

# TOP 10 TAKEAWAYS

## From PMI's Value Report 2025: change in motion

Find out the company's approach to sustainable value creation.

→ This document should be read in conjunction with [PMI's Value Report 2025](#)

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. 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.

*Three corridors drive our transformation and propel our progress forward:*



### Business Transformation Metrics: demonstrating intentionality through transparency

Since 2016, our Business Transformation Metrics have provided stakeholders with clear, comparable indicators of our progress toward a smoke-free future.

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.

#### Business transformation metrics

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) <sup>1</sup>	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 <sup>2</sup>	7	84	95	106	
	Number of markets where at least two categories of PMI smoke-free products are available for sale <sup>2,3</sup>	0	36	45	52	
	Smoke-free product shipment volume (in billion units) <sup>4</sup>	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) <sup>5</sup>	0	14	17	21	
	Shipment volume-e-vapor (in billion equivalent units)	0	1	2	3	
	Smoke-free net revenues (in billion USD) <sup>6</sup>	0.2	12.8	14.7	16.9	
	Adjusted net revenues ratio (smoke-free/total) <sup>6-7</sup>	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 <sup>2-6-8</sup>	n/a	41.7%	42.7%	49.5%	
Number of markets where >50% of net revenues are smoke-free <sup>6</sup>	0	25	23	27	~60 by 2030	
Number of markets where >75% of net revenues are smoke-free <sup>6</sup>	0	3	6	8	~40 by 2030	
IMPACT	Total number of users of PMI smoke-free products (in millions) <sup>9</sup>	n/a	~33.5	~39	~43.5	
	Change in combustible tobacco product shipment volume versus 2015 baseline <sup>10</sup>	n/a	(27.9)%	(27.6)%	(28.9)%	
	Change in combustible tobacco product shipment volume in markets where our smoke-free products are available for sale versus 2015 baseline <sup>2-8-10</sup>	n/a	(34.5)%	(35.4)%	(36.9)%	
	Change in combustible tobacco product industry volume versus 2015 baseline <sup>10-11a</sup>	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 <sup>2-8-10-11b</sup>	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 <sup>2-8-10-11c</sup>	n/a	0%	4%	10%		

\* The 2025 data are subject to PwC's Limited Assurance. Read more details in the [Value Report](#). Colored indicators represent new Business Transformation Metrics introduced this year.



“Central to our 2025 achievements has been our unwavering commitment to our purpose: transforming our company to no longer base its success on making or selling cigarettes (...) 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.”

—**Jacek Olczak**, Group CEO Philip Morris International



# 2

## 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.

### 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 CAPITAL**  
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

#### Sustainably managed natural resources

**99%** of tobacco sourced at no risk of net deforestation of managed natural forest and no conversion of natural ecosystems<sup>1</sup>  
**17%** absolute reduction in GHG emissions (scope 1+2+3) versus 2019 baseline

#### Financial growth

**USD 16.9 billion** annual net revenues generated from smoke-free  
**18th** consecutive year with a dividend increase

#### Reduced tobacco harm

**~43.5 million** users of our smoke-free products  
**98%** of shipment volume covered by youth access prevention programs in indirect retail channels

#### Empowered and skilled employees

**85%** Employee Engagement Index score  
**28** Average number of learning hours per employee

#### Fair working conditions in our value chain

**Zero** prevalence of child labor among contracted farmers supplying us with tobacco  
**11** human rights impact assessments completed since 2018

<sup>1</sup> 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.



“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 (...) Our approach, with the integration of sustainability within our finance function, 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.”

—**Emmanuel Babeau**, Group Chief Financial Officer

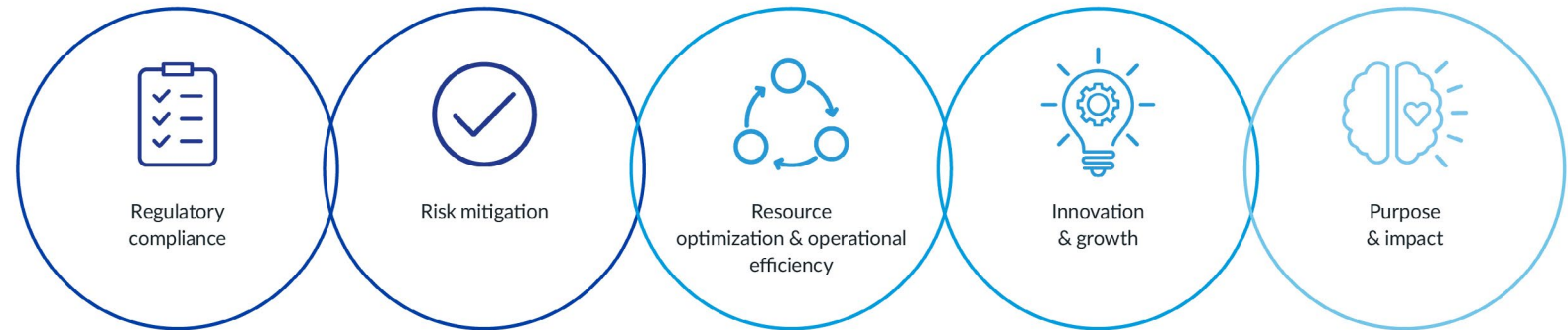


# 3

## 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.

Integrating sustainability across our business activities strengthens our competitive positioning by unlocking value through multiple channels.



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.

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.

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.

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.

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.

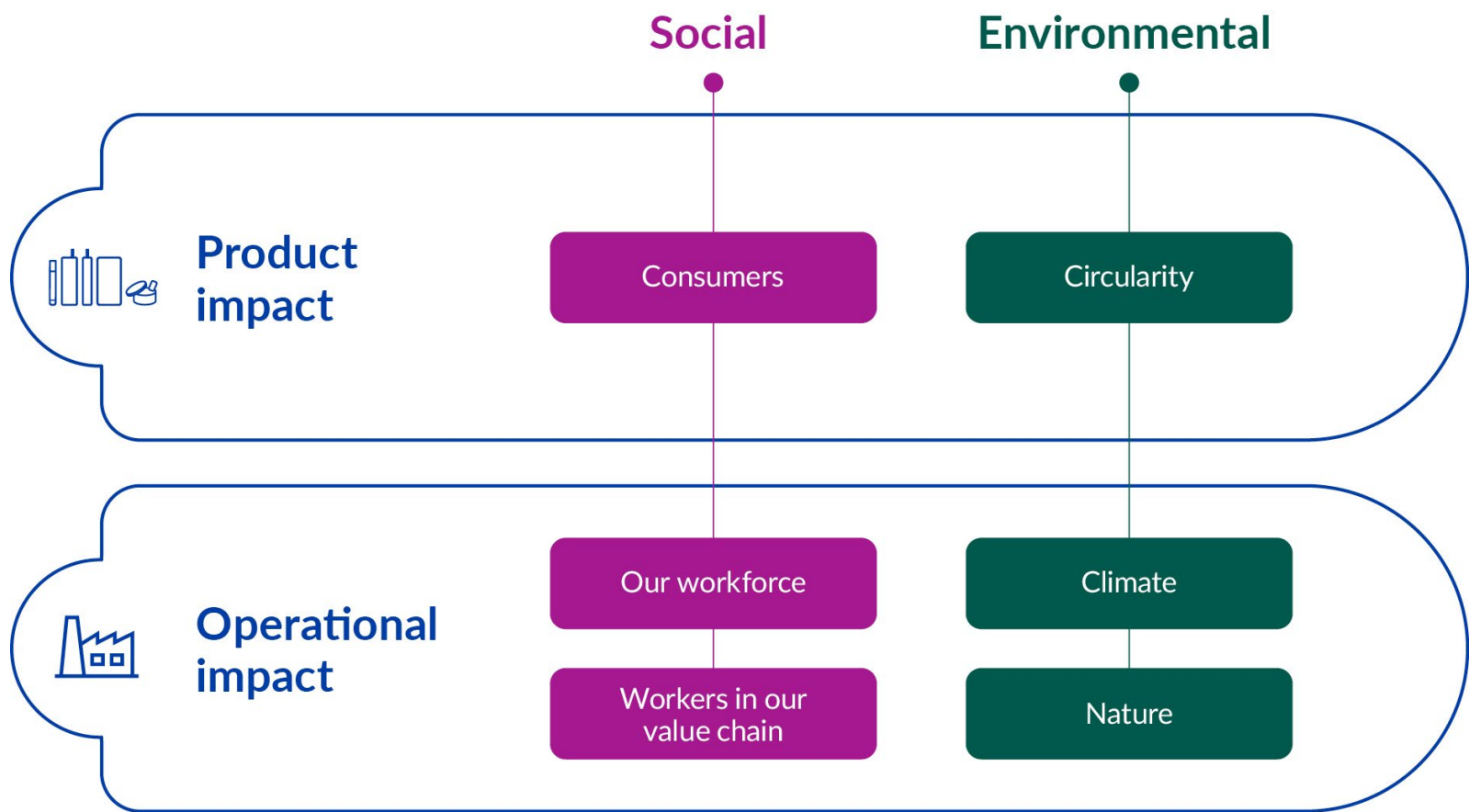
# 4

## STRATEGIC FRAMEWORK

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.

The outcome of our latest sustainability materiality assessment 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.

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. The result of this double categorization is our updated strategic framework.



### 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.

Our Value Plan 2030+ outlines measurable strategies and targets across our 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.



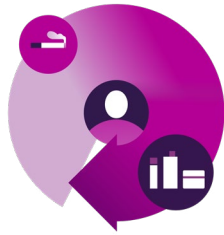
“We have anchored our Value Plan 2030+ in six guiding principles that translate aspiration into achievable progress. Integration ensures that value creation is woven directly into our business imperatives. Materiality keeps us focused on where we can create the greatest value for society, the environment, and our business. Sphere of influence grounds our strategy in reality, distinguishing what we control directly and what requires the action of and collaboration with others. Regulatory responsiveness positions us to navigate an increasingly complex policy landscape. Challenging yet realistic targets balance ambition with achievability. Outcome-driven measurement shifts our focus from activities to impact, tracking real-world outcomes.”

—Jennifer Motles, Chief Sustainability Officer



5

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.

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

### Business transformation

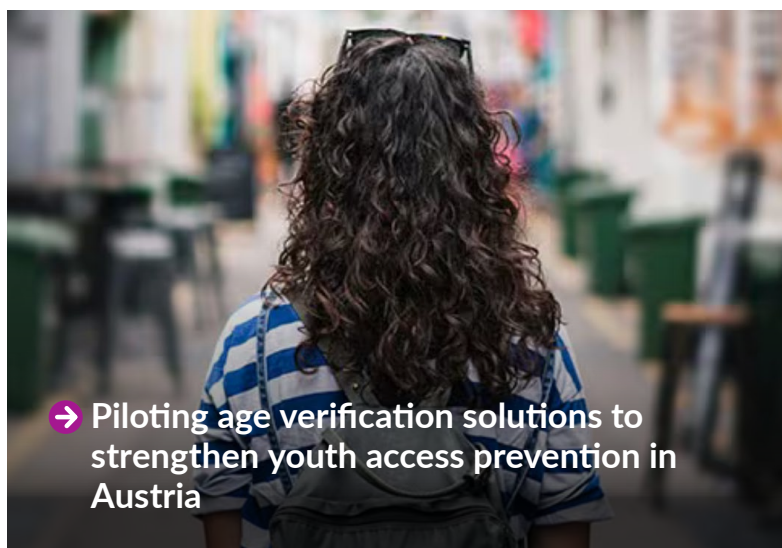
- Be a substantially smoke-free business by 2030, with smoke-free-related net revenues representing over two-thirds of our total annual net revenues globally.
- In around 60 of our markets, have over half of their total net revenues derived from smoke-free by the end of 2030. Of these markets, we aim 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](#).*

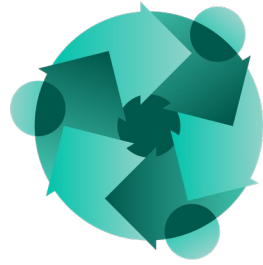
### Story of Impact:



→ Piloting age verification solutions to strengthen youth access prevention in Austria

6

## 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.

*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](#).*

### Stories of Impact:



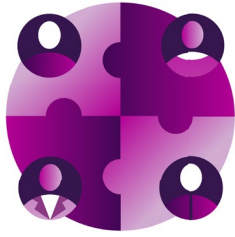
➔ Scratch-free future: Piloting device longevity at a Geneva Boutique



➔ Turning smoke-free consumables waste into opportunity in Egypt

7

## 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.

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

### Human capital

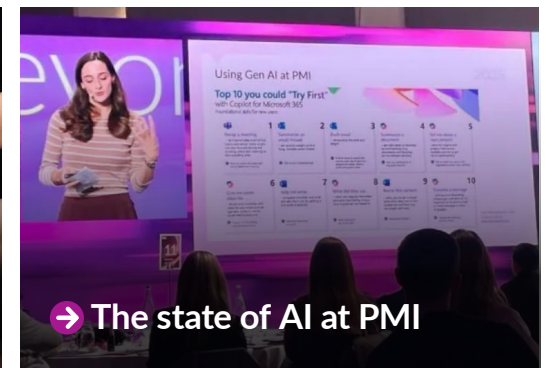
- Continue to ensure 100 percent of our employees earn at least a living wage.
- Maintain EQUAL-SALARY certification through 2030.
- Maintain less than 5 percent average turnover of senior roles filled through recent hires or promotions within the last two years.\*
- Maintain a three-year-average internal development rate for managerial roles at 80-90 percent.\*

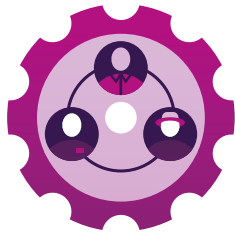
### Well-being, health, and safety

- 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.\*

*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](#).*

### Stories of Impact:





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](#).*

### Stories of Impact:





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.

*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

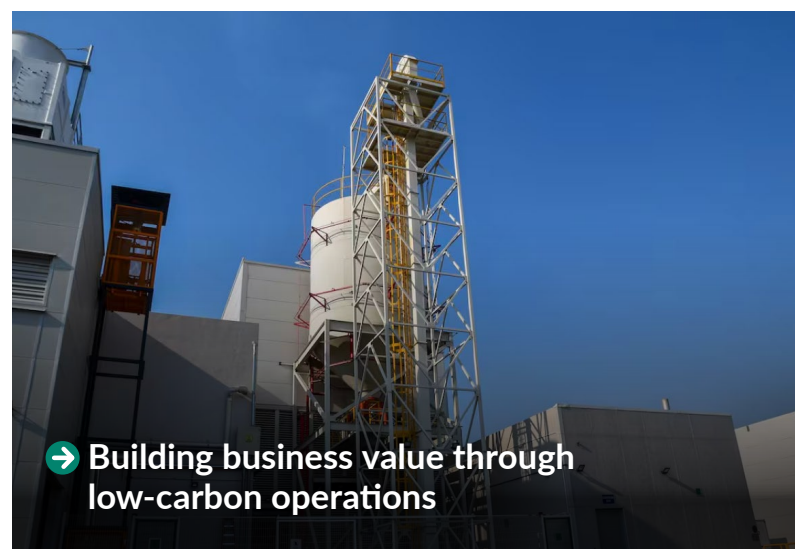
- 15 percent of total electricity consumption in own manufacturing operations self-generated by 2030.\*

*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](#).*

### Stories of Impact:



→ Philip Morris Mexico: Driving climate action beyond the fence line



→ Building business value through low-carbon operations



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.

*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](#).*

### Story of Impact:



→ Soil restoration: Fostering farming resilience and sustainable supply chains in Malawi

# WANT TO KNOW MORE?

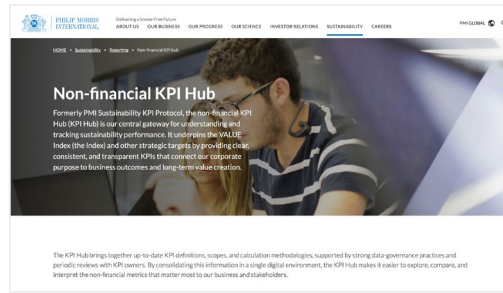
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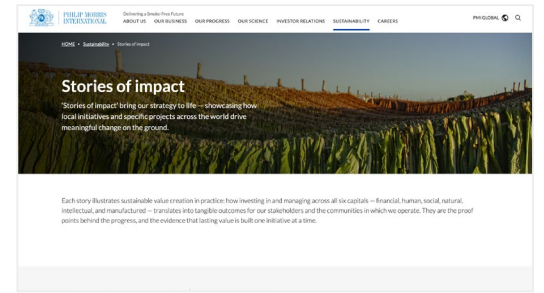
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➔ [2025 Value Report](#)



➔ [PMI's Non-Financial KPI Hub](#)



➔ [Stories of Impact](#)



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## Forward-Looking and Cautionary Statements

This document release contains projections of future results and goals and other forward-looking statements, including statements regarding 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

## HEADQUARTERS

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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.

**Disclaimer:** this Top 10 Takeaways Document on PMI's Value Report 2025 should be read in conjunction with PMI's Value Report 2025. This report includes metrics that are subject to 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. Unless otherwise indicated, the data contained herein cover our operations worldwide for the full calendar year 2025 or reflect the status as of December 31, 2025. Where not specified, data comes from PMI financials, nonfinancials, or estimates.

Unless explicitly stated, the data, information, and aspirations in this report do not incorporate PMI's Wellness unit, Aspeya. Regarding the Swedish Match acquisition, completed late 2022, unless otherwise indicated, this report includes information pertaining to its sustainability performance. Please also refer to "About this report" on page 3 of the PMI's Value Report 2025 for more information. Aspirational 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 page 142. In PMI's Value Report 2025 and in related communications, the terms "materiality," "material," and similar terms are defined in the referenced sustainability standards 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.

<sup>1</sup> Excludes PMI's Tech and other Capital expenditures that are not allocated to smoke-free nor combustible tobacco products | <sup>2</sup> For definition of available for sale, see Glossary | <sup>3</sup> Categories refer to heated tobacco, e-vapor and oral smoke-free products | <sup>4</sup> 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 | <sup>5</sup> Excludes snuff, snuff leaf and U.S. chewing tobacco | <sup>6</sup> For definition of net revenues related to smoke-free, see Glossary page 137- 140 in PMI's Value Report 2025. | <sup>7</sup> Data excludes the combustibles net revenues impact related to termination of distribution arrangement in the Middle East in 2023 | <sup>8</sup> Based on number of markets where PMI's smoke-free products have been available for sale at the end of each respective year presented | <sup>9</sup> 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 page 137- 140 in PMI's Value Report 2025. | <sup>10</sup> Combustible tobacco products volume includes cigarettes and other tobacco products expressed in cigarette equivalent units. The indicator is calculated based on millions of units | <sup>11</sup> Worldwide, including the U.S., excluding China. For definition of industry, see Glossary page 137- 140 in PMI's Value Report 2025. 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.