, experts, and trade partners to local authorities and online campaigns.

Measuring the overall impact of anti-littering programs

We understand the desire for a single metric showing how much litter has been reduced by our anti-littering programs or EPR participation. However, we want to be transparent about why such a figure does not exist—not just for PMI, but for any company or government in any litter category. Measuring the net litter reduction attributable to a specific program requires knowing the counterfactual: how much litter would have existed without the intervention. This is not observable. Unlike GHG emissions (for example), which can be measured at source, litter is the result of millions of individual consumer disposal decisions across diverse geographies, and there is no accepted global methodology for attributing litter reduction to any single program or actor. No FMCG company, municipality, or EPR scheme operator currently reports such a figure for any product category—whether plastic bottles, food packaging, or cigarette butts. What we can and do report on are measurable outputs: the scope and geographic reach of our anti-littering awareness campaigns.

Annual mobilization around World Cleanup Day

Cleanup campaigns, while not a substitute for public cleaning or an immediate solution to littering, are important for raising community awareness. In September 2025, we promoted litter prevention by providing toolkits, hosting internal events, and organizing local cleanups with employees, families, and partners, aligning these efforts with World Cleanup Day to demonstrate our commitment to reducing post-consumer waste. In 2025, approximately 60 of our markets participated, engaging over 16,000 stakeholders globally to combat littering.

Smoke-free consumables

We focus on minimizing the environmental impact of the heated tobacco units (HTUs) used with our heat-not-burn devices, the cartridges used with our e-vapor devices, and our e-vapor disposables. We prioritize two pillars:

1. **Sustainable design:** While our smoke-free portfolio contains other consumables, HTUs represent the largest share of our smoke-free consumables sold today. For this reason, our primary efforts to eliminate plastic are focused on HTUs. We invest in research and development of HTUs with reduced plastic content (i.e., tackling the CA contained in the HTU filters).

2. **End-of-life management:** The product composition, use and post-use consumer behavior of smoke-free consumables differ from cigarettes and support a different approach to end-of-life management. We strive to implement take-back programs in our markets to enable responsible waste management, with an aspiration to recycle.

Sustainable design

In line with our sustainable design approach for combustible products, we aim to reduce our environmental footprint by design and are exploring better alternatives to the materials currently used in our heat-not-burn product consumables (read more about plastics in our filters here).

For instance, switching from blade-based to induction-based *IQOS ILUMA* products cut plastic by 44 percent per HTU by replacing polylactic acid (PLA) with cellulose acetate (CA). As we expanded the availability of induction-based products by the end of 2025, we achieved a 37 percent reduction in overall plastic intensity across our entire heat-not-burn portfolio, compared with 2019.

While we have made significant progress to date in the reduction of plastic intensity, we acknowledge that developing a plastic-free alternative for our next generation of heated tobacco consumables presents significant challenges. This process involves not only designing and testing new materials for each component, but also ensuring that these alternatives are technically feasible, economically viable, and meet the high standards of consumer acceptance. Each potential solution must be thoroughly evaluated for performance, safety, and user experience. Our newly introduced target (read more here) will guide our efforts in this area.

End-of-life take-back programs for smoke-free consumables

To promote responsible disposal, our markets implement context-based, impactful end-of-life take-back programs to collect and manage post-consumer waste from our smoke-free consumables. These programs enable consumers to return used consumables to PMI for proper disposal by waste management partners, which typically includes recycling, or energy recovery. They align with global requirements to ensure consistency and comparability over time but are adapted to deployment realities in each market.

Proportion of shipment volumes covered by markets with end-of-life take-back programs in place for smoke-free consumables

Year	Value
2025	ASPIRATION ≥80%
2025	56.0%
2024	21.5%
2023	17.6%
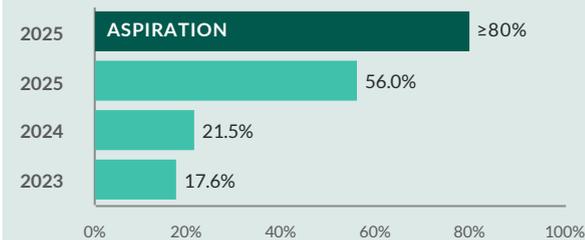
Note: See PMI's Non-financial KPI hub for further details.

Since launching our end-of-life take-back program in 2021, we have expanded the program to 41 markets around the globe (2024: 41 markets). While the number of markets has remained the same versus 2024, the composition of specific markets has changed over time. In 2025, these markets represented 56 percent of our shipment volumes for smoke-free consumables.

While this year's results represent significant progress, we fell short of our 2025 aspiration and we anticipate that maintaining this level of coverage will be challenging due to evolving external circumstances beyond our direct control, such as regulatory constraints related to waste collection, transportation, management and storage, and the lack of existing viable waste management solutions in certain markets. Our efforts to implement take-back programs, along with the challenges we have faced, have provided valuable insights that we have incorporated into the development of our strategy for 2030 and beyond.

Behavioral differences in the disposal of smoke-free products

Building on our insights from behavioral studies we commissioned in the past, a follow-up littering study completed in 2024 across four major European cities sought to verify if these disposal patterns remained consistent. This latest study compared the likelihood of used heated tobacco units (HTUs) being littered versus conventional cigarette butts, confirming our earlier findings by showing that HTUs are on average four times less likely to be littered after use than cigarette butts.

To complement this study, in 2024 we also conducted a consumer survey across Europe which provided powerful corroborating evidence for our observational littering study in several ways. The survey data validated the study's findings through self-reported behavior. This alignment between observed behavior and consumer self-reporting, coupled with the results from studies conducted in the past, strengthens our confidence that this is a consistent behavioral pattern rather than a temporary phenomenon.

Value Plan 2030+

Informing our strategy by behavioral patterns of consumption

We have learned from our voluntary take-back programs for heat-not-burn and e-vapor categories that effective end-of-life management requires robust collection, sorting, and processing infrastructure—systems that are often missing in many markets. Building and maintaining such parallel structures is costly and typically not economically viable on a standalone basis.

Research shows that consumption and disposal behaviors for smoke-free products differ fundamentally from cigarettes due to the absence of combustion: no smoke, odor, or ash. As a result, post-consumption patterns also differ. Because of the expansion of our smoke-free portfolio, which spans multiple product types, including oral nicotine products, with distinct material compositions and consumer behavior patterns, each category requires tailored end-of-life management approaches. As our portfolio grows, we will continue conducting market-level post-consumption research over the course of 2026 to inform targeted, category-specific interventions in the following years.

Moreover, we plan to implement take-back solutions only where the conditions support success: strong multistakeholder collaboration, functioning recycling infrastructure, and regulatory or market readiness. Our focus is shifting upstream—studying consumer disposal behaviors, promoting responsible disposal, designing products compatible with local waste systems, and partnering to strengthen existing infrastructure. We will continue advocating for consistent implementation of the SUP Directive in the EU, namely with more harmonized Member State frameworks for EPR, with transparent and proportionate costing models that reward progress in reducing littering and offer predictability to companies that have been investing in more sustainable materials and littering prevention.

Smoke-free electronic devices

We aim to drive continuous improvement in future product generations. In pursuit of this goal, we have drawn upon our LCA insights to pinpoint key areas of focus, investigated eco-design standards, and determined the criteria relevant to smoke-free electronic devices. Our strategy involves:

1. **Sustainable design:** We strive to optimize material usage by increasing the use of recycled content, enhancing product reliability and energy efficiency, and striving for a consistently high level of recyclability by design.

2. **Product durability:** We seek to offer comprehensive consumer services and support to ensure reliable product performance, while promoting longevity and repairability.

3. **End-of-life management**: We aim to promote responsible disposal of devices and recovery of materials.

Sustainable design

Eco-design

Embedding eco-design principles in our electronic smoke-free products through an end-to-end approach helps minimize impacts related to materials selection and sourcing, components production, product manufacturing, use, and product end-of-life stages. Eco-design considers environmental aspects at all stages of the development process, striving for products that generate the lowest possible environmental impact throughout their lifecycle. Incorporating environmental criteria into the requirements of our product design helps us reduce our carbon footprint, address other environmental impacts associated with the production, use, and disposal of our electronic products, establish policies and practices that proactively implement and anticipate regulation, and mitigate costs associated with reacting or adapting late to rapidly evolving regulation.

Our eco-design program is based on the ISO 14020 framework and leverages other leading ISO and EN standards across different technical design aspects. We deploy eco-design features in new products by ensuring our internal eco-design requirements are formalized and embedded in the product development process. In 2025, we continued implementing several eco-design requirements into pilot projects for our electronic devices. Notably, we continued integrating recycled plastic and metal into the design process.

We have continued to strengthen our sustainability performance through science-based methodologies and internationally recognized standards. During 2025, three of our electronic devices successfully obtained eco-design certification, demonstrating measurable reductions in environmental impact. These products were certified under both the Type III Environmental Product Declaration (EPD) framework (ISO 14025) and the Type II Environmental Claims standard (ISO 14021), in alignment with the principles of ISO 14020, which govern the credibility and transparency of environmental labeling and declarations and have resulted in the achievement of our 2025 aspiration of 100 percent eco-design certification of PMI designed and newly launched electronic devices.

The certified EPDs offer detailed insights into the environmental impact of the products, increasing awareness among end-users, and bringing further clarity into the improvement opportunities we can undertake to reduce our environmental footprint further. All three EPDs were verified by an independent accredited verifier, confirming the robustness, accuracy, and transparency of the data. They are published under the International EPD System (accessible here). In addition, the EPDs published in 2024 for *IQOS ILUMA i* devices have been revised and upgraded to meet the full requirements of our eco-design certification framework, ensuring consistency and comparability across the product range (accessible here).

Value Plan 2030+

Fostering circularity by design in our electronics

Over the past few years, our eco-design program has established key enablers for our device circularity strategy. These include: lifecycle assessment integration, material innovation pipelines, eco-design certification frameworks, and systematic tracking of environmental KPIs. These foundational elements have established a data-driven process that informs every stage of product development from concept design to end-of-life considerations. By embedding eco-design principles into our operations as part of our 2025 aspiration, we have moved beyond treating eco-design as a one-time milestone to recognizing it as an integral, ongoing element of our strategic approach. This approach now serves as a foundation for continuous innovation and long-term value creation, guiding our objectives and actions for 2030 and beyond.

Life-cycle analysis

We have been conducting life-cycle analysis (LCA) in 2025 to evaluate the carbon footprint of selected electronic devices and smoke-free consumables which represented 28.3 percent of our total carbon footprint in 2025, covering every stage from raw material sourcing to end-of-life.

Through our analysis we estimate that on average:

– Our heat-not-burn product category (including both consumables and devices, with their respective packaging) has an average carbon footprint of approximately 26.9 kg CO_2e/year per average user, of which consumables contribute 77 percent and devices 23 percent. This represents a stable carbon footprint for the category, compared with 2024. The main driver of the carbon footprint remains the sourcing of materials necessary for the production of HTUs.

– Our e-vapor product category (including both consumables and devices, as well as disposable e-vapor products—with their respective packaging) has an average carbon footprint of approximately 22.3 kg CO_2e/year per average user, of which consumables (including cartridges and disposable e-vapor products) contribute 97 percent and devices 3 percent.

– Our oral product category has an average carbon footprint of 0.2 kg CO_2e/can, where, unlike the case of our electronics portfolio, the most prominent part of its carbon footprint stems from packaging. The LCA for this product category covered our U.S. and Swedish markets (our two biggest oral product markets), with significant differences between the two geographies, mainly due to varied energy sources and resource usage.

Recycled materials

Our approach to materials' circularity begins with a clear understanding of the materials embedded in our products and their environmental and strategic significance. While today our devices already incorporate recycled materials—such as recycled plastic, recycled aluminum, and recycled rare earth elements in magnets—the overall proportion of recycled content in our device portfolio remains below 1 percent.

In the latest version of *IQOS ILUMA i ONE*, launched in 2025, 10 percent of the plastic in the device is made from recycled material.[1] This represents a first step in device recycled content use, and demonstrates our ability to integrate sustainability into mainstream product development without compromising quality or performance, as well as managing pricing fluctuation from sourcing of recycled content.

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1. Plastic materials incorporated in electronic and electrical components, such as batteries, printed circuit boards, and sensors, are not included in the recycled content calculation.

Our efforts extended further with the launch in 2025 of a new device in the e-vapor category, *VEEV inPRIME*, which sets a benchmark for the company in circular design. In this device, recycled content includes over 45 percent of the plastic and 75 percent of the aluminum, and, importantly, it relies on the use of 25 percent of recycled rare earth elements, a first for our portfolio. These design choices contribute to lowering the carbon footprint of our products and reducing dependency on virgin materials, thereby supporting the transition to a more resource-efficient economy. By embedding recycled content into our devices, we are not only minimizing waste but also promoting responsible sourcing and material recovery.

Building on these foundational materials, we are extending our circularity focus to battery components, specifically targeting cobalt and lithium. While implementation is ongoing , these materials are prioritized due to both their strategic relevance in device performance and their critical environmental and social implications (read more here). By integrating recycled cobalt and lithium into our battery design, we aim to reduce dependency on primary sources, mitigate social and environmental risks, and contribute to a responsible, sustainable materials ecosystem.

Critical raw materials

Critical raw materials (CRMs) are essential for modern technologies but face high inherent supply, environmental, and social risks due to their unique properties and rising global demand. We use various CRMs in our smoke-free electronic devices and consumables, and, in 2025, we completed a data-driven assessment to identify priority CRMs, evaluate associated challenges, and inform strategic decision-making for more resilient and sustainable supply chains. Our CRM Assessment report, published alongside this report, seeks to provide external stakeholders with detailed insights into our assessment process and findings.

Value Plan 2030+

Increasing the use of recycled content in our electronics

By 2030, we aim to increase the recycled content across our electronic product portfolio from less than 1 percent today to at least 10 percent. This means making recycled materials a standard part of new device generations, with materials coming from certified recycled content sources. This emphasizes our commitment to reduce consumption of virgin resources and its related potential environmental and social impacts, based on the learnings from our eco-design certification program. More specifically, we plan to expand our use of recycled materials to include recycled gold, copper, lithium, and cobalt.

The prioritization of recycled materials is based on two dimensions:

– **Volume presence:** Plastics and aluminum represent the largest material fractions by weight and therefore offer the highest leverage for circular impact through the use of post-consumer and post-industrial recycled content within our device portfolio.

– **Critical raw material inherent risks:** We target critical and high-value materials such as copper, lithium, and cobalt, as well as rare earth elements (which are key components in electronic assemblies and batteries). These materials have emerged as priorities as a result of our CRM assessment (read more here).

By combining quantitative material flow analysis with inherent risk assessments, we ensure that our circular material strategy addresses both environmental footprint reduction and long-term resource security.

Durability

While durability is grounded on effective design, it is enhanced by building and expanding the systems that make device repair and maintenance accessible and seamless for consumers throughout our retail ecosystem. Our goal is to expand repair capabilities when meaningful to the device ownership experience.

Device take-back programs provide our consumers with the opportunity to responsibly process their device at end-of-life. Collected devices are either given a second life or recycled. The parts that are not recyclable are incinerated with energy recovery. Successful second-life strategies rely on the ability to collect and sort devices, as well as the technical ability to distinguish between those to be recycled and those that can be repaired or refreshed, according to our quality and safety standards. Also vital is simplifying the experience for consumers and making it more accessible.

To support the evolution of our circular model we had set an ambitious aspiration to refresh or repair at least 1 million smoke-free electronic devices by the end of 2025 (cumulative since 2021). In 2025, we exceeded our target, with 1,358,000 smoke-free electronic devices refreshed or repaired since 2021.

Number of smoke-free devices refreshed or repaired (cumulative since 2021), in thousands

2025	ASPIRATION ≥1,000
2025	1,358
2024	867
2023	320
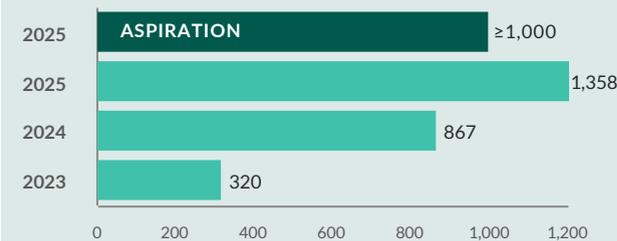
Note: See PMI's Non-financial KPI hub for further details.

The significant progress we achieved this year was driven by our strategic focus on enhancing our refresh and repair capabilities, enabling us to extend them to *IQOS ILUMA* and *IQOS ILUMA ONE* across 19 markets.

In some geographies we offer second-life devices, branded as *IQOS ILUMA Refreshed*, at prices 20 to 30 percent lower than new devices. This helps address affordability, as the upfront cost of smoke-free devices can be a barrier for adult smokers.

An essential step in the refresh and repair process is the capability to "recharge," which allows the battery life of a returned device to be restored to an optimal state, resulting in an extension of the product life. This capability is currently available at repair operations centers, the electronic manufacturing suppliers, and distribution centers.

Retail-facing services

With every new generation of technology we aim to improve device durability and reliability. As a result, *IQOS ILUMA* exhibits the lowest return rates and longest life cycle compared with its predecessors. Due to this longevity, *IQOS ILUMA* devices can show signs of physical wear and tear after prolonged use.

To avoid returns, and thus e-waste, we have developed a repair and refresh in-store process, currently focusing on the replacement of most of the worn or broken cosmetic parts in certain devices, with an aim to extend the device use.

Following the positive results from a pilot in Switzerland where cosmetic-parts of *IQOS ILUMA ONE* and *IQOS ILUMA MID* were replaced, we extended this service in 2025 to three markets—Czechia, Portugal, and Slovakia. By year-end, it was available in 40 brand retail stores across these four markets and showed strong consumer satisfaction, with over 6,000 devices repaired and returned to their owners during the year (resulting in a saving of around 30,000 kg CO_2 compared with device replacement).

Value Plan 2030+

Repair and refurbish, as a service

Drawing from our experience in recent years, we are now shifting our focus toward expanding lifecycle extension services. Our goal is to offer consumers an easy and efficient way to extend the lifespan of their devices. This thoughtful change in direction builds on our previous efforts in centralized repair and refurbishment. Internally we will track our ability to deliver repair services, the rate at which consumers choose repair over replacement, and overall satisfaction, ensuring we continue to meet evolving customer needs while advancing the deployment of our sustainability ambitions.

End-of-life management

For those products that cannot be given a second life, PMI CIRCLE hubs inspect, process, and separate materials for recycling. These hubs, located in Hungary and Japan, manage the recycling of PMI-designed electronic devices, including heat-not-burn and e-vapor products.

As our footprint grew and we expanded our commercialization efforts across markets, our CIRCLE program (which originally consisted of only our two hubs) expanded to be complemented by local solutions that met our recycling requirements. Logistics, environmental considerations, and regulation have been the main drivers to find local solutions to complement the work of our CIRCLE hubs.

Beyond our centralized CIRCLE hubs, in 2025, four new markets partnered with validated local recyclers to manage the end-of-life of their electronic devices, while one market transitioned from CIRCLE hub to a local solution, bringing the total to 22 markets with validated local solutions in place. Meanwhile, our CIRCLE hubs expanded to cover four new markets. In total, 50 of our markets selling smoke-free electronics were covered by the CIRCLE program by year-end.

This brought us to exceed our 2025 aspiration of 90 percent smoke-free electronic device sales volume covered by the CIRCLE program, as our CIRCLE program covered 92 percent of our volume in 2025 (2024: 89 percent)

Proportion of smoke-free electronic device sales volume covered by the CIRCLE program

Year	Value
2025	ASPIRATION 90%
2025	92%
2024	89%
2023	82%

Note: Excludes disposable products and non-PMI-designed devices. Collected devices are considered covered by the CIRCLE program if they are either processed at our centralized CIRCLE hubs or by validated local recycling partners.

In 2025, the recycling rate of our products at our CIRCLE hubs in Hungary and Japan, combined with validated local recycling activities, reached 88 percent (2024: 87 percent). This rate is calculated as the percentage of the weighted average of the mass of each device that is recycled through the CIRCLE program. Recycling rate is an important performance indicator as it directly measures our progress in minimizing electronic waste and our success in recovering valuable materials from used devices, which supports both our environmental goals and the efficient use of resources as we enhance circularity.

Value Plan 2030+

Integrating circularity for electronic devices within the available ecosystem

Our approach to device circularity is evolving from internally managed and centralized operations under the CIRCLE program to supporting local responsible product disposal infrastructures.

As our smoke-free product business expands, the centralized CIRCLE solution is no longer economically or environmentally sustainable, prompting us to adopt alternative approaches. While these alternatives may offer less direct control and could result in lower recycling rates, they are better aligned with our current scale and have the potential to greatly increase coverage.

Our priority will be to support the development of local take-back and recycling systems in the markets where our products are available. This requires infrastructure that, in many markets, does not yet exist—and that the private sector cannot build alone. We therefore advocate for regulation that mandates EPR schemes for electronics, to the extent that they are economically viable, proportionate, and relevant, with ambitious and realistic collection targets set jointly by authorities and the industry, reflecting the practical realities of the marketplace, including the maturity of recycling and collection infrastructure. We also advocate for policy that promotes investment in the end-of-life management of electronic devices, particularly the recovery of critical raw materials. This is a case where well-designed regulation directly enables our circularity ambitions, and where its absence is the primary constraint on progress.

This shift empowers local partners and stakeholders to take on a larger role in product collection and recycling, even as our direct oversight decreases. To address concerns regarding diminished transparency and recycling quality, we remain committed to collaborating with local partners and participating in policy discussions that can accelerate infrastructure and technology improvements, ultimately enhancing the recycling quality of our electronics.

PMI's position on EPR is not ideological but product- and context-specific. For electronic devices, mandatory EPR frameworks are essential to building the collection and recycling infrastructure our circularity strategy depends on. For other product categories—such as cigarette filters—we believe that voluntary, locally adapted programs deliver more targeted and efficient outcomes than broad legislative mandates. In all cases, our position is guided by what delivers the most effective environmental result.

Packaging

As our portfolio changes, so does our packaging, which continues to evolve in line with our continued expansion into new product categories, consumer expectations, and shifts in regulation.

Historically, PMI's packaging has been primarily fiber-based, which offers significant circularity benefits due to its widespread recyclability. However, with the acquisition of Swedish Match, our packaging portfolio now includes a greater proportion of plastic materials. Despite this change, the vast majority of PMI's current packaging by material tonnage remains fiber-based.

Materials used in our packaging in 2025

Within our packaging portfolio, the primary material is paperboard packaging which is a renewable fiber-based material. In 2025, this represented around 390,069 tons, or 87 percent, of our total packaging portfolio. Paper and board are primarily used in packs and bundles, inner liners, and shipping cases.

For the paper and board fraction excluding Swedish Match, 90 percent was sourced from suppliers with Chain of Custody (CoC) certified according to the Forest Stewardship Council (FSC) Program for the Endorsement of Forest Certification (PEFC), or Sustainable Forest Initiative (SFI) standards and more than 7 percent was made from recycled sources.

We work in close partnership with our paper and board suppliers to achieve the highest possible proportion of CoC-certified board material to ensure our packaging does not contribute to deforestation. As we continue to integrate Swedish Match, and their packaging suppliers, we will be able to also report on that fraction in coming years.

Plastics used for our overwrap of consumables, other tobacco products (OTPs), cans, etc. represented 48,997 tons, or 10.9 percent, of our global packaging footprint in 2025.

The limited amount of aluminum we used across our packaging formats in 2025 represented 2,606 tons and other materials such as inks and lacquers represented 6,122 tons, or 1.4 percent, of our global packaging footprint.

Use of materials in our packaging in 2025
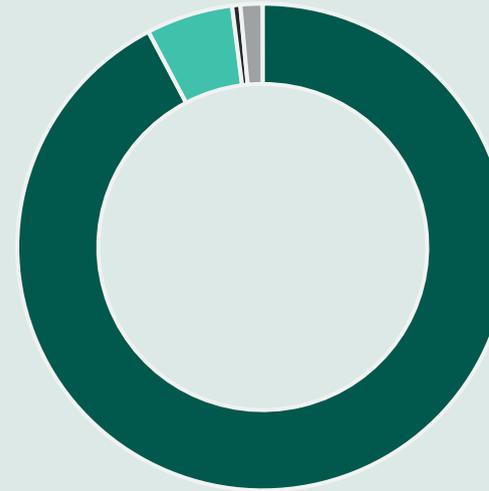
■	**Paper and board** Packs and bundles, inner liners, and shipping cases	**390,069**	**87.1%**
■	**Plastic** Overwrap of packs and bundles, cans, other tobacco products, packaging pouches, labels, etc.	**48,997**	**10.9%**
■	**Aluminum** Inner liners (including seal) and other tobacco packaging	**2,606**	**0.6%**
■	**Other** Inks and lacquers	**6,122**	**1.4%**

Note: Data include Swedish Match, and exclude e-vapor product packaging materials (<0.5% of overall PMI tonnage).
Weight excluding Swedish Match: Paper and board 379,794 tons, plastic 25,600 tons, aluminum 2,600 tons, other materials 6,122 tons.

EU Packaging and Packaging Waste Regulation (PPWR)

Adopted in January 2025, the EU PPWR will be rolled out over the next five years, with further technical details (e.g., recyclability grades) to be defined in upcoming secondary legislation. Key requirements include mandatory recyclability, harmonized on-pack waste sorting labels, minimum recycled plastic content, packaging minimization, and restrictions on certain single-use formats. From 2030, all packaging in the EU shall be considered recyclable to remain on the market. We welcome this as a key driver of circularity.

Value Plan 2030+

With the increase of plastic following the acquisition of Swedish Match , addressing the use of plastics will be an important component of our packaging sustainability strategy, which consists of the following pillars:
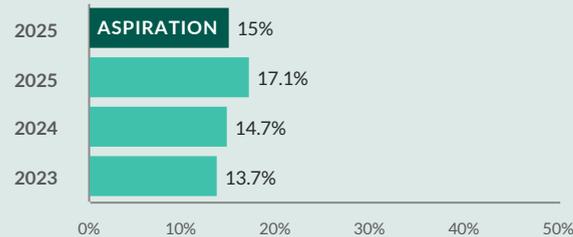
Sustainable design: We integrate eco-design principles early in development to minimize material use and explore alternative formats and materials that maintain product protection, quality and circularity. These principles are applied across the entire packaging value chain, including supplier assessments and logistic optimization, to further reduce CO_2 emissions.

End-of-life management: We educate consumers, retailers, and partners on proper packaging disposal through local anti-littering campaigns and circularity programs.
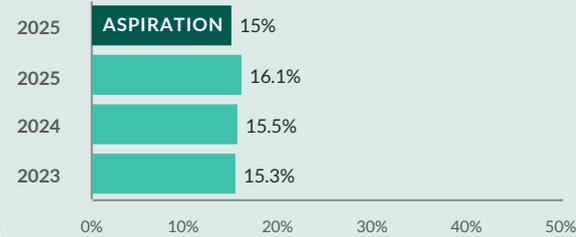
Sustainable design

In collaboration with industrial material and machine suppliers, we continued our focus on reducing material consumption when possible. We report the average packaging intensity reduction versus the 2018 baseline for two distinct product categories: combustibles and heat-not-burn consumables, as these are the primary volume drivers for this metric. We made significant progress on reducing the average packaging weight within our product range in 2025. For example, for our heat-not-burn consumables we continued to deploy our board optimization program and for our combustible category we extended inner liners with reduced weight. Through initiatives such as these, we met our aspiration of 15 percent reduction by 2025 for our combustible tobacco products and to maintain our performance for heat-not-burn products versus our 2018 baseline.

Average packaging weight reduction for combustible tobacco products versus 2018 baseline

Year	Value
2025	ASPIRATION 15%
2025	17.1%
2024	14.7%
2023	13.7%

Average packaging weight reduction for heat-not-burn products versus 2018 baseline

Year	Value
2025	ASPIRATION 15%
2025	16.1%
2024	15.5%
2023	15.3%

In addition to our aspirations for packaging related to combustible tobacco products and heat-not-burn consumables, we are also taking steps to minimize packaging used for our devices. This year we rolled out, following last year's development, a new *IQOS* device packaging with an approximate reduction of 25 percent of packaging intensity versus previous format; this contributed to a reduction of more than 700 tons of board in 2025. Within the e-vapor category, as part of the launch of the *VEEV InPrime* Mobility Kit, a new, smaller and innovative packaging design was introduced, featuring a pulp tray. Key benefits of this new design include 57 percent reduction in weight, and 34 percent reduction in volume per pack.

Improve circularity

To advance circularity, we prioritize designing packaging formats that are suitable for recycling. A packaging format refers to the complete item a consumer disposes of after use, which may include multiple components made from different materials—such as an inner liner or a hinged lid—integrated into a single pack. Evaluating recyclability at the level of the entire format provides a more accurate reflection of real-world conditions, as consumers are unlikely to separate individual elements unless explicitly instructed.

Proportion of packaging formats that are designed for recyclability

Year	Value
2025	ASPIRATION 100%
2025	99.5%
2024	99.4%
2023	98.3%

We continue to ensure that the vast majority of our packaging formats are designed for recyclability, and we regularly conduct assessments via third-party laboratories to measure their recyclability performance. Over the last couple of years, we performed more than 50 tests to better understand the end-of-life performance of our packaging and adapted pack specifications to ensure design for recyclability where relevant. With the aspiration of making all packaging formats within the PMI portfolio designed for recyclability, we made significant progress toward our 2025 aspiration—rising from 98.3 percent in 2023 to 99.4 percent in 2024 and 99.5 percent in 2025. Design for recyclability is now integrated into our foundation as part of our eco-design. As packaging regulation might evolve, we will continuously evaluate the performances of our packs in regards to their design for recyclability.

At the same time, we recognize that without established collection and infrastructure in the markets we serve, claims on design for recyclability can be misinterpreted. While we set 100 percent recyclability as our aspiration, we acknowledge that real-world constraints—both in our own design process and in downstream collection systems—will likely prevent us reaching it entirely. This is why we complement our design efforts with broader value chain engagement: we aim to help advance the parts of the system that determine whether materials are truly recycled—and recycled through processes with a lower carbon footprint than equivalent virgin materials. For example, we are engaged in 4evergreen, an alliance of over 100 members working across the fiber-based packaging lifecycle to develop guidelines and tools that support a 90 percent recycling rate by 2030.

In addition to sustainable design, consumer education plays an important role in reducing the impact of our packaging on the environment. For example, in 2025, as part of a campaign to raise awareness on circularity in Poland, we invited consumers to bring their used plastic cans for oral smokeless products to our stores to be recycled. By year end, over two tons of cans had been collected and sent to recycling within this program.

Recycled content

In 2025, we continued to seek opportunities for lower carbon footprint materials in our packaging, including the incorporation of recycled content. For example, 25 percent of of the content in our board is recycled for our *ILUMA i* and *BONDS 2.0* device Mobility Kit in a majority of the markets where these devices are available.

Recycled polypropylene remains scarce due to an underdeveloped circular supply chain, creating supply risks and forcing trade-offs between reducing carbon footprint and relying on virgin materials. We continue to monitor this closely, apply rigorous due diligence, and remain transparent about the recycled content in our packaging through our reporting.

The path ahead:

Value Plan 2030+

Aspiration and targets

Our aspiration is to embed sustainability across the full life cycle of our product portfolio—electronic devices, consumables, and packaging—by prioritizing the use of recycled and responsibly sourced materials, optimizing product durability and recyclability, and fostering responsible end-of-life management.

To deliver on this aspiration we will work to achieve the following targets:

Smoke-free consumables

– We aim to commercialize at least one smoke-free consumable with a plastic-free filter for each of our heat-not-burn technologies by 2030*

Cigarettes

– We maintain our aspiration to have at least 80 percent of our cigarette shipment volume covered by markets with anti-littering programs in place every year through 2030

Electronic devices

– We aim to have at least 10 percent of recycled content included in our smoke-free electronic device portfolio by 2030*

We will begin reporting performance toward newly established targets (marked with an asterisk) as of next year's Value Report and will provide methodological details in our Non-financial KPI hub.

Advancing our agenda

Synergy of internal action and external context

Our updated circularity strategy addresses stricter regulations, rising stakeholder expectations, and increased competitive pressure. With new rules on plastics, repairability, and recycled content—now expanding globally beyond the EU—our products face growing environmental requirements. As resource extraction intensifies and the circular economy remains limited, circular design and responsible material use have become essential for business resilience. Meanwhile, consumers increasingly demand sustainable, durable, and repairable products without sacrificing quality or affordability.

While circularity is central to our product innovation, fully closing the loop depends on factors beyond our control—especially the availability of recycling infrastructure and reverse logistics. In many markets, underdeveloped systems limit material recovery, even for recyclable products. Policy innovation and investment in collection and processing infrastructure are essential to achieving circularity at scale.

PMI is proactively reducing the environmental impact of our products by advancing supply chain due diligence, investing in material innovation, and balancing recycled content with cost management. We design for recyclability to support compliance and efficiency where infrastructure allows, and integrate circularity throughout product development to drive innovation and build consumer trust. However, achieving full circularity also depends on external infrastructure and regulatory frameworks beyond our direct control.

Connectivity and trade-offs

Circularity is closely interconnected with PMI's other strategic priorities, including Climate, Workers in our value chain, and Consumers. By designing products for durability, repairability, and recyclability, PMI reduces resource consumption and waste, directly supporting climate goals by lowering emissions associated with raw material extraction, manufacturing, and end-of-life disposal. With respect to packaging there are inherent technical challenges to maintain high packaging performances, such as barrier functionality, when using novel materials or pack structures that could potentially have less impact on the environment. While we plan to continue investing in innovation to develop packaging solutions that meet both performance and sustainability requirements, current material and availability of technology limit our ability to achieve full circularity without compromising product quality. Circularity also reinforces responsible sourcing and labor practices throughout the value chain, as the shift to recycled and alternative materials requires greater supply chain transparency and collaboration with suppliers to ensure fair working conditions and human rights protections. For Consumers, embedding circularity into product design meets the growing demand for sustainable, longer-lasting, and repairable products, enhancing customer satisfaction and trust while supporting the transition to a smoke-free future. In this way, Circularity acts as a catalyst for broader progress, amplifying positive impacts across the environmental, social, and consumer-focused dimensions.

OPERATIONAL IMPACT

Operational impact

Our workforce

In this section

Our workforce

Our aspiration is to empower our employees to thrive throughout their career by nurturing a growth mindset, providing skills development, and fostering an inclusive workplace where everyone can succeed in a fast-changing environment.

Sustainability materiality summary

Through our sustainability materiality assessment, we have identified material positive impacts associated with our workforce, pertaining to the following two areas:

Equal treatment and opportunities: By providing continuous learning opportunities and career development pathways, we enable employees to build capabilities that expand their long-term career prospects and employability beyond their tenure at PMI. Also, ensuring fair compensation practices, including efforts to address gender pay gaps, creates more equitable economic outcomes for employees and their families, particularly benefiting women and underrepresented groups who have historically faced wage disparities.

Health and safety: Promoting workplace well-being, including mental health support, enhances employees' quality of life and personal resilience.

These impacts arise from our own operations and, while they are already observable in the short term, we expect their full benefits to become more evident over the medium term as our ongoing initiatives continue to take effect.

An overview of our sustainability materiality assessment results is available here, and further details can be found in this dedicated report.

Business value creation

Our workforce is fundamental to value creation across all aspects of our business. Employees drive innovation, execute strategy, maintain operational excellence, ensure regulatory compliance, and build stakeholder relationships that sustain our social license to operate. Investing in human capital development, well-being, and retention is essential for business continuity and long-term resilience.

Ensuring employees have opportunities to enhance their skills enables the organization to remain agile and responsive to market shifts, technological advances, and regulatory changes. This adaptability is particularly critical as we continue our transformation toward smoke-free products and navigate an evolving external context. By supporting employee growth and creating conditions where talent thrives, we enhance overall productivity and build organizational capabilities essential for sustained competitive advantage.

Prioritizing a safe and supportive work environment reduces absenteeism and turnover while fostering engagement, teamwork, and creativity. When employees feel respected, empowered, and fairly compensated, they are more likely to contribute innovative ideas and remain committed to the organization's success. This stability in our workforce translates directly into operational efficiency, institutional knowledge retention, and the ability to execute complex, long-term strategic initiatives.

Promoting fairness and inclusion also positions us to navigate evolving labor regulations and stakeholder expectations more effectively. Organizations with strong reputations as employers of choice attract higher-quality talent, reduce recruitment costs, and strengthen their standing with investors, regulators, and communities.

Management approach

Our approach rests on nurturing a future-fit, resilient workforce by leveraging a strong cultural foundation, developing our human capital, and ultimately enabling career growth with purpose.

Our approach to managing our workforce is a shared responsibility that extends across the entire organization. While our People & Culture (P&C) function provides strategic direction and support, every leader and employee plays an active role in shaping our workplace and advancing our people strategy. By aligning our workforce-related initiatives with our broader business objectives, we foster an environment where all employees are empowered to thrive and contribute meaningfully to our company's success.

This collective commitment is reflected in our ongoing efforts to assess workforce needs, implement targeted programs, and maintain open, transparent communication—ensuring our initiatives remain relevant, effective, and responsive to both current and future challenges.

Our strategy centers on three objectives: proactively developing our human capital to meet evolving business needs, attracting and nurturing early career talent, and empowering all employees to grow their careers with purpose in an inclusive environment. Foundational factors—such as prioritizing safety and mental health, ensuring fair compensation, fostering an inclusive culture, and sustaining open social dialogue—support these endeavors.

We ensure our employees are informed of their rights by their local P&C teams. As a global company, we consider it our duty to ensure that our entire workforce (regardless of local or national regulation) is treated fairly, respectfully, and in line with our principles. We operate in multiple countries with widely varying legal employment frameworks. For example, in some countries the right to freedom of association is restricted; in such cases, we strive to work with employees' consultative committees and other suitable mechanisms of representation.

We value dialogue with properly appointed employee representatives (e.g., trade unions and works councils, European Works Council) and regularly engage with them and learn from best practices. This dialogue occurs at local, regional (e.g., EFFAT—European Federation of Food, Agriculture and Tourism Trade Unions), and global (e.g., the IUF—International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations) levels.

We encourage our employees to speak up about employment-related concerns, ask questions, and recommend improvements via their supervisors, P&C teams, our Ethics & Compliance function, or our helpline (read more here). PMI takes all allegations of misconduct, including those related to sexual harassment and discrimination, seriously and will investigate allegations and apply disciplinary measures (up to and including termination), as appropriate. See the Uphold business ethics and integrity page on PMI.com for more information about our Speaking Up program and Compliance investigations.

2025 governance

PMI's Chief People & Culture Officer held accountability for labor relations, employee engagement, talent attraction and retention, human capital development, performance management, compensation, and the development and deployment of strategies to improve inclusion and promote well-being in the workplace.

PMI's Senior Vice-President Operations oversaw the company's health and safety strategy and performance across our manufacturing sites, fleet, and offices.

Evolved organizational model as of 2026: With our evolved organizational model, PMI Corporate will continue to define PMI's overall strategic approach, while the PMI International, PMI U.S., and PMI Wellness (Aspeya) business units will define how to best execute performance, attributing accountability as appropriate in their own leadership structures. We plan to communicate more about this evolved governance and management model in our future Value Report.

Policies, guidelines, and standards

Code of Conduct

Human Rights Commitment

Environmental, Health, and Safety (EHS) Manufacturing Sustainability Commitment

Fleet Safety policy

Responsible Sourcing Principles (RSP)

These publicly available documents are complemented by additional internal policies, including our Talent Management and Development policy, Workplace Integrity policy, and Global Non-Discrimination and Anti-Harassment policy, Health, Safety, & Security Policy, global Third-Party Workforce Guidelines, Volunteering policy, as well as internal guidelines and standards to guide operational activities.

Concluding our 2025 Roadmap journey

Performance against our 2025 aspirations at a glance

100%
Of PMI employees earning at least a living wage

2023: 100%[1]   Achieved ✓

Global EQUAL-SALARY certification

2025: Certified   Achieved ✓
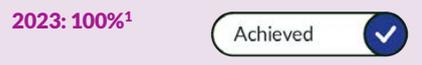
>70%
Of PMI employees with access to structured lifelong learning offers

2025: 76%   Achieved ✓

≥80%
Score on Wellbeing Index among our employees

2025: 82%   Achieved ✓

<0.3
Total Recordable Incident Rate (TRIR) for PMI employees, contracted workers, and contractors (per 200,000 hours worked)

2025: 0.08   Achieved ✓

<0.65
Collision rate in our fleet

2025: 0.36   Achieved ✓

[1] We reference our 2023 living wage assessment as our most recent result, as the 2025 survey was postponed to 2026 due to a change in our living wage benchmark provider and related methodological updates.

The aspirations outlined above mark the completion of our 2025 strategy. Details on the targets that will guide our direction through 2030 and beyond are available on . Further information regarding the 2025 performance values mentioned above can be found on the following pages, as well as within the Performance metric tables located at the end of this report.

"As we conclude our 2025 strategy, we are proud of the significant progress PMI has made on its journey to become a global smoke-free champion—a feat that would not be possible without our talented and dedicated employees. By focusing on fair employment practices and fostering an inclusive culture, we have ensured that our workplace is one where every individual feels respected and valued.

Living our PMI DNA and upholding these core principles, we have created an environment where everyone can unlock their full potential and actively contribute to driving our purpose forward. This progress is underpinned by our commitment to well-being, fair compensation, and open dialogue, alongside a strong safety culture embedded across our manufacturing network through rigorous standards and accountability at all levels. Together, these are the conditions that allow our people to thrive both personally and professionally—and what positions us to protect and grow our human capital, which is so important to the sustainability of our business success."

Frederic Patitucci, Group Chief People & Culture Officer

Scott Coutts, Chief Global Operations Officer

Progress in 2025

Every PMI employee, regardless of position, location, or tenure, is entitled to fair and equitable working conditions. Upholding respect and dignity for all is a core value that shapes our business practices and strengthens our unity as an organization.

Fair employment

Maintaining sound labor relations

Maintaining sound labor relations promotes sustainable success for our business and our employees. We achieve this by creating an environment conducive to proactive, productive, and results-oriented collaboration among management, employees, and their properly appointed representatives.

We respect employees' rights to form or join trade unions and other employee representative organizations of their choice. In 2025, we had 56 percent of our workforce covered by collective labor agreements (2024: 63 percent). The change from previous year mainly reflects the creation of a new PMI legal entity in Indonesia resulting in the transfer of certain

nonunionized employees. This population, historically aligned with collectively negotiated terms through management practice, continues to have equivalent employee conditions that apply under company regulations.

Providing fair compensation

We are committed to upholding and promoting a fair and just workplace, rewarding our employees based on their role and performance.

Our compensation, recognition, and benefits programs, platforms, and policies differ by location, taking into account local regulations, agreements, needs, and preferences. Most programs incorporate life insurance, long-term illness and disability plans, retirement-related arrangements, and paid leave programs for all PMI employees. Furthermore, there are some global offerings, such as our Employee Assistance Program. We regularly review our offerings to ensure they meet the evolving needs of our employees.

Upholding a living wage for our employees

We are committed to ensuring that all our employees globally earn at least a living wage. Typically, we conduct a living wage assessment every two years and take action as needed to uphold this commitment. However, we did not complete the survey in 2025 due to a change in our provider for living wage benchmarks, which resulted in methodological adjustments. As a result, our most recent completed assessment remains the 2023 survey, which confirmed that all employees were earning at least a living wage. We are committed to conducting the next assessment in 2026, once the new methodology is fully implemented.

Closing the gender pay gap

PMI's global EQUAL-SALARY certification gives us confidence that we provide equal pay for equal work. In 2025 we renewed our certification, which will remain valid until 2028 (read more here).

Alongside equal pay, we monitor our gender pay gap, defined as the percentage difference between the average pay for men and for women. In 2025 we further refined our gender pay gap calculation methodology and ensured a more complete representation of our workforce as a whole. With this adjusted methodology, the average pay for men was 29 percent higher than pay for women in 2025 (2024: 28 percent)[1].

This gap needs to be viewed in the context of two factors: our overall workforce demographics and lower representation of women in senior leadership roles. Our recruitment and promotion practices are based on fairness and performance.

With respect to our demographics, about one-fifth of PMI employees are hand-rolling cigarettes at our manufacturing facilities in Indonesia. They are paid at piece rate and are predominantly female. While this pay structure differs from other roles, these positions provide significant economic opportunities and community benefits, supporting local livelihoods and contributing to the broader well-being of the surrounding areas.

Listening to our employees

Regular employee feedback helps us understand priorities and respond to employee needs. Each year, we conduct a company-wide survey that measures our Employee Engagement Index (EEI), assessing factors such as pride in working for PMI, intention to stay with the company, sense of belonging, motivation, and alignment with their role. Our 2025 EEI, based

on over 51,000 responses collected among our employees, stood at 85 percent (2024: over 49,000; 86 percent), with scores on all six questions outperforming external benchmarks by 6 to 15 points. From each annual company-wide survey, we analyze what are the most important drivers of engagement. In 2025, these drivers were employee well-being, empowerment in decision-making, expanded career development opportunities, greater organizational clarity, and a culture of respect and inclusion.

In addition to our regular surveys, we take a holistic approach to employee listening by gathering feedback at key milestones in an employee's career at PMI—from onboarding to exit. This targeted feedback helps us identify and address information gaps, ensuring we better understand and support employees throughout their journey with the company.

As our employee listening strategy evolves, we aim to gather more detailed insights. Going forward, we will continue our annual company-wide survey, but instead of a second shorter Pulse survey to check-in on progress, we will introduce short flash polls throughout the year which will allow us to explore important strategic topics, such as the use of AI in the workplace.

Grievance mechanisms

All employees are expected to speak up if they become aware of any suspected or actual violations of the law, our Code of Conduct, or company policies. Reporting such concerns is essential to maintaining our standards and addressing issues promptly. The company takes all good faith reports of observed or suspected misconduct seriously, regardless of who is involved, and investigates all compliance allegations in accordance with established standards and guidelines.

1. Data for 2024 were restated due to refined methodology.

At PMI, individuals may ask questions, raise concerns, or report instances of observed or suspected misconduct by contacting any of the following:

– The individual's supervisor, department head, or affiliate or function leadership

– Compliance key contacts (e.g., Regional and Local Compliance Officers)

– PMI Global Compliance confidential email address

– PMI Compliance Help Line (online or by telephone), which is a third-party-operated reporting channel available 24 hours a day, seven days a week, in all languages spoken at PMI. Individuals may use the Compliance Help Line anonymously, subject to local laws and regulations

There is a robust speak up culture at PMI. Most employees who speak up do so directly with the Compliance department and voluntarily disclose their identity when doing so. Specifically, in 2025, 24 percent of the reports received by Compliance were submitted anonymously (2024: 23 percent). For more information on how we conduct our business ethically and with integrity, please visit PMI.com.

Our culture: PMI DNA

In 2024, we launched the PMI DNA, built on three core values: We care; We are better together; and We are game changers. These principles, crafted by our employees and for our employees, have become a guiding light for our company and our strategic approach to culture. PMI DNA is now fully embedded in our performance management and leadership development, helping us align employee behaviors with our business goals. This approach strengthens engagement, collaboration, and our ability to adapt and lead in a rapidly changing environment.

In 2025, we continued the PMI DNA journey with a focus on continued growth, helping us translate our values into action. Growth at PMI is nurtured through purposeful actions, collaboration, and continuous learning. By seeking diverse perspectives, embracing feedback, and supporting one another, we build an environment where personal and collective growth can thrive. Our focus on growth was brought to life by launching the Growth Hub, an internal platform for personal and professional development, designed to help employees visualize their growth journey, co-create career paths, and continuously upskill. This was complemented by dedicated communication to all employees and around 350 activation events globally.

As a testament to our thriving company culture, in 2025, we were proud to have been certified as a global Top Employer by the Top Employers Institute for the 10th year in a row. PMI is one of only 17 organizations to have been accorded this recognition. In addition, our affiliates were also recognized as leading employers in 32 countries. In 2025, four PMI countries have been certified as a Great Place to Work™ and additionally, as part of this certification, we were ranked as Best Workplaces™ in different categories in six markets, with two additional regional awards.

Nurturing a multi-faceted work environment

We are proud of the global reach of our company, which operates in around 170 markets with around 84,900 employees representing over 130 nationalities. The demographics of our employees are key to the variety of thought, innovation, and consumer-centric approach.

Reflecting our global consumer base in our workforce

Building a workforce that reflects the geographic and cultural breadth of our consumer base enables us to understand and respond to consumer needs more effectively. Employees with direct knowledge of local markets, languages, and consumer behaviors help us identify opportunities and avoid blind spots that could undermine product development, marketing strategies, or regulatory compliance.

We value the breadth in our employee demographics and strive to reflect our global footprint in our recruitment, upskilling, retention, and promotion practices, which are based on fairness and performance across our regions, markets, categories, and functions. Globally, 44.9 percent of our employees were women in 2025 (2024: 44.0 percent). Of our management positions, 42.6 percent were held by women (2024: 42.3 percent). In 2025, women represented 34.4 percent of senior positions (2024: 33.3 percent).[1]

Building an inclusive culture

Our organization values a culture of respect, innovation, and mutual support, where open communication, constructive feedback, and psychological safety are prioritized. This foundation promotes collaborative leadership and enables us to benefit from diverse perspectives that strengthen decision-making, innovation, and operational effectiveness across our global business.

Our employee resource groups (ERGs) foster inclusion and connection by focusing on personal characteristics and/or topics. Open to all PMI employees, each ERG is led by employee volunteers, sponsored by Company Management, and often supported by external experts. In 2025, we continued to have ERG events locally to address specific needs in different regions.

1. Data presented in this paragraph should be considered alongside the footnotes provided in the Performance metrics section.

EmpowerAbility Program

The EmpowerAbility Program is PMI's global program with a dedicated set of resources to advance inclusion and accessibility for people with disabilities across our organization. Our journey started in 2020 with our commitment to the Valuable 500, accelerating our actions to advance disability inclusion across our global workforce. We then built strong foundations by launching PMI Able, an ERG with the purpose of creating a space for community, connection, and a greater understanding of different abilities across our global workforce.

Building on this momentum, in 2025 we launched the EmpowerAbility Program to bring our efforts under a single global framework and drive more consistent, scalable progress. Since its launch, we have opened three Accessibility Centers, completed in-depth accessibility assessments at major factories and offices, introduced a dedicated learning journey, and initiated targeted initiatives in selected markets to build awareness, strengthen local capabilities, and identify systemic barriers. We also made our internal and external communication technologies more accessible to all. These early achievements lay a strong foundation for our multi-year roadmap and reflect our commitment to creating a workplace where every colleague can contribute, grow, and thrive.

Human capital development

While we have already made progress in developing our human capital to drive our transformation, we acknowledge the importance of continuing to invest in the development of our employees in view of technological advances such as AI and leveraging this opportunity to drive innovation and future-proof our workforce. We do so by continuing to build a diverse talent pool and offer employees learning and growth opportunities to further develop future skills. Accelerating technology adoption and investing in workforce development ensures our employees are equipped for the future and can grow with the company.

We consider purposeful career development as a key pillar of our talent management approach. By providing meaningful opportunities for skill-building and advancement, supported by structured performance and development processes, we empower employees to reach their full potential.

Early careers

Our early-career programs aim to equip new graduates, interns, and apprentices with the skills and knowledge needed to jump-start their careers.

Our company currently offers three different types of early-career programs, available in 46 markets. These programs include:

– Internships designed to engage a broad and diverse pool of early-career talent by providing meaningful work experience and exposure to the professional environment.

– The Graduate program feeds our future leadership pipeline with versatile, mobile, and well-rounded professionals.

– Finally, the Future Leaders program strengthens succession for key market management team roles.

Launched in Europe in 2025, this approach will be progressively expanded to other regions in the coming years. This initiative is designed not only to strengthen our internal talent pipeline in key business areas, but also to ensure that leadership growth is driven from within—reducing reliance on external senior hires and reinforcing our company's long-term resilience.

In 2025, we welcomed over 1,424 people into our company as graduates, interns, and apprentices.

Value Plan 2030+

Early career program to accelerate career growth

In an era where AI is reshaping the workplace and automating routine tasks, PMI's early career program stands out as a proactive response—ensuring that junior professionals are equipped with the skills and adaptability needed to thrive. Rather than viewing generational shifts as a challenge, we see them as an opportunity to inject fresh perspectives and innovation into our organization. Moving forward, we plan to reinforce our approach to accelerate career growth, building around our existing, targeted programs and aligning them to specific objectives across the talent pipeline.

Talent management: attraction and retention

PMI's ambition to deliver a smoke-free future helps to attract and retain talent by providing purpose and the opportunity to contribute toward making a positive societal impact.

Our overall employee turnover rate remained stable, from 11.1 percent in 2024 to 9.6 percent in 2025. This includes 4.1 percent voluntary turnover (2024: 5.1 percent).

During 2025, over 5,600 employees were promoted to more senior positions (2024: around 5,000 employees), with over 9,100 employees moving positions (2024: around 9,800).[1] During the year, we hired around 12,600 people worldwide, the majority of whom were hired into entry-level roles.

While we recognize that with continuous transformation comes the need to recruit external talent to bring in new skill sets, we prioritize upskilling of our employees and internal mobility over external hires, when possible. Our internal careers market provides transparency and easy access to opportunities for current employees, supporting their growth and increasing job satisfaction. Further, we equip line managers with the tools and knowledge needed to keep employees fully engaged and support their personal and professional growth.

1. Note: Data exclude employees with nonstandard PMI salary grades.

Value Plan 2030+

Turnover rate for senior roles

Senior leaders play a pivotal role in shaping our company's direction, culture, and long-term success. That's why we have defined a KPI to measure the three-year average turnover rate for senior roles that have been filled through recent hires or promotions. The three-year baseline is an average turnover rate of 4.8 percent between 2023 and 2025. By focusing on this group, we gain early insight into the effectiveness of our leadership selection, onboarding, and support processes.

Maintaining a low turnover rate at the senior level is essential, as stability in these roles supports continuity in strategic initiatives, sustains team morale, and drives organizational progress. Even with our current strong retention, it remains important to monitor this KPI closely. Moreover, the strategic rationale for our company sits on two imperatives: (1) Leadership stability and fit—early exits from newly hired senior leaders highlight risks in selection, cultural fit, or onboarding. Tracking this ensures critical roles remain stable and hiring investments deliver sustained impact; and (2) Succession effectiveness—turnover soon after a promotion signals gaps in readiness, support, or role clarity. Monitoring it validates the strength of internal pipelines and ensures succession decisions lead to leadership continuity. By proactively tracking this metric, we can continue to identify and address any emerging issues, helping to ensure our most critical leadership positions remain filled by individuals who are well positioned for long-term success.

Performance management

Regular reviews of performance and career development support employee growth and contribute to skills management and the development of human capital within PMI.

In 2025, 85 percent of our employees were covered by formal performance reviews against their individual objectives (2024: 81 percent) .[1] In total, over 51,000 employees are now using this approach.

Our performance management approach is built on two adjacent elements: our delivery against objectives derived from the company strategy and our behavioral assessment (grounded in PMI DNA) conducted through continuous feedback from multiple sources.

Lifelong learning and employability

We are committed to lifelong learning for all employees, offering structured development opportunities such as courses, resources, and communities. In 2025, we continued to expand access for various content across online platforms to all digitally enabled employees. These platforms include:

– **PMI Campus:** our digital learning platform provides a broad range of content, as well as personalized learning paths—from product and science fundamentals to leadership, IT, and digital skills development.

– **Rosetta Stone:** the official digital world language training offering for all PMI employees. With this product, we are aiming to support the development of our colleagues to acquire new language skills for the future.

– **Udemy:** a global online learning platform that is offered to PMI employees. It provides on-demand, expert-led courses across a wide range of topics, enabling employees to upskill and reskill at their own pace.

In addition, we continue to provide outplacement support through a global policy which outlines a standard framework to ensure employees across the world are treated equally in case of layoff or restructuring. It offers a standard portfolio of services to support employees' career transitions beyond PMI through coaching, trainings, networking, and job fairs, as well as placement services.

Our approach to lifelong learning has evolved to ensure we are effectively supporting employee development and measuring our impact. Initially, we focused on providing broad access to lifelong learning opportunities, making a wide range of learning resources available to all employees and tracking digital learning hours per employee to better understand engagement with our online learning platforms.

In 2025, we maintained a high accessibility to our structured lifelong learning offers, while continuing to develop and promote our internal learning offers. We have also improved our average learning hours to 28 in 2025 (24 hours in 2024), which included an average of 12 digital learning hours per employee (10 hours in 2024).

Proportion of PMI employees with access to structured lifelong learning offers

2025	ASPIRATION >70%
2025	76%
2024	75%
2023	77%
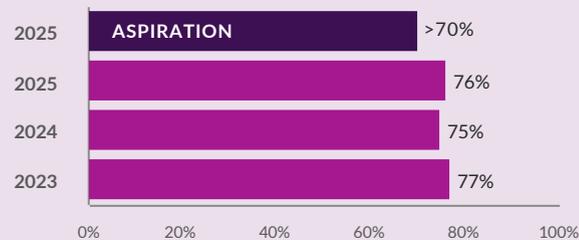
Note: See PMI's Non-financial KPI hub for further details.

Value Plan 2030+

Responsible AI

We aim to ensure that our employees are fully prepared and can adapt with agility to the opportunities and challenges presented by artificial intelligence (AI). Our goal is to implement a responsible, people-first AI strategy that prioritizes upskilling and reskilling, so our workforce can confidently adapt to new technologies and ways of working. By investing in AI readiness, we aim to boost collective capability, encourage responsible AI adoption, and support long-term employability. Read more here and in this dedicated Story of Impact.

Leadership programs

To support our evolving talent pipeline, we maintain a core curriculum to equip current and future leaders with essential resources and skills. Key programs include:

– **Accelerate:** Our high-potential development pathway continued in 2025 with close to 170 participants, preparing key talent for critical roles.

– **License to Lead:** In 2025, around 1,300 new or newly appointed line managers completed this program focused on people management. An additional approximately 750 leaders joined the advanced version, which includes coaching and a structured curriculum.

– **Executive Development Program:** Designed with IMD business school in Switzerland, this program supported around 270 senior leaders in tackling business challenges and enhancing leadership through exposure to diverse perspectives.

– **People Manager Fundamentals:** Over 2,300 people managers joined virtual global upskilling sessions to get guidance on how to perform the essential people processes.

– **Masters Challenge:** A total of 200 leaders participated in the the challenge in 2025 to build readiness and complete business experience for future business needs and senior leadership roles.

Mentorship and coaching program

Coaching and mentoring are pivotal in fostering employee development and building leadership capability across our organization. Through tailored programs and scalable solutions, we empower individuals and teams to grow in alignment with our strategic priorities, while also complementing existing leadership programs:

Executive mentoring: redesigned to foster structured, outcome-driven partnerships, in 2025 we engaged more than 80 senior leaders in guided conversations and shared experiences. These relationships broaden perspectives, strengthen leadership pipelines, and cultivate a collaborative culture—preparing our leaders to drive sustainable success.

iGrow mentoring: our employee-led, cross-company mentoring program continues to create meaningful connections and learning opportunities across the organization. In 2025, more than 1,400 employees worldwide participated, reinforcing our commitment to knowledge sharing and inclusive growth.

MentorShift: a reverse-mentoring program to accelerate multi-generational learning and digital fluency across the organization. The initiative pairs 60 senior leaders with early-career colleagues for a six-month engagement, with matches primarily made on shared interest areas. Mentoring conversations focus on AI and the new generation's perspectives on ways of working and well-being.

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1. The calculation is based on the almost 60,300 employees maintained in PMI's central HR system.

Value Plan 2030+

Growing our people

As we look to the future, our human capital strategy will continue to focus on growth from within, making internal advancement a hallmark of our approach. This next evolution in our employee development journey reflects our commitment to upskilling, reskilling, and continuous learning, ensuring that our investments in human capital translate into real opportunities for career progression. By building a robust learning and talent development ecosystem, we are dedicated to nurturing our people and ensuring the future readiness of our employees.

To measure progress, we will continue to monitor the hourly consumption of our learning resources. Furthermore, to evaluate the true impact of these efforts, we will also assess internal development rate, which measures the three-year average for internal promotions and moves versus when external hiring is needed, to ensure that we are growing employees from within. We will continue monitoring the voluntary turnover rate of roles as it serves as a holistic indicator of the long-term sustainability of our workforce.

Focusing on human capital at Aspeya

While PMI's Wellness unit, Aspeya, is generally excluded from data and information in this report, including this section, Aspeya's sustainability materiality assessment identified the topic of "our workforce" as a priority—similarly to the rest of PMI.

Aspeya's workforce is comprised of 1,412 employees, with the majority based in Denmark and Canada and the remainder spread across Switzerland, India, the U.K., Singapore, Malaysia, and the U.S. For Aspeya, the adoption of the PMI DNA represented an evolution of its culture; it reinforced and strengthened existing frameworks by providing a shared language, and global experience drawn from PMI's scale and transformation journey. Early efforts have focused on embedding the culture through leadership programs and evolving ways of working, while recognizing Aspeya's diversity of specialist skills. Read the dedicated Story of Impact to learn more.

To further strengthen our practices, Aspeya's systems are currently being integrated with People and Culture (P&C) technology infrastructures. This integration will be implemented in phases, beginning in 2026 and continuing into early 2027. This phased approach will ultimately provide advanced technological capabilities, streamline processes, and position Aspeya for sustained success and growth within the organization.

Resilience

Our vision is to provide an inclusive environment and adhere to good work principles, crucial for the good mental health of our employees. To achieve our vision, we prioritize our people's well-being strategically and have developed a holistic framework defining well-being as an outcome of supporting employees' physical, psychological, and self-fulfilling needs, which ultimately fosters our resilience as an organization.

Supporting well-being

Our framework on how to promote and protect the well-being of our employees applies globally and is universal for all business functions and geographies. We equip our markets with a well-being toolkit, including a market maturity assessment tool based on external research, to help markets implement the framework and adapt it to local contexts.

Measuring well-being to drive focused action

Our initiatives are guided by data, including employee feedback, which helps us create targeted action plans.

As part of our regular employee listening activities, we used to ask employees each year about their perceptions of well-being. However, simply tracking overall perception of well-being did not reveal the underlying causes. To address this, we conducted an in-depth study in 2021 to identify the main drivers of well-being and distilled them into three key questions included in our company-wide employee survey, which we track annually and together form our Wellbeing Index. The percentage scores of the three questions are combined and calculated as a simple average. We aim to keep this index above 80 percent and will continue to collect data on each dimension, using the results to guide our actions. As of this year, this new aspiration replaced our previous KPI, which focused on the perception of well-being among our employees.

Our Wellbeing Index score, which stood at 82 percent in 2025, was part of our management performance assessment, reflecting our commitment to well-being and company culture.

Wellbeing Index performance

Maintain	ASPIRATION >80%
2025	82%
2024	83%
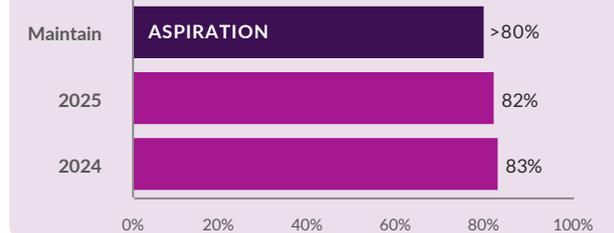
Targeted initiatives to promote well-being

We provide well-being offerings tailored to local contexts and employee needs. Mental health support is highlighted throughout the employee journey, including onboarding and significant life events. We also equip line managers with tools to support employees returning from prolonged absences, especially those related to mental health.

Expanding our BeWell champions network

BeWell champions are PMI employees who are selected to promote well-being activities, guide employees to available resources, encourage participation, and gather local feedback to enhance well-being initiatives.

We grew our network of well-being champions to 500 individuals in 2025 (2024: 400). All of our champions receive standard training in mental health, and are equipped to have supportive conversations with colleagues, signpost to resources, and promote good working practices. We have 42 local chapters of BeWell and these chapters are supported by our People & Culture colleagues—and they organize a variety of local activations to normalize the notion of self-care and encourage conversations about mental health.

In 2025, this network has facilitated over 100 well-being-related events, attracting over 20,000 participants, and ranging in topics from physical well-being initiatives to sessions on mental health awareness.

Mental health training

Offering training is a critical component of our work to destigmatize mental health.

Our "Mental Health for All" (MH4A) online training offers insights into the science of mental health, teaches employees how to spot the signs of common problems, and offer help to others, and introduces proven and easy self-care practices. During 2025, around 1200 PMI employees went through this training. This training was also made an integral part of our License to Lead program (read more here), and 118 people managers completed it.

We provided interactive sessions for our people managers; this offered an opportunity to practice scenarios to better manage difficult situations. In 2025, we ran 10 workshops, covering 120 people managers. We also ran dedicated sessions on dealing with uncertainty and change, attended by over 200 employees.

We aim to develop tailored solutions for different levels in the organization, and will gradually focus on developing stress management and resilience skills. This year, 50 of our most senior leaders took part in the Resilient Leadership program, improving their ability to manage stress and support their teams.

Raising awareness of psychological support

Our global Employee Assistance Program (EAP) offers first-line support to all our employees and their close relatives in the areas of psychological, financial, and legal counseling. Support is provided in local languages across all countries under high standards of confidentiality. We track our EAP utilization on quarterly basis, and for 2025 it was 5.2 percent. We also offer psychological support beyond EAP, such as sessions with psychologists and psychiatrists, in many of our markets. It is part of the global minimum standard which we started rolling out in 2025, and aim to complete in 2026.

Family and caregiver

We provide all PMI employees who are primary caregivers a minimum of 18 weeks of fully paid parental leave and secondary caregiver employees a minimum of eight weeks of fully paid parental leave (read more on PMI.com).

Back-up childcare services or childcare subsidies through company or government support are available in around half of our markets. Approximately two-thirds of our markets also offer private spaces to be used as lactation rooms for breastfeeding, or other lactation benefits through company or governmental support.

Paid family or care leave beyond parental leave is offered in more than half of our markets. Examples may include care for a child, spouse, partner, dependant, parent, sibling, or other designated relation with a physical or mental health condition.

Smart work

We appreciate that flexibility is important for individual well-being, and valued by our employees, especially employees with caring responsibilities. In 2025, we continued Smart Work, a global hybrid work plan that allows employees to work remotely part of the time each month, with the remainder spent on-site. This policy provides employees with flexibility to choose which days they are physically present in the office, helping them better balance their work responsibilities with their personal and home life. The program is deployed and adjusted locally to account for cultural, operational, tax, and legal factors, which vary at the national level. In addition, PMI allows employees flexibility in defining daily working hours within the boundaries stipulated by their employment contracts.

All our markets have implemented Smart Work to fit their local requirements. We use our learnings to fine-tune our guidelines and provide resources to support employees and managers to help manage time productively in the hybrid world, as well as to support an individual's well-being. In addition, in many of our markets, employees have the option of choosing to work part-time.

Volunteering

PMI has a long-standing commitment to support the communities where our employees live and work, and from which we source tobacco. Support takes many forms, including monetary contributions, in-kind donations (we publish annually the list of our social contributions on PMI.com), and employee volunteer work.

All PMI employees are eligible to take two days per year of paid leave for volunteering activities. In addition, the company commits to match—with up to five additional paid leave days—any additional volunteer work employees choose to do in their own time.

We also continue to support Projects with a Heart, a global grassroots, employee-driven philanthropic movement that is a separate entity but endorsed by PMI. It connects internal employee donors and would-be volunteers with people in need. Over 1,200 employees participated as volunteers or donors, providing critical support to vulnerable populations in 38 countries and responding swiftly to various crises and natural disasters in regions such as Spain, Ukraine, Pakistan, the Philippines, and Hong Kong.

Health, safety and security of our employees[1]

We have systematically integrated comprehensive methodologies, standardized procedures, and robust control mechanisms across our factories, offices, and fleet operations— all designed to safeguard the physical well-being of our employees and all individuals present on-site.

Our management systems are based on recognized guidelines and standards, including ISO 45001:2018 (Occupational Health and Safety Management Systems), and assessed and audited internally and externally. These systems allow us to monitor safety performance, update standards, train staff, and proactively prevent accidents by continuously learning from incidents and applying improved solutions.

Our health and safety performance monitoring covers PMI employees, contracted workers employed by a temporary employment agency, and contractors when on PMI premises (see Glossary for definitions).

Total Recordable Incident Rate for PMI employees, contracted workers, and contractors

Maintain	**ASPIRATION** <0.3
2025	0.08
2024	0.07
2023	0.11

0.00   0.05   0.10   0.15   0.20   0.25   0.30

1. Data and information in this section do not include Swedish Match, except where explicitly mentioned otherwise.

In 2025, our Total Recordable Incident Rate (TRIR) for employees, contracted workers, and contractors was 0.08 (2024: 0.07).

> **Value Plan 2030+**
>
> **Promoting fair and safe employment**
> We acknowledge the importance of maintaining foundational pillars that ensure fair, safe, and equitable employment for our own workforce. As a testament to our performance, since 2020 we have reported a Total Recordable Incident Rate (TRIR) well below 0.3. With this in mind, moving forward we will evolve our aspiration to maintain less than 0.1 recordable incidents rate per 200,000 hours worked for our own workforce every year until 2030.

Our Lost Time Incident Rate (LTIR) for PMI employees and contracted workers was 0.05 in 2025 (2024: 0.04). LTIR for contractors was 0.08 in 2025 (2024: 0.05). We do not set targets on lost time incident rate as we wish to handle every incident with the same level of importance, quality of analysis, mitigating action, and worldwide reapplication of learnings, regardless of whether the incidents result in lost time.

Safety in manufacturing

Health and safety in our factories, including Swedish Match facilities, is coordinated centrally by our Global Manufacturing team. At site level, each facility has a dedicated team that ensures standards are met on the ground. Our Wellness business unit, Aspeya, has a dedicated safety team and we are working to integrate them into our processes.

Each site performs an annual management review, which highlights its main risks and opportunities and planned actions. The review is conducted in alignment with the site's entire management team.

External certification helps us continuously improve and drive efficiency. In 2025, 100 percent of our factories that in the last two years individually produced the equivalent of a minimum of 3 billion cigarettes annually were covered by global multi-site certification to ISO 45001:2018.[1] Swedish Match factories were not included in the scope of the 2025 certification. However, during the year, we have deployed a structured integration process to align their operational standards with those aligned across our certified sites.

As part of the certification cycle, a dedicated third-party certification body conducted a thorough recertification audit this year, reviewing a selection of our sites as well as our global site. The audit confirmed our strong performance in several key areas of occupational health and safety (OHS) management. This highlights the excellence in several crucial components of an effective OHS management system, including but not limited to:

– Integration of action plans with quantified safety KPIs to proactively address OHS risks

– Implementation of robust emergency preparedness and response measures

– Continuous evaluation and improvement through structured internal audits and digital monitoring systems

– Comprehensive risk assessments focused on prevention and employee involvement

– Well-established procedures for investigating work-related injuries, illnesses, and incidents

We conduct comprehensive, prevention-focused risk assessments that actively involve employees, and we integrate action plans with measurable safety KPIs to address OHS risks proactively. Our robust emergency preparedness and response measures, along with structured internal audits and digital monitoring systems, support continuous evaluation and improvement. Additionally, we have well-established procedures for investigating work-related injuries, illnesses, and incidents.

All manufacturing sites perform full-scope risk assessments to identify hazards and implement necessary controls. Our corporate targets on incidents help us evaluate the effectiveness of our safety policies and programs.

In 2025, by embedding a strong safety culture—through actions like leadership inspections in nonproduction areas and increased attention to contractor activities—we maintained our best-in-class safety performance, achieving an integrated Total Recordable Incident Rate (iTRIR) below 0.1.

In addition to full-scope assessments, each manufacturing site has a Health and Safety (H&S) pillar that empowers teams to independently identify and manage risks by embedding H&S monitoring into daily operations. We systematically analyze the root causes of incidents and near misses to drive continuous learning and capability building. Annual assessments and anonymous employee surveys help us evaluate safety culture, identify improvement areas, and measure the effectiveness of our actions. Site leadership uses this feedback to prioritize and implement improvements as part of each site's master plan.

No employee, contracted worker, or contractor occupational fatality occurred in our manufacturing sites in 2025.[2]

1. The certification process excludes Russia.

2. Our social reporting covers employees maintained in our human resources systems in areas where PMI has direct operational control (including activities on the ground and implementation of OHS requirements).

Safety and security in our fleet and markets

A dedicated team manages safety in our commercial and sales environments and our fleet, as well as physical security across PMI. This team works closely with stakeholders across our business, developing and deploying risk-focused procedures, programs, and training courses, fostering engagement at the country level, and using technology, monitoring systems, and performance indicators to evaluate progress. This helps ensure the safety of company personnel in the office, in the field, on the road, and while traveling.

Safety in our fleet

Through our fleet safety management program—based on recognized standards, including ISO 14001 and ISO 39001— we equip PMI employees with standards, tools, training, and capabilities to protect the safety of all personnel driving company vehicles.

To achieve our aspiration of zero preventable fleet safety accidents, we provide safe vehicles and driver safety awareness programs. Our aim is to reduce all adverse fleet events, with an ongoing goal of eliminating fatal accidents completely.

To encourage safer driving, we use awareness campaigns, training programs, and advanced fleet technologies, including:

– **Telematics:** by the end of 2025, 92 percent of our working-tool vehicles in eligible markets were equipped with telematics systems, enabling real-time monitoring of driving behavior.

– **E-learning:** our global fleet safety e-learning program, tailored to each driver's skills and local conditions and integrated with telematics data where possible, was completed by over 90 percent of working-tool car drivers (about 16,000 employees) in 2025; this enabled us to launch a predictive safety program that uses performance metrics to further customize training, including new modules on preventing hazardous driving and improving fuel efficiency.

The implementation of behavioral fleet safety programs and technology has assisted us to maintain our collision rate below 0.65, at 0.36 in 2025 (2024: 0.32)

Vehicle collision rate in our fleet (collisions per million km driven)

Maintain	ASPIRATION <0.65
2025	0.36
2024	0.32
2023	0.40

0.00 0.10 0.20 0.30 0.40 0.50 0.60 0.70

Fleet safety in Indonesia

Indonesia is one of our largest fleet markets, with close to 5,000 drivers, a significant portion of our global operations. To address the safety risks in a structured and sustainable way, we have introduced a comprehensive global fleet-safety program built around three interconnected pillars: technology, behavioral training, and governance. In 2025, 100 percent of Indonesian fleet was equipped with legally permitted telematics devices to capture driving metrics and translate them into a safety-score dashboard. This data enables us to provide early coaching and integrate tailor-made e-learning programs. We have also established a dedicated governance process, embedding safety practices into leadership performance discussions. Since the rollout of this systematic approach in 2022, high-severity collisions have decreased by approximately 53 percent and the driver safety index rose to 71 percent—a strong indicator of maturing safety culture.

Read the dedicated Story of Impact.

Although we continue to show progress in fleet safety across our markets, it is to our deep regret that some of our employees were involved in road traffic accidents in 2025 that led to three fatalities among members of the public and none in our own workforce (2024: three fatalities among members of the public; one in own workforce). The accidents occurred in the South and South East Asia region and involved challenging circumstances related to members of the general public on the road. The investigation of these incidents emphasized the importance of continuing our defensive-driving trainings, along with our technology-enhanced robust fleet safety management program.

As with our systemic approach to manufacturing safety, all fleet safety and security incidents are subject to thorough investigation and in-depth root cause analysis, including cooperation with law enforcement authorities where applicable, and robust corrective actions have been implemented to minimize the risk of reoccurrence in these markets and in similar operating environments.

Safety in our markets

Our Security & Market Safety department runs a robust program to assess and mitigate physical security risks, maintaining separate incident data and focusing on proactive controls—resulting in zero security-related fatalities across all operations in 2025, including Swedish Match. We are also expanding a program to assess and enhance safety maturity and practices in more markets, with a global rollout planned for 2026.

Third-party workforce

As we continue to advance our people strategy, our focus extends beyond our direct employees to include the broader ecosystem of individuals who contribute to our business success.

Third-party workers are individuals hired through external organizations, such as staffing agencies or outsourcing firms, or as independent contractors. They typically bring specialized expertise or support for specific projects or temporary needs.

To better manage this important segment of our workforce, we have implemented a cross-functional third-party workforce program. This initiative is designed to strengthen our oversight and management of third-party workers, ensuring that we uphold our commitment to promoting and protecting human rights. By doing so, we aim to proactively address potential risks and safeguard the integrity and continuity of our business operations.

In late 2025, we completed the global rollout of our internal third-party workforce guideline, which outlines the framework and guiding principles for engaging third-party workers. At the same time, we began implementing our third-party workforce standards with actionable measures across all regions, further strengthening our approach to the responsible management of third-party workers worldwide.

We continued to roll out a management system to enhance our visibility of contracted workers in four markets in 2025, and more markets are planned for 2026 and beyond, allowing us to understand the challenges and opportunities related to the management of this population.

The path ahead:

Value Plan 2030+

Aspiration and targets

Our aspiration is to empower our employees to thrive throughout their career by nurturing a growth mindset, providing skills development, and fostering an inclusive workplace where everyone can succeed in a fast-changing environment.

To deliver on this aspiration, we will work to achieve the following targets:

Human capital

– Continue to ensure 100 percent of our employees earn at least a living wage

– Maintain EQUAL-SALARY certification through 2030

– Maintain less than 5 percent average turnover of senior roles filled through recent hires or promotions within the last two years*

– Maintain a three-year-average internal development rate for managerial roles at 80-90 percent*

Well-being, health, and safety

– Maintain a Wellbeing Index score at 80 percent or above until 2030*

– Achieve <0.1 integrated total recordable incident rate (per 200,000 hours worked) to 2030*

– Ensure 100 percent coverage of ISO 45001 certification of our entities in scope*[1]

We will begin reporting performance toward newly established targets (marked with an asterisk) in our next annual Value Report and will provide methodological details in our Non-financial KPI hub.

1. Scope covers manufacturing facilities producing more than three billion cigarette equivalents or more than 0.5 billion unit equivalents (pieces or pouches).

Advancing our agenda

Synergy of internal action and external context

Our workforce is a core strategic asset that drives innovation, execution, and transformation. We invest in a strong, supportive culture and prioritize upskilling and reskilling to ensure our people remain equipped for evolving technologies, business models, and consumer needs. Building deep in-house expertise strengthens our resilience and decision-making.

At the same time, external factors such as demographic shifts, regulatory changes, geopolitical instability, and rapid technological advances—including AI—shape our talent landscape in ways beyond our direct control. While these trends create opportunities for productivity and growth, they also require us to adapt workforce strategies and support employees through change.

By balancing what we can control with adaptive responses to external forces, we ensure our people have the support and skills needed to succeed, securing our long-term success.

Connectivity and trade-offs

Our workforce is the foundation for progress across all strategic priorities of our agenda. Skilled, knowledgeable, and engaged employees are the driving force behind PMI's innovation and responsible business practices. Employees with specialized knowledge in areas such as product science, toxicology, regulatory frameworks, sustainability standards, and supply chain management enable us to make informed decisions, anticipate regulatory changes, and maintain credibility with external stakeholders. This expertise cannot be easily outsourced or replicated and represents a strategic advantage that strengthens our competitive position and the long-term sustainability of our business. Their capabilities enable the development and marketing of smoke-free products that address the needs of legal-age consumers, while their expertise is essential for embedding Circularity—ranging from material selection to product design to effective end-of-life management. The impact of Our workforce extends well beyond our direct operations: through collaboration and oversight, they help ensure respect for human rights throughout the value chain, supporting responsible labor practices and environmental stewardship. Moreover, it is these future-ready employees who are central to advancing PMI's Climate and Nature strategies: their technical knowledge, strategic thinking, and cross-functional engagement are essential for identifying and implementing innovative solutions to reduce greenhouse gas emissions, protect natural resources, and boost our organization's resilience.
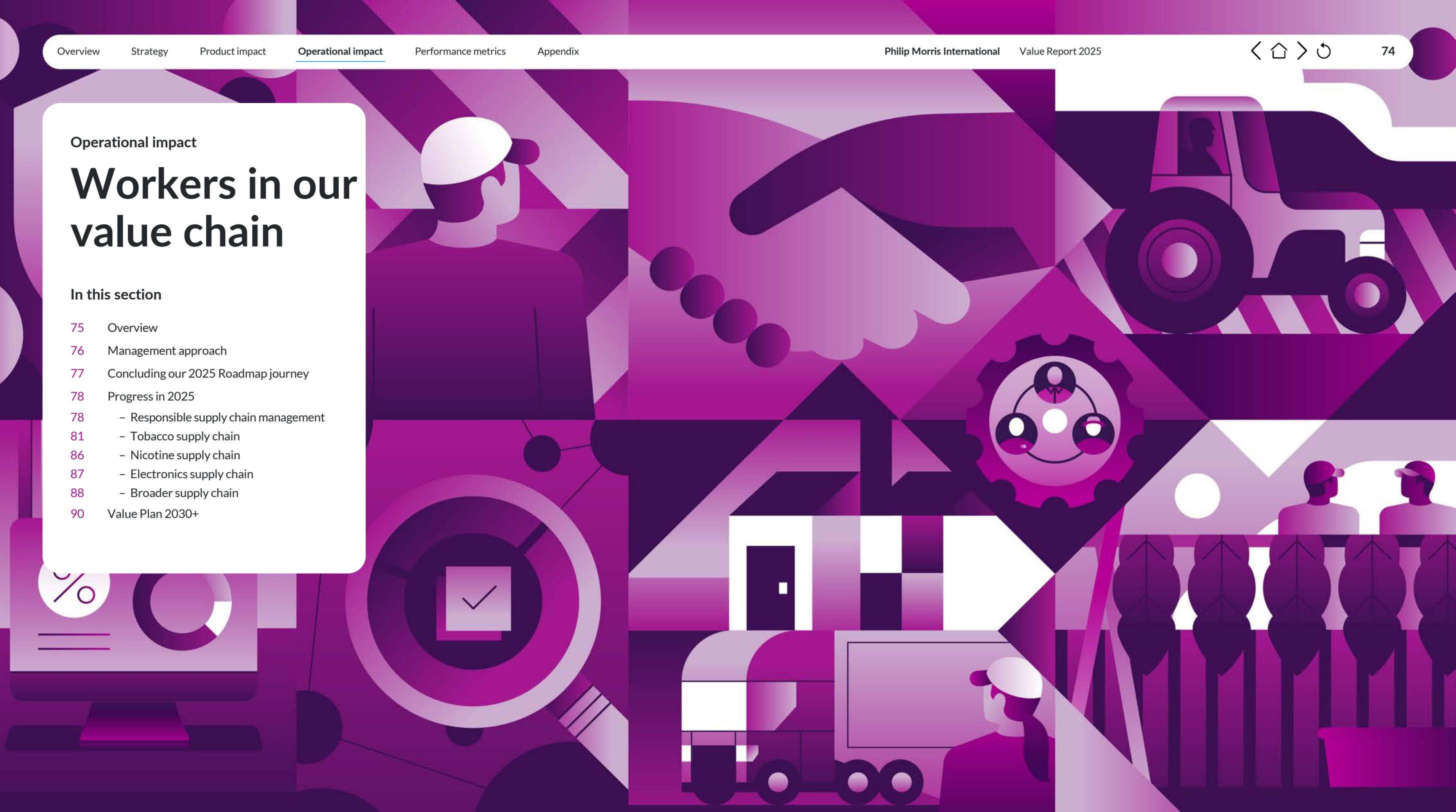
Operational impact

Workers in our value chain

In this section

Workers in our value chain

Our aspiration is to improve the livelihoods of workers in our value chain through a transparent, tailored, and risk-based due diligence that enables targeted and impactful interventions.

Sustainability materiality summary

For the strategic priority of Workers in our value chain we have identified a number of material actual impacts. Some are negative, while others are positive, arising from initiatives designed to address systemic challenges and promote a decent standard of living. These impacts pertain to three main areas, as summarized below.

Working conditions: supporting a living income for farmers in our tobacco supply chain can enhance their ability to afford a decent standard of living for themselves and their families, strengthening household resilience.

Other work-related rights: labor-related issues such as child labor in tobacco sourcing and potential forced labor in electronics procurement can have significant adverse effects on the individuals involved. Meanwhile, programs aimed at eliminating systemic child labor can improve children's health and educational outcomes while fostering long-term socioeconomic development within their communities.

Equal treatment and opportunities: limited access to grievance mechanisms among workers in our value chain can reduce workers' ability to raise concerns and seek remedy, contributing to ongoing poor working conditions.

These impacts exist mainly within our upstream value chain, especially in key supply chain segments such as tobacco cultivation and electronics manufacturing. As they are already present we consider them short-term, yet their persistent nature means they are likely to remain relevant over the medium to long term. Addressing them is integral to our human rights due diligence process, responding to regulation, and meeting stakeholder expectations.

An overview of our sustainability materiality assessment results is available here, and further details can be found in this dedicated report.

Business value creation

Addressing impacts related to workers in our value chain is fundamental to our organizational resilience and long-term success.

By embedding robust human rights due diligence, and aligning with international standards, we ensure compliance with current regulations and position ourselves to meet evolving legal requirements.

Proactive risk management is another driver of business value. Comprehensive due diligence provides early visibility into potential labor-related risks and systemic issues, enabling us to identify challenges early and take informed, timely action to avoid their escalation. This approach reduces the likelihood of supply chain disruptions and mitigates reputational harm, both of which are critical for maintaining business continuity and stakeholder trust.

Furthermore, our commitment to ethical practices and targeted actions on this topic reinforces our license to operate. Demonstrating accountability, and deploying effective and relevant interventions, strengthening relationships with key stakeholders, such as regulators, suppliers, and partners, supports our ability to operate in diverse markets.

In a global context shaped by the increased frequency and intensity of climate events, geopolitical uncertainty, and shifting stakeholder expectations, resilient supply chains are more important than ever. By addressing material impacts on workers in our value chain, we deliver measurable positive outcomes while safeguarding our reputation and adaptability. Ultimately, this focus is integral to our business success, ongoing transformation, and continued leadership in our industry.

Management approach

Central to our organization's operations is a commitment to responsible and human-centric value chain practices.

Our management approach is grounded in respect for human rights and environmental boundaries, robust governance, and tailored interventions across our value chain. As our business continues to evolve beyond agriculture to include diverse categories such as electronics and alternative nicotine products, we continue to strengthen oversight and embed responsible sourcing management throughout our value chain.

To achieve this, we take a proactive and systemic approach to supplier engagement and assessment. We conduct comprehensive supply chain mapping to understand our supplier network and the relationships within it. This entails evaluating suppliers on their business relevance, such as their role in our operations and the criticality of their products and services, as well as on the potential sustainability-related risks they may pose. This dual focus ensures that our broad range of suppliers—whether providing agricultural inputs, electronic components, or other goods and services—are aligned with our requirements, including ethical labor practices, environmental stewardship, and business integrity. These requirements are formalized in our Responsible Sourcing Principles (RSP), which serve as a foundation for collaboration.

Respect for human rights is fundamental to our approach. Guided by international standards including the United Nations Guiding Principles on Business and Human Rights (UNGPs), we implement robust policies and conduct regular assessments, such as human rights saliency mappings and impact assessments.

We recognize that social and environmental risks and impacts are interconnected and can mutually reinforce one another. Environmental challenges such as climate change and nature loss can create or exacerbate social impacts, including threats to livelihoods, health, community stability, and supply chain resilience. Our environmental risk assessments therefore incorporate analysis of potential social consequences, ensuring we understand how environmental issues may affect workers, communities, and vulnerable populations across our value chain. This integrated approach allows us to address risks holistically and develop solutions that protect both people and natural systems, while building business resilience.

We regularly review our human rights policies and due diligence processes to ensure alignment with evolving regulatory standards and to identify areas for improvement. Transparency is central to our strategy: we report openly on our progress, share challenges, and invite external verification to maintain accountability. When adverse impacts are identified, we are committed to providing effective remedies and collaborating with stakeholders—including civil society organizations, governments, and industry partners—so that we can drive positive change throughout our operations and the communities in which we operate.

A transformed supply chain: tobacco, nicotine, and electronics

Our progress from a traditional tobacco company towards a smoke-free business has already significantly changed both our products and operations. A decade ago, our supply chain focused almost entirely on tobacco farming. Today, it includes tobacco agriculture, electronics manufacturing, nicotine supply, and a diverse network supporting our smoke-free products and wellness initiatives.

This expansion brings new complexities and opportunities. Electronics—essential for our heated tobacco and e-vapor products—introduced new manufacturing environments, labor issues, and regulatory challenges. Our 2022 acquisition of Swedish Match added nicotine supply chains across different geographies, each with unique risks and levels of maturity. Each segment faces its own challenges: preventing child labor in tobacco-growing regions, addressing forced labor risks in electronics, building due diligence in new nicotine sourcing, and managing environmental and social standards among a growing set of suppliers. Our tobacco supply chain is the most advanced in due diligence and monitoring, but we continue to strengthen our focus on farmer livelihoods, labor rights, and sustainable practices as we expand into new regions. Lessons learned over decades—especially around child labor prevention, safe work environment, farmer livelihoods, and engagement—guide our approach in electronics and nicotine supply chains, allowing us to adapt proven methods to new contexts.

This evolution highlights the depth of our transformation. While we still sell cigarettes, our operations, investments, and supply chain show a business actively evolving—gaining new expertise, entering new sectors, and managing sustainability across different areas. Transparency about our progress and practices in each supply chain is key for stakeholders to understand the scope of our transformation and the tailored strategies we use to address distinct risks and opportunities.

2025 governance

PMI's Senior Vice President, Operations held ultimate responsibility for our strategy and execution related to supply chain management, due diligence, human rights, and all related social programs across all segments of our supply chain.

Evolved organizational model as of 2026:
With our evolved organizational model, PMI Corporate will continue to define PMI's overall strategic approach, while the PMI International, PMI U.S., and PMI Wellness (Aspeya) business units will define how to best execute performance, attributing accountability as appropriate in their own leadership structures. We plan to communicate more about this evolved governance and management model in our future Value Report.

Policies, guidelines, and standards

Human Rights Commitment

Responsible Sourcing Principles (RSP)

Agricultural Labor Practices (ALP) Code

Good Agricultural Practices (GAP)

Environmental Policy

Code of Conduct

Responsible Sourcing of Minerals Policy

Further documents include the ALP Step Change guidelines and other internal operational standards.

Concluding our 2025 Roadmap journey

Performance against our 2025 aspirations at a glance

>90%

PMI-purchased tobacco volume for which labor practices and adherence to our Agricultural Labor Practices Code are systematically monitored

2025: 90.2%   Achieved ✓

100%

Of spend with critical suppliers from whom PMI sources sustainably

2025: 96%   Not achieved ✕

100%

Of contracted farmers supplying tobacco to PMI paying their workers at least the minimum legal wage or agricultural benchmark

2025: 100%   Achieved ✓

100%

Of tobacco farmworkers provided with safe and adequate accommodation

2025: 100%   Achieved ✓

100%

Of contracted farmers supplying tobacco to PMI making a living income

2025: 99.6%[1]   Achieved ✓

10

Highest-risk countries covered by external human rights impact assessments since 2018, with findings addressed

2025: 11   Achieved ✓

0%

Prevalence of child labor among contracted farmers supplying tobacco to PMI

2025: 0%   Achieved ✓

100%

Of contracted farmers supplying tobacco to PMI that have basic water access

2025: 99.9%[2]   Achieved ✓

100%

Of contracted tobacco farmers and farmworkers supplying tobacco to PMI having access to personal protective equipment for the application of crop protection agents and prevention of green tobacco sickness

2025: 100%   Achieved ✓

[1] Our 2025 result of 99.6% reflects the achievement of our aspiration. In 2025, around 970 contracted farmers fell slightly below the living income threshold, representing farmers whose income levels were originally (at the inception of our living income program) among the lowest. Our Value Plan 2030+ focuses on targeted living income interventions to support the most financially vulnerable contracted farmers.

[2] We consider this aspiration as achieved. The small remaining gap of 0.1% in 2025 reflects approximately 200 farmers in Malawi whose access to water could not be implemented timely due to an unanticipated tobacco purchase made late in 2025.

The aspirations outlined above mark the completion of our 2025 strategy. Details on the targets that will guide our direction through 2030 and beyond are available on . Further information regarding the 2025 performance values mentioned above can be found on the following pages, as well as within the Performance metric tables located at the end of this report.

"As we close 2025, I am proud to reflect on the tangible progress we have made in advancing the livelihoods and rights of workers across our value chain. This year, we reached important milestones: recording zero incidents of child labor in our tobacco supply chain and ensuring that 99.6 percent of contracted tobacco farmers supplying us earned a living income —a figure we consider to have met our aspiration, as the residual gap reflects individual cases rather than a systemic shortfall in our approach. These results are not just statistics—they represent meaningful improvements in the quality of life for thousands of families and communities who are essential to our business.

Over the course of the year, we also strengthened our risk-focused due diligence and deepened engagement with our broad network of suppliers, which serve as the cornerstone of our strategy. As our value chain grows in complexity and expands into new product categories, it is more important than ever that we remain vigilant, adaptable, and collaborative. By embedding social capital and human rights considerations into every facet of our operations and supplier relationships, we are not only mitigating risks but continuing to build a more resilient, ethical, and future-proofed business.

Our progress stands as a testament to the power of partnership, transparency, and a shared commitment to dignity and opportunity for all workers in our value chain."

Scott Coutts, Chief Global Operations Officer

Progress in 2025

We strive to foster social performance across all segments of our supply chain by embedding respect for human rights at the core of our responsible sourcing and due diligence practices.

Continuing our path toward integrating Swedish Match into our supply chain management

Supply chain data and information in this section do not include Swedish Match, except where explicitly mentioned otherwise. Notably, sustainable policies and practices in place within Swedish Match prior to the acquisition continued to apply in Swedish Match's supply chain in 2025, including adherence to its Supplier's Code of Conduct and participation in the Sustainable Tobacco Program (STP). STP is an industry-wide initiative designed to assure standards in agricultural practices, environmental management, and key social and human rights. The integration process has created opportunities to accelerate alignment with PMI's sustainability ambitions, notably through shared suppliers and by leveraging the expertise of PMI's central operations and procurement teams to accelerate supplier onboarding. As it progresses, integration progresses, we will expand PMI's due diligence framework to include Swedish Match's supply chain. Considering the complexity, scale, and diversified nature of our respective supply chains, we expect to gradually integrate Swedish Match in our supply chain-related sustainability data reporting, where material, by 2026.

Responsible supply chain management

Supply chain overview

Our value chain has evolved from a primarily tobacco agriculture focus to become more diversified and complex. With the progress of our smoke-free transformation, and expansion of our multi-category product portfolio, our supply chain now increasingly includes electronics manufacturing and alternative nicotine sourcing to support our growing range of smoke-free products.

In 2025 our supply chain spend amounted to approximately USD 14 billion in 2025, with around 20,700 tier 1 suppliers globally.

Our global supply chain is organized into two main streams: direct spend (focused on materials used to manufacture our finished products—including tobacco, nicotine, and other direct materials such as pulp and paper-based materials, as well as the contract manufacture of our electronics); and indirect spend (focused on goods and services necessary to operate our business, such as IT, marketing, and facility services.

Respect for human rights

Our efforts to improve the livelihoods of workers in our value chain are anchored in our commitment to uphold human rights, which extends across our value chain, and are underpinned by a robust supply chain due diligence.

Identifying salient human rights challenges in our supply chain

Our 2025 human rights saliency mapping (read more here) highlighted that suppliers and workers in our supply chain continue to face challenges related to child and forced labor, as well as occupational health and safety. Further, as PMI's supply chain becomes increasingly diversified, expanding from tobacco to electronics manufacturing, we face other types of human rights challenges, unique to these supply chains. For electronics, some specific issues are linked to conflict minerals and the sourcing of other critical raw materials. Meanwhile, access to grievance mechanisms continued to be highlighted as a priority for workers throughout our supply chain.

The results of this updated mapping helped improve the depth and clarity of PMI's salient human rights topics and informed our value chain due diligence strategy and risk mitigation plans (discussed on the next page).

Assessing human rights impacts in high-risk countries

Our human rights impact assessments, described here, extend beyond our direct operations to cover upstream and downstream activities. This helps us identify and address potential issues proactively.

We had set a goal to conduct human rights impact assessments (HRIAs) in PMI's 10 highest-risk countries by the end of 2025. During the year, we conducted our 11th assessment in Senegal, exceeding our target. Additionally, during 2025, we completed a follow-up HRIA in Turkey.

Regarding past HRIAs, action plans have been fully implemented in Malaysia, Mexico, the Philippines, and Russia. We also continued monitoring the implementation of actions developed in previous HRIAs in Brazil, Pakistan, Indonesia, and Kazakhstan. Details about each of our HRIAs are available on PMI.com.

Conducting a human rights impact assessment in Senegal

Carried out with external experts, our 2025 HRIA in Senegal reviewed actual and potential impacts across PMI's operations and downstream value chain, including logistics and sales activities. The assessment confirmed areas where existing practices support worker wellbeing, while also identifying priority risks—particularly in outsourced and downstream work. These insights are directly informing a targeted, market-level action plan focused on strengthening protections in identified risk areas and reinforcing responsible business practices. Read more in this dedicated Story of Impact.

Cumulative number of human rights impact assessments conducted since 2018, with findings addressed

Year	Value
2025	ASPIRATION 10
2025	11
2024	10
2023	8
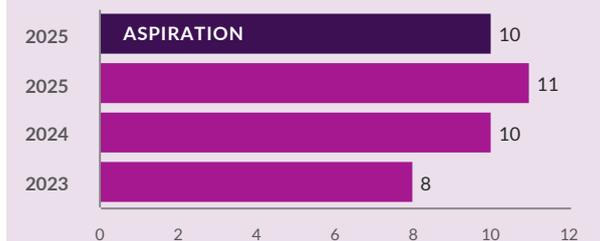
Note: For further details on how we measure progress on this KPI, please see PMI's Non-financial KPI hub.

Strengthening human rights due diligence in Turkey's tobacco supply chain: an industry-wide approach

In 2024, together with peer companies and six Turkish leaf suppliers, we engaged the external partner twentyfifty to carry out a follow-up in-depth human rights impact assessment (HRIA) to evaluate progress since the industry-wide HRIA conducted in 2021 (described in this case study). Its results provided a clear, evidence-based picture of how human rights risks in Turkey's tobacco supply chain have evolved over the intervening years—and where attention is still needed. The team visited 10 tobacco-growing regions, consulting with more than 440 rights holders, and providing valuable insights into changes on the ground and persisting challenges. The review, completed in 2025, acknowledged meaningful progress while also identifying areas of continued concern. It led to the development of a collective action plan with suppliers and industry peers, to be deployed starting in 2026. Read more in this dedicated Story of Impact.

Addressing child labor: progress within our Turkey sourcing, persistence beyond it

Following the 2021 industry-wide HRIA, a specialized nongovernmental organization (NGO) was engaged by the industry working group to support the alignment of industry practices and inform child labor remediation strategies in Turkey. In 2025, the NGO produced a comprehensive report that identified ongoing concerns regarding the high prevalence of child labor in Turkish tobacco farming.

Within our own tobacco sourcing in Turkey, we can confirm that no child labor-related incident was identified during 2025. This is monitored through our field technicians and verified externally by Royal Peterson Control Union Group, an independent international inspection company. Our Agricultural Labor Practices (ALP) program, systematic monitoring, and independent verification give us confidence in this result. However, the NGO's findings highlighted a critical reality: Turkey's tobacco-growing footprint extends well beyond the farms that supply PMI. Child labor appears to remain prevalent in parts of the Turkish tobacco sector that fall outside our contracted farmer base.

This is the apparent contradiction we want to address transparently: our data confirms zero child labor among the farmers who supply us, but the broader Turkish tobacco sector continues to face a systemic challenge that no single company's sourcing program can resolve. This is precisely why we have committed to sharing our best practices and extending our efforts beyond our own sourcing—contributing to collective industry action aimed at the elimination of child labor across Turkey's tobacco sector.

Our position on adolescent labor

The NGO report also included recommendations on managing adolescent labor on family farms, outlining a proposed categorization of tasks that might potentially be considered safe for children aged 14–15 years and 16–18 years, under certain circumstances. While we respect the NGO's perspective and recognize the local context from which these proposals emerge, our standards are aligned with those of the International Labour Organization (ILO) and we remain committed to maintaining our global prohibition and zero tolerance of any hazardous activities performed by any individual under the age of 18. This includes adolescent labor on family farms, in line with international standards and our own global Agricultural Labor Practices (ALP) Code .

Supply chain due diligence

We systematically assess potential social and environmental risks associated with the materials and services we procure, as well as the geographic locations from which they are sourced. Through rigorous supplier due diligence, fed by a continuous evaluation of sustainability performance, we drive continuous improvement and support supplier capability building to meet our requirements. Additionally, we integrate sustainability criteria into our strategic sourcing decisions and supplier selection processes, reinforcing our commitment to responsible business practices.

Central to this approach are our Responsible Sourcing Principles (RSP), which define mandatory sustainability expectations for suppliers and are aligned with international standards. To monitor implementation of our RSP and other policies and standards, we apply tailored oversight and intervention for each segment of our supply chain. We describe this work, focused on the social dimension of our due diligence work, in subsequent sections of this chapter.

In our tobacco supply chain, we reinforce responsible labor practices—focusing on addressing child labor, improving working conditions, and contributing to the overall socioeconomic wellbeing of farmers—through ongoing internal monitoring, targeted remediation, and external assessments, especially as we expand into new sourcing regions. Within electronics, we employ rigorous industry-based evaluations and follow up with tailored action plans to drive improvements in the social and environmental area. In this segment, the most pressing risks we strive to address involve human rights issues linked to recruitment practices of foreign migrant workers, and working hours. Across the broader supply chain, we use a combination of supplier self-assessments, independent audits, and impact assessments to systematically address key social risks such as health and safety and fair wages. This holistic approach allows us to adapt our management strategies to the unique challenges of each segment while maintaining consistent standards throughout our supply network.

Performance monitoring is embedded throughout the due diligence cycle to drive continuous improvement and supply chain transparency.

Grievance mechanisms

Providing access to remedy to potentially impacted stakeholders relies on the provision of an effective grievance mechanism, both for our operations and across our supply chain. At PMI, we maintain clear policies, run regular trainings, and work to ensure that robust processes are in place to encourage employees and third parties to speak up if they become aware of any suspected, potential, or actual violations of law, our Code of Conduct, or any of our policies. In addition, the PMI Compliance Help Line, which is a third-party operated reporting channel available 24 hours a day, seven days a week, in all languages spoken at PMI, can be contacted online or by telephone. It may be used anonymously, subject to local laws and regulations. Read more on PMI.com.

Living wage

Building on our learnings from the living wage assessments for our own employees and Living Income program in our tobacco supply chain, we are exploring pathways to promote a living wage across our broader supply chain, partnering with our direct suppliers. We recognize that enabling living wages drives both social progress and business resilience, notably in addressing the root causes of many human rights issues (namely forced labor and child labor, and excessive working hours). While we are at the early stage of this journey, and mindful of limitations in our ability to control or influence, we are committed to improving our understanding, advocating for transparent and robust living wage data through strategic partnerships, and identifying meaningful strategies to deploy in the years to come.

Value Plan 2030+

PMI's new Sustainability Due Diligence Standard

As our business transforms, so does our value chain. Our due diligence program has historically focused on our tobacco and electronics supply chains—but as we expand into new product categories, our oversight must expand with them. We are therefore broadening our scope to cover all prioritized supply chain categories: direct materials, indirect materials and services (IM&S), technical procurement, and the nicotine supply chain, alongside our established tobacco and electronics sourcing. This strategic shift ensures that our standards and oversight extend to all categories supporting our business journey.

What we are deploying

Starting in 2026, we will deploy a new Sustainability Due Diligence Standard that establishes the criteria and processes through which we will monitor that suppliers identify, prevent, mitigate, and remediate human rights and environmental risks across our value chains. Our target is to achieve at least 90 percent of priority suppliers meeting this Standard by 2030. Performance will be measured through category-specific KPIs, which leverage third-party assessments and reflect the unique risk profiles and maturity levels of each value chain category.

How we built it

In 2025, we conducted a comprehensive two-stage assessment to inform the Standard's design and deployment. First, a category risk prioritization scanned our value chain—covering more than 90 percent of PMI's supply chain by expenditure—to determine which categories warrant in-depth analysis. This drew on multiple existing risk and impact assessments, including our sustainability materiality assessment, 2025 human rights saliency mapping, HRIAs, third-party supplier assessments, and ongoing monitoring. Second, a supplier risk prioritization applied criteria based on inherent country risk and individual supplier profiles to determine which suppliers within priority categories require enhanced due diligence. Together, these two stages provide the foundation for a risk-based framework that focuses our resources where they matter most.

How we will implement it

By leveraging advanced analytics, digital tools, and a broadened pool of due diligence service providers (e.g., Sedex), and through enhanced supplier engagement, we aim to prioritize high-risk suppliers for deeper assessment and capacity building—aligned with emerging regulatory requirements and stakeholder expectations. We will prioritize a culture of continuous improvement, transparency, and responsible sourcing that strengthens our operational resilience..

Supply chain due diligence: overview of main categories in scope
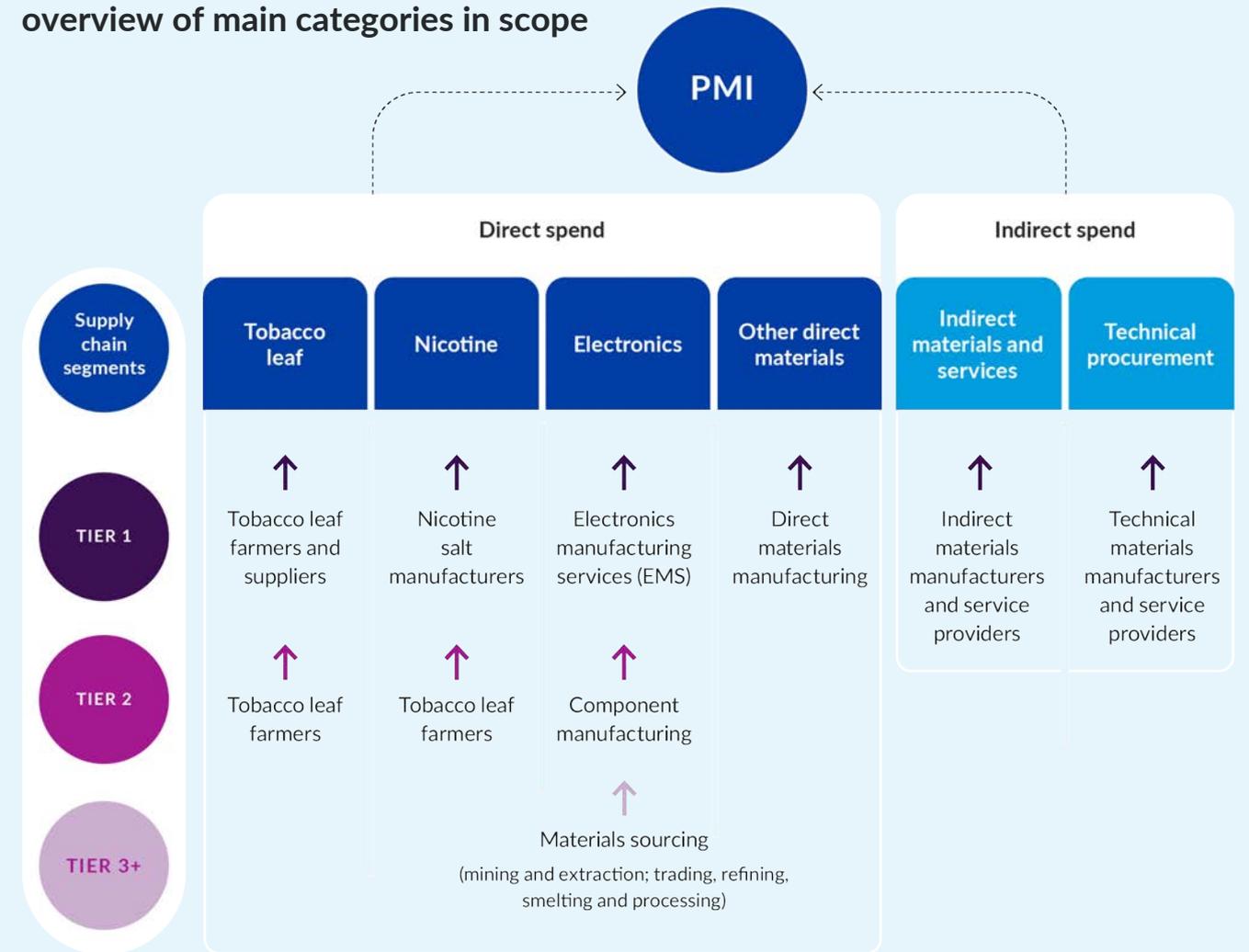
Tobacco supply chain

One of our long-standing commitments is to provide a decent livelihood to all contracted farmers supplying tobacco to our company. Tobacco is the core material used in our legacy products—cigarettes—as well as in our tobacco-containing smoke-free alternatives.

PMI

5 PMI leaf operations
18% of volume purchased

23 third-party leaf suppliers
82% of volume purchased

GAP

GAP

GAP

4,600
Field technicians supporting and monitoring GAP and ALP implementation

13,473
Contracted farmers supplying tobacco to PMI

350,291
Contracted farmers supplying tobacco to PMI

336,818
Contracted farmers supplying tobacco to PMI
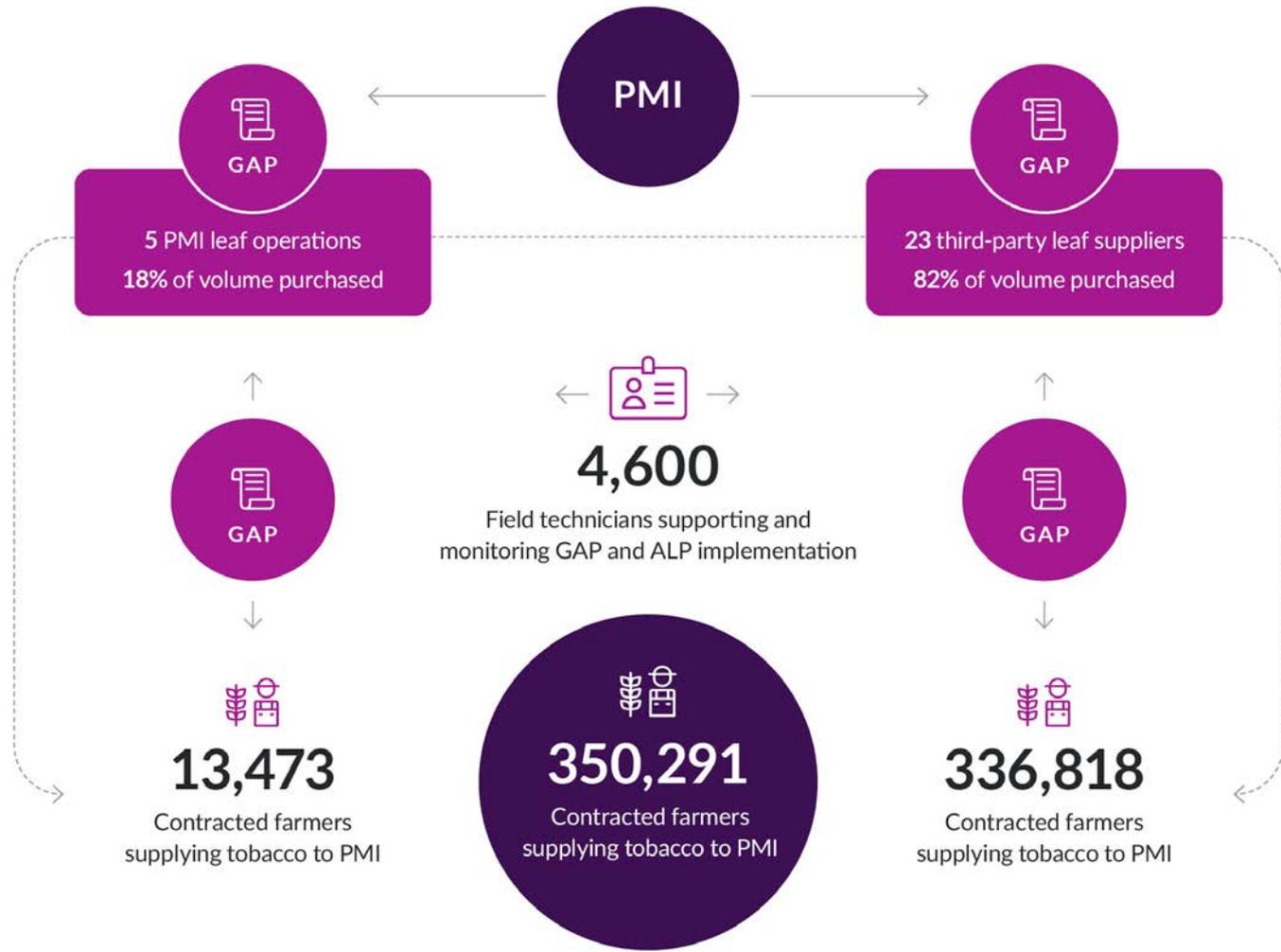
Overview of our tobacco supply chain

During the year, we sourced tobacco grown across 23 countries, with most of our volume coming from India, Brazil, Indonesia, Argentina, Malawi, and China.

Tobacco supply chain management

Sustainable tobacco production means efficiently and competitively producing quality tobacco while minimizing environmental impact and improving the socioeconomic well-being of involved people and communities.

Our Good Agricultural Practices (GAP) define the principles and measurable standards that all those who grow and supply tobacco to PMI should strive to achieve. These standards focus on four areas: governance, crop, environment, and people. The latter is governed by a dedicated Agricultural Labor Practices (ALP) Code. GAP principles and the ALP Code are mandatory for all suppliers of tobacco to PMI and are reflected in supply contracts.

Our Integrated Production System (IPS) connects us with leaf suppliers and farmers beyond the customary boundaries of a commercial relationship and enables direct technical support, agronomic advice, financial loans, and various other services. Under IPS, which covered 98 percent of our tobacco purchases in 2025, we have a direct relationship with the farmers, whom we contract directly or via third-party leaf suppliers.[1]

The IPS is vital to providing traceability and visibility in our supply base; it enables the deployment of our GAP and ALP monitoring and remediation system down to the farm level.

In line with our Sustainable Tobacco Supply Chain (STSC) framework, established in 2022, we seek to ensure that PMI's packed products (i.e., the final products as shipped and commercialized) contain tobacco that is cultivated and sourced in alignment with our ALP program requirements. This means we aim to only source from farmers who are compliant with our key sustainability criteria. Our aim is to promote elevated operating standards within the industry and our suppliers in
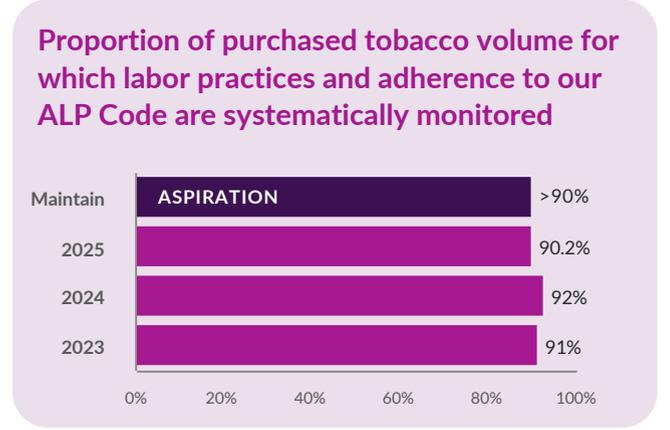
tobacco-growing countries. With this said, many of our implemented initiatives do impact farmers and communities beyond our sourcing scope, allowing a wider reach and extended impact in addressing systemic labor issues identified in tobacco cultivation. Read more about our STSC framework on PMI.com.

Internal monitoring and remediation

At the center of this system are field technicians, employed by PMI or our third-party suppliers. These technicians visit each farm on average five times during the crop season and monitor the implementation of our GAP and ALP codes. They also provide agronomic assistance, deliver training to farmers, identify and address labor issues, and monitor the implementation of improvement plans. In 2025, field technicians enabled us to monitor the implementation of GAP by all farmers supplying tobacco to PMI under the IPS.

Moreover, in 2025, field technicians systematically monitored the implementation of our ALP Code on 90.2 percent of the tobacco volume we purchased.

Proportion of purchased tobacco volume for which labor practices and adherence to our ALP Code are systematically monitored

Maintain	ASPIRATION >90%
2025	90.2%
2024	92%
2023	91%

0%   20%   40%   60%   80%   100%

1. The excluded amount in 2025 originated from auction market purchases.

Supplier onboarding and due diligence in Tanzania

As part of the onboarding and due diligence of a new supplier in Tanzania, we conducted an external assessment in 2024 followed by an independent external verification in 2025. This assessment identified areas where the supplier's nonfinancial data collection and management systems did not yet meet the standards required for inclusion in our reported metrics.

We initiated a robust action plan and closely monitored it throughout 2025. The plan included strengthening internal monitoring systems, expanding and restructuring the ALP team to enhance field-level oversight, improving training and knowledge transfer for field personnel, upgrading communication materials to increase ALP visibility, and reinforcing reporting and data-management processes. While these interventions have laid important groundwork, the supplier's data systems had not yet reached the level of maturity and reliability required by our reporting standards by year-end 2025. Accordingly, to maintain the integrity and accuracy of our reported data, we have excluded the supplier's data from this disclosure. These volumes are included within the 10 percent of our total purchased volume considered not systematically monitored against ALP (read more on the right).

We have adopted a phased approach with clear, time-bound requirements, enhanced monitoring, and defined escalation pathways to bring this supplier's systems to the required standard. We plan to commission a follow-up external verification in early 2026 to evaluate progress and determine next steps in the supplier's onboarding journey.

The prompt actions-related data reported in this report exclude unplanned purchases or purchases from new suppliers for which we do not have access to a full set of reliable data, or in which the maturity of sustainability reporting does not yet meet PMI's requirements. During 2025, we continued to improve our controls and systems to monitor these volumes to prevent exceeding 10 percent of our total purchased volume in any given year.

In 2025, field technicians reported a total of 6,398 prompt actions (i.e., cases of noncompliance) across all sourcing markets, of which the vast majority (98 percent) related to safe work environment issues.

Of all the prompt actions initiated, 94 percent reached resolution within the year; the rest are still pending, mainly due to the timing of the crop cycle.

External assessments

Apart from internal monitoring, we utilize several strategies to verify compliance with our ALP Code.

We commission Control Union, an independent third party, to evaluate the management system in place for the implementation of action plans, review prompt action protocols, examine the internal capacity to implement the program, and perform field visits to a selected sample of contracted farmers. In 2025, Control Union completed an on-site assessment in Brazil, with the final report expected to be completed early 2026. This brings the total number of assessments since 2013 to 40.

We also engage local third-party organizations to perform external verifications in high-risk markets—visiting farmers to verify the reliability of our internal monitoring data. In 2025, external verifications were completed in Turkey and Tanzania. Results indicated an acceptable level of variance between internal monitoring and external controls in Turkey, while gaps were identified in Tanzania (read more in the box on the left). A follow-up exercise will be conducted in 2026 exclusively for Tanzania to verify implementation of the agreed action plan.

Moreover, in 2025, we continued to strengthen oversight through the Social Risk Monitoring Program (SRMP), which was first launched in 2024. The SRMP establishes a standardized framework to ensure that suppliers' policies and processes regarding child labor and living income meet PMI's standards. A key aspect of the program is the improvement of third-party data management and integration into PMI's reporting system, improving consistency and reliability of supplier disclosures to PMI. To support this, we engage external auditors to evaluate our third-party leaf suppliers through both virtual and on-site audits. In 2025, the SRMP covered all 45 local affiliates of our suppliers in scope, with 13 of them sampled through a combination of on-site and virtual audits. This brings the total number of sampled markets to 34 since the program's inception in 2024 and all of them were confirmed to meet our SRMP standards for both child labor and living income.

Together, these controls help drive greater accountability and continuous improvement across PMI's value chain.

Priorities in our tobacco supply chain

We use a risk-based approach to prevent, identify, mitigate, and address human rights, including labor rights incidents in our tobacco supply chain. This entails ongoing collaboration with key stakeholders—including suppliers, farmers and farmworkers, civil society organizations, academics, governments, and the private sector—to tackle persistent and systemic issues in the agricultural sector.

Our work focuses on the following priority areas:

– Eliminating child labor

– Promoting safe work environment; ensuring availability and appropriate use of personal protective equipment (PPE) and adequate accommodation for workers

– Payment of at least a minimum legal wage or agricultural benchmark

– Access to water

We strive to resolve the root causes of these persistent issues in relevant countries, which are identified through a periodic risk-based review. Our overall approach leverages insights from our strategic partner, Verité.

Our Living Income program plays a critical role in this effort by enabling farmers and workers to achieve a stable, sustainable income, thereby reducing economic vulnerability and addressing the underlying factors that contribute to labor issues.

Eliminating child labor

In 2025, no monitored contracted farmers delivering tobacco to PMI were impacted by child labor. This is a significant achievement of one of our 2025 aspirations, however we stay alert, maintain our robust monitoring activities, and act promptly should isolated cases be identified.

This consistently decreasing and minimal occurrence of child labor incidents over the past years demonstrates that, although occasional instances may arise because of farmer turnover or inadvertent misbehaviors, child labor as a systemic widespread issue has been eliminated from our tobacco supply chain.

Prevalence of child labor among contracted farmers supplying tobacco to PMI

2025	ASPIRATION Zero
2025	0%
2024	0.01%
2023	0.1%

0%   0.2%   0.4%   0.6%   0.8%   1%

Note: For further details on how we measure progress on this KPI, please see PMI's Non-financial KPI hub.

Despite the continued elimination of child labor cases in our sourcing footprint, we continue to strengthen broader efforts to prevent child labor by implementing targeted initiatives in markets where inherent risks remain. This includes initiatives such as;

– Our child-care center program in Mexico, which provides safe daytime spaces, educational support, and essential services for the children of tobacco-sector migrant workers, helping prevent their exposure to hazardous labor environments.

– Porvenir in Argentina, which offers a comprehensive model of child-labor prevention through school improvement, structured educational and recreational activities, nutrition, and family-focused social support, reaching thousands of children across multiple provinces and ensuring they remain out of the fields and engaged in age-appropriate learning and development.

– Across Asia, we sustain a range of initiatives designed to reduce vulnerabilities and strengthen community-level prevention systems, including adolescent skills training programs in Pakistan and India, and initiatives such as the ANNAKO ("Our Children, Our Future") program in the Philippines, which reached more than 2,500 children and 300 parents through child-labor prevention, family engagement, and rights-based education activities. The ANNAKO program earned significant recognition, winning Gold Awards at both the Asia ESG Awards and the Inquirer ESG Edge Impact Awards for its leadership in child protection and community empowerment.

– In Africa, continued progress made demonstrates how targeted interventions can maintain the reduced risk of the prevalence of child labor. In Malawi, we expanded our primary school feeding and after-school activity program, reaching 35 schools and benefiting over 34,500 children in 2025 (not limited to contracted farmers' children). Furthermore, we expanded our scholarship program to 505 secondary scholarship beneficiaries and 120 university beneficiaries, supporting a total of 625 learners since the start of the program in 2022. Our intent with this initiative is

not only to address child labor issues in our supply chain but also to contribute to the development of future leaders in Malawi by providing end-to-end educational support for children in tobacco-farming communities. Learnings from the Malawi program have been taken, and similar initiatives implemented in both Mozambique and Tanzania. These benefitted around 4,800 children in 12 schools in Mozambique and 840 children in one school in Tanzania during 2025.

Promoting a safe working environment

In line with PMI's ALP Code, we require all contracted farmers supplying tobacco to PMI to provide a safe workplace to prevent accidents and injury and to minimize health risks. In 2025, field technicians recorded a total of 6,241 prompt actions related to an unsafe working environment.

Prompt actions recorded in 2025 relating to safe working environment issues among contracted farms supplying tobacco to PMI primarily related to exposure to a crop protection agent (CPA) due to not wearing proper PPE (31 percent), exposure to green tobacco sickness due to not wearing proper PPE (33 percent), CPAs being stored in a way that could cause a health and safety incident (24 percent), and working at height without protection (7 percent).

During the year, we continued to focus on ensuring access to appropriate PPE for all our contracted farmers supplying tobacco to PMI and their farmworkers. Understanding the hazards related to certain tobacco tasks and encouraging behavior change is vital to safeguarding the health and safety of those involved. These topics are always part of annual training provided to farmers, and a focus of our efforts on the ground.

Proportion of contracted tobacco farmers and farmworkers supplying tobacco to PMI who have access to personal protective equipment for the application of crop protection agents and prevention of green tobacco sickness

Maintain	ASPIRATION 100%
2025	100%
2024	100%
2023	100%

0%   20%   40%   60%   80%   100%

We also continued to monitor the provision of safe and adequate accommodation by farmers to workers, where relevant. In 2025, around 4 percent of farmers supplying tobacco to PMI provided accommodation to workers, and all of this was confirmed safe and adequate.

**Proportion of tobacco farmworkers provided with safe and adequate accommodation**

Maintain	ASPIRATION 100%
2025	100%
2024	100%
2023	100%

0%   20%   40%   60%   80%   100%
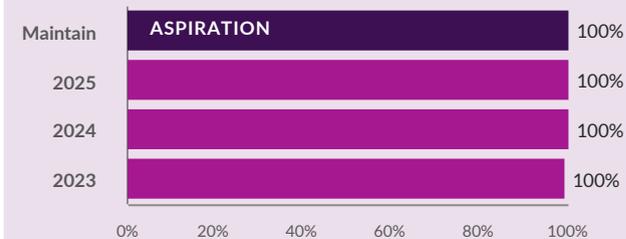
Note: Scope is limited to farmers who provide accommodation to workers (approximately 4 percent of the total farmer base in 2025).

Minimum wage for contracted workers

In a typical crop season, approximately 42 percent of farmers supplying tobacco to PMI hire workers. Income earned by farmworkers during a pay period or growing season should be enough to meet their basic needs. Our ALP Code requires that the wages of all workers (including temporary, piece-rate, seasonal, and migrant workers) meet—at a minimum—the national legal standard or formalized agricultural benchmark standard.

Proportion of contracted farmers supplying tobacco to PMI paying their workers at least the minimum legal wage or agricultural benchmark

|	
Maintain	ASPIRATION 100%
2025	100%
2024	100%
2023	100%

0%   20%   40%   60%   80%   100%
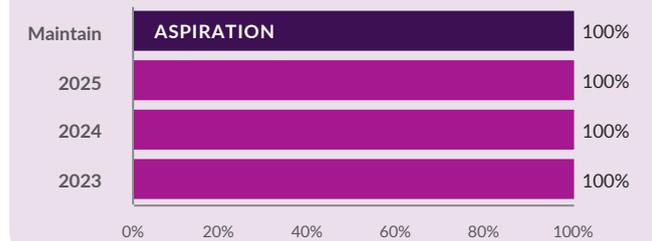
In 2025, monitoring of the contracted farmers supplying tobacco to PMI who hire workers found that 100 percent of farmers paid their workers at least the minimum wage. Field technicians recorded a total of 41 prompt actions related to farmers paying less than the minimum wage to their workers, which were all resolved during the season.

Despite the continued positive results in 2025 we remain alert and continue monitoring this topic, deploying targeted initiatives such as awareness raising, remediation, and those aimed at increasing farm efficiencies.

Access to water

Improving water, sanitation, and hygiene (WASH) infrastructure significantly enhances community well-being and livelihoods. Guided by the WHO/UNICEF Joint Monitoring Programme (JMP), our aspiration was for all contracted farmers supplying tobacco to PMI to have basic drinking water access by 2025. We closed 2025 with 99.9 percent of our contracted farmers, in the defined markets in scope, having access to basic drinking water. This progress was achieved through improved water points and household water purification solutions, which played an integral role in reaching "last-mile", isolated farmers. The small remaining gap of 0.1 percent in 2025 reflects approximately 200 farmers in Malawi whose access to drinking water could not be monitored on time for corrective actions. This was due to an unanticipated tobacco purchase made in 2025. As a result, while we were unable to track access and implement solutions timely for this particular group, the overall progress aligns with our intended goal and reflects years of focused interventions in priority markets such as Argentina, Malawi, and Mozambique, where we implemented solutions like drilling boreholes, protecting springs, and providing household-level systems.

Proportion of contracted farmers supplying tobacco to PMI that have basic water access

2025 ASPIRATION	100%
2025	99.9%
2024	95%
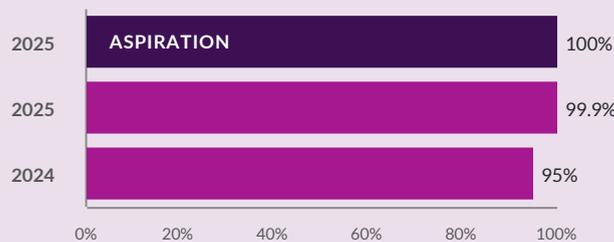
Note: Excludes Thailand. Estimated based on surveys that indicate whether the farmer has an improved drinking water source within one kilometer or 30-minute round trip, or availability of continuous household-level solutions.

Value Plan 2030+

The future of PMI's Agriculture Labor Practices

Our strategic direction for the ALP program is to continue robust monitoring across all core ALP principles, while placing a stronger, impact-driven emphasis on initiatives that meaningfully advance child labor prevention and improve farmer livelihoods. In addition, we will intensify our focus on identifying forced labor risk indicators and develop targeted, preventative interventions in markets where these risks are most prominent. Further, we will continue complementing our due diligence with external assessments on a need basis.

Reinforcing our focus on access to basic drinking water

While sanitation and hygiene remain extremely important, they did not emerge as a key material topic in our updated sustainability materiality assessment, and implementation challenges such as farmer acceptance and privacy concerns further reinforced the need to prioritize. By concentrating on expanding improved water access in existing and new priority markets, we can deliver the greatest impact for farmers and their communities. Looking ahead, our strategy will focus on the self-sustainability of existing priority markets (i.e., Argentina, Malawi, and Mozambique) while looking to expand water access initiatives to additional markets recently included in our supply chain, starting with Tanzania, ensuring continued progress and expanded impact. Specifically, our target is for more than 95 percent of contracted farmers within PMI's tobacco and nicotine agricultural sourcing footprint to have access to basic drinking water sustained through to 2030.

Contributing to alleviating poverty: Living Income program

Improving farmer livelihoods is central to preventing human rights issues, such as child labor or health and safety concerns, arising from poverty.

Our living income interventions help strengthen farmers' resilience. By equipping farmers with the skills and resources to pursue alternative crops or livelihoods, we help ensure they are better positioned for economic stability.

Monitoring income levels in our tobacco sourcing markets

We commission studies from specialist third-party organizations to define living income values and assess current farmer incomes, thereby guiding the deployment of impact-focused initiatives in priority sourcing markets, where we have vulnerable farmer groups. The living income value determines the net annual income required for a household to afford a decent standard of living for its members. It is based on a variety of mechanisms, depending on the economic characteristics of individual countries from which we source tobacco. These living income benchmarks undergo periodic review to take into account external circumstances that may impact farmers' overall income.

For identified low- and middle-income countries, we use the following Anker Research Institute's proposed methodologies:

– **Full benchmarks:** Comprehensive living income studies conducted in key sourcing countries (e.g., India (2023), Indonesia, the Philippines (2024), and Thailand (2025), combining both desktop and field visits.

– **Reference values:** Used in countries like Argentina, Mozambique, Turkey, and Tanzania, based on national averages, not region-specific.

– **Regional adjustments:** Existing benchmarks are adapted for PMI's sourcing regions, with additional field research as needed.

To assess farmers' living income in higher-income tobacco markets, we previously used the Business for Social Responsibility (BSR) living wage benchmarks and reference family size. Since BSR stopped updating this data in 2024, we adjusted its 2023 figures for inflation to maintain consistency in our KPI. We are also seeking new partners for future assessments.
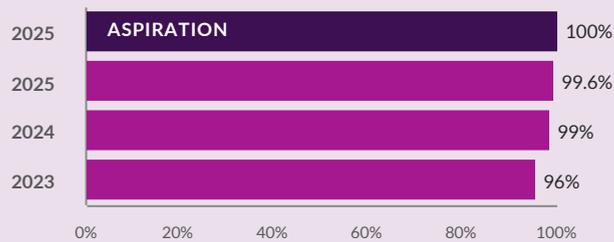
In parallel to establishing the living income values, we assess the income level of farmers supplying tobacco to PMI in each sourcing market to determine the potential gap between the two. We include both on-farm and off-farm activities, net of production costs, as well as remittances or subsidies.

On-farm activities include income generated from the sale of tobacco and the production of other crops and livestock. Off-farm income derives from revenue-generating activities outside of the farm, such as waged employment. These analyses rely on internal farm monitoring data and also incorporate studies performed by local partners or credible publicly available data sources (read more about our living income methodology in our Non-financial KPI hub.

Living income

In 2025, 99.6 percent of contracted farmers supplying us with tobacco earned a living income—up from 99 percent in 2024 and 96 percent in 2023. We consider this result to have met our 2025 aspiration. The 0.4 percent gap does not represent a systemic shortfall in our program. A key focus moving forward, as part of our 2030 strategy will be to focus on the most vulnerable farmer populations in priority markets (ranked by tobacco land size, yield and the diversity of crops grown), and who are most susceptible to normal variability in crop yield, weather, or market conditions for instance. Having identified this population and the dynamics driving their income vulnerability, we have evolved our approach accordingly: our Value Plan 2030+ introduces a dedicated focus on the most financially vulnerable farmers (estimated at around 8,500 farmers), with targeted interventions designed to strengthen their income resilience and reduce their exposure to socioeconomic fluctuations (read more on the next page). In this sense, the 0.4 percent gap is not a shortcoming of our closing strategy but the insight that shaped the next one.

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Proportion of contracted farmers supplying tobacco to PMI who make a living income

2025	ASPIRATION ... 100%
2025	99.6%[1]
2024	99%
2023	96%

0%   20%   40%   60%   80%   100%

Note: Excludes China, Thailand, Switzerland, and India (flue-cured tobacco). See PMI's Non-financial KPI hub for further details on methodology.

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Since establishing this aspiration in 2021, it has been a driving force behind our initiatives and has resulted in substantive improvements in farmers' livelihoods. Along the way, we have learned that strategies must be adaptable and specifically tailored to support those farmers facing the greatest economic vulnerability.

Value Plan 2030+

Targeted support for the most vulnerable farmers: a new approach to living income and resilience

We source the vast majority of our tobacco from a global network of farmers across multiple countries, rather than through commodity markets, which helps ensure the consistency, quality, and traceability of our tobacco supply. However, this model also means that disruptions to farmer livelihoods, if not actively mitigated, could lead to supply chain disruption through farmer exit, reduced crop quality, unsustainable farming practices, increased regulatory scrutiny, and reputational risks.

In 2025, we have implemented a new strategy and started measuring progress against our new impact-driven KPI, which enhances our existing Living Income program. The strategy seeks to expand the implementation of interventions that drive an increased income for farmers and their families, with a particular focus on the most financially vulnerable farmers (those in the lowest 15 percent—ranked by land size, tobacco yield, and the diversity of crops grown). Looking toward 2030, our ambition is to enable the most vulnerable farmers to sustainably improve their living income. In parallel, we will aim to maintain and reinforce achievements across the wider farming community, acknowledging that market dynamics might impact socio-economic well-being of farmers. The living income interventions will be assessed using a standardized Livelihood Index tool, developed with the support of Valuing Impact and based on external frameworks, to assess and compare the impact of each initiative on a consistent basis. This will allow us to prioritize the interventions that deliver the greatest overall benefit to farmers' livelihoods—rather than relying on isolated or project-specific measures.

Key levers for improving overall farmer livelihood

Enhancing farm productivity is the primary lever for improving the living income of farmers, many of whom operate as self-entrepreneurs. We strive to support contracted farmers supplying us with tobacco in maximizing operational efficiencies and adopting best practices, enabling them to increase yields, optimize resource use, and strengthen the economic sustainability of their businesses. Through targeted programs and capacity-building initiatives, we help equip farmers with the tools, knowledge, and technologies needed to drive continuous improvement and long-term resilience in their agricultural operations.

Diversifying income sources represents the second key lever in improving farmer livelihoods. We actively support farmers in pursuing additional income-generating activities, such as cultivating complementary crops alongside tobacco. This approach not only increases household income but also enhances resilience to climate and market fluctuations. In 2025, we estimate that around 60 percent of our contracted farmers grew crops other than tobacco.

Interventions to close the living income gap in priority markets

Under our Living Income program and specifically our new impact-driven KPI, we focus on targeted interventions for the most vulnerable farmers in priority markets: Mozambique, India, Indonesia, and the Philippines. These initiatives are designed to deliver measurable impact and have already shown excellent success and resounding positive feedback from farmers.

In Mozambique, our treadle pump program, launched in 2018, delivers innovative irrigation solutions for tobacco nurseries and winter crops, reducing manual labor requirements. Beneficiaries receive starter kits with winter crop seeds and fertilizer in their first year. A feasibility study found that farmers growing two to three crop cycles annually earned an additional USD 300–400, about 15 percent of their average annual income. In 2025, we distributed an additional 170 treadle pumps, bringing us to a total of 9,048 pumps distributed since the program's inception—directly supporting expanded vegetable production and increased household income.

In India, 254 farmers received livestock in 2025, enabling them to earn approximately USD 400 in additional annual income per household from buffalo-milk sales.

In Indonesia, mechanization projects supported over 100 farmers in 2025, reducing labor demands and improving efficiency.

In the Philippines, diversification initiatives introduced goat farming for 50 farmers, poultry for 101 farmers, and mushroom production for 99 farmers, offering alternative income streams and enhancing household resilience, with overwhelmingly positive feedback.

These strategically targeted interventions demonstrate how the Living Income program drives practical, tailor-made solutions that significantly drive impact through improving income and resilience for those most at risk. Since 2024, through these interventions, we have impacted 17 percent of the most vulnerable farmers in scope (i.e., 1,433 farmers out of 8,523 total farmers in scope).

Empowering women in our tobacco supply chain

Empowering women in agriculture is essential for improving household income and resilience. Globally, women play a critical role on family farms, yet they continue to face significant gender inequalities—owning less than 15 percent of agricultural land and encountering persistent structural and cultural barriers, particularly in tobacco farming.[1] In 2025 we continued supporting the empowerment of women, through an array of different activities, in many cases supporting them to unlock additional income opportunities and contribute to the improved livelihood or economic stability of farming households. While these initiatives span a number of markets globally, some long-standing initiatives include;

– A "train-the-trainer" program in India, which has, since 2020, equipped 1,069 women in 111 self-help groups with leadership and micro-entrepreneurship skills, enabling the creation of 1,045 micro-enterprises .

– A program in Pakistan, wherein we have strengthened women's participation in field monitoring by deploying female Social Mobilizers who can access homes—overcoming cultural constraints faced by male technicians—to raise awareness of ALP standards, deliver safety and child-labor training, and assess working and living conditions across farms.

– The expansion of the Village Savings and Loans Associations (VSLA) program in Malawi, now involving 279 groups and around 4,800 women since its inception in 2019, providing affordable loans that support new or growing micro-enterprises and delivering measurable improvements in household income.

– Since 2023, through the collaborative industry-based approach in Turkey, annual health-awareness sessions and cancer screenings were carried out, reaching 82 women farmers with screening tests and engaging around 163 women in well-being education to support women's health in agriculture.

1. Source: Food and Agriculture Organization of the United Nations. FAO.

Nicotine supply chain

With the acquisition of Swedish Match by PMI in late 2022, our supply chain for tobacco was significantly extended to encompass the nicotine supply chain, specifically for oral nicotine products.

Although the agricultural aspects of this supply chain are fundamentally comparable to our traditional tobacco operations, the inclusion of new and different tobacco leaf characteristics broadens our supplier network, requiring that we tackle comparable labor-related issues across this expanded base. Moreover, the nicotine supply chain encompasses the extraction and processing stages of nicotine done by specialized suppliers, which constituted an unfamiliar domain for us.

At the agricultural level, tobacco plants are grown and harvested specifically for nicotine extraction. The potential risks at this stage closely mirror those found in our traditional tobacco supply chain.

In 2025, we began onboarding those suppliers who form part of our nicotine supply chain to adopt and implement our ALP program. To ensure readiness, we conducted a comprehensive assessment to identify salient risks related to ALP compliance.

During this transition, tobacco supply chain suppliers participated in our train-the-trainer sessions delivered by Verité.

After harvesting, tobacco leaves are ground into fine particles to facilitate nicotine extraction. Extraction techniques are supplier-dependent, and the extracted nicotine undergoes multiple purification steps—most notably distillation—to meet required quality standards. Purified nicotine may then be either formulated as a salt through association with selected organic acids (e.g., tartaric acid) or diluted in suitable solvents or liquids (e.g., glycerin) to obtain nicotine solutions for use in smoke-free products, such as oral and e-vapor products.

At this stage, the primary risks relate to workers' health and safety, including protection from hazardous substances, proper safety protocols and equipment, and compliance with labor and safety regulations.

Our nicotine supply chain in India

In 2025, we commissioned Article One to conduct targeted assessments in our nicotine supply chain in India, focusing on two of our key suppliers. This was complemented by a separate assessment of a third nicotine supplier, also in India, conducted by twentyfifty. These assessments were part of PMI's global human rights due diligence and aimed to identify salient human rights risks and impacts, and evaluate existing mitigation measures, as well as opportunities for improvement.

The process included desk research and extensive field engagement at manufacturing and agricultural setup. Over 500 rights holders were engaged, including facility workers, farmers, and farm workers. Findings were prioritized using the saliency framework, assessing scale, scope irremediability, and likelihood.

At the farm level, the assessment highlighted risks of a similar nature to those inherent risks found in our existing tobacco supply chain. These relate to availability and use of PPE, income instability for smallholder farmers, and minimum wage payment for farm workers. Risks identified at manufacturing level included limited representation of women (especially in management roles) and awareness of third-party vendor workers of PMI speak up channels.

All three suppliers have developed specific and targeted action plans that will be followed regularly to ensure timely completion. In conjunction, a key focus moving forward will be to align these suppliers with PMI's new Sustainability Due Diligence Standard requirements for both the manufacturing and agricultural supply chains.

Value Plan 2030+

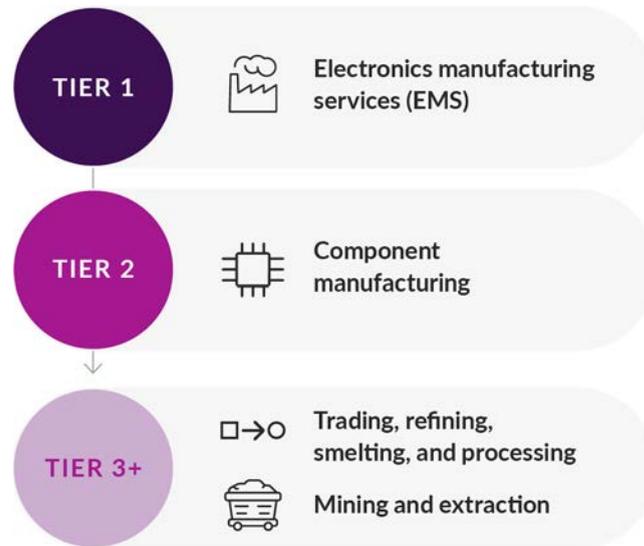**Increasing resilience in our nicotine supply chain**

We will continue applying risk-based due diligence in our nicotine supply chain, leveraging proven practices from our tobacco supply chain to accelerate maturity in this newer area of our business.

For the agricultural segment, we are transferring best practices and learnings from our established tobacco agriculture operations and implementing our Agricultural Labor Practices (ALP) program—including key ALP principles such as child labor prevalence, safe work environment, or payment of minimum wage. Our intention is to successfully integrate them in our PMI reporting as of 2026.

For the manufacturing segment, we will prioritize integrating relevant facilities to be in scope of the application of our new Sustainability Due Diligence Standard. This approach will enable us to identify risks unique to the nicotine supply chain, develop and implement targeted interventions, and strengthen supply chain performance through category-specific continuous monitoring and improvement.

Electronics supply chain

As PMI advances its transformation towards smoke-free products, our reliance on electronics and critical raw materials (CRMs) is increasing. While PMI remains a relatively small player in electronics, this shift has significant implications for sustainability and particularly for human rights. For example, batteries and electronic components require metals and minerals sourced through complex, multi-tiered supply chains, often in regions with elevated inherent risks of forced labor and other human rights risks, and environmental degradation.

- **TIER 1** — Electronics manufacturing services (EMS)
- **TIER 2** — Component manufacturing
- **TIER 3+** — Trading, refining, smelting, and processing / Mining and extraction

Critical raw materials

As our smoke-free product portfolio expands, our reliance on CRMs is expected to increase. Until 2025, PMI's due diligence focused primarily on conflict minerals—tin, tantalum, tungsten, and gold (3TGs)—in line with the U.S. Securities and Exchange Commission (SEC) annual disclosure requirements. Over the past two years, in response to increasing stakeholder queries, evolving regulation, and increasingly volatile supply chains, we conducted a comprehensive assessment of CRMs used in PMI's devices. This impact assessment was a key first step in

understanding the inherent supply, environmental, and social risks associated with these materials. From the 28 CRMs assessed, some minerals were identified to be prioritized for due diligence. Further details on our methodology and findings are available in this dedicated report.

Our Responsible Sourcing of Minerals Policy effectively articulates PMI's existing due diligence efforts, including requirements for suppliers, and demonstrates a strong commitment to minerals supply chain due diligence.

It provides details on our approach to consequence management and also establishes a foundation for PMI to expand our due diligence practices to other minerals and geographies beyond those in scope of the U.S. SEC rules. It has been rolled out to all PMI suppliers and we have also increased data collection frequency to twice a year instead of annually, which improved the quality of data collected.

Conflict minerals

We are committed to operating with integrity and to responsibly source 3TGs, which are potentially used in our products.

Our May 15, 2025 Conflict Minerals Report submission to the SEC covering the year ended December 31, 2024 showed that 100 percent of the smelters or refiners (SORs) in our conflict mineral supply chain are engaged with Responsible Minerals Assurance Process (RMAP) from the Responsible Minerals Initiative (RMI) and are RMAP-Compliant or RMAP-Active. No SORs in our supply chain were confirmed to be nonconformant.

Cobalt, which is used in the batteries for our smoke-free devices, is linked to unethical mining practices. While the quantities required for our products are minor relative to the global market size, we apply the RMI approach for due diligence in our cobalt supply chain to identify and address potential human rights risks.

All our battery suppliers responded to a PMI request. As of December 31, 2025, each of the 41 smelters in our cobalt supply chain were listed on RMI's conformant list. We continue to engage with our suppliers to improve visibility into this complex supply chain and enhance our due diligence framework.

Responsible sourcing of critical raw materials

Building on the results of our CRM assessment, in 2025, we developed a CRM due diligence strategy, tailored to the unique challenges of CRM supply chains—where we have only indirect leverage and face limited maturity and data visibility. With these limitations, to ensure a consistent approach across CRMs, we plan to manage them under a fit-for-purpose, CRM-agnostic due diligence process.

Accordingly, moving forward, we are expanding our work beyond conflict minerals to cover the minerals regulated under the EU Battery Regulation, as well as other high-priority materials we have identified, including but not limited to aluminum and copper.

Moreover, to prepare for the more stringent requirements of the EU Battery Regulation we have:

- Enhanced our Responsible Sourcing of Minerals Policy to reflect broader due diligence expectations

- Developed an internal standard operating procedure (SOP) for minerals due diligence, ensuring consistent implementation across suppliers

- Strengthened supplier engagement processes to support compliance readiness

These steps have prepared us to pilot implementation with targeted suppliers in 2026, ensuring we meet evolving legal requirements and reinforce our leadership in responsible sourcing.

Electronic devices manufacturing

To strengthen accountability and engagement, we apply a structured due diligence approach across our electronics supply chain. This includes mandatory supplier assessments, industry collaboration, targeted capability-building programs, and continuous monitoring.

Fostering a sustainable performance in our electronics supply chain

Ensuring responsible practices in our electronics supply chain is critical to mitigating human rights risks and building resilience as PMI transforms.

PMI is a member of Responsible Business Alliance (RBA), the world's largest industry coalition for sustainable supply chains. Through this membership, we leverage recognized standards and collaborative initiatives to advance responsible practices.

In 2025, PMI continued to require our electronics suppliers to undergo RBA's Validated Assessment Program (VAP)—the industry benchmark for on-site compliance verification and shareable audits. Independent auditors assess suppliers against the RBA Code of Conduct, which is aligned with PMI's RSP requirements. We also leverage customer-managed audits (CMAs), to expand audit coverage.

In 2025, 100 percent of our spend with critical electronics suppliers covered by VAP audits or CMAs and the average RBA score of our suppliers was 175 (out of a maximum of 200), compared with an RBA average for our suppliers of 174 in 2024. Audit reports revealed several common issues across suppliers on social issues, including working hours, emergency preparedness, and wages and benefits.

To drive improvement in these areas, we continued to leverage two key RBA programs:

RBA's Responsible Labor Initiative (RLI)
The RLI is a program that aims to build and strengthen the capabilities of PMI's suppliers and their recruitment agencies through targeted training and practical tools like the Responsible Recruitment Due Diligence Toolkit. This raises awareness of responsible recruitment practices related to vulnerable workers' groups (e.g., foreign migrant workers) and equips suppliers and agencies to identify and address potential forced labor issues.

In 2024, we piloted capability building for suppliers and recruitment agencies, training a selected group on the RLI Responsible Recruitment Due Diligence Toolkit. Building on this foundation, in 2025 we committed to leverage additional RLI resources, including RBA Specialty Validated Assessment Program (SVAP) on Forced Labor, training on forced labor and responsible recruitment, and support on access to grievance mechanisms.

RBA's Responsible Factory Initiative (RFI)

The RFI supports our lower-maturity suppliers with a year-long program focused on building capabilities, including training on key sustainability topics, reviewing self-assessment questionnaires, and assisting with Corrective Action Plans (CAPs). As a member of the RFI Advisory Committee, PMI helps guide the initiative's strategic direction and continuous improvement, reinforcing our commitment to responsible practices across our supply chain.

In 2025, we enrolled another group of mainly low-maturity suppliers into RFI—marking our third consecutive year of participation. This long-term commitment demonstrates our sustained effort to build supplier capabilities through training, self-assessment reviews, and CAP development.

Value Plan 2030+

Strengthening our electronics supply chain

In recent years, we have significantly reinforced our due diligence approach across our electronics supply chain.

Building on this maturity, our 2030+ strategy sets ambitious plans to raise audit performance standards, deepen engagement, and strengthen capability building of high-risk suppliers.

Additionally, moving forward, forced labor prevention and remediation remains a core focus. We are introducing a stronger supplier risk assessment and prioritization methodology, complemented by key enablers such as targeted training, specialized audits, and access to grievance mechanism.

On critical raw materials (CRMs), we conducted a CRM impact assessment and developed a strategy to expand our due diligence beyond conflict minerals. We have begun preparing for compliance with the EU Battery Regulation and will implement a CRM-agnostic framework to ensure consistent due diligence across all relevant CRMs.

Broader supply chain

Over the past years we have built maturity and capability to promote high labor and environmental standards advancing the social and economic well-being of workers across our broader value chain.

PMI's holistic approach to supplier engagement

We apply a holistic approach to supplier engagement, embedding environmental and social considerations into how we work with suppliers across our value chain. Supplier engagement follows a structured process that includes onboarding and due diligence, monitoring progress and adherence, and addressing risks and issues. Suppliers are required to comply with our Responsible Sourcing Principles, which set clear expectations on human rights, labor practices, environmental protection, and business ethics. We apply a risk-based approach to identify, assess, and address environmental and social risks, supported by third-party audits and regular performance evaluation. Through targeted initiatives, such as our Sustainability Accelerator, we also work with suppliers to build capabilities and support progress over time. Read more in this dedicated Story of Impact.

### Supplier performance monitoring

As part of our procurement practices, we identify and screen suppliers for business relevance and potential environmental, social, and governance-related risks before engaging with them. Our screening methodology includes country-specific, sector-specific, and commodity-specific risks to determine a list of significant suppliers through a lens that considers social and environmental risks. To date we have engaged with

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approximately 1,000 significant suppliers. Significant suppliers are those identified as having a substantial risk of negative impact, significant relevance to the business, or a combination of both.

However, not all significant suppliers are critical to our business. Critical suppliers are linked to the nature of materials or services they provide to the business (e.g., pulp and paper, and electronic components). In 2025, we had 197 critical suppliers. Significant and critical suppliers go through a rigorous assessment process comprised of desk-based and on-site assessment.[1]

In 2025, we evaluated 100 of our spend from critical suppliers by utilizing EcoVadis desk-based assessments and the RBA's Validated Assessment Program, as well as GAP and ALP monitoring tools. Consequently, 96 percent of our expenditures with these suppliers satisfied or surpassed our baseline criteria to qualify as "sustainably sourced."[2] This achievement nearly fulfilled the 2025 goal established in 2019 to ensure all spending with critical suppliers was sustainably sourced. The minor remaining gap is attributable to tobacco sourced from new locations where a full set of nonfinancial information was not yet available .

Proportion of spend with critical suppliers from whom PMI sources sustainably

Year		Value
2025	ASPIRATION	100%
2025		96%
2024		94%
2023		91%
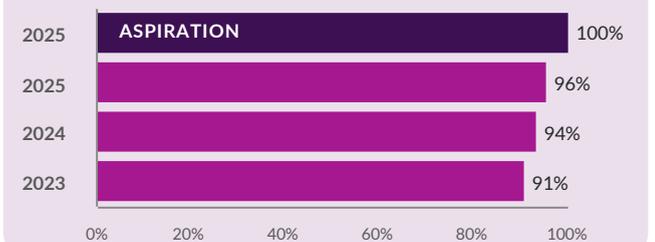
1. See Glossary for definition of critical and significant suppliers.
2. Sustainable sourcing is determined based on a minimum threshold score of 45 out of 100 in EcoVadis (direct materials) or 125 out of 200 in RBA with no open priority issues (electronics). All traceable tobacco purchased from monitored farmers is considered sustainable.

Direct materials

To assess direct materials suppliers' holistic performance across environment, social, ethics, and sustainable procurement, we leveraged EcoVadis desk-based assessments, which are largely aligned with PMI's RSP and give us an opportunity to provide actionable insights on improvement areas. EcoVadis is a global risk and rating provider that developed a methodology that measures the quality of a company' management system through its policies, actions, and results. Its assessment relies on evidence, diversification of sources, and a mix of technology and human intelligence. We have been partnering with EcoVadis since 2021 to support our sustainably sourced commitment and supplier improvement journey.

During 2025, 144 critical suppliers representing 100 percent of our total direct material spend were assessed. Of these, 100 percent reached the minimum score required to meet PMI's current definition of sustainably sourced. This was the result of a close collaboration between the remaining 10 suppliers, which underwent CAP review and reassessment, and our Procurement department that provided the technical expertise and support needed to close the gaps.

With an average score of 66.8 out of 100 in the "Labor and Human Rights" pillar, our critical direct material suppliers outperformed by 14.7 points EcoVadis benchmarked suppliers (whose average stood at a score of 52.1 out of 100).

The main improvement areas identified are related to gaps in policies on working conditions, career management and training, and social dialogue. Supplier social certifications of their own operations still have limited coverage . Overall supplier public disclosure and external reporting on labor and human rights matters remains inadequate .

Indirect materials and services

In 2025, we continued to expand the coverage of our supplier due diligence efforts to significantly increase our engagement and capability building with the indirect materials and services (IM&S) category. This effort allowed us to reach out to suppliers in our downstream value chain related to our distribution, marketing, and sales operations.

IM&S spend remains complex and involves a large number of small suppliers that serve the specific needs of different markets. It requires a significant effort to engage these suppliers and ensure they perform due diligence on their supply chains in line with our requirements.

Existing data showed us overall a lower maturity level in this population of suppliers. Therefore, in 2025, we deployed a threefold approach to engage with them and drive improvements:

– Two in-person supplier events in the Philippines and Indonesia

– Supplier e-learning path designed around the most pressing area of improvement, leveraging EcoVadis academy content

– Ad hoc remote and on-site support to selected suppliers through the network of EcoVadis training partners

To date over 500 of our IM&S suppliers (representing 58 percent of our IM&S supplier base) have been engaged in the due diligence program through EcoVadis assessments, and 117 have completed their CAPs prior to reassessment.

Technical procurement

Alongside the work done in direct and indirect materials and services, in 2025, we continued to expand the scope of our due diligence program to Technical Procurement (TP) suppliers from which we source the production equipment, related spare parts, and services for the manufacturing of our products.

To date over 140 of our TP suppliers (representing 93 percent of our TP supplier base) have been engaged in the due diligence program through EcoVadis assessments. Over 72 percent reached PMI's minimum performance requirements.

Sustainability Accelerator

PMI's Sustainability Accelerator has evolved into an impactful value-chain collaboration platform, designed to accelerate decarbonization and strengthen sustainability-related capabilities across our supplier base. Launched in 2023 as a pilot initiative to support suppliers in expediting their sustainability progress, the program is built on a simple principle: effective actions require structured, hands-on collaboration across our value chain. As of 2025, 50 suppliers were enrolled in the program. By investing in our suppliers' learning, we not only enhance our supply chain's resilience but also ensure high-quality performance and reporting in accordance with current and evolving regulatory requirements. All insights and learnings gained through the program are then used to further enhance and optimize the offering for our diverse value chain. In 2025, we have had the opportunity to onboard in the program our first third-party manufacturer. We also developed our first foundational human rights module, which will be piloted with select suppliers in the course of 2026. Read more about the Sustainability Accelerator contribution to decarbonization in the Climate section of this report.

Focusing on workers in the value chain at Aspeya

While Aspeya is generally excluded from data and information in this report, including this section, Aspeya's sustainability materiality assessment has identified the topic of "workers in our value chain" as a priority—similarly to PMI.

Aspeya's value chain is supported by a global manufacturing network with key sites in Denmark, Canada, and India, each specializing in different aspects of pharmaceutical and consumer wellness production. To increase flexibility and meet demand, the Wellness unit also partners with third-party manufacturers related to manufacturing and packaging needs. Its sourcing strategy focuses on high-quality, processed materials primarily from Europe, and it manages a broad supplier base worldwide of more than 1,100 suppliers, with a core group of approximately 150 suppliers to ensure both local and global supply chain strength. Distinct from traditional tobacco supply chains, Aspeya's operations rely on natural and synthetic products mostly sourced from major European companies, resulting in a generally longer and more complex supply chain, particularly due to the integration of agricultural processes. Aspeya's approach is underpinned by a commitment to tailoring PMI's Responsible Sourcing Principles (RSP) to the unique requirements of the pharmaceutical and consumer wellness sectors, with a strong focus on identifying and mitigating risks in line with PMI's due diligence programs. The integration of the RSP into Aspeya's operations is targeted for completion in 2026. Key initiatives underway include the migration of suppliers to the Sedex platform and the initiation of comprehensive supply chain risk mapping, both of which are expected to also be concluded in 2026 to establish a focused due diligence system for Aspeya.

The path ahead:

Value Plan 2030+

Aspiration and targets

Our aspiration is to improve the livelihoods of workers in our value chain through a transparent, tailored, and risk-based due diligence that enables targeted and impactful interventions.

To deliver on this aspiration, we have established the following targets:

Human rights due diligence

– 90 percent of our priority suppliers in direct materials, electronics, tobacco, nicotine, indirect materials and services, and technical procurement meet PMI's newly introduced Sustainability Due Diligence Standard by 2030*

Human rights promotion and protection

– Over 90 percent of priority tobacco leaf suppliers with identified child labor risks have implemented targeted prevention and remediation measures by 2030*

– Achieve a child labor prevalence below 0.1 percent across our tobacco supply chain, including the agricultural segment of our nicotine supply chain, by 2030*

– Sustain a living income for at least 95 percent of contracted tobacco farmers supplying tobacco to PMI each year throughout 2030*

– Enable over 80 percent of the most economically vulnerable contracted farmers supplying tobacco to PMI to benefit from interventions that drive a measurable increase in income by 2030

– Maintain over 95 percent access to basic drinking water for contracted tobacco farmers throughout 2030, while expanding initiatives in new priority markets to address water access gaps*

We will begin reporting performance towards newly established targets (marked with an asterisk) in our next annual Value Report and will provide methodological details in our Non-financial KPI hub.

Advancing our agenda

Synergy of internal action and external context

Our company's control over workers in our value chain varies, as it spans a diverse and complex network of suppliers and third parties. Our new Sustainability Due Diligence Standard aims to identify real and potential risks throughout this network, increasing transparency and enabling targeted, effective interventions rather than generic solutions.

Transparency is the foundation of our Value Plan 2030+: the better we understand risks, the more effectively we can prevent, identify, and address issues that may threaten business continuity, compliance, reputation, or stakeholder trust. Our ability to manage these risks varies across our three main areas. In tobacco agriculture, years of experience have led to strong monitoring systems and supplier relationships that enable proactive risk management. By contrast, we are newer and less influential in electronics, and our nicotine supply chain is still being integrated. To accelerate progress, we are transferring best practices from tobacco to these newer categories. While external factors like changing regulations, geopolitical instability, and inconsistent labor law enforcement can introduce new risks, our focus on mature systems and strong partnerships keeps us prepared to adapt.

Connectivity and trade-offs

There are important synergies between responsible supply chain management and other strategic priorities, with progress in one area creating enabling conditions for advancement in others. Embedding Circularity in our products depends on sourcing materials responsibly, which requires comprehensive visibility into supply chain conditions. Climate and Nature strategies rely on robust due diligence, as many of our most significant environmental impacts, especially in agriculture, originate upstream. Understanding these interconnections is fundamental to maintaining reliable access to critical raw materials, ensuring uninterrupted operations, and sustaining stakeholder confidence as we expand our smoke-free portfolio.

In practice, sourcing options are sometimes limited, and available suppliers may present social or environmental risks requiring active management rather than disqualification. Remaining engaged, with clear improvement plans and accountability, enables progressive change. Effective risk management also depends on data quality: we are investing in systems that improve accuracy, comparability, and reliability of supply chain data, enabling better risk identification, targeted interventions, and transparent reporting.
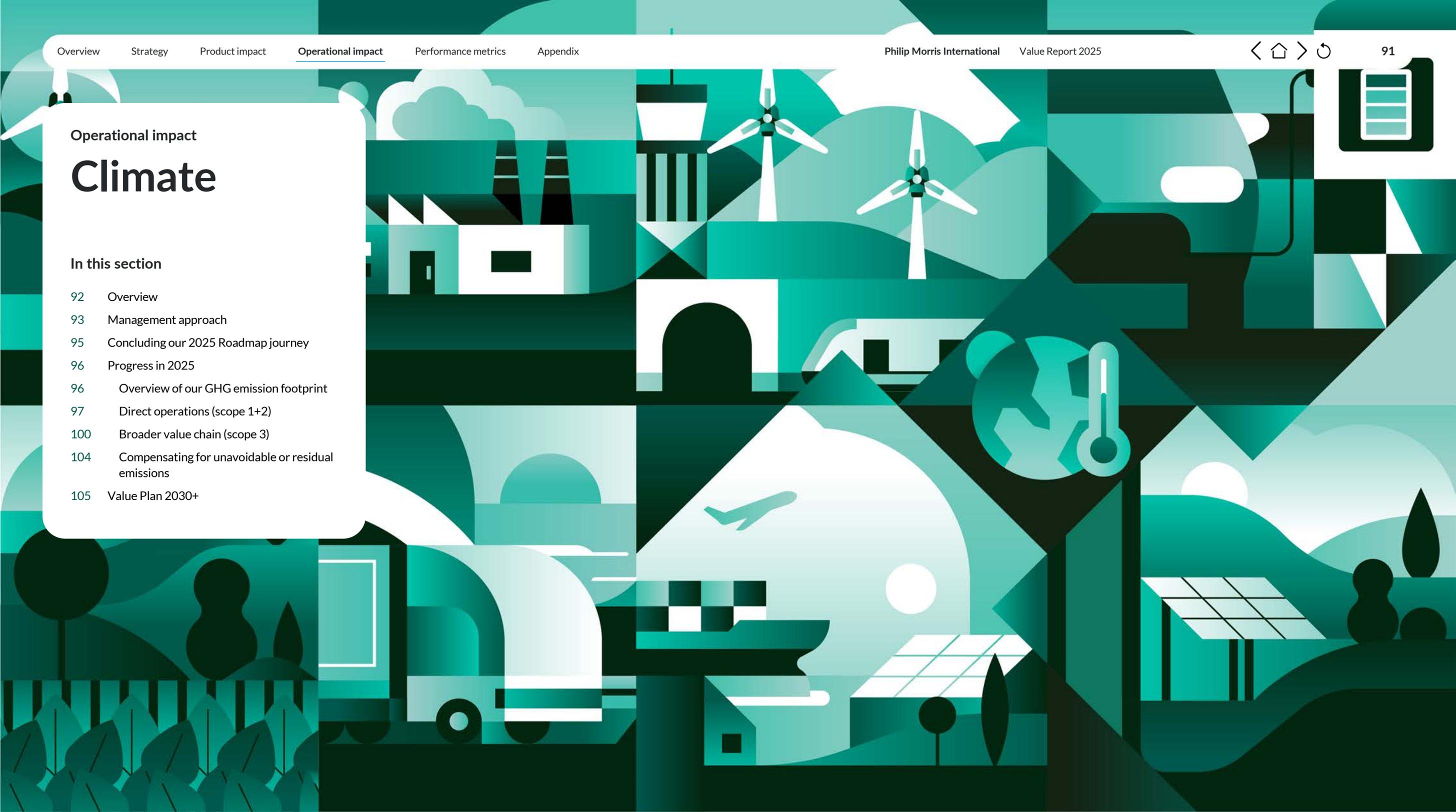
Operational impact

Climate

In this section

Climate

Our aspiration is to accelerate decarbonization toward net zero across our entire value chain to strengthen resilience, by prioritizing climate change mitigation and adaptation strategies that address evolving risks and seize opportunities.

Sustainability materiality summary

Through our sustainability materiality assessment, we identified actual material impacts (positive and negative) as well as a material opportunity, which cut across themes of **climate change mitigation**, **climate change adaptation**, and **energy**. They are summarized below.

From an impact standpoint, our business generates greenhouse gas (GHG) emissions both directly and indirectly from several sources. These include deforestation associated with the cultivation of tobacco and other agriculture-based materials, the use of wood fiber and cellulose-based materials, the transport of materials and products to our manufacturing sites, warehouses and retail locations, fertilizer production and application, manufacturing processes, and the procurement of indirect materials and services.

On the positive side, our ongoing efforts to improve energy efficiency and increase renewable energy use in our own operations, as well as our active promotion of renewable energy use for tobacco flue-curing in our upstream value chain, are resulting in measurable GHG emission reductions. Additionally, implementing climate adaptation measures in our agricultural supply chain leads to enhanced resilience to climate-related hazards at a local level.

Further, advances in biotechnology present opportunities to develop new tobacco varieties that could help ensure stable crop yields in the face of changing climatic conditions.

This opportunity, alongside most of our material climate-related impacts, originates from our upstream value chain activities, particularly in our agricultural supply chain. They are already occurring and are expected to persist in the short, medium, and long term. Climate adaptation-related matters will likely become more relevant in the medium term.

An overview of our sustainability materiality assessment results is available here, and further details can be found in this dedicated report.

Business value creation

Developing and implementing a robust climate strategy creates significant business value by strengthening resilience and unlocking opportunities. Regulatory compliance serves as a foundational enabler, providing clear guidance on priorities and areas for intervention. Taking a proactive approach ensures readiness for future regulatory changes and reinforces our position as an industry leader.

Mitigating risk remains equally important. Climate change introduces both physical and transition risks, ranging from extreme weather events to carbon pricing, which can disrupt operations and supply chains. Comprehensive mitigation and adaptation strategies help us to anticipate these challenges, minimize disruptions, and protect stakeholder trust. These efforts ensure business continuity and resilience in a volatile global environment.

Our climate strategy drives efficiency and innovation beyond compliance and risk management. In a rapidly changing world, and, especially in the economic system, energy optimization and resource efficiency enhance business resilience, reduce operational costs, and improve productivity. Investments in low-carbon technologies and carbon markets decrease our reliance on traditional energy sources and open new avenues for growth. By innovating in sustainable practices and exploring emerging opportunities, we position ourselves to meet stakeholder expectations and capture value in a transitioning economy.

Ultimately, a well-executed climate strategy acts as a catalyst for equity, efficiency, and long-term growth for PMI, climate-vulnerable stakeholders in our supply chain such as smallholder farmers, and business partners.

Management approach

Our climate strategy aims to address pertinent climate change-related risks, build resilience, and seize opportunities presented by a low-carbon future.

To achieve our climate ambitions, we use robust GHG emission footprint accounting, regularly analyze climate change-related risks and opportunities, set ambitious mitigation targets, implement adaptation measures, establish clear management and governance structures, and leverage key enablers such as internal carbon pricing.

We are committed to strong climate and nature transparency by engaging with leading frameworks such as CDP, which helps us transform reporting into a strategic advantage. By using consistent methodologies, maintaining robust data across our operations and supply chain, and coordinating across teams, we strengthen regulatory readiness, enhance adaptability, improve supplier data and engagement, meet investor expectations, and identify opportunities for continuous improvement. However, due to the ongoing lack of clarity around factors essential for ensuring confidence, credibility, and comparability among all participants and stakeholders, we have opted to submit our response on a nonscored basis in 2025. We remain hopeful that CDP will provide greater transparency in 2026 and look forward to reassessing our participation in the scoring process for future cycles.

Taking into account the Paris Agreement, we set a science-driven GHG reduction roadmap aligned with its goals. The Science Based Targets initiative (SBTi) validated, among other targets, our near-term 2030 absolute GHG emissions reduction targets and our long-term 2040 commitment to net zero emissions, both of which align with a 1.5 degrees Celsius global warming scenario. To drive GHG emission reductions and achieve critical mass across our value chain, we set a target

for 15 percent of suppliers by spend (covering purchased goods and services) to establish their own science-based targets, which was also validated by SBTi.

We engage with initiatives and organizations, including the Business Ambition for 1.5°C, World Business Council for Sustainable Development (WBCSD), the We Mean Business Coalition, CDP, Business for Nature, and SBTi, among others. Our affiliates also belong to national business associations that engage with governments to advance progress on climate protection at the local level.

Decarbonization

We prioritize GHG reduction efforts toward value chain elements where we have direct control and significant emission reduction potential (controllable), while developing targeted influence strategies for high-impact areas beyond our direct control but critical to our decarbonization goals (uncontrollable).

We group efforts into decarbonization levers, which represent the specific actions, interventions, and mechanisms we deploy to reduce GHG emissions and achieve our climate targets. These levers include both direct operational changes and strategic initiatives across our value chain. They serve as the practical building blocks of our Climate Transition Plan, providing concrete pathways to transform our business operations in line with our net zero commitment and enabling us to systematically address our carbon footprint through targeted, measurable interventions.

We define key decarbonization levers for each segment of our value chain:

Direct operations (scope 1+2): We reduce greenhouse gas emissions in our direct operations—mainly originating from our manufacturing sites—by improving energy efficiency, shifting to renewable energy, and investing in a low-carbon fleet. These areas face more transition risks than direct physical risks but represent the part of our value chain where we have greater control over resilience planning.

Broader value chain (scope 3): Because we rely on agriculture for many of the most relevant materials used in our products, we focus on reducing land-related emissions in our tobacco supply chain and other agricultural materials. We also collaborate closely with suppliers to embed sustainable practices, work to integrate environmental considerations into our product design, and strive to optimize our logistics.

PMI's Climate Transition Plan

PMI published its new Climate Transition Plan (CTP) in 2025 following the guidance of the Transition Plan Taskforce (TPT) Disclosure Framework. This plan outlines a clear, transparent, and forward-looking climate strategy. As part of our Value Plan 2030+, the CTP updates our former Low-Carbon Transition Plan published in 2021 and addresses evolving regulatory requirements. The plan also aligns with PMI's ongoing business transformation development, including geographic and portfolio expansion since 2021.

Our CTP explains how we approach climate risk mitigation and adaptation, which we consider strategic business priorities. The plan also covers financial planning, carbon pricing, management oversight, and stakeholder engagement.

We are committed to regularly assessing and adapting our actions in light of emerging risks and opportunities. This CTP responds to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and references the relevant requirements of IFRS S2 Climate-related Disclosures. By doing so, the plan also updates the TCFD report we issued in 2022 and details the results of our comprehensive Climate Change Risks and Opportunities (CCRO) assessment conducted in 2024.

Adaptation

Climate-related hazards—such as floods, droughts, and heatwaves—are increasing and can pose significant risk for PMI's manufacturing operations, agricultural, and raw material sourcing.

We invest in site-specific adaptation planning to strengthen operational resilience, mitigating risks of production disruption, damage to assets, business continuity, and danger to workers. Across our broader value chain, climate impacts can disrupt supply continuity and raise costs, so we support adaptation measures that protect farmers, suppliers, and ecosystems essential to long-term value creation.

Our strategy to manage physical climate risks relies on three pillars:

Risk-based planning: guided by our Climate Change Risks and Opportunities (CCRO) assessment, site-level evaluations, and sourcing-level evaluations, we quantify residual risk and set adaptation priorities, ensuring alignment with regulations and stakeholder expectations throughout our value chain.

Targeted adaptation measures: we implement site-specific actions in high-risk areas to reduce vulnerability. In our direct operations, we safeguard critical infrastructure. Potential actions include flood protection systems (e.g., improved drainage, elevation of sensitive equipment), water efficiency and recycling technologies, and storage systems at site level to address drought risk, cooling and ventilation upgrades to protect workers and maintain process stability during heatwaves, energy resilience measures such as backup power and renewable energy integration to mitigate grid disruptions, and capacity building for workers and local managers through training programs on climate risk awareness, emergency response, and operational resilience practices.

In our broader value chain, we safeguard tobacco and raw material supply. Examples include promoting climate-smart agriculture practices such as soil conservation, crop rotation, and drought-resistant varieties, investing in irrigation efficiency and water harvesting systems to mitigate drought impacts, strengthening farmer training programs on risk management and sustainable practices, and improving water stewardship at sourcing areas to address water scarcity and flooding risks.

Monitoring and evaluation: we continuously monitor the effectiveness of our adaptation measures and regularly reassess climate-related physical risks. This ongoing evaluation allows us to refine our approach as our business evolves, risk exposures shift, and evidence emerges from the performance of implemented measures. Through this iterative process, we embed adaptive management into our decision-making, ensuring that our adaptation actions remain effective under changing climate conditions..

Resilience

PMI's strategy integrates climate mitigation and adaptation to safeguard our operations and supply chain in a changing climate context. As detailed in our Climate Transition Plan, reducing emissions alone is no longer sufficient. We are evolving towards a more holistic model that embeds systemic adaptation measures and strengthens resilience across our global value chain while pursuing decarbonization glidepaths in line with our science-based targets.

Mitigation remains a central pillar to reduce transition risk exposure—including carbon pricing, shifts in energy systems, and evolving regulatory requirements affecting both our operations and our upstream and downstream value chain.

Most of the physical risk exposure we measure with our assessments is in the supply chain, highlighting the importance of expanding adaptation initiatives, deepening partnerships, deploying nature-based solutions, and supporting community-focused interventions across sourcing regions.

Together, these efforts reflect PMI's strategic evolution toward a comprehensive climate-action model in which mitigation and adaptation mutually reinforce long-term progress toward a low-carbon and climate-resilient future.

Internal carbon pricing

Assigning a monetary value to GHG emissions transforms emerging climate risks into concrete financial considerations. This approach enables us to internalize environmental externalities and drive meaningful action to reduce emissions that contribute to global warming.

Since 2020, PMI has implemented internal carbon pricing mechanisms to support decarbonization efforts and align actions within our direct operations.

Shadow carbon price

We apply an internal shadow carbon price to be used as a carbon abatement cost, set at USD 105 per ton of CO_2 in 2023. We reassessed and reconfirmed this price in 2025. The price is integrated into investment evaluations, ensuring that the cost of carbon is considered in capital allocation and strategic planning.

We established the value through a rigorous methodology that incorporates recognized benchmarks, including guidelines from the World Bank, and follows the Stiglitz–Stern carbon price corridor. We revise and update the price every two years. Our Operations Sustainability function orchestrates this approach, tailoring it to PMI's global emissions profile and geographic footprint, and reflecting a multi-scenario analysis of transition risks projected through 2030. We also benchmark the price against peer companies and evolving carbon markets and schemes to maintain relevance and competitiveness.

By embedding this price into our financial processes, we proactively manage climate-related risks. This approach supports investments aligned with our long-term value creation goals and prepares the organization for future regulatory and market developments.

Valuing GHG emissions in our value chain (scope 3)

In 2023, PMI expanded its established shadow carbon pricing approach from scope 1+2 emissions to develop its first internal carbon price pilot for scope 3, focusing on ocean shipping activities. The initiative set a carbon price reference to evaluate GHG emissions reduction efforts and incorporated them as a decision criterion for PMI's ocean logistics transport services.

By testing and learning more about the deployment of a scope 3 internal carbon price, we plan to broaden its application in the years leading up to our near-term 2030 targets. We aim to provide our suppliers with a clear reference (USD/CO_2ton) to guide investments and activities that support the decarbonization of goods and services.

2025 governance

Our Senior Vice President, Operations, a member of Company Management, was tasked with addressing climate-related risks across all company activities. Together with our Chief Sustainability Officer, they were responsible for reporting findings to the Nominating and Corporate Governance Committee of PMI's Board of Directors.

Evolved organizational model as of 2026: With our evolved organizational model, PMI Corporate will continue to define PMI's overall strategic approach, while the PMI International, PMI U.S., and PMI Wellness (Aspeya) business units will define how to best execute performance, attributing accountability as appropriate in their own leadership structures. We plan to communicate more about this evolved governance and management model in our future Value Report.

Policies, guidelines, and standards

Code of Conduct

Environmental Policy

Responsible Sourcing Principles

Good Agricultural Practices

Zero Deforestation Manifesto

Human Rights Commitment

We complement these publicly available documents with additional internal policies, including our internal Global Vehicle Fleet policy which frames our fleet strategy.

Concluding our 2025 Roadmap journey

Performance against our 2025 aspirations at a glance

0%
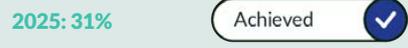Proportion of Virginia tobacco purchased cured with coal

2025: 0%   Achieved ✓

18%
Reduction in absolute scope 3 Forest, Land and Agriculture (FLAG) GHG emissions versus 2019 baseline

2025: 31%   Achieved ✓

75%
Reduction in GHG emissions generated by curing one kilogram of flue-cured tobacco by 2025 versus our 2019 baseline

2025: 77%   Achieved ✓

Carbon neutral
Carbon neutrality in our direct operations (scope 1+2)

2025: Carbon neutral   Achieved ✓

100%
Of electricity used and purchased in our factories derived from renewable sources

2025: 91%   Not achieved ✗

100%
Of our manufacturing facilities certified carbon neutral

2025: 100%   Achieved ✓

15%
Of suppliers by spend (covering purchased goods and services) have science-based targets (SBTs)

2025: 42%   Achieved ✓

The aspirations outlined above mark the completion of our 2025 strategy. Details on the targets that will guide our direction through 2030 and beyond are available on page 105. Further information regarding the 2025 performance values mentioned above can be found on the following pages, as well as within the Performance metric tables located at the end of this report.

"Within Operations, we hold accountability for acting on the majority of PMI's climate-related risks and opportunities, playing a pivotal role in bringing the climate strategy to life. Our reach spans the entire value chain, giving PMI a powerful platform to drive meaningful action, but also a clear-eyed view of where climate risks intersect with business value. Identifying and managing these risks is not only an environmental imperative; it is how we future-proof our operations and protect two forms of capital on which our business depends: manufactured and natural capital.

Our manufacturing infrastructure—factories, supply lines, energy systems—must be resilient to both physical climate risks and the transition to a low-carbon economy. Over the past five years, we have strengthened energy efficiency, expanded renewable energy, invested in low-emission vehicles, and embedded climate considerations into everyday operational decisions. In 2025, we achieved key milestones including carbon neutrality in our direct operations and measurable reductions of scope 3 emissions (13 percent versus 2019). Equally critical is the natural capital that underpins our agricultural supply chain—healthy soils, reliable water systems, and functioning forests. When these degrade, so does our ability to source quality raw materials at predictable cost. We have eliminated coal from tobacco curing, reached 84 percent renewable fuels for flue-cured tobacco, maintained five consecutive years of deforestation-free sourcing, and further integrated our climate and nature agendas.

Our updated plan to 2030 and pathway to net zero by 2040 build on these achievements to accelerate supplier engagement, scale nature-based solutions, integrate low-carbon design, and optimize logistics. Our approach combines mitigation with adaptation, ensuring our manufacturing infrastructure and agricultural supply chains can withstand the physical impacts of a changing climate. Together, this is what building a truly resilient business looks like: protecting the capital base we depend on today while preparing it for the conditions we will face tomorrow."

Scott Coutts, Chief Global Operations Officer

Progress in 2025

Overview of our GHG emission footprint

Accurate and transparent carbon accounting is essential for tracking our progress and informing our actions.

Each year, we calculate our GHG emission footprint by following the Greenhouse Gas Protocol and accounting for emissions generated across our value chain. Our GHG inventory is externally verified according to ISO 14064-3:2019, and we publish the verification results on PMI.com.

In 2025, direct operations (scope 1+2) contributed 6.8 percent of our overall carbon footprint. This reflects the positive impact of our efforts to optimize energy use and fuel consumption within our facilities. Upstream emissions, primarily from our supply chain, including raw material production and transportation, comprised 89.2 percent of our total GHG footprint, underscoring the significant influence of our suppliers and sourcing practices. Downstream emissions, which include distribution, product use, and end-of-life disposal, accounted for 4 percent of our total GHG footprint.

As we work toward our ambition of achieving net zero GHG emissions across our value chain by 2040, we recognize the significant progress made over the last five years. We have delivered organic reductions in our direct operations while managing a major business transformation and navigating

challenging external conditions. Our focus remains on developing and implementing scope 3 emission reductions in collaboration with suppliers throughout our value chain.

Absolute GHG emissions in our value chain (scope 1+2+3) (in thousands of metric tons)

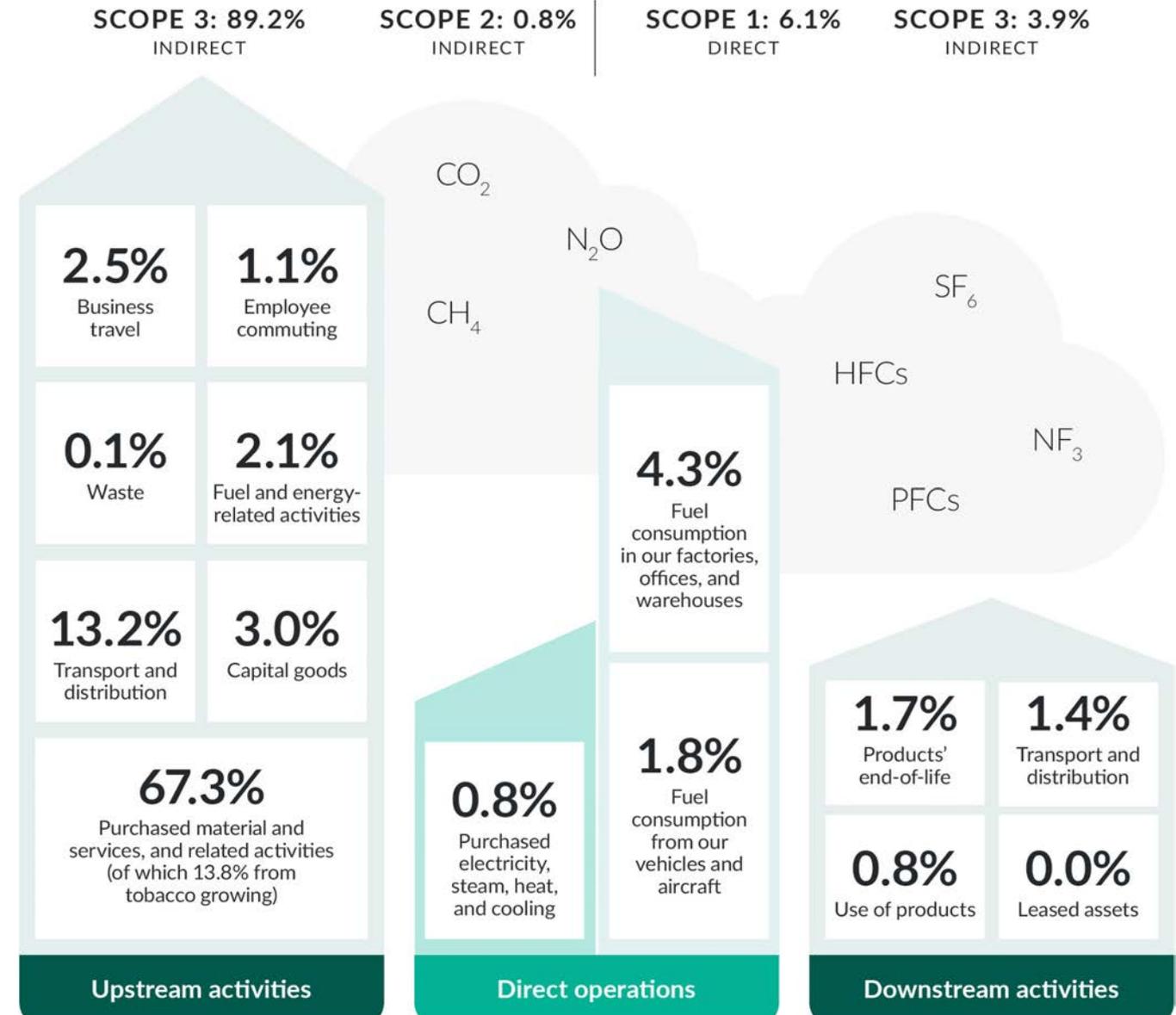| Year	Value
2040	ASPIRATION Net zero
2025	4,760
2024	5,020
2023	4,998
2019	5,704

Overall, in 2025, our total GHG emissions decreased by 17 percent in absolute terms across our value chain compared with our 2019 baseline. Although emissions have declined since the baseline year, the reduction has not fully met our planned ranges.

In 2025, we introduced several methodological improvements to better align our GHG inventory with evolving regulatory requirements. These enhancements include integrating fugitive emissions from our facilities, accounting for electricity consumption by our electric vehicle fleet, and further expanding coverage of our retail store operations.

For more information about PMI's approach to GHG calculations and materiality thresholds, please refer to dedicated standards available in PMI's Non-financial KPI hub and PMI's Value Chain Carbon Footprint Methodology Overview 2025.

Carbon emissions along our value chain in 2025

SCOPE 3: 89.2% INDIRECT   **SCOPE 2: 0.8%** INDIRECT   **SCOPE 1: 6.1%** DIRECT   **SCOPE 3: 3.9%** INDIRECT

CO_2 N_2O CH_4 SF_6 $HFCs$ NF_3 $PFCs$

Upstream activities

- 2.5% Business travel
- 1.1% Employee commuting
- 0.1% Waste
- 2.1% Fuel and energy-related activities
- 13.2% Transport and distribution
- 3.0% Capital goods
- 67.3% Purchased material and services, and related activities (of which 13.8% from tobacco growing)

Direct operations

- 4.3% Fuel consumption in our factories, offices, and warehouses
- 0.8% Purchased electricity, steam, heat, and cooling
- 1.8% Fuel consumption from our vehicles and aircraft

Downstream activities

- 1.7% Products' end-of-life
- 1.4% Transport and distribution
- 0.8% Use of products
- 0.0% Leased assets

Note: Sum may not foot due to rounding.

Direct operations (scope 1+2)

Our direct operations form the segment of our value chain where we exercise the greatest control.

In 2025, combined scope 1+2 emissions accounted for 6.8 percent of our total carbon footprint.

As our 2025 strategy concluded, several related aspirations expired, including our aspiration to achieve carbon neutrality for scope 1+2 emissions by the end of 2025, a milestone we proudly achieved. Setting this target aimed to drive faster progress in emissions reductions across our direct operations, supported by a robust offsetting strategy.

Net CO$_2$e scope 1+2 (in thousands of metric tons)

| Year	Value
2025	ASPIRATION Zero
2025	0
2024	141
2023	235
2019	446
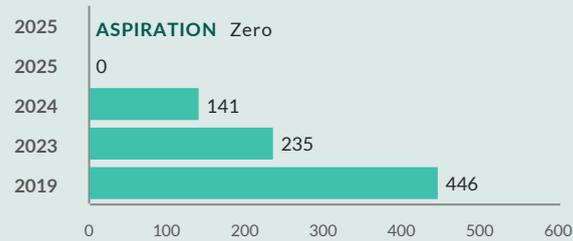
Note: Ambition achieved in early 2026 against 2025 emissions; graphic data refers to yearly gross emissions from the reporting year minus the retroactive offsetting of the previous year's emission.

This aspiration guided our decisions and spurred meaningful progress. We invested in targeted technologies, established new systems to integrate operational efficiencies with decarbonization pathways, and equipped our facilities with critical capabilities to advance technology, raise awareness, and align skill sets beyond manufacturing.

Our efforts also generated co-benefits through carbon credit generation in geographies where we or our value chain partners operate, such as measurable impacts on local community livelihoods. Our journey toward carbon neutrality has helped us address more complex challenges across our value chain and laid the groundwork for the next phase of our strategy.

Proportion of manufacturing facilities certified carbon neutral

Year	Value
2025	ASPIRATION 100%
2025	100%
2024	74%
2023	61%
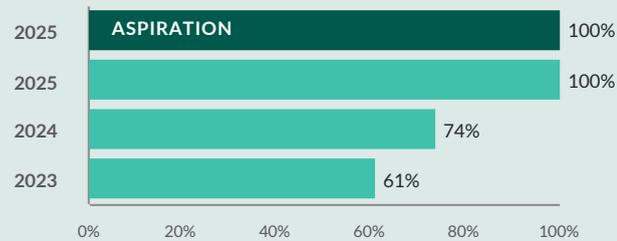
Note: Ambition achieved in early 2026; graphic data refers to PMI manufacturing facilities certified carbon neutral against emissions from the reporting year. Includes Swedish Match in 2025.

Each year, we implement our carbon accounting process and offsetting program. As part of this program, we retire carbon credits and certify manufacturing facilities carbon neutral based on previous year's emissions. This approach ensures sustainable progress in both emission reduction and carbon credit generation across our value chain. We provide the number of carbon credits purchased, sold, and retired in the Performance metrics section of this report and carbon neutral declarations on PMI.com,

After deducting carbon credit retirements in 2025, our net CO2e scope 1+2 emissions totaled 141 thousand metric tons for the 2024 emissions year. In 2025, we certified 43 additional markets as carbon neutral against 2024 emissions, increasing our total to 93 markets. We also certified four manufacturing reporting entities in Canada, Italy (two sites), and Pakistan, resulting in 74 percent of manufacturing entities certified as carbon neutral for the 2024 emissions year.

By early 2026, all markets and manufacturing facilities had been certified carbon neutral against 2025 emissions, including Swedish Match which is beyond the scope of our initial target. We publish certifications for all carbon-neutral sites here.

Value Plan 2030+

Beyond carbon neutrality

Having reached carbon neutrality in our direct operations against 2025 emissions, we are now redirecting our efforts on science-based reduction targets. Carbon neutrality guided our decisions and catalyzed meaningful progress across our direct operations. Going forward, we will continue focusing on the energy transition to decarbonize our direct operations in line with our SBTs, while redirecting primary focus and resources toward decarbonizing scope 3 emissions.

During the year, we continued to implement energy efficiency initiatives, adopt electrification technologies, and increase renewable electricity sourcing, among other measures. In 2025, these efforts resulted in a 45 percent reduction in absolute GHG emissions from PMI factories compared with our 2019 baseline, improving from a 44 percent reduction in 2024.

Reduction in absolute scope 1+2 emissions versus 2019

Year	Value
2030	ASPIRATION 50%
2025	46%
2024	40%
2023	39%
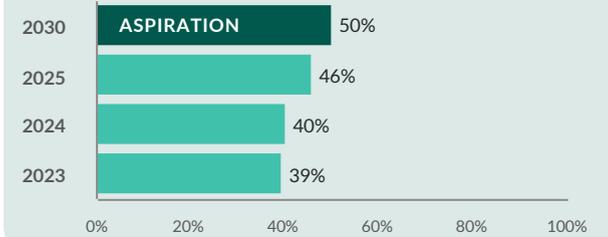
With these results, we remain well on track to meet our SBTi-validated target of a 50 percent reduction in direct operations emissions by 2030, using 2019 as our baseline.

Building business value through low-carbon operations

Our global Drive 4 Zero (D40) program serves as the foundation of our operational excellence initiatives. We designed D40 to systematically reduce losses and improve efficiency at all sites, with a focus on resource optimization, energy efficiency, and employee engagement. By embedding a culture of continuous improvement and operational discipline throughout the entire energy life cycle, from sourcing to utilization, D40 supports our sustainability goals. This integrated approach balances environmental performance with economic and business priorities.

To optimize energy spending, reduce market exposure, and increase the share of self-generated renewable electricity, we launched an expansion program for solar photovoltaics. The first phase included investments in factories located in Argentina, Italy, Lithuania, Mexico, and Portugal. We are currently evaluating further expansion to additional factories.

While D40 reduces overall energy consumption, our Zero Carbon Technology (ZCT) initiatives drive the transition from fossil fuels to renewable energy. ZCT promotes the adoption of advanced technologies and renewable energy sources, enabling a complete switch to renewable-based utility systems at our manufacturing sites. These efforts accelerate decarbonization and significantly lower emissions.

Read more in this dedicated Story of Impact.

Energy efficiency initiatives

We first promote and implement operational improvements in our factories to reduce energy consumption and waste, using programs, technologies, and employee engagement to drive a zero-loss mindset.

We anticipate that this decarbonization lever has the potential to contribute up to 4 percent of reductions required to meet our 2030 science-based target to reduce absolute scope 1+2 emissions by 50 percent against our 2019 baseline.

In 2025, we implemented several interventions that advanced our decarbonization efforts. For example, we upgraded thermal insulation across primary equipment, condensate lines, and utility systems. We also introduced heat recovery solutions and replaced outdated boilers. Together, these actions significantly improved the energy efficiency of our operations.

Transition to renewable energy

Our second key approach centers on a transition to renewables and electrification, with solutions tailored to the local conditions and infrastructure of our different manufacturing sites.

We anticipate that this decarbonization lever has the potential to contribute up to 11 percent of reductions required to meet our 2030 science-based target to reduce absolute scope 1+2 emissions by 50 percent against our 2019 baseline.

Many of our ZCT initiatives—including photovoltaic panels, biomass boilers, heat pumps, and tri-generation processes (which combine cooling, heating, and power)—generate renewable energy. In 2025, we completed the installation of photovoltaic panels and heat pumps in Romania, as well as photovoltaic panels in Greece. Overall, 3.8 percent of the electricity used in PMI's factories was self-generated in 2025 (2024: 3.4 percent).

Of the electricity used and generated in our factories, 91 percent came from renewable sources globally in 2025 (2024: 90 percent). Excluding countries in which energy attribute certificates were not attainable due to circumstances beyond our control, we would have achieved our 2025 renewable electricity aspiration.

We source renewable electricity through a mix of direct contracts with grid suppliers and unbundled Energy Attribute Certificates (EACs). To strengthen this approach, we are exploring ways to increase the share of self-generated electricity, such as time-based synchronization of generation and consumption, and securing long-term access to clean electricity through Power Purchase Agreements (PPAs). These efforts will further reduce our reliance on conventional sources.

Proportion of electricity used and purchased in our factories derived from renewable sources

2025	ASPIRATION · 100%
2025	91%
2024	90%
2023	95%

In 2023, we launched a specific program to invest in solar photovoltaic (PV) assets at our factories in Argentina, Italy, Lithuania, Mexico, and Portugal. In 2025, we continued this work by signing our first pilot PPA, which will supply renewable electricity to our Italian operations, with the potential to provide 15 GWh per year for the next decade.

Philip Morris Mexico: driving climate action beyond the fence line

As a key manufacturing and logistics hub, Philip Morris Mexico (PMM) has focused on reducing energy-related emissions through a combination of energy efficiency improvements, enhanced energy management, and increased use of renewable energy. At the same time, PMM continued to address emissions from distribution by shifting freight from road to rail, which helped to significantly reduce the carbon intensity of primary distribution while maintaining performance. Together, these actions reflect a locally grounded approach to climate action that supports our broader ambition to achieve carbon neutrality in our direct operations.

Read the dedicated Story of Impact.

Thermal energy generation remains another area of focus. We continue to shift our fuel consumption toward more sustainable technologies with lower GHG emissions, such as biomass and electric boilers. In 2025, four factories located in Brazil, Indonesia (SAMP Sukorejo), Lithuania, and Mexico continued to operate with biomass alongside other fuel sources. This transition has played a significant role in reducing GHG emissions from fuel combustion.

Additionally, in 2025, we commissioned a pioneering pilot project at the Innovation and Training Centre in Bologna, in collaboration with a German startup. This project features a state-of-the-art steam-generating heat pump. Over several months of operation, the pilot unit reduced natural gas consumption for the main dryer by 40–50 percent and achieved water recovery rates of 20–30 percent from exhaust streams. These results highlight the system's potential for significant energy and resource efficiency improvements, while also supporting innovative startups as an early adopter.

Value Plan 2030+

Renewable electricity generation

We aim to increase the proportion of self-generated renewable electricity and are currently evaluating opportunities to expand solar PV system coverage to additional factories. On-site solar PV electricity generation remains a key pillar of our strategy, but physical constraints limit its overall contribution to our total electricity demand.

To address these limitations and accelerate progress, we are implementing Power Purchase Agreements (PPAs) as a strategic component of our renewable electricity roadmap. By securing long-term supply directly linked to renewable generation, PPAs enhance the credibility and robustness of our renewable sourcing. This approach provides greater transparency and stability compared with short-term market instruments.

Low-carbon fleet

We invest in low-emission vehicles, promote eco-friendly driving with targeted training and telematics, and prioritize fleet electrification—all supported by a centralized fleet management approach (subject to the availability of appropriate infrastructure, legislation, and technological innovation).

We anticipate that this decarbonization lever has the potential to contribute up to 3 percent of reductions required to meet our 2030 science-based target to reduce absolute scope 1+2 emissions by 50 percent against our 2019 baseline.

Our fleet of over 22,800 vehicles accounted for 1.8 percent of our total carbon footprint in 2025. Approximately 79 percent of our fleet is composed of working-tool vehicles, used primarily to visit point-of-sale locations and distribute our products. The remainder are benefit vehicles. By year-end, vehicles with electrified powertrains (electric or hybrid) represented 44 percent of our fleet globally (2024: 39 percent).

Overall, our CO_2 per km across all our operations has dropped by 26 percent compared with 2019. While we take pride in this achievement, we recognize further opportunities for improvement. Individual markets have demonstrated significant progress: Austria, Belgium, the Netherlands, and Switzerland reduced their CO_2 per km by 97, 45, 54, and 71 percent, respectively, compared with 2023, reflecting our strong commitment to reducing our fleet's footprint.

To improve driver behaviors, which play an important role in driving these reductions, we leverage awareness campaigns, training, and connected fleet technologies. By the end of 2025, 92 percent of our working-tool cars (2024: 88 percent) in markets where possible[1] were equipped with telematics systems, providing drivers and PMI with accurate data on driving behaviors.

In 2025, our drivers completed over 55,000 individual e-learning courses as part of our ongoing program, which will continue into 2026 to reinforce the importance of driver safety and CO_2 reduction.

Although the e-learning program and telematics have each improved our fleet's performance, we are now partnering with the suppliers of these services to integrate their solutions. By bringing information from both systems together, we aim to develop a more holistic approach to future fleet success.

1. In some markets there are data privacy restrictions that we are navigating where possible, and other markets are not currently available due to internal business constraints.

Adaptation

In 2025, we introduced PMI's Adaptation Guidelines —a step-by-step framework to help local teams at manufacturing sites identify location-specific risks, design tailored solutions, schedule implementation, allocate resources and responsibilities, and monitor progress to inform decisions and disclosures.

During the year, we also engaged local managers at critical locations to collect site-specific information on existing measures that reduce physical climate vulnerability. These measures include operational, technical, and organizational actions already in place but not fully captured in the initial risk assessment. We used the information collected to conduct a residual risk analysis focused on PMI assets through an in-gate assessment.

In 2026, we plan to expand this analysis to a landscape level by engaging with local stakeholders and partners. This approach will help us capture external risk-reduction initiatives and shared adaptation actions, enabling a more comprehensive assessment of residual climate risks and system-level resilience.
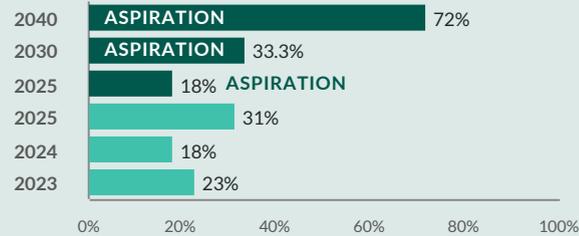
Broader value chain (scope 3)

The vast majority of our total carbon footprint (89.2 percent) originates in our upstream value chain. This includes purchased goods and services, tobacco growing, transportation and distribution, business travel, and employee commuting.

A smaller portion (4 percent) comes from our downstream value chain, which covers product use, end-of-life phases (read more in the Circularity chapter), and the transportation and distribution of finished goods.

Our upstream and downstream value chains together make up our scope 3 GHG emissions. In 2025, our data show a 13 percent drop in scope 3 GHG emissions compared with our 2019 baseline. However, the rate of reduction has slowed in recent years, including in 2025, and has not met our originally planned trajectory.

Reduction in absolute scope 3 FLAG GHG emissions versus 2019 baseline

Year	Value	
2040	ASPIRATION	72%
2030	ASPIRATION	33.3%
2025	18% ASPIRATION	
2025	31%	
2024	18%	
2023	23%	

0%   20%   40%   60%   80%   100%

We achieved a significant decrease in FLAG emissions in 2025 by implementing strategic sourcing strategies. These efforts benefited from purchasing sustainable sources and suppliers, which align closely with our Zero Deforestation program.

Reduction in absolute scope 3 Industrial GHG emissions versus 2019 baseline

Year	Value
2030	ASPIRATION 27.5%
2025	5%
2024	4%
2023	3%

0%   10%   20%   30%   40%   50%
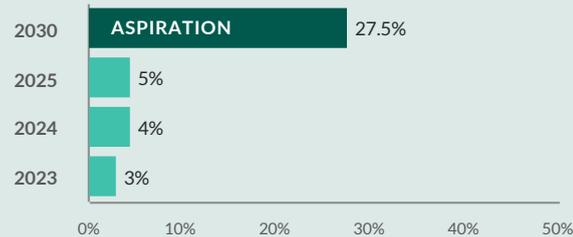
In recent years, progress on reducing our scope 3 Industrial emissions has faced challenges. In 2025, unforeseen supply chain demands and the introduction of a primary data-based methodology for additional scope 3 categories, among other factors, resulted in unfavorabilities in our emission reduction progress.

External factors and varying strategic approaches by value chain partners also influence our GHG emissions, which limits our direct control over emission reduction trends and creates unfavorable conditions that may hinder our decarbonization progress. To address factors outside our direct influence, we actively engage with stakeholders who can help drive broader action, policy, and potential regulation to support the transition in critical markets.

Expanding the collection of primary data

A deeper understanding of our emissions drivers, as well as the emissions profiles of our suppliers, enables us to design more effective interventions and achieve our targeted reductions.

In recent years, we have improved our collection of primary GHG emissions data from suppliers in several categories, including tobacco and direct materials. We also worked with suppliers in our logistics categories, such as overland and in-market distribution carriers, who provided GHG emissions data related to the transportation of PMI goods.

In 2025, we expanded this initiative to include suppliers of indirect materials and services across multiple sectors, ranging from IT to facility services. Previously, we estimated their emissions using spend-based methods. By broadening our data collection, we now transition progressively from spend-based to supplier-specific calculations. This shift strengthens our methodology and allows us to rely increasingly on primary data.

Nature-based solutions

This lever addresses Forest, Land, and Agriculture (FLAG) emissions. In line with our commitment to achieving deforestation-free supply chains for our tobacco and paper- and pulp-based materials, which represent the vast majority of the land use in our value chain, we see our initiatives as critical to avoiding carbon emissions from land conversion or degradation.

We anticipate that this decarbonization lever has the potential to contribute up to 13 percent of the reductions required to meet our 2030 science-based scope 3 targets.

Forest positive activities

For over a decade, PMI has focused on forest conservation, restoration, and sustainable land use to reduce GHG emissions. Through our activities, we work to prevent deforestation in our tobacco and pulp and paper supply chains by using geospatial analysis and proprietary technology to assess forest risks and identify carbon sequestration opportunities through land restoration and preservation.

We build stakeholder engagement with local communities as the foundation for promoting sustainable forestry. Our efforts rely on robust, internally developed standard operating procedures and a measurement, reporting, and verification (MRV) framework that aligns with best practices from the Accountability Framework initiative (AFi) and the International Union for Conservation of Nature (IUCN) Restoration Opportunities Assessment Methodology (ROAM).

You can learn more about our forest positive activities in the Nature section of this report.

Sustainable tobacco curing

We mainly source three types of tobacco: Burley, Oriental, and Virginia. While Burley and Oriental tobaccos, once harvested, are air- and sun-cured to dry out the leaves, Virginia tobacco, which represents approximately half of our purchased volume, is generally cured using an external heat source—a process called "flue-curing." Curing barns can be heated with biofuels (containing agricultural or wood-sawing by-products), coal, diesel, firewood, LPG, or natural gas.

The GHG emissions of flue-cured tobacco represented 2.6 percent of our total carbon footprint in 2025.

Between 2010 and 2020, we reduced GHG emissions per kilogram of flue-cured tobacco by 77 percent. Building on this progress, we set a more ambitious target: a 75 percent reduction in GHG emissions per kilogram of flue-cured tobacco by 2025, compared with our 2019 baseline.

Reduction of CO2e intensity in tobacco curing versus 2019 baseline

Year	Value
2025	ASPIRATION 75%
2025	77%
2024	37%
2023	51%
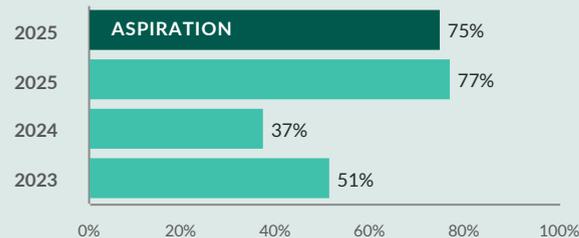
Note: Excludes Swedish Match.

To achieve this target, we focused on improving curing barn efficiency and increasing the use of renewable fuels. We conducted studies in key new sourcing locations to ensure a sustainable supply of wood resources matches local demand. We also assessed the potential for sustainable and traceable fuel in new sourcing areas and develop localized plans to transition to sustainable sources or provide documented evidence, as required by our Monitoring, Verification, and Reporting (MVR) Framework protocol. Sustainable sources include biomass from waste agricultural residues or wood fuel from sources which are proven to be sustainably managed.

Improving curing barn efficiency

Most farmers own their curing barns, so we work directly with them and our suppliers to provide guidance and support for improving thermal efficiency. We support projects that enhance combustion efficiency, ventilation, heating control, and insulation.

In 2025, the improvement projects we carried out increased the efficiency of 16,743 barns—bringing the cumulative total of 144,400 barns upgraded since 2014—with a focus on Brazil, India, Pakistan, and the U.S.

Through our suppliers, we also continued to train farmers on fuel consumption efficiency, barn maintenance, and fuel sustainability attributes.

Increasing the use of renewable energy for curing

To reduce GHG emissions, we continue to gradually phase out fossil fuels in favor of renewable fuels, such as renewable electricity, sustainable firewood, and biomass. Our MVR framework allows us to systematically monitor the sustainability of all fuel types used in our tobacco supply chain. In 2023, we published an abbreviated version of our MVR framework to raise awareness of its requirements and share best practices across the industry (read more here).

In 2025, 84 percent of our purchased flue-cured tobacco was cured with renewable fuels (2024: 79 percent). We have prioritized studies in key new markets to ensure a sustainable supply of fuelwood meets community demand. We remain focused on reducing fossil fuel use and ensuring that the firewood and other wood-based materials used to cure our tobacco do not contribute to the deforestation of primary forests.

For the fifth consecutive year in 2025, 100 percent of the tobacco we purchased was cured with no risk of gross deforestation of primary or protected forests (read more about our forestry management ambitions and progress here.

Another driver of progress is our continued phase-out of coal by converting curing infrastructures to enable the switch to renewable fuels. In 2025, we continued to achieve our ambition of purchasing no tobacco that has been cured with coal. We achieved this by collaborating with suppliers to convert coal-based systems to biomass alternatives and by increasing supply chain controls, which provide multiple benefits beyond GHG emission reductions.

Value Plan 2030+

Reducing Forest, Land, and Agriculture (FLAG) GHG emissions

In 2026, we plan to expand our opportunities to address FLAG emissions by developing and implementing a regenerative agriculture framework. We plan to build on years of implementing our Good Agricultural Practices (GAP) to gradually promote this shift, aimed at increasing carbon removals on farms while also improving biodiversity, water retention, and the quality and yield of tobacco production. Read more in the Nature section of this report.

In addition to increasingly adopting regenerative agriculture methods, as time progresses, we foresee carbon removal initiatives and nature-based solutions embedded in our value chain taking on a greater prominence in our overall strategy to address climate change. In our agricultural supply chain, activities such as good agricultural practices, forest restoration, biochar application, and others can generate removals. We believe that removals have the potential to play an important role in complementing our efforts to reduce GHG emissions from our operations and generate multiple co-benefits for farmers. In particular, we observe a significant connection between nature-based solutions and their capacity to support carbon removals, as well as other key objectives for PMI and the farmers we work with, including climate resilience, water preservation, and the promotion of biodiversity, among additional concerns.

Over the last few years, we have been exploring different activities in our tobacco supply chain that could generate removals, such as the application of biochar, no-tillage, use of cover crops, agroforestry, and other activities. We have concentrated on evaluating how these activities might influence the crop cycle, determining their ability to be scaled up, and exploring various approaches to track and quantify removals.

Moving forward, we plan to adopt the GHG Protocol Land Sector and Removals Standard as the framework for our reporting practices. Our timeline includes developing a methodology in 2026, setting a baseline in 2027, and subsequently reporting on removals starting in 2028.

Logistics optimization

To deliver materials to PMI and products to our customers, we focus on minimizing our logistics emissions footprint, which includes shipping and transportation by air, sea, and land, as well as warehousing and distribution.

We anticipate that this decarbonization lever has the potential to contribute up to 7 percent of the reductions required to meet our 2030 science-based scope 3 targets.

We apply a carbon emission reduction lens to logistics optimization through several global initiatives that aim to improve efficiency across our value chain. We also test the use of dedicated internal carbon prices (read more here).

We prioritize low-emission transport models, such as rail and sea, over road and air freight where feasible. For example, in 2025, we shifted over 10 percent of EU shipment volumes from road to rail.

We are piloting electric and hybrid vehicles for last-mile delivery and empty-mile optimization, and we partner with nongovernmental organizations like the WBCSD and the Smart Freight Centre (SFC). We work with logistics service providers (LSPs) to support their adoption of science-based targets and decarbonization plans that align with our climate goals.

In 2025, we implemented more than 350 projects in primary and secondary distribution. These projects increased efficiency in route planning, network design, and truck fill rates. As a result, these initiatives delivered around 30 ktCO$_2$e of GHG emissions reductions in 2025. We expect similar results in 2026.

We engage with suppliers across our logistics categories, including overland carriers who provide their GHG emissions data for transporting PMI goods.

We continue to work on automating data collection from LSPs and validate it on a quarterly basis for all modes of transport. This approach helps reduce internal PMI resource requirements and improves data granularity.

During 2025, our supply chain functions adopted a digital solution for collecting GHG primary data across all categories (air freight, ocean, overland, in-market distribution, and warehouse energy not included in scope 1+2). This solution ensures process automation and increases coverage. Our latest 2025 estimate foresees a coverage of 74 percent of our total supply chain baseline with primary data, and we have a plan to reach the excellence zone (over 85 percent) in 2026 to maintain and improve it.
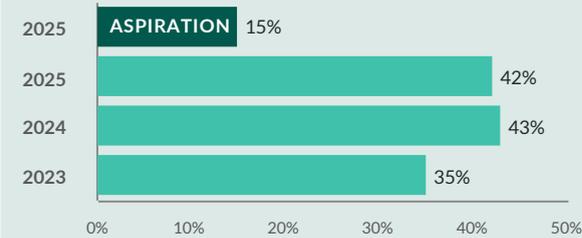
Supplier engagement

Striving to address a combination of FLAG and industrial emissions, we focus on decarbonizing our supply chain through strategic procurement practices and targeted supplier collaboration.

We anticipate that this decarbonization lever has the potential to contribute up to 9 percent of reductions required to meet our 2030 science-based scope 3 targets.

Proportion of suppliers by spend (covering purchased goods and services) with science-based targets (SBTs)

Year	ASPIRATION	Value
2025	ASPIRATION	15%
2025		42%
2024		43%
2023		35%

Note: Excludes Swedish Match.

Our supplier engagement program integrates nature capital considerations across multiple dimensions of our collaboration with suppliers, including direct materials, tobacco leaf suppliers, and selected indirect materials and services. You can learn more in our dedicated Story of Impact.

Our procurement team plays a pivotal role in driving supplier engagement with a focus on decarbonization. We foster close collaboration with suppliers to implement measures that reduce carbon footprints, improve energy efficiency, adopt renewable energy sources, and purchase renewable energy certificates.

Sustainability Accelerator

We have made significant progress toward our GHG emissions reductions targets, but closing the remaining gap will require ongoing innovation, collaboration, and investment. Our Sustainability Accelerator program plays a central role on that front. In 2025, we engaged suppliers responsible for approximately a quarter of our scope 3 emissions through the program.

The Accelerator is designed to expedite suppliers' sustainability progress by sharing PMI's expertise, methodologies, and technologies, and by providing tailored support based on each supplier's sector, maturity, and geography. Suppliers gain access to tools, training, and support for decarbonization, including workshops, webinars, sustainability reviews, and on-site visits.

This integrated approach addresses both performance and reporting, enabling suppliers to meet PMI's rigorous sustainability standards. We holistically assess opportunities to reduce our CO$_2$ footprint and have introduced the Supplier Confidence Index to measure progress, as detailed in our Climate Transition Plan 2025.

Our continuous improvement strategy enhances primary data coverage for more accurate forecasting, and we encourage suppliers to set SBTi targets and disclose through CDP.

In 2025, the Accelerator expanded to include 42 suppliers across direct materials, IM&S, supply chain, and electronics, now representing 35 percent of total scope 3 emissions. The program leverages benchmarking, supplier disclosures, and AI-driven feasibility studies to identify and implement impactful initiatives.

Looking ahead to 2026, our priorities include expanding supplier onboarding, increasing validated SBTi targets and renewable energy commitments, enhancing data quality through third-party validation and digital tools, and accelerating de-risking with technical assistance, financing, and contractual incentives.

The Accelerator demonstrates supply chain decarbonization through robust data, targeted engagement, and effective risk management. Continued progress will depend on sustained innovation and partnership across our value chain.

Reducing GHG emissions from fertilizers

In 2025, emissions related to the use of fertilizers in tobacco production contributed to 9.4 percent of our total carbon footprint.

Nitrogen-based fertilizers play a crucial role in commercial agriculture by helping farmers achieve appropriate yields and quality attributes. However, continuously decreasing the use of fertilizer remains challenging. To address fertilizer emissions, we conduct trials with different fertilizer options and expand mechanization to improve yields without increasing fertilizer requirements. We intend to continue these trials in future years.

Cellulose acetate (CA)

Cellulose-based acetate suppliers contribute approximately 15 percent of our scope 3 emissions. We have developed a multi-pronged strategy to reduce these emissions through various initiatives.

In 2025, we continued to focus our efforts on directly engaging with our CA suppliers to improve the quality and reliability of emissions data, ensuring accurate baselines for our decarbonization glidepath. This approach enabled us to achieve primary data coverage at supplier level exceeding 90 percent, which significantly enhances our ability to define targeted interventions and understand supplier profiles and decarbonization pathways. As a result, we can better forecast and measure the delivery of our strategy.

Our ongoing engagement with CA suppliers has led to meaningful progress, including process optimization and increased adoption of renewable energy. Despite these advances, results for 2024–25 have been tempered by several uncontrollable factors, such as global supply–demand imbalances for acetic acid that led to lower production volumes and increased relative energy intensity, as well as weather-related disruptions that contributed to supply shortages in certain geographies. These factors resulted in a 0.4 percent increase in GHG emission intensity compared with 2024.

Looking ahead, we will continue to work closely with CA suppliers to adopt new technologies, explore low-carbon materials, and strengthen resiliency planning. These actions are critical for driving emission reductions and safeguarding supply chain stability in the face of climate-related risks. Our commitment remains unwavering: we will collaborate, innovate, and accelerate progress toward a low-carbon future for CA.

CA used in our products can also negatively impact our carbon footprint through its association with commodity-driven deforestation. You can read more about this in the Nature section.

Sustainability by design

We seek to continuously improve product design by following eco-design standards and embedding circularity principles, which help us avoid direct or indirect carbon emissions.

This approach creates lasting emission reductions that compound over millions of units produced, making product design optimization a powerful lever for achieving scope 3 emission reductions. In addition, it has the potential to reduce costs and help us meet evolving consumer expectations for sustainable products.

Other broader value chain decarbonization levers, such as supplier engagement on low-carbon materials, connect with and influence this approach. After accounting for the reduction potential of these other levers, we anticipate that sustainability by design alone has the potential to contribute up to a further 1 percent of reductions required to meet our 2030 science-based scope 3 targets.

We plan to strengthen our approach to the reduction of life cycle GHG emissions of our products, from material selection and manufacturing processes to packaging, and end-of-life treatment, by focusing on those products that contribute the most to our footprint. We enable this by analyzing their potential impacts early in the design process and identifying and implementing reduction opportunities before the products reach the market.

You can find more details about our approach and progress with sustainable design in the Circularity chapter of this report.

Adaptation

In 2025, we introduced PMI's Adaptation Guidelines —a step-by-step framework that helps local teams in our critical sourcing areas identify location-specific risks, design tailored solutions, schedule implementation, allocate resources and responsibilities, and monitor progress to inform decisions and disclosures.

During the year, we also engaged PMI Leaf local managers and tobacco suppliers at critical locations to collect site-specific information on existing measures that reduce physical climate vulnerability. These measures include operational, technical, and organizational actions already in place that the initial risk assessment did not fully capture. We used the information collected to inform a residual risk analysis focused on tobacco-growing areas.

In 2026, we plan to expand this analysis to the landscape level by engaging with local stakeholders and partners. This broader engagement will help us capture external risk-reduction initiatives and shared adaptation actions, enabling a more comprehensive assessment of residual climate risks and system-level resilience.

Compensating for unavoidable or residual emissions

Since 2021, our Portfolio of Climate Investments (PCI) framework has been our way to invest in carbon projects to compensate residual scope 1+2 GHG emissions to support our achievement of carbon neutrality.

We have operationalized PCI by applying a consolidated, technically robust approach to guide the selection and funding of our climate investments. Our fundamental principle has been to address residual emissions while ensuring transparency in our climate investment strategy and maintaining quality standards for offset.

The PCI has standardized and provided transparency to our climate investment approach, focusing primarily on direct investments in our supply chain rather than relying on market-based approaches (offsetting). This holistic approach generates significant co-benefits beyond our carbon credit generation, supporting both our 2025 carbon neutrality objectives and our broader strategic goals.

We have maintained a budget for specific projects in the voluntary carbon market, with oversight from an advisory committee composed of cross-functional PMI senior leaders. This committee approves resource allocation for climate solutions and validates investment selections.

In 2025, PMI's PCI invested around USD 0.5 million in a nature-based solutions project under development in Malawi, in the same area where we source tobacco (2024: USD 0.3 million).

Currently, we fully manage value chain projects in Brazil, Malawi, and Mozambique, with additional explorative activities in India and Tanzania. Notably, one of our projects in Mozambique was certified in 2025 by the Gold Standard and the first batch of carbon credits was issued. Given the lead time required to generate credits, the PCI has purchased carbon credits from the voluntary carbon market to meet our 2025 carbon neutrality aspiration for scope 1+2 GHG emissions (read more in Performance metrics section). We do not plan further purchases in the near future.

Value Plan 2030+

PMI's Climate Lab

Our PCI focused on compensating for residual scope 1+2 GHG emissions through carbon projects. With our 2025 carbon neutrality aspiration achieved, we are now exploring the evolution of the PCI into what we are calling the **Climate Lab**—an investment framework intended to address the larger challenge: supporting the decarbonization of our value chain as we work toward our near-term SBTi targets by 2030.

As currently envisaged, the Climate Lab would focus on areas such as:

– **Supplier decarbonization**: accelerating decarbonization of our supply chain through financing electrification, energy efficiency and storage, renewable energy deployment, and R&D to develop more sustainable materials

– **Scaling nature-based solutions**: deploying capital into nature-based carbon removal projects within our value chain

– **Climate technology investments**: evaluating investments in innovative climate solutions with the potential to contribute to emissions reductions across our value chain

The design of the Climate Lab, including its governance, scope, and investment parameters, is under active development. We anticipate sharing further details during 2026.

Focusing on climate at Aspeya

While Aspeya is generally excluded from data and information in this report, including this section, Aspeya's sustainability materiality assessment has identified the topic of "climate" as a priority—similarly to PMI.

Aspeya's direct operations were responsible for generating 6,891 tons of greenhouse gases in 2025, which represents 10 percent of the business' overall value chain emissions. The company's scope 3 greenhouse gas emissions totaled 58,775 tons. Notable climate actions undertaken by Aspeya during the year included an expansion of its GHG accounting scope to include market sites and the implementation of a certified ISO 50001 Energy Management system for the most energy-consuming factory. The Energy Management System is a key enabler for understanding and controlling the emission drivers of Aspeya's manufacturing sites and their processes, thereby playing a key role in the business unit's emission reductions.

In 2025, we took significant actions to embed Aspeya within our wider climate approach and GHG disclosure practices. We incorporated Aspeya's direct operations emissions footprint) into our Climate Change Risks and Opportunities (CCRO) assessment, as presented in PMI's 2025 Climate Transition Plan. Furthermore, Aspeya's GHG accounting and reporting were brought into alignment with our organizational standards, with its data subjected to third-party verification (see statement here). While data in this chapter of the report do not include Aspeya, this development is a critical milestone, setting the stage for its GHG figures to be fully included in our consolidated disclosures starting with the 2026 reporting year.

The path ahead:

Value Plan 2030+

Aspiration and targets

Accelerate decarbonization toward net zero across our entire value chain to strengthen resilience, by prioritizing climate change mitigation and adaptation strategies that address evolving risks and seize opportunities.

To deliver on this aspiration, we have established the following targets:

Mitigation

– 50 percent reduction in absolute scope 1+2 GHG emissions versus 2019 baseline (SBT) by 2030

– 33.3 percent reduction in absolute scope 3 FLAG GHG emissions versus 2019 baseline (SBT) by 2030

– 27.5 percent reduction in absolute scope 3 industrial GHG emissions versus 2019 baseline (SBT) by 2030

– 72 percent reduction in absolute scope 3 FLAG GHG emissions versus 2019 baseline (SBT) by 2040

– 90 percent reduction in absolute scope 1+2+3 GHG emissions versus 2019 baseline (SBT) by 2040

– Net zero GHG emissions in our value chain (scope 1+2+3) (SBT) by 2040

Adaptation

– 100 percent of climate change vulnerable operations locations covered by an adaptation plan by 2030*

– 100 percent of climate change vulnerable key tobacco sourcing locations covered by adaptation plan by 2030*

Resilience

– 15 percent of total electricity consumption in own manufacturing operations self-generated by 2030*

We will begin reporting performance towards newly established targets (marked with an asterisk) in our next annual Value Report and will provide methodological details in our Non-financial KPI hub.

Advancing our agenda

Synergy of internal action and external context

Our ability to advance decarbonization goals relies on several enabling factors that shape our progress.

Within our sphere of influence, we invest in efficient infrastructure, deploy renewable energy, implement carbon reduction technologies, and strengthen transparency through robust emissions measurement and reporting. These internal actions demonstrate our commitment to reducing our direct environmental footprint and building organizational capabilities for long-term climate resilience.

However, several constraining factors can slow progress beyond our direct control, especially in scope 3. Regulatory uncertainty across jurisdictions can divert focus from long-term initiatives to short-term compliance. Data limitations challenge our ability to build robust strategies for scope 3 emissions. Geopolitical tensions and the politicization of climate change contribute to fragmented global strategies and sustain fossil fuel subsidies. Structural barriers, including locked-in emissions from hard-to-abate sectors, present significant obstacles to achieving ambitious targets.

When external barriers impede progress, we seek to advocate and collaborate, supporting policies that advance energy security and decarbonization while recognizing the importance of stable, affordable energy supplies. By engaging with policymakers, industry partners, and other stakeholders, we promote pragmatic solutions and aim to help create enabling conditions for systemic change.

Connectivity and trade-offs

Decarbonization pathways are constrained by locked-in emissions—greenhouse gas emissions embedded in existing infrastructure, production processes, long-lived assets, and supply chains that cannot be eliminated immediately without significant capital investment, technological innovation, or operational disruption. Sources include manufacturing facilities designed for decades-long lifespans, supply chain dependencies where low-carbon alternatives remain commercially unviable, and contractual commitments such as long-term energy purchase agreements that limit operational flexibility.

Climate action operates within a shared ecosystem, where dependencies and synergies shape outcomes. Decarbonization efforts targeting materials and packaging connect directly to Circularity initiatives, reducing both carbon footprint and waste. Nature-based solutions, including regenerative agriculture and reforestation, align with our Nature strategy and deliver benefits for biodiversity, soil health, and climate resilience. Our workforce and Workers in our value chain also play a critical role, as adaptation plans addressing physical climate risks protect employee safety and ensure supply chain continuity.

Integrating climate action across these interconnected areas amplifies our impact. This systemic approach ensures that progress in one domain accelerates transformation across others, positioning us to lead responsibly in a rapidly evolving global context.
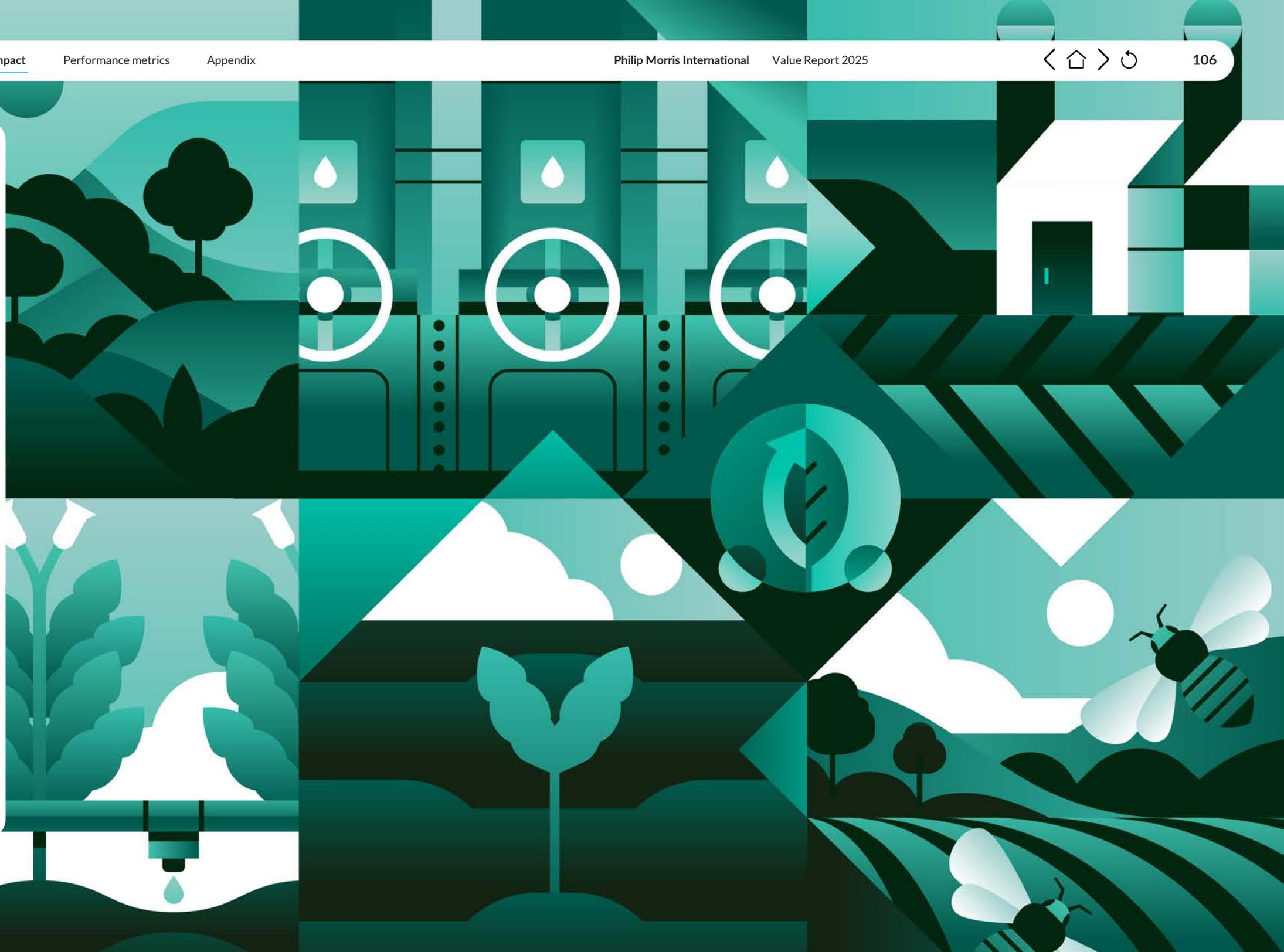
Operational impact

Nature

In this section

Nature

Our aspiration is to preserve and restore biodiversity, water, and forests across our operations and broader value chain to safeguard the long-term resilience of ecosystems and drive measurable progress toward achieving no net loss of natural resources.

Sustainability materiality summary

We have identified a negative impact and some risks as material, mostly arising from our upstream value chain activities—more precisely in our agricultural supply chain. These are all closely connected to climate change, and, while their effects may be already observed in the short to medium term, they are anticipated to have greater significance over the long term if unmanaged. They can be broken into two topics:

– **Water**: From a risk standpoint, the increased frequency and intensity of extreme weather events exacerbated by climate change may reduce water availability at our manufacturing sites located in high water-stress areas and in our tobacco supply chain, potentially leading to increased sourcing and operational costs and supply disruptions. These events could also result in shortages of direct agricultural materials caused by the collapse of ecosystem services such as natural forests and balanced water cycles.

– **Biodiversity and ecosystems**: From an impact standpoint, the contribution to climate change through GHG emissions arising from our supply chain activities (the portion of our value chain with the most significant carbon footprint) can lead to pressure on wildlife, habitat destruction, and fragmentation, resulting in loss of biodiversity in local ecosystems functions.

An overview of our sustainability materiality assessment results is available here, and further details can be found in this dedicated report.

Business value creation

Nature-related initiatives create business value and support our transition as we pursue our smoke-free purpose by reducing nature-related risks, strengthening resilience of our operations and supply chain, fostering efficiencies, and supporting regulatory compliance.

As we advance toward our aspiration of achieving no net loss on ecosystems linked to our value chain, we will drive business value by focusing on several key pillars:

– **Water circularity in manufacturing** to promote resilience, mitigate local water-related risks, ensure business continuity, increase efficiency, and contribute to water stewardship by restoring our water use at priority sites.

– **Regenerative agriculture and water optimization in our tobacco supply chain** to support climate adaptation and the resilience of our agricultural supply chain. These efforts also generate co-benefits, including carbon removal and storage, improved water stewardship, and gains in biodiversity.

– **Zero deforestation in priority forest areas** to safeguard forest capital throughout our value chain, prevent land-use change and degradation of ecosystem services, and mitigate scope 3 emissions, all while anticipating regulatory requirements, such as the EU Deforestation Regulation.

Management approach

We ground our approach to the responsible use and management of natural resources and ecosystem services on an understanding of the close connections between biodiversity protection, forestry management, effective water stewardship, and climate resilience.

We use consistent methodologies, robust data across our operations and supply chain, and cross-team coordination to strengthen regulatory readiness, enhance adaptability, improve supplier data and engagement, meet investor expectations, and identify opportunities for continuous improvement.

Guided by the Kunming-Montreal Global Biodiversity Framework (GBF) adopted at COP15, our long-term ambition is to contribute to a positive impact on nature by 2050. This long-term ambition drives us to address environmental pressures holistically, ensuring that our programs and activities remain interconnected, with efforts in one area supporting and reinforcing positive outcomes in others.

Our nature-related management strategy considers international accords like the GBF and is built on recognized frameworks, such as the AR3T approach recommended by the Science Based Targets Network (SBTN), and the International Finance Corporation (IFC) Performance Standard 6 mitigation hierarchy. These frameworks guide us through a sequence of actions: we avoid and reduce impacts where possible, restore and regenerate ecosystems, transform systems to address root causes of nature loss, and compensate for remaining effects. This structured approach helps us move beyond mitigation and strive for positive contributions and lasting change.

We provide examples of our programs aligned with the AR3T approach in the "Broader value chain" section because the majority of our nature-related dependencies are in our broader value chain.

Similar to our approach to climate change-related risk management, we integrate biodiversity risk assessments into our company-wide, multi-disciplinary risk management processes to evaluate our impacts on biodiversity, forests, and water. We prioritize and adjust our actions to manage these impacts effectively (read more about risk management here). Medium- and long-term targets and measurements in place help us evaluate the effectiveness of our actions.

As with our climate agenda, much of our nature agenda extends beyond our direct control. Recognizing this, and in line with our belief that protecting nature is a collective responsibility, we engage with a broad network of organizations to uncover opportunities for cross-industry, cross-sector collaboration, shared solutions, and broader impact in areas that affect our value chain.

We engage with, among others, the World Business Council for Sustainable Development (WBCSD), the Taskforce on Nature-related Financial Disclosures (TNFD), The Biodiversity Consultancy, World Sustainability Organization (WSO), Valuing Impact, the Alliance for Water Stewardship (AWS), and SBTN. We also partner with local stakeholders and experts to enable us to implement conservation initiatives and scale actions that address unique pressures in the areas where we operate. Additionally, we guide suppliers to adopt nature-related ambitions and deploy relevant activities.

Biodiversity management plans

We have started to develop biodiversity management plans (BMPs) tailored to local conditions. These operational documents present findings from biodiversity-related risk assessments and outline action plans to address identified biodiversity-related pressures. Each BMP focuses on a specific location and evolves over time to respond to changes in the ecosystem and progress from implemented actions.

Our approach begins with mapping the location of our sourcing areas, assessing biodiversity-related risks and opportunities to our operations and our impact at the local level.

Taskforce on Nature-related Financial Disclosures (TNFD)

We assess nature-related risks and opportunities through specialized risk assessments (read more in the Risk management section). We incorporate these results into our periodic sustainability materiality assessments (read our dedicated report here).

Within PMI's Climate Transition Plan 2025, we disclosed nature-related risks that connect with identified climate-related risks, offering a preview of some of our high-level findings.

As an early adopter of the TNFD recommendations, we plan to publish a stand-alone TNFD report in the course of 2026. This report will provide further details on nature-related risks and include our responses to these recommendations.

2025 governance

Our Senior Vice President, Operations, a member of Company Management, was tasked with addressing nature-related risks across all company activities. This individual, together with our Chief Sustainability Officer, were responsible for reporting findings to the Nominating and Corporate Governance Committee of PMI's Board of Directors.

Evolved organizational model as of 2026:
With our evolved organizational model, PMI Corporate will continue to define PMI's overall strategic approach, while the PMI International, PMI U.S., and PMI Wellness (Aspeya) business units will define how to best execute performance, attributing accountability as appropriate in their own leadership structures. We plan to communicate more about this evolved governance and management model in our future Value Report.

Policies, guidelines, and standards

Environmental Policy

Responsible Sourcing Principles

Good Agricultural Practices

Zero Deforestation Manifesto

Manufacturing Sustainability Commitment

Human Rights Commitment

Concluding our 2025 Roadmap journey

Performance against our 2025 aspirations at a glance

100%
Of tobacco purchased at no risk of gross deforestation of primary and protected forests

2025: 100%   Achieved ✓

100%
Of tobacco purchased at no risk of net deforestation of managed natural forest and no conversion of natural ecosystems

2025: 99%[1]   Achieved ✓

100%
Of paper, board, and pulp-based products purchased at no risk of gross deforestation of primary and protected forests

2025: 100%   Achieved ✓

Net positive
Impact on forests associated with our tobacco supply chain

2025: Net positive   Achieved ✓

70%
Of flue-cured tobacco purchased cured with renewable fuel sources (self-sufficient firewood or biomass)

2025: 84%   Achieved ✓

100%
Of tobacco purchased without detection of residues attributable to the use of highly hazardous pesticides

2025: 100%   Achieved ✓

100%
Of our tobacco-growing areas covered by local water risk assessments (cumulative since 2018)

2025: 100%   Achieved ✓

100%
Of our priority manufacturing facilities certified to the Alliance for Water Stewardship (AWS) standard

2025: 100%   Achieved ✓

≤3.1
Water ratio in our manufacturing facilities (water withdrawn in cubic meters per million cigarettes equivalent)

2025: 2.1   Achieved ✓

[1] 99% of our tobacco purchases did not pose a risk of net deforestation. The aspiration of 100% was achieved via reforestation efforts that compensated for the portion at risk. For definitions, please see PMI's Zero Deforestation Manifesto and PMI's Non-financial KPI hub.

The aspirations outlined above mark the completion of our 2025 strategy. Details on the targets that will guide our direction through 2030 and beyond are available on . Further information regarding the 2025 performance values mentioned above can be found on the following pages, as well as within the Performance metric tables located at the end of this report.

"Our nature strategy is built on a clear premise: the natural capital on which our business depends—healthy soils, clean water, and functioning forests—is not infinite, and its loss represents a direct threat to our operational resilience and long-term value creation. Protecting and restoring these resources is therefore not only an environmental commitment; it is a business imperative.

In 2025, we delivered tangible proof of this approach. We began piloting biodiversity management plans with suppliers in our tobacco supply chain located within proximity of Key Biodiversity Areas, reinforcing our commitment to address biodiversity challenges, safeguard ecosystems, and contribute to reversing nature loss at scale. We stepped up efforts to scale water-circularity initiatives in our factories, building on water-stewardship efforts that have already optimized 17.44 million cubic liters of water in our tobacco-growing regions. We completed local risk assessments across 100 percent of our tobacco-growing areas and achieved AWS certification across our manufacturing footprint—tangible proof of our commitment to responsible watershed management and to aligning our operations with global best practices.

These results reflect a deliberate strategy: by investing in the health of the ecosystems we source from and operate in, we secure the quality and continuity of the raw materials our business requires, reduce exposure to resource scarcity and climate-related disruption, and build resilience across our entire value chain. As we move into implementing our Value Plan 2030+, this is our foundation: a business that protects the nature capital it depends on is a business positioned to create value over the long term"

Scott Coutts, Chief Global Operations Officer

Progress in 2025

Understanding our impacts and dependencies

A clear understanding of our impacts and dependencies on nature strengthens PMI's approach to nature-related risk management, aligning our efforts with sustainability standards and regulations.

Continuing our path toward integrating Swedish Match into our nature management

The nature-related information and data disclosed in this chapter of the report do not generally capture Swedish Match's activities and value chain; where information and data have been integrated, this is indicated by footnote. However, integration efforts are already well underway, beginning with our direct operations and planning to then expand into our supply chain. Our work will leverage a preliminary assessment showcasing that PMI's and Swedish Match's biodiversity footprints are largely uniform in categories and intensity of impact. In 2025, we took meaningful steps toward integration with a particular focus on water risk assessments and pre-assessment work to understand necessary steps to integrate forest into PMI's assurance framework.

Protecting biodiversity

We aim to protect ecosystems throughout our value chain and achieve no net loss on ecosystems connected to PMI's value chain by 2033. Our approach is based on a detailed assessment of our biodiversity-related impacts and dependencies. We follow the mitigation hierarchy: we avoid impacts where possible, reduce them when unavoidable, and restore ecosystems to deliver lasting benefits.

Beyond mitigation, we seek to make positive contributions to nature through tailored, step-by-step interventions. By integrating these actions, we safeguard biodiversity, support ecosystem health, and create lasting outcomes for people and the environment.

Our activities focus on:

– Managing tobacco-growing areas sustainably, with a focus on good agricultural practices

– Restoring biodiversity in ecosystems connected to our value chain where significant impacts have occurred

– Implementing landscape-level interventions that can have a transformative impact beyond our industry

– Engaging suppliers to strengthen sustainable sourcing practices

Assessing impacts and dependencies

We conducted an impact assessment based on the Biodiversity Extent, Condition, and Significance (BECS) framework, a methodology developed by WWF and The Biodiversity Consultancy. This methodology quantifies the net impacts of investments or projects on biodiversity and accounts for land occupancy associated with our facilities, factories, and sourcing locations.

The results show that our supply chain generates the vast majority of our impacts. Tobacco-growing areas account for approximately 67 percent of our impact on natural ecosystems, while our paper and pulp-based supply chain contributes around 33 percent. Our direct operations, including manufacturing sites and other procurement sites, contribute virtually zero percent.

To evaluate our dependencies, we used ENCORE to identify and evaluate our reliance on natural systems and ecosystems across our value chain.[1] The analysis revealed that the natural assets we depend most on are water, soil, and minerals. The most critical ecosystem services for us include water quantity and quality, climate regulation, soil quality, and erosion control.

In 2025, we expanded our scope to achieve full response coverage from suppliers in high-risk areas for biodiversity, water stress, and water pollution. High-risk areas include those overlapping with Key Biodiversity Areas (KBAs), those with a water risk score above three according to the World Resources Institute (WRI) Aqueduct tool, or have a high pollution risk (>3.4) in the WWF Water Risk Filter.

1. ENCORE Partners (Global Canopy, UNEP FI, and UNEP-WCMC). ENCORE: Exploring Natural Capital Opportunities, Risks and Exposure. Online, accessed in January 2024, Cambridge, UK: the ENCORE Partners. Available at: https://encorenature.org.

We focused this activity on our pulp and paper supply chain, collecting primary data from a total of 66 mills and 192 feedstock locations. This primary data collection, assessment, and prioritization will inform the implementation of targeted initiatives to address biodiversity and water risks from 2026 onward, including water stewardship and biodiversity management plans where necessary.

To ensure comprehensive coverage of our entire value chain, in 2025, we also completed our impact and dependency assessment for smoke-free oral categories and downstream activities, focusing on product use and end-of-life stages. Because BECS and ENCORE do not fully capture downstream impacts and dependencies, we supplemented our assessment with an evidence-based scoring approach informed by a review of relevant literature.

The results indicate that downstream dependencies relate to ecosystem services that help mitigate pollutants, such as air filtration and dilution, water purification, soil quality regulation, and waste remediation. Direct downstream impacts are primarily associated with pollution pressures, including GHG emissions, non-GHG air pollutants, water and soil contamination, and solid waste generation associated with product use and end-of-life.

Prioritizing and tracking progress through response indicators

Biodiversity impacts are often tracked using technical, pressure-specific indicators that monitor the drivers of biodiversity loss and their effects on ecosystem integrity and services. These indicators cover dimensions such as water availability, land use, soil quality, and habitat conditions. To drive effective mitigation action, these indicators should be linked to a company's material impacts on nature, enabling consistent disclosure, management, and monitoring of resulting nature-related risks.

To strengthen monitoring across PMI's business functions and complex supply chains, we use 14 pressure and response indicators that make performance tracking more practical and actionable at the corporate level. These indicators allow us to measure progress consistently, help assess program effectiveness, and support informed decision-making across five key environmental pressures: climate change, deforestation, water use, pollution, and changes to natural habitats and invasive species.

These indicators also help us understand our impacts and quantify improvements through clear, measurable metrics, such as the area of ecosystem conserved or the volume of freshwater used in stressed watersheds. Most indicators align fully or partially with external frameworks, such as those recommended by the Taskforce on Nature-related Financial Disclosures (TNFD) and Science Based Targets for Nature (SBTN) initiative. We also use company-specific indicators for internal monitoring and management.

We derive these indicators from selected PMI sectoral programs and environmental management systems that help to mitigate nature-related risks. We designed them to ensure ease of implementation and usability by our internal teams. These indicators are intended to establish the impact of our operations and assess the need for any subsequent mitigation or remediation actions as part of our "no net loss" aspiration.

The AR3T Framework guides our efforts, focusing on avoiding and reducing negative impacts wherever possible. When we cannot avoid impacts, we aim to restore and regenerate affected areas. Additionally, we strive to transform the broader system in which we operate, all with the aim of achieving a nature-positive future.

Halting deforestation

Our Zero Deforestation Manifesto (ZDM), first introduced in 2020, governs our forestry management efforts. The ZDM applies to our own operations, tobacco supply chain, and paper and pulp-based supply chain. It guides the way we do business with suppliers to set forest protection criteria for the materials we purchase.

Each year, we conduct risk assessments on deforestation, leveraging geospatial technology and on-site visits to measure forest cover loss and determine risk exposure across different areas of our value chain. These assessments inform our targeted actions to address deforestation and forest degradation throughout the segments of our value chain they are applicable to, including:

– Manufacturing facilities that use biomass as fuel for energy generation, which represented 11 percent of our operational facilities in 2025

– Tobacco sourcing, with a focus on wood-fuel flue-cured tobacco, the use of forest products for constructing and maintaining curing barns, and the risk of converting natural ecosystems when exploring new sourcing locations

– Paper and pulp-based materials sourcing, covering both direct input materials and indirect materials such as paper-based temporary point-of-sale materials

We monitor tobacco-growing areas (TGAs) and pulp and paper feedstock areas by combining geospatial analysis with traceability data collected on the ground for wood-based materials. When needed, we develop forest risk mitigation plans to ensure our tobacco and wood sourcing practices do not contribute to deforestation.

Assessing deforestation risks in our direct operations

We monitor compliance with our forest protection requirements in our direct operations by ensuring that by-products of wood fuel, wood-based fuel, and agro-waste used in our biomass energy generation are certified and do not contribute to land cover change. We achieve this by mapping the supply chain with our suppliers.

In 2025, we engaged with biomass providers to match volumes with origin locations, including logging permits were applicable, and to collect evidence on waste material.

Assessing deforestation risks in our broader value chain

Tobacco supply chain

We monitor compliance with our forest protection requirements by tracking changes in natural forest cover within designated TGAs, extending our oversight beyond immediate farm boundaries to include a surface buffer.

We use a comprehensive geospatial monitoring system, which covers all tobacco types and all suppliers from which we source, including 42 TGAs in 23 countries, encompassing approximately 76 million hectares in 2025.

This system monitors not only direct tobacco cultivation areas but also primary forests, protected areas, and KBAs in regions where wood biomass is sourced for flue-curing tobacco. By applying conservative buffer zones around both tobacco farms and wood sourcing areas, we monitored approximately 1.5 million hectares of primary forest, 6.1 million hectares of protected areas, and 6.3 million hectares of KBAs globally in 2025.

We prioritize on-site activities and audits in areas where our analysis detects potential deforestation risks. In 2025, our annual risk assessment, based on geospatial analysis, continued to highlight sustainable firewood for Virginia tobacco curing as a priority. In response, we enhanced our forest district mapping methodology, improving our characterization of firewood sourcing areas through detailed land use analysis and more granular attribute classification.

Paper and pulp-based supply chain

In our paper and pulp-based supply chain, we continue to strengthen our visibility into potential deforestation risks by leveraging our experience and tools, and replicating the assurance systems used in our tobacco supply chain.

During 2025, we continued to gather feedstock origin locations from suppliers of direct materials used in our products and packaging. By combining this information with satellite monitoring and applying relevant risk criteria from the National Risk Assessment framework of the Forest Stewardship Council (FSC), we gained a clearer understanding of the risk levels our suppliers face. This approach enabled us to categorize each of them as low-, medium-, or high-risk.

Managing water responsibly

We believe that responsible water stewardship requires a deep understanding of water-related risks and the development of localized action plans to address them. Because water is a shared resource, it is critical for us to engage and partner with stakeholders to scale solutions grounded in science and robust methodologies that address shared local water challenges.

We strive to make a positive impact on water resources by focusing on several key areas:

– Gaining a thorough understanding of water-related risks both in our direct operations and supply chain through annual risk assessments

– Continuously improving water efficiency in our manufacturing processes, even as our product portfolio evolves

– Demonstrating best practice in water stewardship within our direct operations by achieving Alliance for Water Stewardship (AWS) certification

– Improving irrigation water use and restoring water volumes in our tobacco supply chain

We identify these focus areas through regular assessments that evaluate our water footprint and associated risks.

Valuing water as a critical resource

Water's true value extends beyond the utility bill.

To better capture this reality, we developed an internal value of water assessment that assigns a comprehensive value to water by considering physical risks (availability and quality), regulatory risks (changes in regulation), and reputational risks . This approach calculates a virtual price for water that reflects both current and future risks, helping us make more informed investment decisions about water stewardship across our operations. We are currently piloting this tool in the factories in scope for our water circularity targets.

In parallel, we are promoting the application of Volumetric Water Benefit Accounting (VWBA), a standardized, science-based methodology that enables companies to design, measure, and verify the environmental impacts of watershed-focused water stewardship projects. Our approach to VWBA uses metrics informed by our local water risk assessments (LWRAs) in our tobacco supply chain and AWS site assessments in our direct operations. Results are externally validated by Bluerisk, ensuring data quality and adherence to the World Resource Institute's VWBA.

Together, this approach leveraging both tools enables us to value water resources more accurately, measure the effectiveness of our stewardship programs, and develop a clear pathway toward our water circularity ambitions. We are currently exploring how to to use learnings from our pilots to develop and implement a shadow price on water that would help inform and support investment decisions.

Understanding our freshwater withdrawal footprint and associated risks

Our internal studies show that in 2025, our freshwater withdrawal footprint remained concentrated in three main areas: our nontobacco materials supply chain (66 percent), our tobacco agricultural supply chain (33 percent), and our manufacturing operations (1 percent).

We systematically assess water-related risks to strengthen business resilience and promote sustainable water stewardship.

Our global water risk assessment (GWRA) examines the most critical areas of our value chain, such as tobacco supply and direct operations. We conduct this assessment by analyzing global water risk data with tools such as the World Resources Institute (WRI) Aqueduct Water Risk mapping. By leveraging publicly available data, we evaluate water risk indicators, including water stress, seasonal variability, flood occurrence, drought severity, and groundwater depletion trends. The GWRA serves as our primary screening tool to identify critical areas that require intervention and to determine the severity of potential risks.[1]

In our direct operations

In 2025, our manufacturing operations withdrew approximately 3.1 million cubic meters of freshwater.

To complement our GWRA, we regularly assess our factories' exposure to water risks, which helps us prioritize mitigation actions. In 2025, we used the baseline water stress indicator (BWS) from WRI's Aqueduct tool to assess stress levels at our factory locations. We classify sites in areas categorized as "high" or "extremely high" by BWS as water-stressed. Our assessment revealed that about 53 percent of freshwater withdrawals across all our factories came from areas facing high or extremely high water-stress.[1]

1. Risk categories as defined by the World Resources Institute's Aqueduct Water Risk mapping.

Incorporating Aspeya into PMI's water strategy

Aspeya's sustainability materiality assessment did not reveal any significant impact, risk, or opportunity associated with nature (see additional details in PMI's Sustainability Materiality Report). However, as part of our continued integration efforts, we see potential for collaboration between PMI and Aspeya regarding water-related initiatives and have started efforts to align Aspeya with PMI's strategic priorities in this area.

In 2025, Aspeya's operational water footprint was 121,000 cubic meters of freshwater withdrawal. While the total water footprint of Aspeya represents only 3.5 percent of PMI's total water footprint, in 2025 we took significant actions to embed Aspeya within our water approach. For the first time Aspeya collected a complete database of water activities across its global operations. Moreover, the data was analyzed in collaboration between Aspeya and PMI to align on water accounting and risk assessment methodologies. Data were verified independently by SGS in the scope of PMI's data verification, and integrated into our CDP water module disclosure. In 2025, Aspeya began pilot trials of nature-based bio-solutions in its wastewater treatment. Early results are promising; however, because the process depends on living organisms, we are maintaining continuous, season-long monitoring and expect to evaluate outcomes in 2026.

Another key component of our approach involves certification to the AWS Standard, which enables us to engage local stakeholders and identify shared water challenges. The AWS Standard provides a globally applicable framework that helps organizations understand their water use and impacts. It also encourages collaborative and transparent work with external stakeholders in the same catchment area to achieve sustainable water management within the broader water context.

We combine information from our risk assessments with insights gained from watershed stakeholder engagement and strategic considerations at the manufacturing site level to develop targeted action plans. We tailor these actions to local conditions and site-specific water use efficiency, aiming to reduce the risk of negative impacts from extreme weather events such as droughts and floods.

In our broader value chain

Our tobacco supply chain

In 2025, farms in our tobacco-growing areas (TGAs) collectively withdrew around 124 million cubic meters of freshwater for irrigation.

Our 2025 GWRA shows that most (83 percent) of our TGAs—which accounted for approximately 86 percent of our 2025 purchased tobacco volumes—show a "medium-to-high," "high," or "extremely high" level of exposure to physical risk in their respective watersheds.

To better understand water-related risks in our TGAs, we also conduct periodic LWRAs. These LWRAs build on GWRA findings by incorporating granular local data, targeted stakeholder engagement, and watershed-specific analysis. This approach validates GWRA results and generates actionable insights for water management projects. LWRAs empower local suppliers and farmers by providing practical knowledge of water risks in their specific growing regions. They also facilitate collaboration among organizations, local partners, and suppliers to implement targeted mitigation strategies that protect vulnerable growing areas.

Proportion of our tobacco-growing areas covered by local water risk assessments (cumulative since 2018)

Year	Coverage
2025 (ASPIRATION)	100%
2025	100%
2024	95%
2023	95%
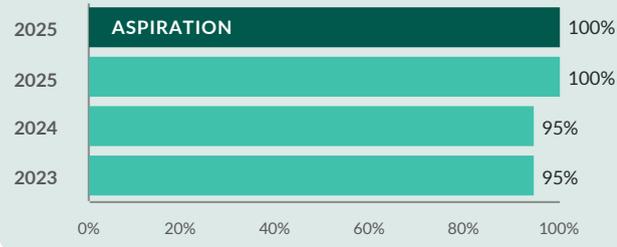
Since 2018, we have conducted 61 LWRAs, covering 100 percent of our TGAs, including multiple watersheds within some of these areas. In 2025, we conducted LWRAs in Brazil, Italy, Spain, and three regions in Thailand. These assessments highlighted how climate change is intensifying water-related challenges across our tobacco sourcing markets.

Water scarcity remains the most pervasive risk, as limited supplies create competing demands that might not all be met. Extreme weather events, including prolonged droughts and floods, further exacerbate this scarcity, directly impacting both water availability and quality.

In Brazil, our initial assessment conducted three years ago identified medium to high risk associated with seasonal variability. Continuous monitoring of this indicator over the subsequent years, supported by a more robust dataset, has led us to revise the risk level to medium. Although the latest assessment did not reveal significant landscape changes, we recognize the potential for negative impacts in the watershed and will continue to monitor this indicator closely.

In Italy, we use the risk assessments to define the most impactful projects in the watershed from a water stewardship perspective. Our team in Italy launched a project in the Menago Valley Natural Park to restore and enhance natural areas, benefiting the local community. The municipality, with the contribution of our Italian affiliate, implemented this project, which delivers multiple environmental benefits, including water conservation, quality improvements, biodiversity protection, and carbon sequestration.

In Spain, our suppliers have fully implemented PMI's global programs, such as the commitment to perform LWRAs with input from farmers and local water stewardship experts. By collecting annual water data and conducting risk assessments, we ensure continuous monitoring and control of resource consumption, aiming to mitigate potential impacts and associated risks.

In Thailand, LWRAs across three regions show medium to high seasonal variability. These patterns may influence water availability and have the potential to contribute to groundwater level changes and drought conditions in some areas of the country.

In addition to our GWRA and LWRAs, we collect annual data on irrigation water used to grow tobacco. According to our latest estimates, in 2025 we used approximately 228 cubic meters of blue water per ton of tobacco produced, approximately 11 percent less than in 2024. These data also show that about 66 percent of the farmland in our tobacco supply chain synchronizes the growing cycle with the rainy season, allowing crops to be rain-fed during the open field stage.

Our nontobacco supply chain

Since 2023, we have included our nontobacco supply chain in our water-related risk assessment processes, focusing particularly on our electronics supply chain and paper and pulp-based products.

Results from these assessments show that most of our nontobacco supply chain is located in areas not exposed to high water-related risks, which reduces our exposure to risks such as water stress, flooding, and supply chain disruptions, among others. Nevertheless, we engage with suppliers located in watersheds with high water-related risks to collect data, improve our understanding of local conditions, and identify opportunities for proactive engagement.

In 2024, we launched a pilot project with our paper and pulp-based suppliers to align on their environmental management systems and collect primary data regarding water practices and risk mitigation actions. Understanding our suppliers' water policies. monitoring, and reporting systems helps us assess their commitment to sustainable water management and their maturity in water stewardship.

In 2025, we continued this engagement, covering 26 suppliers and 41 sites across the pulp and paper and electronics categories.

Direct operations

Protecting biodiversity

We focus on the proximity of our manufacturing sites to protected and Key Biodiversity Areas (KBAs). We also prioritize maintaining and further implementing sound environmental practices, including water stewardship and waste management initiatives, to address identified pressures such as pollution risks in surrounding areas.

Starting in 2025, we require manufacturing sites within proximity of KBAs to develop and implement Biodiversity Management Plans (BMPs) that follow the LEAP approach (locating and evaluating areas, assessing for impact, and planning actions if needed). We also ask them to provide evidence showing how they address potential impacts on biodiversity through these plans. This process enables each location to track progress toward achieving no net loss of biodiversity over the long term. We launched our first two BMP pilots for manufacturing sites in 2025 in the Czech Republic and Turkey. We have established a roadmap to achieve full coverage by 2033. In 2026, all sites identified to be in proximity of sensitive biodiversity locations will develop a BMP.

Halting deforestation

Manufacturing was incorporated into the scope of our Zero Deforestation Manifesto (ZDM) program in 2025. For manufacturing facilities that use biomass for energy generation, we monitor zero gross deforestation by mapping the value chain of suppliers and certifying the volumes of biomass acquired as wood-based fuel or agro-waste. Our assessments have not identified material risks of deforestation related to our direct operations.

Managing water responsibly

We have a long-standing approach to driving water stewardship in our direct operations, especially at our manufacturing sites. Our extensive track record demonstrates continuous improvements in water efficiency and the application of water circularity principles to address our water use.

Accelerating water efficiency efforts

In 2025, our manufacturing activities withdrew 3.07 million cubic meters of water (2024: 3.21 million cubic meters). Between 2018 and 2025, we reduced water consumption at our manufacturing sites by 34 percent in absolute terms. We achieved this reduction mainly through water efficiency initiatives that offset the unfavorable impact of the significant increase in the production volumes of heated tobacco units (HTUs).

Producing HTUs requires about five times more water than manufacturing cigarettes. While the public health benefits of smoke-free products justify the trade-off, we are accelerating efforts to mitigate the increased water demand by enhancing efficiency. In 2025, we reduced water intensity by 8 percent compared with 2024 (a 55 percent reduction versus 2018), reaching a ratio of 2.1 cubic meters per million cigarettes equivalent, down from 2.3 in 2024.

Water ratio in our manufacturing facilities (water withdrawn in cubic meters per million cigarettes equivalent)

Maintain	ASPIRATION <3.1
2025	2.1
2024	2.3
2023	2.4

(0, 1, 2, 3, 4)
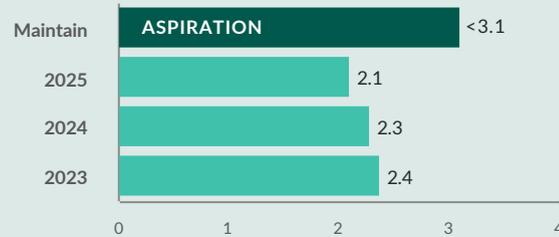
As our product portfolio continues to evolve, we work to improve our processes, apply a zero-loss mindset, and invest in projects that aim to optimize our consumption and raise employee awareness.

For example, in 2025, our factory in Brazil implemented new technologies and operational upgrades to reduce energy and water consumption, including a wastewater plant that recovers methane for electricity generation.

Water circularity approach

At PMI, we implement a comprehensive water stewardship strategy that includes initiatives within and beyond our manufacturing sites. Certifying our manufacturing sites to the AWS standard plays a key role in this approach. Our priority factories demonstrate effective water stewardship practices, engage local stakeholders, and identify shared water challenges—critical elements for achieving water circularity.

Proportion of our priority manufacturing facilities certified to the Alliance for Water Stewardship (AWS) standard*

2025	ASPIRATION 100%
2025	100%
2024	90%
2023	83%

(0%, 20%, 40%, 60%, 80%, 100%)

Note: Scope: priority manufacturing facilities identified based on site overall risk in relation to the watershed, water withdrawal, water consumption, product portfolio, and other strategic considerations. PMI sites that are in low-to-medium water risk areas and below 2.5% of PMI manufacturing water footprint are excluded.

Our aspiration was to certify all our priority factories to the AWS standard by 2025. Priority manufacturing facilities are identified based on site overall risk in relation to the watershed, water withdrawal, water consumption, product portfolio, and other strategic considerations.[1] Since 2018, we have certified 29 factories, achieving this aspiration. As part of our 2030+ strategy, we will remain committed to AWS certification for all sites in scope.

As part of our water circularity approach, we will be developing projects focused on water restoration and optimization that fall outside the physical boundaries of our manufacturing sites but within the watersheds we operate in. For example, we undertook a forest regeneration project in fire-stricken areas of Attica, Greece that helped to recharge underground water reservoirs.

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1. PMI sites that are in low-to-medium water risk areas and below 2.5 percent of PMI manufacturing water footprint are excluded.

In 2025, we continued working with our technical partner Bluerisk to independently verify volumetric water benefit results from these projects and beneficial water discharge claims in priority manufacturing sites in scope for our circular water use targets for 2030 and 2033.

Value Plan 2030+

Improving water circularity

We have set two targets for water stewardship in our manufacturing operations: maintain Alliance for Water Stewardship (AWS) certification for all priority manufacturing sites, and achieve circular water use in priority manufacturing locations by 2033, reaching at least 60 percent by 2030.

In 2025, we used results from our comprehensive water risk assessment process to identify six priority factories in scope for these targets based on potential exposure to water-related risks, water use volume and forecast, and other strategic considerations.

At these sites, we will focus on two complementary approaches:

- Reducing water use: implementing programs to increase water efficiency, including water recycling, rainwater harvesting, and reduction of evaporation

- Improving water discharges and restoration: treating our water discharges to provide social, economic, or environmental benefits within the watersheds where we operate, and developing water restoration projects to compensate for residual water consumption and address shared water challenges

Water and wastewater quality

Our factories use water in manufacturing processes, including flavor and liquid product preparation and HTU production, as well as for sanitation and hygiene.

To reduce long-term water withdrawals, we recycle and reuse water at our manufacturing facilities. Technologies such as reverse osmosis and electrolytic processes, among others, support water re-utilization in various sub-processes while maintaining quality requirements for different uses.

At our Italian manufacturing site, for instance, wastewater undergoes reverse osmosis and other treatments in an on-site treatment plant and is reused for utilities such as boilers and cooling towers. In 2025, the site continued to enhance its water resilience by recovering and reusing 7,000 cubic meters of rainwater for utilities, representing 3 percent of total site water demand.

We monitor wastewater quality as a standard procedure at our manufacturing sites. Our certified environmental management systems help us remain in compliance with current and future statutory and regulatory requirements related to water discharge.

Broader value chain

Protecting biodiversity

We have set an aspiration to achieve no net loss of ecosystems connected to PMI's value chain by 2033. "No net loss" refers to the point at which business-related impacts on biodiversity are balanced by mitigation measures, ultimately resulting in no degradation of natural ecosystems.

Aspiration

No net loss on ecosystems connected to PMI's value chain by 2033

Our strategy targets key biodiversity pressures, including water use, pollution, climate change, ecosystem use, and invasive species that arise from activities in our value chain. We focus our efforts on five response indicators: zero deforestation of priority forests, development and implementation of biodiversity management plans, adoption of water risk mitigation measures, good agricultural practices to prevent pollution, and activities to reduce FLAG GHG emissions.

Within our supply chain, we address biodiversity pressures by implementing actions at the farm or landscape level. Local biodiversity experts must support these actions to help ensure they deliver no net loss of biodiversity.

Biodiversity management plans (BMPs)

In 2025, we began piloting biodiversity management plans (BMPs) with suppliers in our tobacco supply chain located within proximity of Key Biodiversity Areas (KBAs). The process of developing BMPs requires suppliers to identify locally specific biodiversity pressures—such as pollution, deforestation, invasive species, climate change, and water stress—and develop evidence-based actions to address them. We have established a roadmap to extend BMP coverage to all suppliers operating near KBAs, with the goal of achieving full coverage by 2033.

During the year, our vertically integrated supplier in Brazil piloted a BMP that identified key pressures such as pollution, deforestation, native and invasive species, climate change, and water stress. This approach aligns with the Global Biodiversity Framework and aims to prevent unprecedented biodiversity loss. During the pilot, we identified several strategic opportunities to address impacts and enhance local biodiversity. Opportunities for impact included:

- Forest restoration: an opportunity to restore 468 hectares of degraded forest to create environmental corridors linking, which would improve habitat connectivity and support native species

- Agroforestry: provision of fruit trees to contracted farmers, supporting livelihoods, providing shade, and contributing to carbon sequestration

- Water stewardship: through the Water Guardian project, installation of fencing around rivers to reduce pressure on riverbeds, helping maintain stream quality and minimize runoff

Overall, our pilot resulted in a list of actions that can be taken to address locally specific biodiversity pressures in Brazil. We will continue to update this list as we monitor the state of natural ecosystems and assess the effectiveness of our interventions.

Avoid, reduce, restore, and transform

We act across all steps of the mitigation hierarchy in line with the AR3T Framework, aiming to generate positive outcomes not only for biodiversity but also for climate, water, and social aspects. Examples include:

Avoid

PMI's zero deforestation program aims to address all potential drivers of deforestation linked to PMI-related activities in our tobacco and paper and pulp-based supply chains. We work to prevent and minimize natural forest loss and conversion while protecting natural capital. Our multistakeholder approach leverages PMI's interactions at different levels of our supply chain, such as biomass producers, retailers, and farmers.

We use a multi-pronged approach that combines forest stewardship certifications, supplier location data, high-resolution satellite data, and land-based assessments. This approach allows us to compare natural land cover year over year and detect any deforestation or changes. In 2025, we continued to engage our suppliers on this topic and assured results against our Zero Deforestation Manifesto through a third-party assurance provider.

Reduce

Our Good Agricultural Practices (GAP) program in our tobacco supply chain helps manage chemical pressures on natural habitats and pollution from empty crop protection agent (CPA) containers. Through our integrated pest management (IPM) program, we minimize the application of CPAs, use them only when necessary, and localize them based on plant pathogen presence. The GAP program emphasizes a biological approach, sequencing preventive and control measures that have the least environmental impact, including sampling, analysis, and compliance with CPA maximum residue limits. Since 2018, tests have confirmed that the tobacco we source is free of quantifiable levels of residues attributable to WHO TOX1 CPAs, and we continued to monitor this in 2025.

Restore and regenerate

When our periodic land use monitoring identifies deforestation risks and external assessments validate these findings, we implement comprehensive reforestation programs. These programs aim to restore an equal or larger area than what was affected, focusing on rebuilding ecosystem integrity. We currently run active restoration projects in our tobacco supply chain across Argentina, Brazil, Indonesia, Pakistan, and the Philippines, with new initiatives planned in Tanzania.

Our reforestation projects focus on planting forests and are accounted for through our zero net deforestation target. When compensation is necessary, we conduct studies for site and native species selection suitable for the ecosystem, following a forest-positive checklist that tracks tree survival rates, total area planted, and growth rates.

Soil restoration: Fostering farming resilience and sustainable supply chains in Malawi

In 2025, we continued implementing a soil health pilot project in Malawi to support farm resilience and the long-term resilience of our tobacco supply chain. This project aims to enhance soil productivity over time while encouraging sustainable farming practices. Through mechanization, training, and overall improvements in farm resilience, the pilot delivers significant business and social benefits. The data we have collected so far show encouraging crop performance compared with the results from farmers who use traditional farming practices.

Read more in this dedicated Story of Impact.

To restore natural ecosystems, we also develop projects using a watershed approach to address shared water challenges, which can restore native vegetation and increase biological diversity. In Brazil, for example, we support an ongoing outreach initiative to restore the margins of the Rio Pardinho River using nature-based solutions. Before the project began in 2021, limited vegetative cover along the riverbanks contributed to significant erosion and declining water quality.

Restoring native vegetation is critical, as healthy riparian plant cover stabilizes soils, reduces stormwater runoff, prevents sediment and pollutant transport, and strengthens the overall resilience of the watershed.

Value Plan 2030+

Regenerative agriculture

We have set a target to implement regenerative agriculture practices in all priority tobacco-growing areas (TGAs) by 2033. In 2026, we will begin building the framework to deliver on this target.

Through this framework, we will promote practices that enhance Nature, and bring co-benefits to our Climate and Workers in our value chain strategies, such as:

– Carbon removals through nature-based solution interventions such as cover crops, biochar application, reforestation, and others

– Enhanced farmer resilience through practices that promote healthier soils and address local climate-related risks such as drought and flooding

– Improved farmer livelihoods by increasing soil productivity and resistance to pests, while reducing input costs over time

As part of this work, we will continue our pilot projects for carbon removals and soil health, including our project soil health project in Malawi, biochar pilots in Brazil and India, cover crop pilots in Brazil and Argentina, and increasing biomass through fruit trees in Pakistan.

Transform

Alongside other water stewardship best practices, we actively engage with relevant stakeholder groups at the watershed level to address shared water challenges. As part of our water optimization efforts in the tobacco supply chain, we have developed multiple projects across eight countries in collaboration with government agencies, local authorities, public organizations, and other companies within the watershed. These projects address water-related risks and aim to improve water quality and access for tobacco farmers and other users in the region.

For example, through the Water Guardian project in Brazil, we have collaborated with Brazil's National Water and Sanitation Agency and the University de Santa Cruz do Sol since 2017, joining an initiative first developed by these groups in 2011. Together, we focus on implementing nature-based solutions to recover and preserve water resources, even during periods of seasonal drought.

Integrated pest management

Our GAP and integrated pest management (IPM) programs aim to protect both the environment and farmers' health and safety. In 2025, we confirmed that none of the tobacco we purchased contained residues from highly hazardous pesticides.

Proportion of tobacco purchased without detection of residues attributable to the use of highly hazardous pesticides

Through these programs, we seek to promote crop productivity and safeguard biodiversity on farms and in surrounding areas. By implementing cultivation practices, we help farmers free up land for other uses, such as food crops, additional income-generating activities, and potentially, biodiversity conservation habitats.

Preserving the integrity of tobacco varieties

Selecting the right variety forms the foundation for achieving desired tobacco leaf quality and subjective characteristics, as well as optimizing farmer yield. We remain committed to researching and developing new, non-genetically modified tobacco varieties in alignment with our GAP standards. Our efforts focus on enhancing resilience and productivity attributes under stressed environmental conditions. We use various non-genetically modified techniques to improve specific plant traits to and help varieties adapt to environmental challenges.

While promoting varietal integrity, we do not use genetically modified (GMO) tobacco. We have established a systematic testing program to prevent the inadvertent introduction of GMO tobacco in our commercial tobacco products.

Halting deforestation

We aim to achieve deforestation-free supply chains for our tobacco and paper and pulp-based materials.

These supply chains account for the vast majority of PMI's land use and provide the materials most often linked to our value chain's risk of deforestation and the conversion of natural ecosystems, as highlighted in our annual global forest risk assessments.

Our aspiration is to purchase 100 percent of tobacco and paper and pulp-based products at no risk of deforestation of priority forest areas by the end of 2026. By year-end 2025, we have achieved 98 percent.

Protecting forests in our tobacco supply chain

We work with our tobacco suppliers and farmers to implement our net zero deforestation requirements. We establish traceability to the point of harvest and document our sustainable forestry practices.

In 2025, an annual external audit of our tobacco supply chain confirmed, for the fifth consecutive year, that we purchased 100 percent of our flue-cured tobacco at zero risk of gross deforestation.

Proportion of flue-cured tobacco purchased at zero risk of gross deforestation of primary and protected forest

Note: For definitions, please see PMI's Zero Deforestation Manifesto and PMI's non-financial KPI hub.

The audit also confirmed that 99 percent of our purchased tobacco did not pose a net risk of deforestation of managed natural forests or conversion of natural ecosystems (2024: 88 percent). This year-on-year change results from improved traceability and monitoring of wood-sourcing locations that resulted from work with both old and new market suppliers.

Proportion of tobacco purchased at no risk of net deforestation of managed natural forest and no conversion of natural ecosystems

Note: 99% of our tobacco purchases did not pose a risk of net deforestation. The aspiration of 100% was achieved via reforestation efforts that compensated for the portion at risk. For definitions, please see PMI's Zero Deforestation Manifesto and PMI's non-financial KPI hub.

By the end of 2025, we needed to compensate for 812 hectares of forest. When conducting restoration projects, we always include an additional buffer area as a conservative practice to account for any potential losses from tree mortality, natural events, or other factors. Through our reforestation efforts, we reforested 1,283 hectares, exceeding our restoration needs. This means we delivered a net positive contribution of 472 hectares of forest growth, achieving our aspiration to be forest positive by the end of 2025.

In Argentina, we worked with local experts to perform an environmental impact assessment and launched a project to restore over 50 hectares of degraded land in 2025. In 2026, we plan to advance the project by supporting natural regeneration through the planting of native tree species, helping restore ecosystem integrity in degraded areas and locations that require enrichment.

The curing process for Virginia tobacco takes place in barns heated by a variety of fuel sources, including firewood and wood-based (e.g., pellets or chips) biomass. To minimize the risk of deforestation, we focus on the use of renewable fuel sources for tobacco flue-curing. During the year, 84 percent of purchased flue-cured tobacco was cured with renewable fuel sources, achieving our aspiration to maintain at least 70 percent.

Proportion of flue-cured tobacco purchased cured with renewable fuel sources (self-sufficient firewood or biomass)

Maintain ASPIRATION	>70%
2025	84%
2024	79%
2023	76%

0%   20%   40%   60%   80%   100%

Protecting forests in our paper and pulp-based supply chain

In our paper and pulp-based materials supply chain, we strengthened our line of sight into potential deforestation risks by leveraging our experience and tools, and replicating the assurance systems applied in our tobacco supply chain.

Proportion of paper, board, and pulp-based products purchased at no risk of gross deforestation of primary and protected forests

2025 ASPIRATION	100%
2025	100%
2024	100%
2023	95%

0%   20%   40%   60%   80%   100%
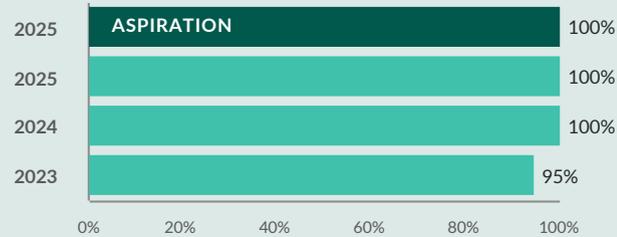
Note: For definitions, please see PMI's Zero Deforestation Manifesto and PMI's Non-financial KPI hub.

In 2025, we improved the granularity of feedstock location data, enabling more accurate assessments of primary forests, Key Biodiversity Areas (KBAs), and land cover changes. We use geospatial analysis alongside certification requirements to ensure compliance with our targets.

Value Plan 2030+

Perfect Forest™

The Perfect Forest™ model defines a comprehensive set of environmental, economic, and social benefits by enhancing biodiversity and ecosystem resilience, improving soil and water regulation, and strengthening climate-mitigation capacity through healthy, well-structured forest management systems.

This model creates early economic value by cultivating fast-growing species and generates long-term value through a diverse range of timber and nontimber forest products. It supports deforestation-free sourcing practices, which reinforce supply-chain resilience. The model also enables the generation of carbon credits through increased carbon sequestration and biodiversity credits by enhancing species richness and restoring habitats. Both activities contribute to PMI's nature-positive ambitions.

On the social front, the model promotes community well-being by supporting recreational and cultural activities, enabling sustainable access to forest resources, and ensuring inclusive governance through mechanisms such as Free, Prior, and Informed Consent (FPIC).

Currently, we focus our Perfect Forest™ activities in southern Brazil, where we work to restore and preserve a degraded area of the Atlantic Forest—one of the world's key biodiversity hotspots. Over the coming years, we will continue to increase carbon stocks, restore native ecosystems, and generate tangible benefits for local communities in the region.

Managing water responsibly

Water is an essential resource in our value chain. The quantity, quality, and availability of water all play a crucial role in the growth of agricultural raw materials. For this reason, water management is a key element of our strategy and an important topic in our engagement with suppliers, especially those in our tobacco supply chain.

Water stewardship in our tobacco supply chain

Water plays a crucial role in the life cycle of tobacco plants. PMI, along with its suppliers and farmers, has a long history of promoting good agricultural practices that protect and enhance water resources. Together, we focus on maintaining and improving both the availability and the quality of water.

Water use

Since 2018, we have measured water use by collecting primary data from our suppliers and farmers through annual surveys. Our average freshwater withdrawal, measured as cubic meters of water withdrawn per total volume of packed tobacco, has gradually decreased. Between 2024 and 2025, we achieved around an 11 percent reduction. This progress results from an increase in rain-fed farmland, continuously implementing water efficiency measures such as drip irrigation and laser leveling, and improving data collection methods.

Climate change alters rainfall patterns, already causing visible impacts at both regional and local levels. These changes are a primary factor driving year-on-year fluctuations in water use among our farmers. We closely monitor water risk trends in our TGAs to better inform our sourcing strategy and watershed response actions. This approach helps us mitigate risk and maximize opportunities to optimize resource use.

Water optimization

We work to optimize water volumes in the areas where we source tobacco. Our aspiration is to optimize at least 25 million cubic meters of water (cumulative since 2019) in our TGAs by 2033. To achieve this aspiration and accurately account for optimized water volumes, we strive to mitigate water-related risks and help address shared water challenges at the catchment level.

Cubic meters of water optimized in our tobacco-growing areas (cumulative since 2019) (million m³)

Year	Value
2033	ASPIRATION 25.0
2025	17.44
2024	12.26
2023	8.14
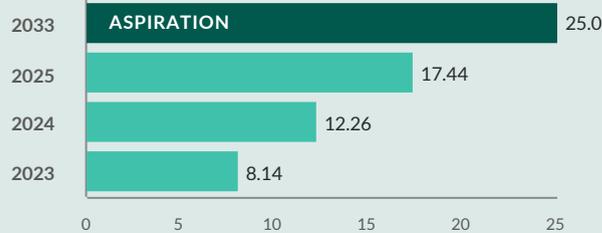
Note: Indicator is based on the World Resources Institute's volumetric benefit accounting methodology. For further details, see PMI's Non-financial KPI hub.

Our efforts include projects focused on optimizing water withdrawals, such as implementing drip irrigation and laser leveling. We also pursue new opportunities, like our pilot project in Italy with Finapp, where we deployed soil-moisture probes to give farmers detailed, data-driven advice for optimizing irrigation. We consider water "optimized" when the volume results from our projects make more water available to stakeholders who face similar challenges within a common watershed.

In 2025, we continued eight water stewardship projects focused on irrigation technology and water use efficiency, water conservation and storage, water quality improvement, and reduced freshwater demand. For example, in Turkey we have implemented a rainwater harvesting project since 2019. As groundwater resources in Izmir have declined in recent years in agricultural areas, local communities must take precautions. In response, we provided tanks to our farmers as an alternative water source for seedbed preparation and transplanting crop stages.

We also expanded three projects in 2025. For example, in Pakistan, we launched a laser leveler project to address declining water resources in 2022. We supplied a laser leveler to our tobacco farmers, helping them to reduce water withdrawals for irrigation. By evenly distributing water in the soil through laser leveling, farmers can lower the amount of water needed for their crops.

Value Plan 2030+

Water optimization

Since 2019, we have optimized 17.44 million cubic meters of water in our TGAs—making good progress toward our 2033 target of 25 million cubic meters. This progress has been achieved through projects focused on optimizing water withdrawals, including drip irrigation and laser leveling, as well as watershed-level restoration efforts.

To reach our 2033 target and sustain progress beyond it, we will focus on:

– Scaling proven interventions: expanding irrigation optimization and water restoration projects across the watersheds where we operate, building on approaches that have delivered notable results in Argentina, India, Mozambique, and Pakistan

– Deepening watershed-level understanding: continuing to conduct LWRAs across our TGAs as needed to identify shared water challenges and design locally appropriate interventions. To date, all TGAs have been assessed

– Integrating with broader environmental goals: aligning our water stewardship efforts with our biodiversity and regenerative agriculture strategies, particularly in TGAs where water stress, soil health, and ecosystem restoration are interconnected

Water quality

When misused, crop protection agents (CPAs) and fertilizers can pollute the local environment. While CPAs protect crops and fertilizers improve yields, these chemicals can infiltrate groundwater or run off into surface watercourses, impacting aquifers and aquatic ecosystems.

We maintain a global integrated pest management program to reduce unnecessary pesticide use, encourage less hazardous alternatives, and manages both appropriately. To minimize negative impacts, we promote more efficient fertilizer application methods. For example, we encourage the use of drip irrigation systems, which distribute fertilizers in smaller quantities directly to the plants' root systems.

The path ahead:
Value Plan 2030+

Aspiration and targets

Preserve and restore biodiversity, water, and forests across our operations and broader value chain to safeguard the long-term resilience of ecosystems and drive measurable progress toward achieving no net loss of natural resources.

To deliver on this aspiration, we will work to achieve the following targets:

Protecting biodiversity

– No net loss on ecosystems connected to PMI's value chain by 2033

– Implement regenerative agriculture practices in all priority tobacco growing areas by 2033*

Halting deforestation

– Zero deforestation of priority forest area in PMI tobacco and paper and pulp-based product supply chain by 2026

Managing water responsibly

– Maintain AWS certification for all priority manufacturing sites

– Achieve circular water use in priority manufacturing locations by 2033, achieving at least 60 percent by 2030*

– Tobacco supply chain: optimize at least 25 million cubic meters of water (cumulative since 2019) in our TGAs by 2033

We will begin reporting performance towards newly established targets (marked with an asterisk) in our next annual Value Report and will provide methodological details in our Non-financial KPI hub.

Advancing our agenda

Synergy of internal action and external context

Our ability to advance nature-related goals is fundamentally about securing access to the natural resources on which our business depends. Healthy ecosystems provide essential inputs—water for agricultural and manufacturing operations, productive soils for tobacco cultivation, and forests that regulate watersheds and support biodiversity. These resources are irreplaceable and critical for business continuity.

Within our sphere of influence, we invest actively in activities that result in biodiversity protection, water stewardship, forest conservation, and regenerative agriculture across our operations and supply chain. These strategic investments preserve the resource base that enables our operations and help future-proof our business against ecosystem degradation, resource scarcity, and supply chain disruptions. Beyond our direct operations, we participate in multistakeholder partnerships and support policies that strengthen land-use regulations and incentivize conservation.

However, data limitations incomplete ecosystem baselines, inconsistent biodiversity metrics, inadequate water availability assessments complicate risk identification and strategic planning. A critical challenge lies in the systemic undervaluation of natural resources: water, forests, and fertile soils provide ecosystem services foundational to our supply chains, yet rarely are valued in financial terms until their degradation results in tangible costs. Recognizing these resources as scarce, business-critical assets and managing them accordingly is essential for long-term operational viability. By investing in the promotion of good agricultural practices, such as regenerative agriculture that restores soil health, enhances water retention, and supports biodiversity, we strengthen the productive capacity of the natural systems our business relies upon.

Connectivity and trade-offs

Nature is deeply connected to our other strategic priorities. We closely link nature-related targets to Circularity, since product design choices, material selection, and end-of-life considerations directly influence resource use, waste management, and pollution. Regulatory requirements and stakeholder expectations regarding biodiversity and pollution control increasingly shape our decisions on packaging, sourcing, and consumables, reinforcing the need for integrated strategies.

We also find synergies with Workers in our value chain, especially through landscape-level initiatives addressing water access in the communities from which we source. Climate and Nature are equally interconnected: nature-based solutions such as reforestation, regenerative agriculture, and watershed protection support forest, water, and biodiversity goals while advancing climate mitigation targets like FLAG. Regenerative agriculture in particular offers dual benefits, reducing scope 3 emissions from agricultural inputs while sequestering carbon in soils. These actions lower physical and transition risks, enhance the ecosystem services our operations depend on, and build resilience throughout our value chain.

Performance metrics

In this section

Consumers

Access to smoke-free products	2015 Baseline	2023	2024	2025	Aspirations
Total number of users of PMI smoke-free products (in millions)[1]*	n/a	~33.5	~39	~43.5	
Number of markets where smoke-free products are available for sale[2]*	7	84	95	106	100 by 2025
- Number of markets where at least two categories of smoke-free products are available for sale[2,3]*	0	36	45	52	
Proportion of markets where smoke-free products are available for sale that are low- and middle-income markets[2,4]*	16.7%	47.0%	47.9%	50.5%	>50% by 2025
Cumulative investment behind smoke-free products (since 2008, in billions USD)[5]	2.4	12.5	14.0	16.4	
Number of factories producing smoke-free products out of total number of factories[6]	3 out of 48	16 out of 50	16 out of 51	21 out of 50	
Commercial expenditure ratio (smoke-free/total)*	8%	74%	78%	77%	
Capital expenditure ratio (smoke-free/smoke-free+combustibles)[7]*	27%	79%	81%	89%	
Smoke-free product shipment ratio (smoke-free/total)[8]*	0.1%	18.1%	20.0%	22.3%	
Smoke-free product shipment volume (in billion units)[8]*	1	140	159	179	
- Smoke-free product shipment volume - heated tobacco units (in billion units)*	0	125	140	155	
- Shipment volume - oral products (in billion equivalent units)[9]*	0	14	17	21	
- Shipment volume - e-vapor (in billion equivalent units)*	0	1	2	3	
Combustible tobacco product shipment volume (in billion units)[10]	877	633	635	624	
Change in combustible tobacco product shipment volume versus 2015 baseline[10,11]*	n/a	(27.9)%	(27.6)%	(28.9)%	
- Change in combustible tobacco product shipment volume in markets where PMI smoke-free products are available for sale versus 2015 baseline[2,10,11,12]*	n/a	(34.5)%	(35.4)%	(36.9)%	
Change in combustible tobacco product industry volume versus 2015 baseline[10,11,13(a)]*	n/a	(19)%	(19)%	(21)%	
- Change in combustible tobacco product industry volume in markets where PMI smoke-free products are available for sale versus 2015 baseline[2,10,11,12,13(b)]*	n/a	(26)%	(27)%	(30)%	
- Change in combustible tobacco product industry volume in markets where PMI smoke-free products are not available for sale versus 2015 baseline[10,11,12,13(c)]*	n/a	0%	4%	10%	
Smoke-free net revenues (in billion USD)[14]*	0.2	12.8	14.7	16.9	
Adjusted net revenues ratio (smoke-free/total)[14,15]*	0.7%	36.4%	38.7%	41.5%	>2/3 by 2030
– Net revenues ratio in markets where PMI smoke-free products have been available for sale for at least three years[2, 12,14]*	n/a	41.7%	42.7%	49.5%	
Number of markets where >50% of net revenues are smoke-free[14]*	0	25	23	27	~60 by 2030
Number of markets where >75% of net revenues are smoke-free[14]*	0	3	6	8	~40 by 2030

The 2025 metrics marked with an asterisk (*) are subject to PwC's Limited Assurance Reports (see the report for the BTMs here and for the Sustainability Index KPIs here).

Notes: Unless otherwise stated, all applicable business transformation metrics include Swedish Match related data as of November 11, 2022 (acquisition date), as well as Wellness business.

1. Total PMI smoke-free users is defined as the sum of total IQOS users, total oral smokeless users, and total e-vapor users of PMI products and considering poly-users across PMI's smoke-free product categories. For definitions, see Glossary.
2. For definition of available for sale, see Glossary.
3. Categories refer to heated tobacco, e-vapor, and oral smoke-free products.
4. Excluding PMI Global Travel Retail. World Bank report issued in 2022 is used on a comparative basis for income level classification. For definition of low- and middle-income markets, see Glossary.
5. Investments reflect research, product and commercial development, production capacity, scientific substantiation, and studies on adult smoker understanding. Excludes Swedish Match acquisition costs and Wellness business.
6. Data reflect the number of factories operated and owned by PMI at the end of the respective year. "Smoke-free products factories" is defined as manufacturing facilities producing heated tobacco units and/or oral nicotine products. The number of factories reported is based on location, i.e., if a facility is in one location, but has several physical areas (plants), the facility is counted as one.
7. Excludes PMI's Tech and other Capital expenditures that are not allocated to smoke-free or combustible tobacco products.
8. Includes heated tobacco units, e-vapor unit equivalents, and oral smoke-free products in pouch or pouch equivalents, excluding snuff, snuff leaf, and U.S. chewing tobacco.
9. Excludes snuff, snuff leaf, and U.S. chewing tobacco.
10. Combustible tobacco products volume includes cigarettes and other tobacco products expressed in cigarette equivalent units.
11. The indicator is calculated based on millions of units.
12. Based on number of markets where PMI's smoke-free products have been available for sale at the end of each respective year presented.
13. Worldwide, including the U.S., excluding China. For definition of industry, see Glossary. The industry estimates are calculated at the market and product level based on a methodology that includes the list of sources (such as third-party information from market research firms). The figures are reported on a monthly basis, governed by an internal standard. The 2015 baseline for each value is respectively 3.4 (a), 2.7 (b) and 0.8 (c) in billion equivalent unit and was used as the basis for computing 2025 metrics.
14. For definition of net revenues related to smoke-free, see Glossary.
15. Data excludes the combustibles net revenues impact related to termination of distribution arrangement in the Middle East in 2023.

Consumers continued

Scientific research and product development	2015 Baseline	2023	2024	2025	Aspirations
Adjusted R&D expenditure (in millions USD)	423	709	759	756	
Adjusted R&D expenditure ratio (smoke-free/total)*	69.6%	99.4%	99.5%	99.7%	
Adjusted R&D as % of net revenue	1.6%	2.0%	2.0%	1.9%	
Number of R&D positions (FTEs)[1]	n/a	1,586	1,460	1,604	
Patents granted in IP5 jurisdictions relating to smoke-free products (cumulative, since 2015)[2]	n/a	~3,720	~4,250	~5,000	
Number of studies completed by PMI on smoke-free products (cumulative, since 2015)					
– Toxicological assessment[3]	n/a	287	314	337	
– Clinical assessment[3]	n/a	29	32	32	
– Perception and behavior (premarket and post-market)[3]	n/a	69 (48+21)	76 (52+24)	83 (53+30)	

Responsible marketing and sales practices					
Total number of people (PMI employees and third parties) who participated in at least one Marketing Codes-related training session[4]	n/a	67,014	63,675	59,943	
– Number of PMI employees[4]	n/a	27,465	27,505	39,927	
– Number of third parties[4]	n/a	39,549	36,170	20,016	
Number of violations of the Marketing Codes resulting in substantiated cases of misconduct	12	28	25	49	
Percentage of PMI's total shipment volume covered by youth access prevention programs in indirect retail channels[5]*	n/a	98%	99%	98%	maintain >90%

Wellness					
Annual net revenue from Wellness (in billion USD)[6]	0	0.3	0.3	0.2	

The 2025 metrics marked with an asterisk (*) are subject to PwC's Limited Assurance Reports (see the report for the BTMs here and for the Sustainability Index KPIs here). For definitions of the KPIs please refer to PMI's Non-financial KPI hub.

Note: Data include Swedish Match unless indicated otherwise.

1. R&D positions include scientists, engineers, technicians, and support staff. Comparable data for years prior to 2018 are not available as the scope of R&D positions changed following Company organizational changes.

2. IP5 jurisdictions are China, Europe (patents granted by the European Patent Office), Japan, South Korea, and the U.S. Figures do not include Swedish Match.

3. Excludes Swedish Match.

4. Excludes Russia.

5. Total shipment volume includes cigarettes, other tobacco products (OTPs), and smoke-free product consumables. See PMI's Non-financial KPI hub for further details. Data exclude Wellness business.

6. For definition of net revenues related to Wellness, see Glossary.

Circularity

Cigarette butt littering	2023	2024	2025	Aspirations
Proportion of shipment volume covered by markets with anti-littering programs in place[1]*	76%	92%	91%	≥80% by 2025

Smoke-free consumables				
Proportion of shipment volume covered by markets with end-of-life take-back programs in place for smoke-free consumables[2]*	17.6%	21.5%	56.0%	≥80% by 2025

Smoke-free devices				
Proportion of smoke-free electronic devices introduced on the market as of the end of 2025 that have eco-design certification[1]*	n/a	n/a	100%	100% by end of 2025
Cumulative number of smoke-free electronic devices refreshed or repaired since 2021 (in thousands)[1]*	320	867	1,358	≥1 million by 2025
Volume of shredded materials coming from dismantled devices in the CIRCLE hubs (in tons)	315	151	248	
Proportion of smoke-free device sales volume covered by the CIRCLE program[3]	82%	89%	92%	90% by 2025
Recycling rate of smoke-free devices (weighted average)[4]	89%	87%	88%	maintain 80%

Packaging				
Proportion of packaging formats that are designed for recyclability[5]	98.3%	99.4%	99.5%	100% by 2025
Total weight or volume of materials that are used to package PMI's primary products in tons[5,6]	416,930	405,070	414,116	
Average packaging weight reduction for combustible tobacco products versus 2018 baseline[5]	14%	15%	17%	15% by 2025
Average packaging weight reduction for heat-not-burn products versus 2018 baseline[5]	15%	16%	16%	15% by 2025

Notes: The 2025 metrics marked with an asterisk (*) are subject to PwC's Limited Assurance Report (see the report for the Sustainability Index KPIs here).

Data include Swedish Match unless indicated otherwise.

1. See PMI's Non-financial KPI hub for further details.

2. Shipment volume includes heated tobacco units, e-vapor cartridges, and disposable vaping devices. See PMI's Non-financial KPI hub for further details.

3. Excludes disposable products and non-PMI-designed devices. Collected devices are considered covered by the CIRCLE program if they are either processed at our centralized CIRCLE hubs or by validated local recycling partners.

4. The recycling rate represents the proportion of material, by weight, that is recycled at all validated facilities—CIRCLE hubs in Hungary, Japan, and validated local recycling partners. Excludes thermal recycling, such as energy recovery by incineration.

5. Excluding Swedish Match.

6. Excluding e-vapor product packaging materials (<0.5% of overall PMI tonnage).

Our workforce

Fair employment	2023	2024	2025	Aspirations
Number of PMI employees	~82,700	~83,100	**~84,900**	
Number of PMI employees in PMI reporting systems[1]	73,704	76,619	**78,971**	
Number of PMI full-time equivalent (FTE) positions	72,826	76,368	**78,727**	
Proportion of employees covered by Collective Labor Agreements [2]	63%	63%	**56%**	
Percent of employees earning at least a living wage[3]	100%	n/a	**n/a**	maintain 100%
Mean gender pay gap[4]	28%	28%	**29%**	
Employee Engagement Index	n/a	86%	**85%**	
Workforce breakdown:				
Proportion of employees at different age groups:				
– Below 30	16.4%	15.3%	**15.7%**	
– Between 30 and 50	71.1%	69.9%	**68.0%**	
– Above 50	12.6%	14.8%	**16.3%**	
Number of nationalities among PMI's employees	139	138	**138**	
Proportion of women employees	42.9%	44.0%	**44.9%**	
Proportion of management positions held by women	41.8%	42.3%	**42.6%**	
Proportion of non-management positions held by women	43.5%	44.4%	**45.4%**	
Proportion of female employees at different managerial levels[5]:				
– Managers	43.6%	44.0%	**44.2%**	
– Directors	32.6%	34.4%	**35.2%**	
– Senior leaders	27.9%	27.5%	**28.6%**	
Proportion of women in senior roles [6]*	32.0%	33.3%	**34.4%**	
Proportion of new hires who are women	46.5%	54.2%	**53.3%**	
Proportion of women on PMI's Company Management[7]	18.5%	19.0%	**17.4%**	
Proportion of women on PMI's Board of Directors[8]	30.8%	33.3%	**36.4%**	
Proportion of women in STEM-related positions [9]	38.3%	38.0%	**40.5%**	
Proportion of women in management positions in revenue-generating functions[10]	39.0%	39.1%	**39.5%**	
Percentage of women attrition	37.0%	46.1%	**47.0%**	

Notes: The 2025 metrics marked with an asterisk (*) are subject to PwC's Limited Assurance Report (see the report for the Sustainability Index KPIs here).

Data include Swedish Match unless indicated otherwise and exclude Rothmans, Benson & Hedges.

Own workforce metrics are calculated based on number of employees in PMI reporting systems unless indicated differently.

1. At year-end 2025, PMI reporting systems covered around 93% of workforce. Excludes Wellness business, unintegrated Swedish Match employees, and United Tobacco Company.

2. Calculation based on number of PMI employees.

3. We reference our 2023 living wage survey as our most recent completed assessment, as the 2025 survey was postponed to 2026 due to a change in our living wage benchmark provider and related methodological updates.

4. The mean gender pay gap is calculated as the percentage difference between the average of the sum of annual base salary, bonus, and stock awards. Excludes Russia and Profigen. Data for 2023 and 2024 were restated due to refined methodology.

5. For definitions of management positions, managers, directors, senior roles, and senior leaders, see Glossary.

6. For further details on how we measure progress on this KPI, please see PMI's Non-financial KPI hub.

7. Data as of March 10, 2026 (14 Company Management members, of whom two were women). See PMI's Annual Report 2025 for further details.

8. Data as of March 10, 2026 (11 members of PMI's Board of Directors, of whom four were women). See PMI's 2026 Proxy Statement for further details.

9. This figure is an estimate based on the total headcount within functions where the primary skills required for employees in their daily responsibilities related to science, technology, engineering, or mathematics (STEM).

10. Employees holding management roles in revenue-generating functions (i.e., functions responsible for core business objectives or profit and loss).

Our workforce continued

Human capital development	2023	2024	2025	Aspirations
Employee overall turnover rate	10.3%	11.1%	9.6%	
Women employee overall turnover rate	8.9%	11.6%	10.1%	
Employee voluntary turnover rate	4.4%	5.1%	4.1%	
Proportion of open positions filled in with internal candidates	60%	64%	70%	
Number of new hired employees	12,130	12,377	12,596	
Spend for learning per employee (in USD) total	519	601	734	
Average number of learning hours per employee	19	24	28	
– Men	18	25	35	
– Women	23	24	21	
Average number of digital training hours per employee[1]	n/a	10	12	
Proportion of PMI employees who have access to structured lifelong learning offers[1]*	77%	75%	76%	>70% by 2025
Proportion of employees covered by performance review[2]	86%	81%	85%	

Wellbeing, health and safety				
Wellbeing index	n/a	83.0%	82.0%	maintain ≥80%
LTI rate per 200,000 hours worked—PMI employees and contracted workers[3◊]	0.05	0.04	0.05	
LTI rate per 200,000 hours worked—contractors[4◊]	0.17	0.05	0.08	
Total recordable incidents rate (TRIR) per 200,000 hours worked—PMI employees, contracted workers, and contractors[5◊]	0.11	0.07	0.08	maintain <0.3
TRIR per 200,000 hours worked—PMI employees and contracted workers[6◊]	0.08	0.07	0.07	
TRIR per 200,000 hours worked—contractors[7◊]	0.19	0.07	0.10	
Number of fatalities—PMI employees and contracted workers[8◊]	0	1	0	
Number of fatalities—contractors[8◊]	0	0	0	
Number of fatalities—members of the public[8◊]	3	3	3	
Collision rate within PMI's fleet of vehicles per year (collisions per million km driven)[9◊]	0.40	0.32	0.36	maintain <0.65
Number of vehicles in PMI's fleet[9]	21,453	22,670	22,799	
Proportion of manufacturing facilities with ISO 45001 certification[10]	100%	100%	100%	

Notes: The 2025 metrics marked with an asterisk (*) are subject to PwC's Limited Assurance Report (see the report for the Sustainability Index KPIs here).

Own workforce metrics are calculated based on number of employees in PMI reporting systems unless indicated differently.

Selected 2025 occupational health and safety (OHS) metrics are subject to external verification by SGS (see the External Verification Statement here).

Metrics marked with (◊) are based on actual data from 2025 (usually from January to September—some to August) and estimates for remaining months. These data will be restated with full-year actual figures and made available on our website during 2026.

Data include Swedish Match unless indicated otherwise.

1. For further details on how we measure progress on this KPI, please see PMI's Non-financial KPI hub.

2. Calculation based on a total of almost 60,300 employees maintained in PMI's central HR system as of December 31, 2025. Excludes Russia.

3. Excludes Swedish Match. Including Swedish Match smoke-free manufacturing operations 0.08.

4. Excludes Swedish Match. Including Swedish Match smoke-free manufacturing operations 0.08.

5. Excludes Swedish Match. Including Swedish Match smoke-free manufacturing operations 0.13.

6. Excludes Swedish Match. Including Swedish Match smoke-free manufacturing operations 0.14.

7. Excludes Swedish Match. Including Swedish Match smoke-free manufacturing operations 0.10.

8. Excludes Swedish Match. There were no fatalities in Swedish Match in 2025.

9. Excludes Swedish Match.

10. Scope covers manufacturing facilities producing more than three billion cigarette equivalents annually. Data exclude Russia, due to sanctions applied to the country, Ukraine, and Swedish Match.

Our workforce continued

Business integrity	2023	2024	2025
Proportion of eligible employees that completed the annual PMI's Code of Conduct certification[†]	95.3%	98.1%	96.9%
Total number of compliance training sessions completed by employees and third parties:[†]	517,937	446,234	412,775
– Employees[†]	443,402	405,141	397,591
– Third parties[†]	74,535	41,093	15,184
Total number of reports received through Ethics & Compliance Speak Up channels	1,258	1,444	1,735
Total number of closed reports:	1,245	1,481	1,522
– Number of closed reports involving at least one compliance allegation (unsubstantiated cases/substantiated cases)	591 (267/324)	541 (253/288)	540 (210/330)
– Number of closed reports not involving compliance allegations	654	940	982
Disciplinary actions, by type:			
– Contract termination	31%	43%	42%
– Suspension	7%	4%	11%
– Written warning	25%	25%	25%
– Verbal warning or counseling	37%	28%	22%

Notes: Data include Swedish Match unless indicated otherwise.

Metrics marked with (†) exclude Russia.

Our workforce continued

PMI's workforce at year-end 2025

	2025
Number of employees by employment contract (permanent and temporary), by gender	
Women employed on a permanent contract	33,850
Women employed on a fixed-term contract	1,590
Men employed on a permanent contract	41,142
Men employed on a fixed-term contract	2,389
Number of employees by employment contract (permanent and temporary), by region	
Employees on a permanent contract in Europe region	24,902
Employees on a fixed-term contract in Europe region	1,803
Employees on a permanent contract in SSEA, CIS, and MEA region	37,566
Employees on a fixed-term contract in SSEA, CIS, and MEA region	1,298
Employees on a permanent contract in East Asia, Australia, and PMI Global Travel Retail	3,619
Employees on a fixed-term contract in East Asia, Australia, and PMI Global Travel Retail	184
Employees on a permanent contract in Americas region	8,905
Employees on a fixed-term contract in Americas region	694
Number of employees by employment type (full-time and part-time), by gender	
Women employed on a full-time contract	34,887
Women employed on a part-time contract	553
Men employed on a full-time contract	43,299
Men employed on a part-time contract	232

Notes: The overview is based on employees included in PMI reporting systems.

Data include Swedish Match unless indicated otherwise.

Top five nationalities in PMI's workforce and their respective representation in our overall workforce and in management positions

	Overall workforce	Management positions
Indonesian	31%	7%
Filipino	7%	3%
Polish	6%	9%
Russian	4%	6%
Italian	4%	5%
Other nationalities	48%	70%

Note: Sum may not foot due to rounding.

Workers in our value chain

Total	2023	2024	2025	Aspirations
Total number of suppliers[1][†]	26,000	21,400	20,800	
Total supply chain spend (in billions USD)[2]	14.0	14.0	14.4	
Number of critical suppliers[3][†]	202	209	197	
Critical suppliers, expressed as a proportion of total supply chain spend[†]	40%	39%	38%	
Percentage of spend with critical suppliers from whom PMI sources sustainably[4][†]	91%	94%	96%	100% by 2025
Cumulative number of human rights impact assessments conducted since 2018, with findings addressed[5][*]	8	10	11	10 highest-risk countries by 2025

Capability building	2023	2024	2025	
Proportion of PMI employees trained on Responsible Sourcing Principles (RSP)[†]	93%	91%	95%	
Proportion of PMI employees/buyers/procurement professionals trained on specific sustainability topics[†]	90%	98%	98%	
Number of suppliers in capability building program[†]	5	46	57	
Proportion of critical suppliers in capability building program[†]	1%	12%	22%	

Tobacco supply chain	2023	2024	2025	
Number of tobacco farmers from whom PMI purchased tobacco[6]	305,756	361,043	350,291	
Proportion of tobacco purchased through direct contracts by PMI and PMI tobacco suppliers	94%	96%	98%	
Number of third-party tobacco suppliers with whom PMI has a direct contractual relationship[7]	19	22	23	
Number of PMI leaf operations that contract tobacco farmers directly	5	5	5	
Number of countries from where PMI sources tobacco	23	21	23	
Number of field technicians providing support to contracted farmers and monitoring the implementation of PMI's Agricultural Labor Practices (ALP)	3,121	5,063	4,600	

Note: The 2025 metrics marked with an asterisk (*) are subject to PwC's Limited Assurance Report (see the report for the Sustainability Index KPIs here).

Data excluding Swedish Match. Metrics marked with (†) exclude Russia.

1. Suppliers refer to tier 1 suppliers. For definitions see Glossary.

2. Total supply chain spend includes procurement spend and tobacco leaf sourcing spend.

3. For definitions see Glossary.

4. Sustainable sourcing is determined based on a minimum threshold score of 45 out of 100 in EcoVadis (direct materials) or 125 out of 200 in RBA with no open priority issues (electronics). All traceable tobacco purchased from monitored farmers is considered sustainable. Leaf-related spend includes Russia.

5. Our assessments prioritize countries which are assessed as highest risks from a human rights standpoint. They are determined based on key parameters such as PMI's footprint and the country's human rights risk profile, as determined by internationally recognized organizations. For further details, please see PMI's Non-financial KPI hub.

6. Tobacco farmers whose tobacco is included in PMI packed products.

7. Data refer to parent companies.

Workers in our value chain continued

Agricultural Labor Practices (ALP)	2023	2024	2025	Aspirations
Proportion of purchased tobacco volume for which labor practices and adherence to our Agricultural Labor Practices Code are systematically monitored	91%	92%	90.2%	maintain >90%
Total number of prompt actions recorded by field technicians:	7,301	7,513	6,398	
– Proportion due to safe working environment	88%	96%	98%	
– Proportion due to hazardous work performed by children	3%	0.2%	0%	
– Proportion due to income and working hours	7%	3%	1%	
– Proportion due to other	2%	1%	2%	
Total number of ALP prompt actions resolved	6,867	7,106	6,005	
Proportion of contracted farmers supplying tobacco to PMI who have access to water[1]	80%	95%	99.9%	100% by 2025
Proportion of tobacco farmworkers provided with safe and adequate accommodation[2]	100%	100%	100%	maintain 100%
Proportion of contracted tobacco farmers and farmworkers supplying tobacco to PMI who have access to personal protective equipment for the application of crop protection agents and prevention of green tobacco sickness	100%	100%	100%	maintain 100%

Alleviating poverty				
Proportion of contracted farmers supplying tobacco to PMI who make a living income[3]*	96%	99%	99.6%	100% by 2025
Proportion of contracted farmers supplying tobacco to PMI paying their workers at least the minimum legal wage or agricultural benchmark	99.8%	100%	100%	maintain 100%
Proportion of the most economically vulnerable farmers benefit from interventions that drive a measured increase in income[4]	n/a	n/a	17%	>80% by 2030
Number of ALP prompt actions recorded by field technicians relating to nonpayment of minimum wage to farmworkers	523	201	41	

Eliminating child labor				
Prevalence of child labor among contracted farms supplying tobacco to PMI[4]*	0.1%	0.01%	0%	Zero by 2025
Number of ALP prompt actions recorded by field technicians relating to child labor:	217	12	0	
– Hazardous tasks[5]	207	6	0	
– Under 13 working[6]	7	3	0	
– Under 15 hired	3	3	0	
Proportion of ALP prompt actions recorded by field technicians relating to child labor that were resolved	97%	100%	0%	

Notes: The 2025 metrics marked with an asterisk (*) are subject to PwC's Limited Assurance Report (see the report for the Sustainability Index KPIs here).

Monitoring against our ALP Code is performed on farmers contracted by PMI's suppliers or PMI leaf operations whose tobacco volumes are purchased by PMI and used in our products. Our 2025 farm-level ALP monitoring data cover 21 out of 23 countries from which we sourced in 2025.

Data exclude Swedish Match.

1. Excludes Thailand. Estimated based on surveys that indicate whether the farmer has an improved drinking water source within one kilometer or 30-minute round trip, or availability of continuous household-level solutions.
2. Scope is limited to farmers who provide accommodation to workers (approximately 4 percent of the total farmer base in 2025).
3. Excludes China, Thailand, Switzerland, and India (flue-cured). See PMI's Non-financial KPI hub for further details on methodology.
4. For further details, please see PMI's Non-financial KPI hub.
5. Includes children of any age found to be involved in hazardous work.
6. Includes light work performed by own family's children only.

Workers in our value chain continued

Nontobacco supply chain	2023	2024	2025	Aspirations
Electronics				
Number of critical suppliers (parent companies) assessed with Responsible Business Alliance (RBA)	30	27	30	
Number of critical supplier sites assessed with RBA	48	44	48	
Number of site level RBA audits completed	47	44	48	
– Tier 1 suppliers	9	7	8	
– Tier 2 and Tier N suppliers	38	37	40	
– Percentage of electronic supply chain spend covered by these audits	91%	100%	100%	
Number of suppliers with an agreed corrective action plan in place (RBA)	30	26	29	
Number of RBA nonconformances:				
– Priority	3	8	0	
– Other	227	194	205	
Closure rate of corrective actions for nonconformances:				
– Priority	50%	100%	100%	
Direct materials				
Number of critical suppliers assessed with EcoVadis[†]	120	135	144	
Percentage of critical direct spend assessed with EcoVadis[†]	95%	92%	100%	
Number of critical suppliers identified as having significant actual or potential negative social impacts[1][†]	10	6	0	
Number of critical suppliers identified as having significant actual or potential negative environmental impacts[1][†]	12	11	0	
Number of critical suppliers with an agreed corrective action plan in place (EcoVadis)[†]	13	10	10	
Number of suppliers supported in corrective action plan implementation[†]	13	10	10	
Proportion of suppliers assessed with substantial actual or potential negative impacts supported in corrective action plan implementation[†]	38%	90%	100%	

Note: Data excluding Swedish Match. Metrics marked with (†) exclude Russia.

1. EcoVadis score ranges from 0 to 100, with a minimum threshold score of 45 demonstrating satisfactory sustainability performance.

Climate

Total PMI value chain—scope 1+2+3	2019 baseline	2023	2024	2025	Aspirations
Absolute CO_2e scope 1+2+3 ('000 metric tons)[◊1]	5,704	4,998	5,020	4,760	Net zero by 2040
– Absolute reduction versus 2019 baseline[◊1]	n/a	12%	12%	17%	
Absolute CO_2e scope 1+2+3 industrial ('000 metric tons)[◊1]	4,060	3,726	3,668	3,631	
– Absolute reduction versus 2019 baseline[◊1]	n/a	8%	10%	11%	90% by 2040
CO_2e scope 1+2+3 intensity (tons per net revenues million USD)[◊1,2]	n/a	142	133	117	
Number of carbon credits (equivalent of metric tons of CO_2e):					
– Purchased	n/a	44,995	44,290	4,650	
– Sold	n/a	0	0	0	
– Retired[3]	n/a	119,274	181,042	331,495	
Total PMI direct operations—scope 1+2					
Absolute CO_2e scope 1 (metric tons)[◊1,4]	411,979	310,457	291,808	286,449	
Absolute CO_2e scope 2 (metric tons)[◊1,4,5]	182,282	50,006	62,485	35,996	
Absolute CO_2e scope 1+2 (metric tons)[◊1,4,5]	594,261	360,463	354,293	322,445	
– Absolute reduction versus 2019 baseline[◊1]	n/a	39%	40%	46%	50% by 2030 (SBT)
Net CO_2e scope 1+2 (metric tons)[◊1,4,5,6]	445,559	235,019	141,403	0	Carbon neutrality by 2025
Scope 1+2—manufacturing					
Absolute CO_2e scope 1+2 (metric tons) from manufacturing[◊7]	394,447	224,605	222,359	215,431	
Proportion of electricity used and purchased that is from renewable sources[◊7]	72%	95%	90%	91%	100% by 2025
Proportion of carbon-neutral factories[◊8]	5%	61%	74%	100%	100% by 2025
Scope 1+2—fleet					
Absolute CO_2e scope 1+2 from fleet (metric tons)[◊5]	116,719	86,135	87,545	84,185	
– Absolute reduction versus 2019 baseline[◊5]	n/a	26%	25%	28%	
Proportion of hybrid or electrical vehicles in our fleet[7]	0%	27%	39%	44%	

Notes: Our inventory of GHG emissions (scope 1, 2, and 3) in 2025 is subject to external verification by SGS (see the External Verification Statement for scope 1+2 here, net scope 1+2 here, for scope 3 here, and for a list of the individual metrics assured here). Metrics' values include Swedish Match, unless otherwise specified.

Metrics marked with (◊) are based on actual CO_2e data from 2025 (usually from January to September—some to August) and estimates for remaining months. These data will be restated with full-year actual figures and made available on our website during 2026. For more information on PMI's approach to GHG calculations and materiality thresholds, please refer to PMI's Non-financial KPI hub and PMI's Value Chain Carbon Footprint Methodology Overview.

1. Prior years' numbers restated due to further improvements in methodology.
2. Intensity is measured per million net revenues in USD (CO_2e data are based on latest estimates used to run carbon footprint exercise).
3. 2025 carbon credits reflect credits retired early 2026 to compensate against emissions in 2025; 2023 and 2024 credits presented accordingly.
4. 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.
5. Emissions associated with the energy consumption from electric vehicles have been included from 2025 reporting year.
6. Ambition achieved in early 2026 against 2025 emissions; data refer to yearly gross emissions from the reporting year minus the retroactive offsetting of the previous year's emission.
7. Excludes Swedish Match.
8. Ambition achieved in early 2026; data refer to PMI manufacturing facilities certified carbon neutral against emissions from the reporting year. Considered only PMI production centers that have been operational for the full year. 2025 data include Swedish Match.

Climate continued

Energy consumption in PMI direct operations	2019 baseline	2023	2024	2025	Aspirations
Total energy consumption in PMI factories, offices, and fleet (gigajoules)[◊1]	10,068,800	8,646,936	8,607,860	8,588,462	
Proportion of total energy consumed that is from renewable sources[◊1]	27%	37%	38%	42%	
Energy intensity (gigajoules per net revenues million USD)[◊1,2]	n/a	245	227	212	
Fuel consumption from nonrenewable sources (gigajoules)[◊1]	6,048,377	4,852,844	4,630,493	4,501,435	
Fuel consumption from renewable sources (gigajoules)[◊]	292,238	264,070	305,992	288,953	
Total electricity consumed (MWh)[◊1,3]	1,006,246	958,169	988,567	1,022,795	
Total electricity consumed that is from renewable sources (MWh)[◊1,3]	623,940	820,947	815,466	917,637	

Total PMI scope 3	2019 baseline	2023	2024	2025	Aspirations
Absolute CO_2e scope 3 ('000 metric tons)[◊1,4]	5,109	4,638	4,665	4,437	
– Absolute reduction versus 2019 baseline[◊1]	n/a	9%	9%	13%	
Absolute CO_2e scope 3 FLAG ('000 metric tons)[◊1,4]	1,644	1,272	1,352	1,129	
– Absolute FLAG reduction versus 2019 baseline[◊1]	n/a	23%	18%	31%	18% by 2025 33.3% by 2030 (SBT) 72% by 2040 (SBT)
Absolute CO_2e scope 3 industrial ('000 metric tons)[◊1,4]	3,466	3,365	3,313	3,308	
– Absolute industrial reduction versus 2019 baseline[◊]	n/a	3%	4%	5%	27.5% by 2030 (SBT)
CO_2e scope 3 biogenic emissions ('000 metric tons)[◊1]	2,529	2,444	2,561	2,696	
Proportion of suppliers by spend covering purchased goods and services with science-based GHG reduction targets[5]	n/a	35%	43%	42%	15% by 2025 (SBT)

Scope 3—tobacco supply chain	2019 baseline	2023	2024	2025	Aspirations
Absolute CO_2e scope 3 ('000 metric tons) from tobacco supply chain[◊]	1,345	894	1,045	835	
– Absolute reduction versus 2019 baseline[◊]	n/a	35%	25%	38%	35% by 2025 50% by 2030
CO_2e intensity reduction in tobacco curing versus 2019 baseline[◊5,6]	n/a	51%	37%	77%	75% by 2025
Proportion of Virginia tobacco purchased cured with coal[5]	16%	0%	0%	0%	Maintain zero

Notes: Our inventory of GHG emissions (scope 1, 2, and 3) in 2025 is subject to external verification by SGS (see the External Verification Statement for scope 1+2 here, net scope 1+2 here, for scope 3 here, and for a list of the individual metrics assured here). Metrics' values include Swedish Match, unless otherwise specified.

Metrics marked with (◊) are based on actual CO_2e data from 2025 (usually from January to September—some to August) and estimates for remaining months. These data will be restated with full-year actual figures and made available on our website during 2026. For more information on PMI's approach to GHG calculations and materiality thresholds, please refer to PMI's Non-financial KPI hub and PMI's Value Chain Carbon Footprint Methodology Overview.

1. Prior years' numbers restated due to further improvements in methodology.
2. Intensity is measured per million net revenues in USD (CO_2e data are based on latest estimates used to run carbon footprint exercise).
3. Emissions associated with the energy consumption from electric vehicles have been included from 2025 reporting year.
4. For further details on scope 3 calculation, please refer to PMI's Value Chain Carbon Footprint Methodology Overview.
5. Excludes Swedish Match.
6. Intensity measured in tons of CO_2 equivalent per ton of green tobacco cured.

Nature

Forest

Forest	Scope	2023	2024	2025	Aspirations
Proportion of tobacco purchased at no risk of gross deforestation of primary and protected forests[1]	PMI tobacco supply chain	100%	100%	100%	maintain 100%
Proportion of tobacco purchased at no risk of net deforestation of managed natural forest and no conversion of natural ecosystems[1,2]*		94%	88%	99.3%	100% by 2025
Total hectares of forest grown:		403	464	1,283	
– Due to restoration of at risk forest		205	263	812	
– Contribution to forest positive		198	201	472	
Proportion of flue-cured tobacco purchased that is cured with renewable fuel sources (self-sufficient firewood and biomass adoption)		76%	79%	84%	maintain >70%
Proportion of paper, board, and pulp-based products purchased at no risk of gross deforestation of primary and protected forests[1]		95%	100%	100%	100% by 2025
Proportion of priority forest area in PMI tobacco and paper and pulp-based product supply chain with zero deforestation[1]		n/a	n/a	98%	100% by 2026

Water

Water	Scope	2023	2024	2025	Aspirations
Cubic meters of water optimized in our tobacco-growing areas (cumulative since 2019) (million m3)[3]	PMI tobacco supply chain	8.14	12.26	17.44	≥25 million cubic meters by 2033
Proportion of tobacco growing areas which are covered by local water risk assessments (cumulative, since 2018)		95%	95%	100%	100% by 2025
Quantity of blue water used per ton of tobacco produced[4]		245	256	228	
Total amount of watered used ('000 m3)	PMI factories	108,714	125,891	123,657	
Total amount of water consumed (withdrawn minus discharged) ('000 m3)		1,465	1,307	1,302	
Total amount of water withdrawn ('000 m3)		3,181	3,208	3,069	
Total amount of freshwater withdrawn ('000 m3)[5]		2,173	2,241	2,146	
Water ratio (water withdrawn in m3 per million units of cigarettes produced)[6]		2.4	2.3	2.1	maintain <3.1
Proportion of PMI factories certified to AWS standard[7]		83%	90%	100%	100% by 2025

Biodiversity

Biodiversity	Scope	2023	2024	2025	Aspirations
Proportion of tobacco purchased without detection of residues attributable to the use of highly hazardous pesticides (HHPs), as defined by FAO and WHO guidelines in 2016	PMI tobacco supply chain	100%	100%	100%	maintain 100%
Proportion of tobacco purchased without detection of residues attributable to the use of WHO TOX1 group of crop protection agents		100%	100%	100%	maintain 100%

Notes: The 2025 metrics marked with an asterisk (*) are subject to PwC's Limited Assurance Report (see the report for the Sustainability Index KPIs here).

Select 2025 metrics related to PMI's Monitoring, Verification, and Reporting Framework for leaf-curing fuel and the Zero Deforestation Manifesto are subject to a third-party limited assurance.

Data exclude Swedish Match.

1. For definitions, please see PMI's Zero Deforestation Manifesto and PMI's Non-financial KPI hub.

2. 99% of our tobacco purchases did not pose a risk of net deforestation. The aspiration of 100% was achieved via reforestation efforts that compensated for the portion at risk.

3. Indicator is based on the World Resources Institute's volumetric benefit accounting methodology. For further details, see PMI's Non-financial KPI hub.

4. Blue water refers to water used for irrigation, excluding rainfall.

5. Refers to amount of freshwater withdrawn from municipal sources.

6. Water ratio is defined as water withdrawn, measured in cubic meters per million cigarette equivalents, using a conversion factor of 5:1 to convert HTUs into conventional cigarettes.

7. Scope: priority manufacturing facilities identified based on site overall risk in relation to the watershed, water withdrawal, water consumption, product portfolio, and other strategic considerations. PMI sites that are in low-to-medium water risk areas and below 2.5% of PMI manufacturing water footprint are excluded.

Nature continued

Waste	Scope	2023	2024	2025	Aspirations
Percentage of waste diverted from landfill in manufacturing operations[1]		99.9%	99.9%	99.9%	maintain >99%
Total amount of waste generated (in metric tons)		127,931	133,151	130,770	
– Recycled		84.2%	84.7%	85.4%	maintain 85%
– Incinerated with energy recovery		13.9%	13.9%	13.4%	
– Incinerated without energy recovery		0.9%	0.7%	0.6%	
– Disposed to landfill[2]	PMI factories	0.9%	0.7%	0.7%	
Amount of hazardous waste generated (in metric tons)		2,428	3,210	3,025	
– Incinerated with energy recovery		47.1%	60.4%	61.1%	
– Recycled		18.8%	18.4%	22.4%	
– Incinerated without energy recovery		32.6%	20.4%	15.9%	
– Disposed to landfill		1.5%	0.9%	0.6%	

Environmental	Scope	2023	2024	2025	Aspirations
Proportion of manufacturing facilities certified to ISO 14001[3]	PMI factories	100%	100%	100%	maintain 100%
Number of environmental fines (and approximate amount in USD)[4]		0	0	0	

Notes: Select 2025 metrics related to PMI's Monitoring, Verification, and Reporting Framework for leaf-curing fuel and the Zero Deforestation Manifesto are subject to a third-party limited assurance.

Data exclude Swedish Match.

1. Excludes the mandated waste, generally tobacco, that we are obliged to landfill to respect local regulations.

2. Disposal to landfill includes sanitary waste, canteen waste, and waste mandated by authorities to be disposed of in landfill.

3. Scope: Manufacturing facilities producing more than three billion cigarette equivalents annually. Data exclude Russia, due to sanctions applied to the country, and Ukraine.

4. Fines above USD 10,000 (or equivalent in converted currency). PMI does not have any anticipated accrued environmental liabilities at year-end 2025.

Reconciliation of Non-GAAP Measures

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Schedule 1
Net Revenues by Product Category

($ in millions) / (Unaudited)	Years ended December 31,			
	2015	2023	2024	2025
Combustible Tobacco	26,595	22,334[a]	23,218	23,794
Smoke-free	199	12,840	14,660	16,854
Total PMI	26,794	35,174[a]	37,878	40,648

(a)   Includes a reduction in net revenues of $80 million related to the termination of distribution arrangement in the Middle East. Excluding this impact total PMI adjusted net revenues are $35,254 million and for combustible tobacco $22,414 million.

Note: Sum of product categories might not foot to Total PMI due to roundings.

Schedule 2
Reconciliation of Net Revenues by Product Category to Adjusted Net Revenues by Product Category

($ in millions) / (Unaudited)	Year ended December 31, 2023		
	Net Revenues	Special Items	Adjusted Net Revenues
Europe	8,037	–	8,037
SSEA, CIS & MEA	9,321	(80)[a]	9,401
EA, AU & PMI GTR	2,676	–	2,676
Americas	2,299	–	2,299
Total Combustible Tobacco	22,334	(80)	22,414
Europe	6,500	–	6,500
of which, Wellness	306	–	306
SSEA, CIS & MEA	1,308	–	1,308
EA, AU & PMI GTR	3,525	–	3,525
Americas	1,508	–	1,508
Total Smoke-free	12,840	–	12,840
Europe	14,537	–	14,537
SSEA, CIS & MEA	10,629	(80)[a]	10,709
EA, AU & PMI GTR	6,201	–	6,201
Americas	3,807	–	3,807
Total PMI	35,174	(80)	35,254

(a)   Related to termination of distribution arrangement in the Middle East.

Note: Sum of product categories or Regions might not foot to Total PMI due to roundings.

Schedule 3
Research & Development Expenditure by Product Category

($ in millions) / (Unaudited)	Years ended December 31			
	2015	2023	2024	2025
Combustible Tobacco	129	4	3	2
Smoke-free	294	705	755	754
Total PMI	423	709	759	756

Note: Sum of product categories might not foot to Total PMI due to roundings.

Glossary of terms and acronyms

3TGs – Tin, tantalum, tungsten, and gold

Aerosol – Gaseous suspension of fine solid particles and/or liquid droplets. In the context of our smoke-free products, an aerosol is not smoke and does not contain solid particles

ALP – Agricultural Labor Practices

Available for sale – When PMI products are available for general sale in the market, through direct retail, indirect retail, or e-commerce in either one or more key cities or nationwide

AWS – Alliance for Water Stewardship

B2B – Business to business

B2C – Business to consumer

CA – Cellulose acetate

Carbon removals – Refer to the transfer of a greenhouse gas from the atmosphere to storage within a nonatmospheric pool, driven by biogenic or technological mechanisms

Caregiver – A person who has responsibility for the care of a newborn child or newly adopted child, including the child's biological parent, the child's adoptive parent, a person having legal parental responsibility for the child such as the child's guardian, a stepparent, or a child's parent through surrogacy

  – Primary caregiver – The caregiver who has the primary responsibility for the care of the newborn or newly adopted child following the child's arrival

  – Secondary caregiver – A caregiver who is not the primary caregiver

Combustible tobacco products – The term we use to refer to cigarettes and other tobacco products that are combusted

Combustion – The process of burning a substance in oxygen, producing heat and often light

Company Management – The term we use to refer to the senior management of the company, as presented on our www.PMI.com site (also referred to as "our leadership team" or "Group Management Team")

Contracted farmers – Tobacco farmers supplying to PMI and contracted either directly by PMI (through the company's leaf operations) or through third-party leaf suppliers

Contracted workers – We define a contracted worker (also referred to as "agency temp") as a worker who is under the direct supervision of PMI employees but employed by a temporary employment agency

Contractor – We define a contractor as a person employed or working on behalf of a third-party company contracted by PMI, who remains under the direct supervision of his or her employer rather than PMI and is often involved in project-specific or outsourcing arrangements

CPA – Crop protection agent

Critical raw materials (CRMS) – Minerals and metals that have high economic importance, are essential to energy-related and strategic technologies, and have a high inherent risk of supply disruption due to their economic concentration and the lack of available substitutes

Critical suppliers – Those suppliers who manufacture or sell components used in the manufacture of PMI finished products and meet a certain minimum spend threshold with whom PMI has a direct commercial relationship. This applies to the following categories: direct materials suppliers Tier 1, electronics suppliers Tier 1 & 2, as well as all contracted tobacco farmers and third-party tobacco suppliers

Downstream supply chain – Those stages in the supply chain in which materials (mostly in the form of finished products) flow away from the organization to the customers/consumers

E-liquids – A liquid solution that is used in/with e-cigarettes. E-liquids contain different levels of nicotine in a propylene glycol and/or vegetable glycerin-based solution with various flavors

E-vapor product – Electrical product that generates an aerosol by heating a nicotine or non-nicotine containing liquid, such as electronic cigarettes (or "e-cigarettes")

EHS – Environmental health and safety

Employee Net Promoter Score, or eNPS – A universal benchmark used across industries to calculate employee engagement calculated by disregarding neutral responses and then calculating the difference between positive and negative responses

EPR – Extended producer responsibility

ERM – Enterprise Risk Management

FCTC – WHO Framework Convention on Tobacco Control

FDA – U.S. Food and Drug Administration

FSC – Forest Stewardship Council

GAP – Good Agricultural Practices

Gender pay gap – Calculated as the percentage difference between the sum of annual base salary, bonus, and stock awards

GHG – Greenhouse gas

Heated tobacco units, or HTUs – The term PMI uses to refer to heated tobacco consumables, which include our *BLENDS, DELIA, HEETS, HEETS Creations* (defined collectively as "*HEETS*"), *SENTIA, TEREA, TEREA CRAFTED*, and *TEREA Dimensions*, as well as the KT&G-licensed brands, *Fiit* and *Miix* (outside of South Korea). HTUs also include zero tobacco heat-not-burn consumables (*LEVIA*)

HPHCs – The harmful or potentially harmful constituents that have been identified as likely causes of tobacco-related diseases by various public health institutions

Human rights impact assessment, or HRIA – Assessment to identify human rights risks and adverse impacts

Human rights salient risks – Those human rights that stand out because they are at risk of the most severe negative impact through a company's activities or business relationships (source: UN Guiding Principles)

Illicit trade – Products traded in violation of tax, customs, or other laws, such as contraband, counterfeit, non-tax paid volume produced by local manufacturers, and other illicit products

Industry (or total market) and market shares – PMI estimates for tax-paid products and Global Travel Retail products based on data from a number of internal and external sources and may, in defined instances, exclude the People's Republic of China. Past reported periods may be updated to ensure comparability and to incorporate the most current information for industry and market share reporting

In-market sales, or IMS – Sales to trade channels, which serve legal age nicotine users. Depending on the market and distribution model, the IMS may represent an estimate. Consequently, past reported periods may be updated to ensure comparability and to incorporate the most current information

IP5 – The five largest intellectual property offices in the world

IPM – Integrated Pest Management

IQOS heat-not-burn devices – Precisely controlled heating devices into which specially designed and proprietary heated tobacco units or nontobacco nicotine-containing units are inserted and heated to generate an aerosol

Key Biodiversity Areas, or KBAs – Sites contributing significantly to the global persistence of biodiversity in terrestrial, freshwater, and marine ecosystems.

LCA – Life-cycle analysis

Low- and middle-income markets – Markets composed of countries classified by the World Bank as low- and middle-income economies based on gross national income (GNI) per capita; or where no World Bank classification exists, those with GNI per capita below the World Bank low- and middle-income threshold

LTIR – Lost Time Incident Rate

Managerial roles – The terms we use to refer to employees in different salary grades, regardless of their job title or function:

– **Junior roles –** Employees in salary grade 9 or below

– **Managers –** Employees in salary grades 10 to 13

– **Management positions –** Employees in salary grade 10 and above

– **Senior roles –** Employees in salary grade 14 and above

– **Senior leaders –** Employees in senior leadership roles, including all employees in salary grade 17 and above

Market share for HTUs – The in-market sales volume for HTUs as a percentage of the total estimated industry sales volume for cigarettes and HTUs. For Japan, total estimated industry sales volume also includes cigarillos

MRTP – Modified Risk Tobacco Product

MVR – Monitoring, Verification, and Reporting Framework for Sustainable Leaf Curing Fuels

Net debt – Defined as total debt, less cash and cash equivalents

Net revenues related to combustible tobacco products – The operating revenues generated from the sale of these products, including shipping and handling charges billed to customers, net of sales and promotion incentives, and excise taxes. These net revenue amounts consist of the sale of our cigarettes and other tobacco products that are combusted. Other tobacco products primarily include roll-your-own and make-your-own cigarettes, pipe tobacco, cigars, and cigarillos and do not include smoke-free products

Net revenues related to smoke-free products, excluding wellness – The operating revenues generated from the sale of these products, including shipping and handling charges billed to customers, net of sales and promotion incentives, and excise tax, if applicable. These net revenue amounts consist of the sale of our products that are not combustible tobacco products, such as heat-not-burn, e-vapor, and oral products, as well as consumer accessories

Net revenues related to wellness – The operating revenues generated from the sale of products, primarily associated with oral and intra-oral delivery systems

Modern oral pouches – Mainly refer to pre-portioned pouches containing nicotine, flavors, and cellulose substrate. In some markets, modern oral pouches may contain small amounts of tobacco

NGOs – Nongovernmental organizations

No net loss – The point at which business-related impacts on biodiversity are balanced by measures from the mitigation hierarchy, to leave no degradation on natural ecosystems at end balance

Offsetting (or Compensation) – The activity of purchasing carbon credits from activities outside of a company's value chain as a substitute for abating emissions within its value chain

OHS – Occupational health and safety

Other tobacco products – Primarily roll-your-own and make-your-own cigarettes, pipe tobacco, cigars, and cigarillos, and does not include smoke-free products

PMI heat-not-burn products – Include licensed KT&G heat-not-burn products

PMI segments – Following the sale of Vectura Group Ltd on December 31, 2024, we updated our segment reporting in January 2025 by including the ongoing Wellness segment results (previously referred to as Wellness & Healthcare) in the Europe segment. In addition we renamed our "PMI Duty Free" business to "PMI Global Travel Retail" effective in the first quarter of 2025. As a result of this change, PMI's segment that includes our duty free business was renamed East Asia, Australia & PMI Global Travel Retail (EA, AU & PMI GTR). Our four geographical segments are as follows:

– Europe Region is headquartered in Lausanne, Switzerland, and covers all the European Union countries, Switzerland, the U.K., and also Ukraine, Moldova, and Southeast Europe

– South and Southeast Asia, Commonwealth of Independent States, Middle East and Africa Region (SSEA, CIS & MEA) is headquartered in Dubai, United Arab Emirates. It covers South and Southeast Asia, the African continent, the Middle East, and Turkey, as well as Israel, Central Asia, Caucasus, and Russia

– East Asia, Australia, and PMI Global Travel Retail Region (EA, AU & PMI GTR) is headquartered in Hong Kong, and includes the consolidation of our international Global Travel Retail business with East Asia and Australia

– Americas Region is headquartered in Stamford, Connecticut, and covers the U.S., Canada and Latin America

With our smoke-free business now operating at scale across our regions, including substantial growth from our U.S. business, PMI has implemented an evolved organizational model with two primary business units:International and U.S.

This change was implemented effective January 1, 2026, and as a result PMI realigned its reportable segments accordingly.The four geographic segments will be replaced with three new reportable segments: International Smoke-Free, International Combustibles, and U.S. As of the first quarter of 2026, our reporting will reflect these changes.

PMTA – Premarket Tobacco Application

RBA – Responsible Business Alliance

Refreshed devices – Smoke-free devices resulting from the care and maintenance refresh services (which may include unpacking, diagnostics, cleaning, firmware update, cosmetic parts replacement, battery charging, and repacking of devices) that meet the agreed quality requirements to allow for their reuse as pre-owned devices

Repaired devices – Smoke-free devices resulting from the care and maintenance repair services (which may include unpacking, diagnostics, testing, cleaning, battery charging, firmware update, cosmetic part or battery replacement, component harvesting, and repacking of devices) that meet the agreed quality requirements to allow for their reuse as pre-owned devices

RMI – Responsible Minerals Initiative

RSP – Responsible Sourcing Principles

SBT – Science-based target

SBTi – Science Based Targets initiative

Significant suppliers – Those suppliers that are identified as having substantial risks of negative ESG impacts or significant business relevance to the company, or a combination of both, and that operate within a yearly spend range in a country with a high ESG risk score. This applies to the following categories: technical procurement, advanced procurement, electronic suppliers Tier 1 & 2, all indirect materials and services suppliers, as well as all contracted tobacco farmers and third-party tobacco suppliers

Smoke – A visible suspension of solid particles, liquid droplets, and gases in air, emitted when a material burns

Smoke-free business, or SFB – The term PMI uses to refer to all of its smoke-free products. SFB also includes wellness products, as well as consumer accessories, such as lighters and matches

Smoke-free product consumables – The term PMI uses to refer to heated tobacco units used with heat-not-burn products, e-vapor disposables, cartridges containing e-liquids that are used for e-vapor products, and oral nicotine products including snus and nicotine pouches

Smoke-free products, or SFPs – The term PMI uses to refer to all of its products that provide nicotine without combusting tobacco, such as heat-not-burn, e-vapor, and oral smokeless, and that therefore generate far lower levels of harmful chemicals. As such, these products have the potential to present less risk of harm versus continued smoking

– Oral smoke-free products conversion:
  i. Nicotine pouches (units): 15 pouches per can in the U.S. and approximately 20 pouches per can outside the U.S.
  ii. Snus products: weighted average 21 pouches equivalent per can
  iii. Moist snuff products: weighted average 17 pouches equivalent per can
  iv. Tobacco bits products: weighted average 30 pouches equivalent per can
  v. Chew bags products: weighted average 20 pouches per can
– E-vapor products conversion: one milliliter of e-vapor liquid equivalent to 10 units

TCFD – Task Force on Climate-related Financial Disclosures

TGA – Tobacco-growing area

Tier 1 suppliers – Suppliers that directly supply goods, materials, or services to PMI

Tier 2 suppliers – Suppliers that provide their products and services to the tier 1 suppliers

TNFD – Taskforce on Nature-related Financial Disclosures

Tons – "Tons" equates to "metric tons" throughout this report

Total *IQOS* users* – The estimated number of legal age (minimum 18 years or older depending on market regulation) users of PMI heat-not-burn products, for which PMI HTUs represented at least a portion of their daily tobacco consumption over the past seven days

The estimated number of adults who have "switched to *IQOS* and stopped smoking" reflects:

– For markets where there are no heat-not-burn products other than PMI heat-not-burn products: daily individual consumption of PMI HTUs represents the totality of their daily tobacco consumption in the past seven days

– For markets where PMI heat-not-burn products are among other heat-not-burn products: daily individual consumption of HTUs represents the totality of their daily tobacco consumption in the past seven days, of which at least 70 percent are PMI HTUs

Total PMI e-vapor users* – Defined as the estimated number of legal age (minimum 18 years or older depending on market regulation) users of e-vapor products, who consumed at least one of PMI's e-vapor products in the past seven days

Total PMI oral smokeless users* – Defined as the estimated number of legal age (minimum 21 years in the U.S. and minimum 18 years or older depending on market regulation outside the U.S.) users of oral smokeless products who consumed at least one of PMI's oral smokeless products (nicotine pouches in the U.S., and nicotine pouches or snus outside the U.S.) over the past seven days

Poly-users across PMI SFPs categories* – Defined as the estimated number of legal age (minimum 18 years or older depending on market regulation) users who used multiple PMI smoke-free products over the past seven days

Total PMI SFPs users* – The sum of "Total *IQOS* users", "Total PMI oral smokeless users," "Total PMI e-vapor users" of PMI products and considering "Poly-users across PMI SFPs categories"

* The above SFPs user metrics reflect PMI estimates, which are based on PMI's proprietary Nicotine Containing Products Tracker (NCPT) in combination with SFP offtake volume trends. The NCPT methodology estimates rely on NCPT e-vapor, oral smokeless (except the U.S.), and poly-usage data, which is calibrated using Total *IQOS* user data, leveraging our deep understanding of PMI's heat-not-burn category and its size. Total PMI oral smokeless users in the U.S. are approximated through volume-based estimations, as NCPT data for the U.S. is not currently available.

Note: NCPT sample-based estimations use a 95 percent confidence interval. The accuracy and reliability of the estimates may vary based on sample size, market maturity, and availability of information.

TRIR – Total Recordable Incident Rate

UNGPs – United Nations Guiding Principles on Business and Human Rights

Upstream supply chain – Those operations in which the materials flow into the organization (i.e., it mainly refers to procurement activities and inbound logistics)

VAP – Validated Assessment Program of the Responsible Business Alliance (RBA) is a leading standard for on-site compliance verification and effective, shareable audits

WASH – Water access, sanitation, and hygiene

WBCSD – World Business Council for Sustainable Development

Wellness products – Primarily refer to products associated with oral and intra-oral delivery systems

WHO – World Health Organization

YAP – Youth access prevention

ZDM – Zero Deforestation Manifesto

Key definitions related to our work to improve tobacco farmer livelihoods

A **living income** and **living wage** are both about achieving a decent standard of living. A living income is the net annual income required for a household to afford a decent standard of living for all its members and applies to, for example, self-employed farmers. A living wage is applied in the context of hired workers (e.g., in factories or on farms) (source: The Global Living Wage Coalition).

A **minimum legal wage**, as defined in PMI's ALP Code, is a wage for all workers (including temporary, piece-rate, seasonal, and migrant) that meets, at a minimum, the national legal standard or formalized agricultural benchmark standard. An agricultural benchmark may be formalized where a minimum legal wage is not available or applicable to a specific context.

Child labor, as defined by the ILO, is work that deprives children of their childhood, their potential, and their dignity, and that is harmful to physical and mental development. Under PMI's ALP Code, the minimum age for admission to work is not less than the age at which compulsory schooling is completed and, in any case, is not less than 15 years or the minimum age accepted by the country's laws, whichever age limit affords greater protection. No person below age 18 should be involved in any type of hazardous work. In the case of family farms, a child may only help on the farm provided that the work is nonhazardous, and the child is at least 13 years old or above the minimum age for such work as defined by the country's laws, whichever affords greater protection.

Hazardous work means work that, by its nature or by virtue of when or where it is carried out, is likely to harm the health, safety, or morals of children or others. The following can, for example, be hazardous, particularly without the proper personal protective equipment (PPE): applying crop protection agents (CPAs); stalk cutting; stringing; carrying heavy loads; working with sharp tools; working in extreme temperatures; and working after dark.

Green tobacco sickness, or GTS, is a type of nicotine poisoning caused by the absorption of nicotine from the surface of wet, fresh, green tobacco leaves through the skin. The characteristic symptoms of GTS include nausea, vomiting, weakness, dizziness, stomach cramps, difficulty breathing, excessive sweating, headache, and fluctuations in blood pressure and heart rate. They can last from 12 to 48 hours.[1]

Personal protective equipment, or PPE, in tobacco farming refers to any clothes, materials, or devices that provide protection from exposure to CPAs and GTS during specific activities throughout the crop cycle.[2]

Living income benchmark studies are studies conducted in specific regions or areas to estimate the net annual income required for a household to afford a decent standard of living for all members of that household.

Living Income Reference Values represent a living income for typical families in rural (or urban) areas of low-income and middle-income countries.[3] Reference Values provide a credible estimate of living wage or income at a country level, for rural and urban areas. They offer an insightful reference beyond the currently available indicators for many countries, which are mostly limited to poverty lines and minimum wages.

Farmer income studies are conducted, through third-party service providers, to assess all legal income sources of contracted farmers within PMI's tobacco supply chain, including tobacco, complementary crops, and off-farm income.

Sustainable Tobacco Supply Chain framework, or STSC – PMI's new approach focused on the full life cycle of tobacco production and targets actions toward the tobacco we purchase and use in our products.

1. Schep LJ, Slaughter RJ, Beasley DM (September–October 2009). "Nicotinic plant poisoning." *Clinical Toxicology*.

2. Adapted from the FAO/WHO (2014) International Code of Conduct on Pesticide Management.

3. Reference values are built on data and knowledge gained from 40 complete Anker methodology benchmark studies. Since they are based on a statistical analysis, they have a margin of error for typical rural (or urban) areas of a country, which is generally around +/– 10 percent using a 95 percent confidence interval. Sources: Living Income Reference Values, Living Income Community of Practice (living-income.com) and Anker Living Wage and Living Income Reference Values, Global Living Wage Coalition.

Sustainability materiality assessment results overview

This visual presents a summary of the findings from our most recent sustainability materiality assessment, which underwent review in 2025. It highlights all the topics and sub-topics evaluated during the assessment, offering insight into the degree of materiality associated with different impacts, risks, and opportunities (IROs) linked to each sub-topic. Additional information about the assessment process, along with a comprehensive list of the particular impacts, risks, and opportunities identified as material, can be found in the PMI Sustainability Materiality Report 2025.

Significance of IROs

- ●●●● Very high
- ●●●● High
- **MATERIALITY THRESHOLD**
- ●●●● Medium
- ●●●● Low (or no key IROs identified)

Topic	Sub-topic	Impact materiality — ⊕ Positive	Impact materiality — ⊖ Negative	Risk & opportunity materiality — ⚠ Risk	Risk & opportunity materiality — ✪ Opportunity
Climate change	Climate change mitigation				
Climate change	Climate change adaptation				
Climate change	Energy				
Pollution	Air pollution				
Pollution	Water pollution				
Pollution	Soil pollution				
Water and marine resources	Water				
Water and marine resources	Marine resources				
Biodiversity and ecosystems	Biodiversity and ecosystems				
Circular economy	Resource inflows				
Circular economy	Product-related resource outflows				
Circular economy	Preconsumer waste				
Own workforce	Labor conditions				
Own workforce	Health and safety				
Own workforce	Equal treatment and opportunities				
Own workforce	Other work-related rights				
Workers in our value chain	Working conditions				
Workers in our value chain	Equal treatment and opportunities				
Workers in our value chain	Other work-related rights				
Affected communities	Affected communities' rights				
Consumers and end-users	Marketing and sales practices				
Consumers and end-users	Product health impact				
Privacy	Privacy				
Business conduct	Business ethics				
Business conduct	Political engagement				
Business conduct	Fiscal practices				
Business conduct	Illicit tobacco trade				

Forward-looking and cautionary statements

This report and related materials contain projections of future results and goals and other forward-looking statements, including statements regarding expected financial or operational performance; capital allocation plans; investment strategies; regulatory outcomes; market expectations; business plans and strategies. Achievement of future results is subject to risks, uncertainties, and inaccurate assumptions. In the event that risks or uncertainties materialize, or underlying assumptions prove inaccurate, actual results could vary materially from those contained in such forward-looking statements. Pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, PMI is identifying important factors that, individually or in the aggregate, could cause actual results and outcomes to differ materially from those contained in any forward-looking statements made by PMI.

PMI's business risks include: marketing and regulatory restrictions that could reduce our competitiveness, disrupt our SFP commercialization efforts, eliminate our ability to communicate with adult consumers, or ban certain of our products in certain markets or countries; excise tax increases and discriminatory tax structures; health concerns relating to the use of tobacco and other nicotine-containing products; litigation related to tobacco and/or nicotine products and intellectual property rights; intense competition; inability to anticipate changes in adult consumer preferences; use and reliance on third-parties; the adverse effects of global and individual country economic, regulatory and political developments, natural disasters, and conflicts; geopolitical instability affecting international trade; the impact and consequences of Russia's invasion of Ukraine; changes in adult smoker behavior; continued decline of tax-paid cigarettes; lost revenues as a result of counterfeiting, contraband, and cross-border purchases; governmental investigations; unfavorable currency exchange rates and currency devaluations, sustained

periods of elevated inflation, and limitations on the ability to repatriate funds; adverse changes in applicable corporate tax laws; disruptions in the credit markets or changes to its credit ratings; recent and potential future tariffs imposed by the U.S. and other countries; adverse changes in the cost, availability, and quality of tobacco and other agricultural products and raw materials, as well as product components for our electronic devices; and the integrity of its information systems and effectiveness of its data privacy policies. PMI's future profitability may also be adversely affected should it be unsuccessful, in key markets or systemically, in its efforts to introduce, commercialize, and grow smoke-free products or if regulation or taxation do not differentiate between such products and cigarettes; if it is unable to successfully introduce new products, promote brand equity; if there are prolonged disruptions of facilities used to produce its products; if it is unable to enter new markets or improve its margins through increased prices and productivity gains; if other market participants are more successful in their SFP commercialization efforts; if it is unable to attract and retain the best global talent; or if it is unable to successfully integrate and realize the expected benefits from recent transactions and acquisitions. Future results are also subject to the lower predictability of our smoke-free products performance.

PMI is further subject to other risks detailed from time to time in its publicly filed documents, including PMI's Annual Report on Form 10-K for the fourth quarter and year ended December 31, 2025. PMI cautions that the foregoing list of important factors is not a complete discussion of all potential risks and uncertainties. PMI does not undertake to update any forward-looking statement that it may make from time to time, except in the normal course of its public disclosure obligations.

Notes

In this report, "PMI," "we," "us," and "our" refer to Philip Morris International Inc. and its subsidiaries.

In this report and in related communications, the terms "materiality," "material," and similar terms are defined in the referenced sustainability standards and certain regulatory requirements, as may be applicable to us, and are not meant to correspond to the concept of materiality under the U.S. securities laws and/or disclosures required by the U.S. Securities and Exchange Commission.

This report contains references and links to websites operated by third parties. These references are provided as a convenience to you and as an additional avenue of access to the information contained in those sources; they should not be viewed as an endorsement by us of the content of these references and linked sites or opinions of their authors.

Unless otherwise stated, all references to IQOS are to our IQOS heat-not-burn devices and consumables.

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This report reflects PMI's current views and estimates based on the data and information available at the time of publication. Changes in circumstances or new information may have occurred since the report's publication, which could impact the accuracy of certain details. This report includes metrics that are subject to measurement uncertainties due to inherent limitations in the nature and methods for data collection and measurement. The precision of different collection and measurement techniques may also vary. This report includes data or information obtained from external sources or third parties.

Aspirations, targets, and goals do not constitute financial projections, and achievement of future results is subject to risks, uncertainties, and inaccurate assumptions, as outlined in our forward-looking and cautionary statements on the left of this page.

This report should be read in conjunction with information and standards available in PMI's Non-financial KPI hub.

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