



# Business Transformation- Linked Financing Framework

August 2021



PHILIP MORRIS INTERNATIONAL



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# About Philip Morris International

Philip Morris International Inc. (PMI) is leading a transformation in the tobacco industry to create a smoke-free future and ultimately replace cigarettes with smoke-free products to the benefit of adults who would otherwise continue to smoke, society, the company, its shareholders and its other stakeholders.

PMI is a leading international tobacco company engaged in the manufacture and sale of cigarettes, as well as smoke-free products, associated electronic devices and accessories, and other nicotine-containing products in markets outside the U.S. In addition, PMI ships versions of its IQOS Platform 1 device and consumables to Altria Group, Inc. for sale under license in the U.S., where these products have received marketing authorizations from the U.S. Food and Drug Administration (FDA) under the premarket tobacco product application (PMTA) pathway; the FDA has also authorized the marketing of a version of IQOS and its consumables as a Modified Risk Tobacco Product (MRTTP), finding that an exposure modification order for these products is appropriate to promote the public health.

PMI is building a future on a new category of smoke-free products that, while not risk-free, are a much better choice than continuing to smoke. Through multidisciplinary capabilities in product development, state-of-the-art facilities and scientific substantiation, PMI aims to ensure that its smoke-free products meet adult consumer preferences and rigorous regulatory requirements. PMI's smoke-free product portfolio includes heat-not-burn and nicotine-containing vapor products. As of June 30, 2021, PMI's smoke-free products were available for sale in 67 markets in key cities or nationwide, and PMI estimates that approximately 14.7 million adults around the world have already switched to IQOS and stopped smoking.



For more information, please visit [PMI.com](https://www.pmi.com) and [PMIsience.com](https://www.pmisience.com)



PMI's Operations Center in Lausanne, Switzerland

# Transforming our business

In 2016, we set a new course for PMI—staking our future on replacing cigarettes with scientifically substantiated, less harmful alternatives.

Five years since announcing our new vision, reaffirmed by our Board of Directors in our [Statement of Purpose](#), we remain committed to accelerating the end of smoking. This means not only transforming our company to deliver on our purpose, but also inspiring our industry to follow our lead. We aim to create a sustainable positive impact that benefits our company, shareholders, consumers, and society.

More than one billion people worldwide smoked cigarettes or other combustible tobacco products in 2020, and, according to the World Health Organization (WHO), around the same number will smoke in 2025.<sup>1</sup> At PMI, we want to provide better, science-based alternatives for those adults who otherwise would continue to smoke. Our commitment is backed by a substantial R&D program and significant, sustained investments in the manufacturing, commercial and human capabilities, and infrastructure needed to bring these alternatives to market.

**To date, we are the only company within the traditional international tobacco industry to have committed to going completely smoke-free by encouraging adult smokers who do not quit to instead fully switch to better alternatives than continued smoking. And, we have already built a leading position in the smoke-free category globally, reporting on our progress transparently and regularly.**

Delivering on our purpose requires ambitious goals and targeted decision-making. Transforming from a cigarette company into a world-leading smoke-free business is about more than replacing one product with another. It requires a holistic review and overhaul of our entire business model and value proposition, including extensive changes within our operations and value chain, and in the ways we interact with society.

But what does transformation mean? It has become a buzzword many refer to lightly. Some companies are “transforming” by selling off the “bad” part of their business, often to private investors not subject to the level of scrutiny applied to publicly listed companies. Some of our stakeholders have asked us why we haven’t sold our cigarette business to speed up our transformation. Even though selling off our cigarette business would (indeed) make our company smoke-free faster, it would not resolve the problem of smoking. To the contrary, the purchaser of the cigarette business would only be interested in maximizing its financial returns and would have no interest in a transition towards a smoke-free future. Our purpose is not only to make our company smoke-free, but to make cigarettes obsolete.

By replacing cigarettes with less harmful alternatives, we can significantly reduce the negative impact our products have on the

health of our consumers. That is why the core of our strategy focuses on addressing the impact of “P” (“Product”), the first and most critical pillar of our approach to sustainability. This is what differentiates our company and highlights our unique value proposition, as the final piece of our ‘ESG + P’ framework.

## Product transformation Innovating for better products

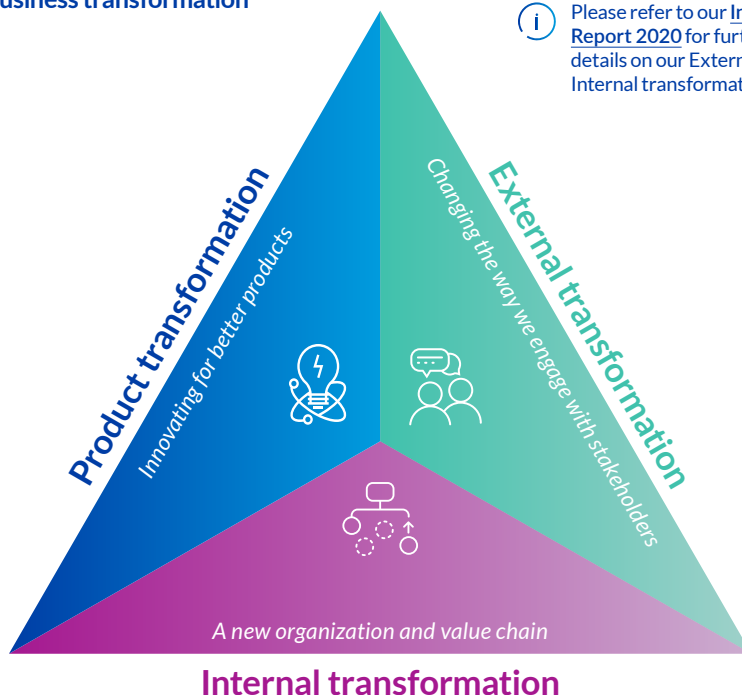


People who do not smoke should not start. Those who do smoke should quit. And those adult smokers who otherwise would not quit should switch to one of the better alternatives to cigarettes now available. Our priority is to address the health impacts associated with smoking by offering science-based options that have been scientifically demonstrated to be a far better choice than continued smoking.

Public health authorities, the scientific community, and many regulatory bodies, such as the U.S. Food and Drug Administration (FDA), agree that the primary cause of smoking-related disease is not nicotine but the inhalation of harmful and potentially harmful constituents, the vast majority of which are emitted as a result of burning (combusting) tobacco.<sup>2</sup> We have therefore developed, and continue to refine, a portfolio of products that deliver nicotine without combustion — smoke-free products. While not risk-free, these products are a far better choice than continuing to smoke.

The reduced risk potential of these products is scientifically substantiated by employing a step-by-step program derived from practices followed by the pharmaceutical industry. Our scientific results are supported by a growing body of independent research. Several government agencies have already reviewed the available evidence or conducted research of their own (read more [here](#)). The list of independent studies (over 160 in total) published around PMI’s smoke-free products and/or our methods and results as of April 29, 2021 is available on [PMIscience.com](#).

## PMI’s business transformation



<sup>1</sup> Source: WHO Global Report on Trends in Prevalence of Tobacco Use 2000-2025, third edition (December 2019)

<sup>2</sup> Source: [FDA](#)

In 2019, a version of our heat-not-burn product *IQOS* became the first innovative electronic alternative to cigarettes to be authorized by the FDA for sale in the U.S. On July 7, 2020, the FDA went one step further, authorizing *IQOS* to be marketed as a Modified Risk Tobacco Product (MRTTP) with the following “reduced exposure” information:

- The *IQOS* system heats tobacco but does not burn it.
- This significantly reduces the production of harmful and potentially harmful chemicals.
- Scientific studies have shown that switching completely from conventional cigarettes to the *IQOS* system significantly reduces your body’s exposure to harmful or potentially harmful chemicals.

This decision followed a multi-year review of the scientific evidence PMI submitted to the FDA in December 2016. The agency found that the use of reduced-exposure claims would be “appropriate to promote the public health and is expected to benefit the health of the population as a whole taking into account both users of tobacco products and persons who do not currently use tobacco products”.<sup>3</sup> The FDA also concluded that the totality of evidence presented suggests that a measurable and substantial reduction in morbidity or mortality among individual tobacco users is reasonably likely to be established in subsequent studies. The order letter as well as the decision summary are available on the [FDA’s website](#).

At PMI we want to accelerate the end of smoking and are therefore transforming our operations to purposefully phase out cigarettes as quickly as possible. We believe every company has an ethical and societal responsibility to address and mitigate the negative impacts of the products it manufactures and sells.

**To be clear, we do not believe it is enough simply to offer more choice of combustible and smoke-free products to adult consumers. Instead, we believe the responsible approach is to guide and encourage adult consumers to make a fundamental change in behavior by switching completely from combustible products to smoke-free alternatives, while simultaneously working with policymakers to ensure these products ultimately replace cigarettes.**

Science and technology are a vital engine of innovation and growth for our company, and they are also the key to tobacco harm reduction. We have harnessed the latest scientific advances to develop better alternatives to cigarettes, but that is not enough. Now we must ensure that those adult smokers who otherwise would not quit are aware of and have access to them (read more [here](#)) so that they can switch to them.

### Our smoke-free products

To address a variety of adult consumer preferences, we have developed a portfolio approach that includes both heat-not-burn products and nicotine-containing vapor products. Our current smoke-free product portfolio incorporates four platforms—all centered on eliminating combustion—in various stages of development and commercialization. An overview of our product platforms is available on [PMIscience.com](#).

As of June 30, 2021, PMI’s smoke-free products were available for sale in 67 markets in key cities or nationwide. Currently, our main smoke-free product is a heat-not-burn product that is commercialized under the *IQOS* brand name. Read more about our smoke-free products [here](#).

### Our combustible products

In support of our transformation, we have reallocated a significant proportion of our commercial spending from cigarettes to smoke-free products and have streamlined our cigarette portfolio to focus on fewer brands and variants. Nevertheless, maintaining our competitive position in the cigarette market while we transition to our smoke-free future is critical, as it best positions us to significantly accelerate our smoke-free journey. The extensive commercial and distribution infrastructure of our traditional tobacco business provides an effective platform from which to launch our smoke-free products at scale. Furthermore, maintaining leadership within the cigarette segment during the transition period enables us to engage more smokers regarding the benefits of switching, especially where we can communicate directly with our consumers. While seeking to remain competitive in the cigarette segment, we carefully consider the commercial activities needed to do so. Our decisions are based on consumer insights and adherence to responsible commercialization practices guarding against youth access and are guided by the following triplet: People who do not smoke should not start, those who smoke should quit, and those who won’t quit should switch to less harmful alternatives.

Our cigarette brands are the choice of an estimated 130 million consumers worldwide. Our cigarettes are sold in more than 175 markets; in many markets, they hold the number one or number two market share position. Our portfolio includes a wide range of premium, mid-price, and low-price brands, including *Marlboro*, *L&M*, *Chesterfield*, *Philip Morris*, and *Parliament*, which are among the 15 most popular brands in the international cigarette market (which excludes China and the U.S.).

<sup>3</sup> The forgoing summary is qualified in its entirety by the full text of the MRTTP order

#### IQOS status of scientific substantiation

##### Product health benefits



##### Access to smoke-free products



##### Innovating for better products



#### Data gathered so far

Average 95 percent reduction in harmful chemicals measured in laboratory studies

Analyses of aerosol identify few to no new risks compared with cigarette smoking

Clinical studies find favorable changes in risk markers among smokers who switch

73 percent of adult smokers who switch to *IQOS* stop smoking cigarettes

Very low levels of use of *IQOS* among youth and nonsmokers

12.7 million smokers have stopped smoking and switched to *IQOS*\*

*IQOS* significantly accelerates decline in cigarette smoking

#### Data being gathered

A substantial reduction in morbidity or mortality among individual tobacco users is likely to be established in future studies

Ecological studies are being undertaken to establish public health impact of *IQOS* on smoking-related diseases (COPD and IHD) at population level

\* PMI estimates as of December 31, 2020

## Access to smoke-free products and positive impact

The public health benefit of smoke-free products depends not only on their potential to reduce the risk of smoking-related disease, but also on their actual use as alternatives to cigarettes by adult smokers who would otherwise continue to smoke. To succeed in making the world smoke-free, these adults need to have access to PMI's smoke-free products.

By access, we mean that:

- Smokers are aware of the benefits of smoke-free products;
- The products are accepted by smokers as a viable alternative to cigarettes;
- The products are conveniently available for sale to smokers; and
- Smoke-free products are affordable to smokers.

In this context, a regulatory framework allowing the products to be sold and adult smokers to know that these products exist and are available is essential.

In 2020, we launched IQOS in 12 additional markets, bringing the total number of markets in which the product is commercialized to 64. As of June 30, 2021, PMI smoke-free products were available for sale in 67 markets.

The responsible commercialization of tobacco and nicotine-containing products is of profound interest to society. At PMI, we support regulation that supports tobacco harm reduction, as well as measures that discourage initiation, encourage cessation, and encourage smokers who do not quit to switch to less harmful non-combusted alternatives to cigarettes. Read more [here](#) about our responsible marketing and sales practices.



## Transforming beyond nicotine Thinking net positive

As we continue to transform our products, business model, and value proposition, stakeholder engagement and constructive dialogue remain paramount. This implies having forthright conversations that embrace the concept of transformative change.

The positive impact that phasing out cigarettes, and thereby ending smoking, can have on public health (at both the individual and collective level) is undeniable.

Even though the beginning of our transformation journey started by articulating a vision centered on phasing out cigarettes and developing and commercializing better and less harmful alternatives to smoking, we realize that this cannot be our end goal. We understand that a complete and successful transformation is one that allows our company's business to move from a value proposition centered on doing less harm toward one where we can have a net positive impact on society.

Sustainability offers us an opportunity for growth through investments in scientific research to continue innovating for better products, with the aim of becoming net positive.

Researching and developing less harmful non-combustible alternatives that are scientifically substantiated was the first step; broadening access for adult smokers, while simultaneously and deliberately working to phase out cigarette smoking, completed the equation of our smoke-free purpose. In the process, we have expanded our social, human, intellectual, and manufactured capital in ways that allow us to go a step further and develop products that seek to be better than merely less harmful.

In order to demonstrate the seriousness of our endeavor, we introduced a new aspiration: Net revenues of at least USD 1 billion derived from "beyond nicotine" products by the end of 2025. This aspirational goal aims to further cement the confidence we have about the

long term, as we evolve into a broader lifestyle and consumer wellness company, leveraging our ability to monetize the skills and assets we have accrued and developed in the process of our transformation. These include our commercial and digital abilities as well as our focus on consumer-centricity, which have enabled us to better inform adult smokers, allowing them to make fundamental behavior changes to improve their health and well-being.



## Transparent reporting on progress

### PMI's Business Transformation Metrics

To make our progress both measurable and verifiable, we developed a set of bespoke key performance indicators (KPIs) that we call Business Transformation Metrics. This set of metrics, which we report on periodically, allows our stakeholders to

assess both the pace and the scale of our transformation. Over the years, based on our stakeholders' feedback we have expanded the number of metrics to increase transparency and clarity about our progress.

Our Business Transformation Metrics also showcase how we are allocating resources away from our traditional cigarette business, aiming to base our success on a future where we no longer make or sell cigarettes.

	2016	2017	2018	2019	2020	
R&D	R&D expenditure (in millions USD)*	429	453	383	465	495
	R&D expenditure (smoke-free/total) <sup>1 *</sup>	72%	74%	92%	98%	99%
	Number of R&D positions (FTEs) <sup>2</sup>	n/a	n/a	764	942	934
	Patents granted in IP5 jurisdictions relating to smoke-free products (cumulative) <sup>3</sup>	170	300	480	740	1,300
	Number of studies completed by PMI on smoke-free products (cumulative, since 2015)					
	– Toxicological assessment	36	57	82	109	146
	– Clinical assessment	11	12	19	19	22
	7	8	12	13	30	
	(7+0)	(7+1)	(9+3)	(9+4)	(15+15)	
Sourcing	Supply chain direct spend expenditure (smoke-free/total) <sup>5</sup>	n/a	n/a	n/a	35%	33%
Operations	Cumulative investments behind smoke-free products (since 2008, in billions USD) <sup>6</sup>	3.2	4.6	6.2	7.2	8.1
	Number of factories producing smoke-free products out of total number of factories <sup>7 *</sup>	3 out of 48	4 out of 46	8 out of 44	8 out of 38	8 out of 39
Commercialization	Year-on-year change in number of SKUs—combustible products <sup>8</sup>	-1.7%	-6.5%	-6.1%	-5.5%	-4.1%
	Year-on-year change in number of SKUs—smoke-free products	78.2%	9.9%	37.1%	24.9%	38.2%
	SKUs (smoke-free/total)	4.7%	5.5%	7.8%	10.1%	13.9%
	Number of markets where IQOS is available for sale*	20	38	44	52	64
	Proportion of markets where IQOS is available for sale that are outside the OECD <sup>9 *</sup>	32%	41%	44%	45%	52%
	Number of IQOS stores <sup>10</sup>	26	63	81	199	259
	Number of retailers that sell PMI smoke-free product consumables (in thousands)	90	292	488	679	749
	Commercial expenditure (marketing) (smoke-free/total)*	15%	39%	60%	71%	76%
	Smoke-free product shipment volume (billion units)*	8	36	42	60	76
	Combustible product shipment volume (billion units)*	845	791	767	732	654
Consumers	Smoke-free product shipment ratio (smoke-free/total) <sup>11 *</sup>	0.9%	4.4%	5.1%	7.6%	10.4%
	Total IQOS users (in millions) <sup>12 *</sup>	2.1	6.9	9.6	13.5	17.5
	Estimated users who have switched to IQOS and stopped smoking (in millions) <sup>12 *</sup>	1.5	4.7	6.6	9.6	12.7
	Estimated users outside the OECD countries who have switched to IQOS and stopped smoking (in millions) <sup>9 *</sup>	0.0	0.2	1.1	2.9	4.3
Revenues	Net revenues (smoke-free/total) <sup>13 *</sup>	2.7%	12.7%	13.8%	18.7%	23.8%
	Number of markets where net revenues from smoke-free products exceed 10% of total net revenues <sup>14 *</sup>	1	5	19	31	38
	Number of markets where net revenues from smoke-free products exceed 50% of total net revenues <sup>14 *</sup>	0	1	3	4	6

### Metrics linked to 2025 aspirations

Source: PMI Integrated Report 2020

\* The 2020 metrics marked with an asterisk (\*) are subject to PwC's Assurance Report (please refer to our [Integrated Report 2020](#)).

- Smoke-free products include heated tobacco units, devices, and e-cigarettes. Total products include smoke-free products, cigarettes, and other combustible products.
- 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.
- IP5 jurisdictions are Europe (patents granted by the European Patent Office), China, South Korea, Japan, and the U.S.

4 Data related to perception and behavior studies were restated to include both premarket and post-market studies.

5 Direct spend focuses on materials used in the manufacture of our products; it includes tobacco leaf, direct materials, and electronic devices and accessories.

6 Investments reflect research, product and commercial development, production capacity, scientific substantiation, and studies on adult smoker understanding. Figure does not include commercial deployment costs.

7 Production temporarily stopped at one of our factories in Germany in December 2019 and resumed early 2020.

8 "SKUs" stands for stock-keeping units. References to number of SKUs are based on the latest available data from a number of internal sources, and exclude China and the U.S.

9 Excluding PMI Duty Free. Data are based on 2020 OECD country list.

10 Includes flagship stores, and small, large, and temporary boutiques.

11 The smoke-free product shipment ratio is compiled based on millions of units.

12 Excluding PMI Duty Free; see [glossary](#).

13 Net of excise taxes.

14 Excluding PMI Duty Free and the U.S.

## Our 2025 aspirations

Aspirational goals linked to our Business Transformation Metrics give us a clear roadmap and offer our stakeholders visibility into the pace and scale of our achievements.

Since the initial pilot launches of *IQOS* in late-2014, we have delivered strong growth in our smoke-free product portfolio, which accounted for nearly a quarter of our total net revenues in 2020. We intend to accelerate this growth in the coming years and, in early 2021, increased our 2025 ambition for the proportion of our total net revenues to come from smoke-free products to be at least 50 percent, from our aim of 38 to 42 percent previously. This pioneering ambition to become a predominantly smoke-free company within the next five years demonstrates our commitment to deliver on our purpose and drive the end of cigarette smoking as quickly as possible.

Critically, we aspire for our smoke-free products to be available for sale to adult smokers in 100 markets by the end of 2025.

By the end of 2025, we aspire to grow our smoke-free shipment volume above 250 billion units while simultaneously decreasing our combustible product shipment volume to below 550 billion units. This means we aspire for smoke-free products to represent more than 30 percent of our total shipment volume by that year.

We also aim for at least 40 million adults to have switched to our smoke-free products and stopped smoking by the end of 2025.

Finally, as noted previously, this year we introduced a new aspiration of at least USD 1 billion in annual net revenues from "beyond nicotine" products by the end of 2025, leveraging the capabilities we have built in life sciences, device technology, and consumer expertise.





# Sustainability at PMI

Our purpose of achieving a smoke-free future must be conducted sustainably.

For PMI, sustainability is an opportunity for innovation, growth, and long-term value creation, and a means to minimize the negative externalities while maximizing operational efficiency and resource allocation. Sustainability stands at the core of PMI's transformation and helps address some of the challenges resulting from this transition, while spurring innovation and securing success over the long term. Our priority is to address the health impacts associated with smoking by encouraging adult smokers to switch to better, science-based alternatives, ultimately phasing out cigarettes.

Our approach to sustainability is focused on addressing the health impacts of smoking. This is done through a four-fold approach:

- 1. Developing and commercializing scientifically substantiated, less harmful alternatives to cigarettes;**
- 2. Broadening access for all adult smokers who will not quit, to fully switch to smoke-free products, ensuring these products accelerate the decline of smoking prevalence;**
- 3. Purposefully working to phase out cigarettes; and**
- 4. Developing products that go beyond nicotine. This is the most important contribution we can make to public health and the cornerstone of PMI's purpose and business strategy.**

## Focusing on what matters Materiality

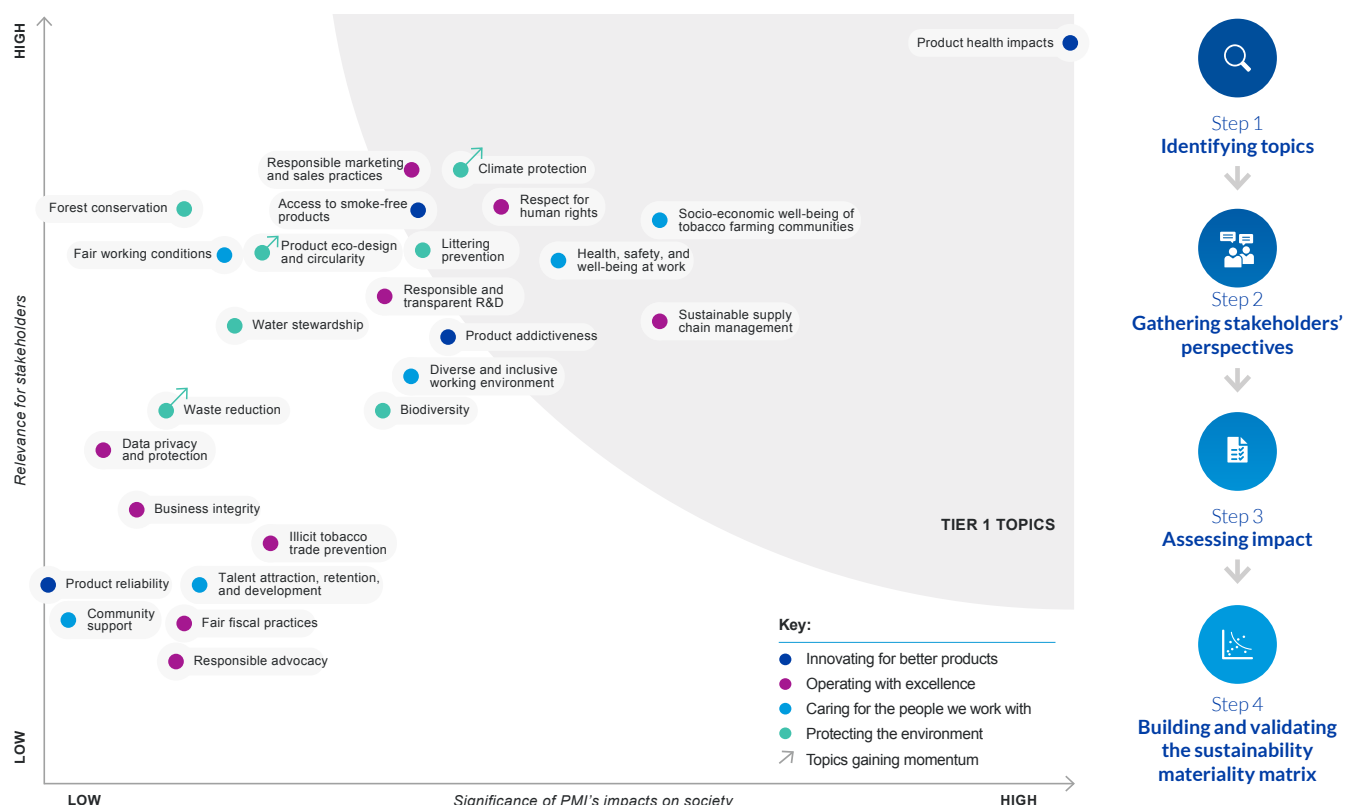
A rigorous materiality<sup>4</sup> assessment ensures that our strategy, work, and reporting cover the right topics in the right way; this allows us to measure progress against our sustainability roadmap. Building on our 2018 exercise, we refreshed our materiality assessment at the end of 2019 to ensure we focus resources for the greatest impact. Our 2019 sustainability materiality refresh (conducted in line with Global Reporting Initiative guidance) informed the development of our 2025 Roadmap.

To ensure that our strategy remains current and is able to best fulfill our stakeholders' expectations, and that our initiatives continue to address those issues on which our business can have the greatest impact, we are currently conducting a new comprehensive sustainability materiality assessment in 2021. This new materiality assessment will allow us to reassess, recalibrate, and reaffirm our goals. We will communicate the findings in our next report.

 [Read PMI's Sustainability Materiality Report 2019](#)

<sup>4</sup> In this Framework, the term "materiality," "material," and similar terms, when used in the context of economic, environmental and social topics, 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.

## Defining our strategy: Sustainability materiality assessment



## Strategic framework

Our approach to sustainability is structured around four pillars of action and two tiers of topics. It provides the framework through which we respond to sustainability challenges and opportunities.

To become a sustainable company, we must make every effort to replace cigarettes completely with better, smoke-free alternatives. Innovating for better products is therefore at the core of our strategy. Our other strategic pillars include effective management of operational topics, social issues, and environmental matters.

Our two-tiered grouping of topics is based on the sustainability materiality analysis we conducted in 2018, and refreshed in 2019. That analysis identified 10 areas of priority focus—or “tier 1 topics”—across our four pillars of action.

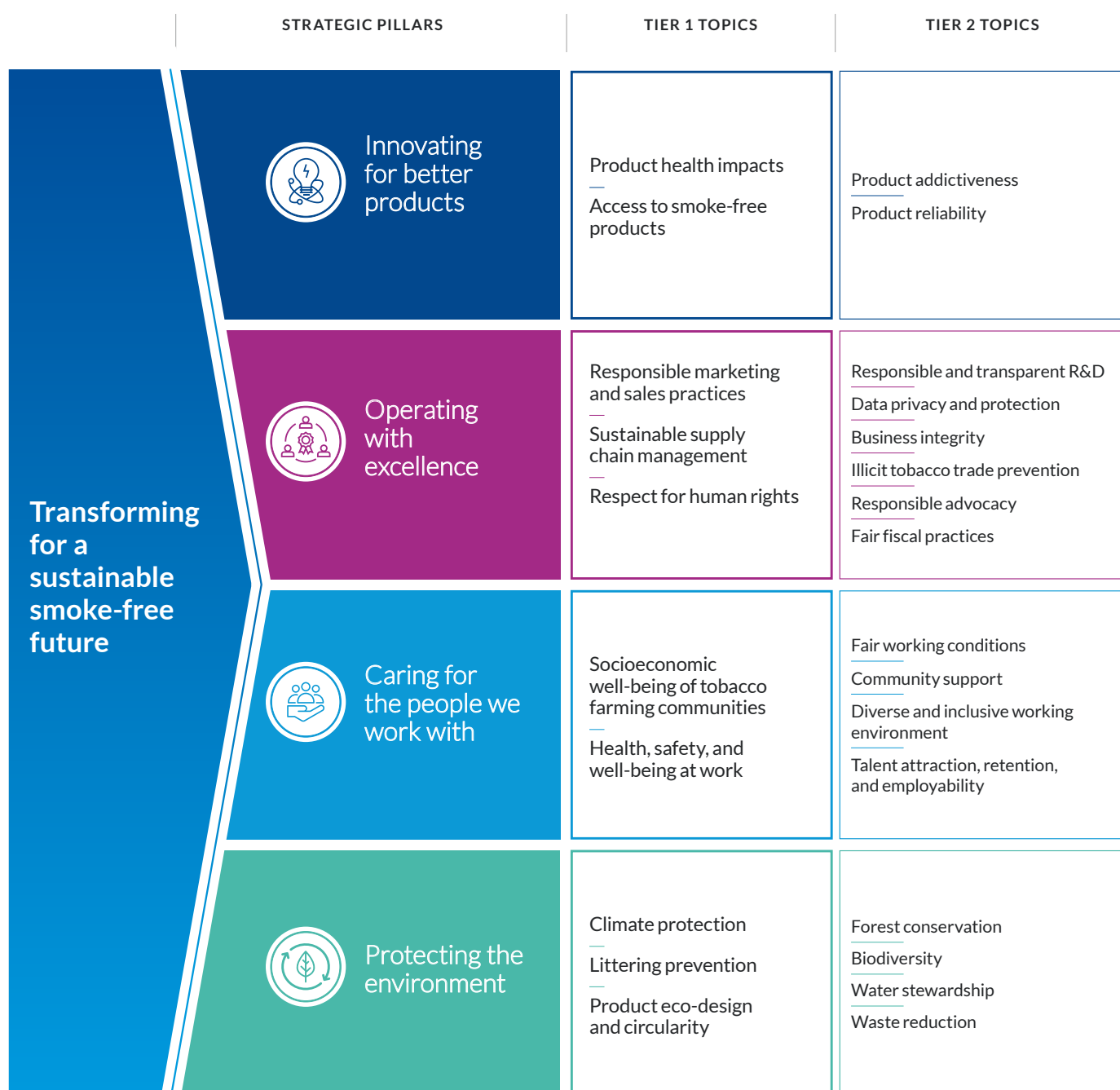
Sustainability is embedded throughout our business, and its integration into our company relies on a formal structure with clear accountabilities at different levels of the organization. Our executive compensation program reflects our commitment to put sustainability at the core of our corporate strategy, and our diversity and inclusion goals form a part of this strategy.



For further details on Tier 1 topics, see our [Integrated Report 2020](#)

For further details on Tier 2 topics, visit [PMI.com](https://www.pmi.com)

Please refer to our ‘Governance and management’ section of our [Integrated Report 2020](#)






## Our 2025 Roadmap

Besides reporting transparently on progress, it is crucial to have forward-looking goals that inform the route of our long-term plan. Accordingly, in 2020 we introduced a set of aspirational targets for each of our tier 1 topics. Known collectively as our 2025 Roadmap, they correspond to the areas in which we believe our company can have the most significant impact.

Despite the unprecedented challenges brought by the global pandemic, we have not deviated from our efforts to become a sustainable company. In 2020, we remained focused on achieving our ambitions and realized noteworthy progress in many of our priority topics.

 [Learn more about progress against our goals, read our Integrated Report 2020](#)

## Progress on our 2025 Roadmap

Status by the end of 2020

 Not started    Progress, but with challenges    Progress on track    Progress, further than anticipated    Completed

### Product health impacts and access to smoke-free products



**>40m**

Number of adult smokers globally who switch to PMI smoke-free products and stop smoking



**>20m**

Number of adult smokers in non-OECD countries who switch to PMI smoke-free products and stop smoking



**100**

Markets where PMI smoke-free products are available for sale

### Responsible marketing and sales practices



**>90%**

Youth access prevention (YAP) programs in place in markets representing over 90 percent of PMI's total shipment volume by 2020



**100%**

Percentage of PMI smoke-free electronic devices introduced on the market as of 2023 equipped with age-verification technology

### Sustainable supply chain management



**100%**

Percentage of critical suppliers from whom PMI sources sustainably

### Respect for human rights



**10**

Highest risk countries covered by external human rights impact assessments

### Socioeconomic well-being of tobacco-farming communities



**100%**

Percentage of contracted farmers supplying tobacco to PMI who make a living income



**Zero**

Zero child labor in PMI's tobacco supply chain

### Health, safety, and well-being at work



**<0.3**

Total recordable incidents rate for employees and contractors

### Climate protection



**Net zero**

Achievement of carbon neutrality of PMI's direct operations (scope 1+2) by 2030



**Net zero**

Achievement of carbon neutrality of PMI's value chain (scope 1+2+3) by 2050

### Littering prevention



**-50%**

Reduction of plastic litter from our products (versus 2021)

### Product eco-design and circularity



**100%**

Percentage of PMI smoke-free product users who have access to collection and recovery for devices and consumables



**100%**

Percentage of PMI smoke-free electronic devices introduced on the market as of the end of 2025 that have eco-design certification

**Note:** As updated in our Sustainability Webcast in June 2021, we now expect to achieve Scope 1 & 2 neutrality by 2025 (5 years earlier than previous 2030 target)

## Contributing to the Sustainable Development Goals (SDGs)

The 2030 Agenda for Sustainable Development is a universal call for action to address global challenges.

At PMI, we are committed to doing our part to make the UN SDGs a reality. Though none is unimportant, we impact and are impacted by different goals to differing degrees. In 2019, building on our refreshed sustainability materiality assessment, we reviewed our contribution to the SDGs to identify areas where we have an opportunity to make the greatest difference, in line with our sustainability priorities.

In 2020, we have taken it a step further. To add more visibility and granularity, we deepened our analysis and mapped in our [SDG Index](#)

our efforts and ambitions with the targets of the UN SDGs for each of our sustainability topics. The goals are interconnected and influence each other. We have developed initiatives to systematically address the most critical sustainability challenges affecting our business and stakeholders. Through our business transformation, we aspire to have a significant, positive impact on SDG 3 (Good Health and Well-Being) while contributing to several other SDGs and corresponding targets.





# PMI's Business Transformation-Linked Financing Framework

A smoke-free future is attainable, and the benefits it can bring to adults who would otherwise continue to smoke, and hence to global public health, are enormous.

However, PMI cannot succeed alone. Together with governments and civil society, we can maximize this opportunity through a consensus that smoke-free alternatives, when subject to proper government oversight and regulation, are part of a sound tobacco policy. We also need the support of our investors, banks, insurers, and other financial partners to achieve this transformation. We believe that with the right regulatory encouragement and support for smoke-free products from governments and civil society, cigarette sales can end within 10 to 15 years in many countries (read more [here](#)).

ESG performance is about a company's inputs and operations; it does not address the positive and negative externalities of a company's products and services—the missing “P” (for “Product”) in ESG. With scientific evidence that smoke-free products represent much better alternatives than combusted cigarettes to health, PMI will continue to step up its efforts on all fronts to contribute positively to people's lives. We can only accomplish this by keeping our approach to sustainability at the heart of the way we do business, focused on our purpose.

Five years ago, we set out to create a new future for PMI—a future in which cigarettes would be replaced by less harmful, science-based alternatives—with a focus on reducing the negative impacts of our products on the health of our consumers, this remains the core of our strategy. Sustainability strategy is corporate strategy. ESG issues are business issues. This is what we want to emphasize through this exercise. We hope it provides a window into our present, as well as the better future that we envision.

We hope, too, that it will spark a dialogue with those who can help to accelerate the pace of change – by directly linking the financing of our company to our ambitious business transformation targets to become a majority smoke-free company by the end of 2025; meaning that in five years, cigarettes are anticipated to account for less than half of PMI's total net revenues. These underpin the biggest and most sustainable positive impact that we can have, to the benefit of consumers, society, our company and its shareholders.

To strengthen our commitment and further highlight to stakeholders the seriousness of our smoke-free ambitions, we wish to link our most material sustainability priorities to our financing. In that regard, we believe that a business transformation-linked financing framework not only helps reinforce our commitment to reinvent our company, but will also allow investors and lenders to engage with and support our industry-leading transformation as we work to accelerate the end of smoking and use our strong capabilities to develop products that go beyond nicotine and have a net positive impact on society.

We intend to complement our transformation with business transformation-linked financing instruments in the debt capital and loan markets, which may include public notes offerings, private placements, loans and any other relevant business transformation-linked financing instruments (collectively the “Business Transformation-Linked Instruments”).

PMI's Business Transformation-Linked Financing Framework (the “Framework”) is aligned with the five core components of the Sustainability-Linked Bond Principles published by the International Capital Market Association (ICMA)<sup>5</sup> in June 2020, and also takes into account the Sustainability-Linked Loan Principles, as published by the Loan Market Association (LMA)<sup>6</sup> in May 2021:

- **Selection of Key Performance Indicators (KPIs)**
- **Calibration of Sustainability Performance Targets (SPTs)**
- **Characteristics of Sustainability-Linked Financing**
- **Reporting**
- **Verification**



An Employee at PMI's Indonesian affiliate, Sampoerna, solar panel farm in Karawang, Indonesia

<sup>5</sup> [Sustainability-Linked Bond Principles](#)

<sup>6</sup> [Sustainability-Linked Loan Principles](#)

# Selection of Key Performance Indicators (KPIs)

At PMI, we are leading a transformation in the tobacco industry to create a smoke-free future and ultimately replace cigarettes with smoke-free products to the benefit of adult smokers who would otherwise continue to smoke, society, the company, its shareholders and its other stakeholders. Our pioneering ambition is also aligned with a long-held goal of NGOs, the scientific community, public health experts, and regulators to reduce the harm caused by smoking.

Our approach to sustainability is focused on addressing the health impacts of smoking. This is done through a four-fold approach:

1. **Developing and commercializing scientifically substantiated, less harmful alternatives to cigarettes;**
2. **Broadening access for all adult smokers who do not quit, to ensure they have the opportunity to fully switch to smoke-free products, thereby ensuring these products accelerate the decline of smoking prevalence;**
3. **Purposefully working to phase out cigarettes; and**
4. **Developing products that go beyond nicotine.**

**This is the most important contribution we can make to public health and the cornerstone of PMI's purpose and business strategy.**

## KPIs

The selection of KPIs for our business transformation-linked financing is consistent with the above-mentioned approach, in that they directly measure and respond to the focus of our sustainability strategy and our most material topic: addressing the health impact of our products. Our business transformation responds to that need and our Business Transformation Metrics transparently report progress towards that goal.

The chosen KPIs are directly linked to two of PMI's most ambitious and strategic [Business Transformation Metrics](#):

**KPI 1 PMI's smoke-free/total net revenue percentage, measuring the scale of our business transformation in regularly reported financial terms and reflecting the publicly announced benchmark by which we aim to become a predominantly smoke-free company**

**KPI 2 Number of markets where PMI smoke-free products are available for sale, measuring the access provided to adult smokers around the world, which serves as a key indicator of our commitment to drive the obsolescence of cigarettes as fast as possible in as many markets as possible**

The selected KPIs not only allow our stakeholders to assess both the pace and the scale of our progress towards our

target, but also reflect our continuous aspiration to have a significant and positive impact for adult smokers switching to smoke-free products. As part of our Business Transformation Metrics, they are measured methodically and reported on periodically. They are also assessed independently by our external auditors and included in their limited assurance report.

The above two KPIs are key elements for demonstrating our progress towards a smoke-free future and demonstrate our leading position versus the other global industry players, both in actual performance as well as ambitions for 2025 and beyond. The two KPIs serve as an integral part of our broader 2025 aspirations included in our Integrated Report 2020, as well as verifiable and regularly reported metrics that provide external stakeholders visibility on how we achieve our goals.

Since the initial launch of IQOS in late-2014, we have delivered strong growth in our smoke-free product portfolio. We intend to accelerate this growth to become a predominantly smoke-free company within the next five years and to drive the end of cigarette smoking as fast as possible.

Moreover, we believe that our value proposition should not rest on expanding our smoke-free portfolio to offer choice in addition to cigarettes. Much to the contrary, our purpose is to make cigarettes obsolete, encouraging adult smokers to switch to better alternatives.

## Definition and methodology for KPIs measurement

1. PMI's<sup>7</sup> smoke-free/total net revenue percentage means Smoke-Free Product Net Revenues as a % of Total PMI Net Revenues
  - "Total PMI Net Revenues" refer to PMI's operating revenues from the sale of all products, including shipping and handling charges billed to customers, net of sales and promotion incentives, and excise taxes.<sup>8</sup>
  - "Smoke-Free Product Net Revenues" represent operating revenues from the sale of Non-Combustible products, including shipping and handling charges billed to customers, net of sales and promotion incentives, and excise taxes.
  - "Non-Combustible products" is the term PMI uses to refer to products, excluding cigarettes and OTP<sup>9</sup>. This may include heated tobacco units, heat-not-burn devices and related accessories, other nicotine-containing products, primarily e-vapor products, and beyond nicotine products.

PMI's net revenues are reported in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) at the time and such principles are applied on a consistent basis.

2. Number of markets where PMI smoke-free products are available for sale
  - "Number of markets" refers to markets<sup>10</sup> where PMI smoke-free products are available for general sale to adult smokers in key cities<sup>11</sup> or nationwide through traditional or digital retail channels<sup>12</sup>.

Relevant determinations and assumptions may be incorporated and/or changed, as deemed appropriate by management, in a consistent and fair manner to ensure comparability and meaningful information to management and external stakeholders.

PMI smoke-free products may include additional products under license agreement or similar arrangements.

General terms, definitions and adjustments may be updated and/or included from time to time, and will be part of the relevant disclosures, as applicable.

<sup>7</sup> PMI includes Philip Morris International Inc. and its subsidiaries

<sup>8</sup> PMI recognizes revenue when control is transferred to the customer, typically either upon shipment or delivery of goods

<sup>9</sup> "OTP" is defined as "other tobacco products," primarily roll-your-own and make-your-own cigarettes, pipe tobacco, cigars and cigarillos, and does not include reduced-risk products

<sup>10</sup> Markets are defined consistent with how PMI runs its business for management purposes; they are determined primarily at the country level, and also include Canary Islands, Palestine, Reunion, Turkish Cyprus and International Duty Free

<sup>11</sup> Key cities represent large urban areas with a high concentration of consumers

<sup>12</sup> Availability to consumers is measured by in-market sales of consumables, whereby products are available for general sale. In-market sales is defined as sales to the retail channel, depending on the market and distribution model



# Calibration of Sustainability Performance Targets (SPTs)

## Sustainability Performance Target 1

Increase PMI's full-year 2025 smoke-free/total net revenue percentage to more than 50%, from the 2020 baseline of 23.8%

## Sustainability Performance Target 2

Increase the number of markets where PMI's smoke-free products are available for sale to 100 markets by the end of 2025, from the baseline of 64 markets on December 31, 2020

## Target observation date for Sustainability Performance Targets

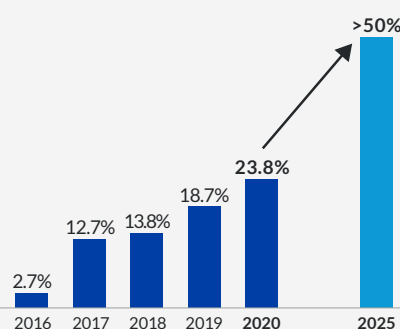
31 December 2025

## Historical values and targets

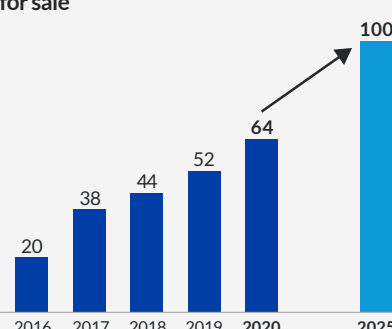
These ambitious SPTs reflect our determination to become a predominantly smoke-free company within the next five years and significantly increase the access of our smoke-free products to a greater number

of adult smokers across a broad range of markets. The SPTs further demonstrate our commitment to deliver on our purpose and drive the end of cigarette smoking as fast as possible, with the ultimate objective to significantly improve public health.

### SPT 1: PMI smoke-free/total net revenue percentage



### SPT 2: Number of markets where PMI smoke-free products are available for sale



## Factors that support the achievement of the SPTs

1. Substantial R&D program directed almost exclusively to smoke-free products
2. Significant and sustained investments in the manufacturing, commercial and human capabilities, as well as infrastructure needed to bring these smoke-free alternatives to market
3. Statement of Purpose issued and signed by our Board of Directors, underlining our commitment to a smoke-free future
4. Executive compensation linked to 'ESG + P' performance
5. Sustainability strategy underpinned by robust materiality assessment, measured by 27 Business Transformation Metrics (BTMs)
6. Full suite of 8 aspirational targets linked to our BTMs and 12 ESG targets as part of our 2025 roadmap, including the two KPIs selected for this Framework, which our company is working towards through our core business and sustainability programs.

## Benchmarking vs. global industry peers

PMI's Statement of Purpose reaffirms our company's commitment to deliver a smoke-free future and lays out our unique business model and value proposition: To relentlessly focus our resources to replace cigarettes with better alternatives.

PMI is differentiated from other global tobacco companies<sup>13</sup> by its purpose, by its unique value proposition, by the commitment to, pace of and scale of its transformation, by the magnitude of its resource allocations and by the quality of its disclosure. To date, we are the only tobacco company within the traditional international tobacco industry that is purposefully working to phase out cigarettes completely and actively engaging with stakeholders to do so.

We are also the only company in our industry that has publicly disclosed ambitious forward-looking targets for relevant metrics, including the two selected KPIs.

Our commitment to our purpose is clearly reflected by our impressive results and impact. In 2020, PMI net revenues from smoke-free products accounted for almost one quarter of our net revenues for the year and our smoke-free products were available for sale in 64 markets, significantly above the second global comparable industry player, which reported 10% of revenue from non-combustible categories, and over 50 markets where their non-combustible products were available for sale.

## Factors that might put at risk the achievement of the SPTs

The SPTs rely on our ability to switch consumers to smoke-free products. We may be unsuccessful in our attempts to introduce smoke-free products, and regulators may not permit the commercialization of these products or the communication of scientifically substantiated information and claims. Further, we cannot predict whether regulators will permit the sale and/or marketing of smoke-free products with scientifically substantiated information and claims. Such restrictions could put at risk the achievement of the SPTs.

<sup>13</sup> Based on public disclosures of other global tobacco companies; to the best of our knowledge

# Characteristics of the Business Transformation-Linked Financing

The proceeds of PMI's Business Transformation-Linked Instruments will be used for purposes specified in the relevant Business Transformation-Linked Instruments.

PMI's Business Transformation-Linked Instruments will include a feature that may result in a step-up margin, margin adjustment or premium/discount amount, as applicable, subject to the achievement of the applicable SPT(s).

The relevant KPI(s), SPT(s), step-up margin amount, margin adjustment amount, premium/discount amount and the mechanism for payment of the premium/discount and beneficiaries, as applicable, will be specified in the relevant documentation for the specific transaction (e.g., final prospectus supplement in the case of the relevant business transformation-linked bonds or credit agreement in the case of business transformation-linked loans).

Such documents may also include, as appropriate, any fallback mechanisms in case the relevant SPT(s) cannot be calculated, and language to take into consideration potential exceptional or extreme events, including drastic changes in the regulatory environment<sup>14</sup>, that could substantially impact the calculation of the selected KPI(s), the restatement of the selected SPT(s), and/or pro forma adjustments of baselines or selected KPI(s) scope. Where relevant, PMI may exclude potential exceptional or extreme events that could substantially impact the calculation of the selected KPI(s) and SPT(s) in the documentation of the relevant Business Transformation-Linked Instrument.

If, for any reason, the performance level against an SPT cannot be calculated or observed in a satisfactory manner (non-satisfactory manner to be understood as a verification assurance certificate provided by the independent auditor containing a modification or the independent auditor not being in a position to provide such verification assurance certificate), the step-up margin, margin adjustment or premium/discount amount, as noted above, may be applicable. For the avoidance of doubt, under no circumstances will this trigger an event of default under any Business Transformation-Linked Instrument.

<sup>14</sup> Examples of drastic changes in the regulatory environment include but are not limited to preemptive product bans which prevent market access and discriminatory market access requirements that make it significantly more difficult for smoke-free products to enter the market compared to combustible tobacco products



Scientists in PMI's R&D center in Neuchâtel, Switzerland



# Reporting

PMI will publish a report at least annually, and in any case for any date/period relevant for assessing the trigger of the relevant SPT(s) performance leading to a potential step-up margin, margin adjustment or premium/discount amount, including:

1. Up-to-date information on the performance of each selected KPI, including the baseline where relevant;
2. A verification assurance report (limited assurance) relative to each KPI value against each SPT; and
3. Any additional relevant information to enable the monitoring of progress of the KPI.

Information may also include, when feasible and possible:

1. Qualitative or quantitative explanation of the contribution of the main factors behind the evolution of the performance on an annual basis;
2. Illustration of the positive sustainability impacts of the performance improvement; and/or
3. Any re-assessments of KPIs and/or restatement of SPTs and/or pro-forma adjustments of baselines or KPI scope, if relevant.



# Verification

## Pre-issuance

PMI's Framework has been reviewed by S&P Global Ratings who has provided a second party opinion (SPO), confirming the Framework's alignment with the Sustainability-Linked Bond Principles dated June 2020, administered by the ICMA, and Sustainability-Linked Loan Principles dated May 2021, administered by the LMA.

The SPO will be available on both S&P Global Ratings and PMI's websites.

## Post-issuance

Annually, and in any case for any date/period relevant for assessing the relevant SPT(s) performance leading to a potential step-up margin, margin adjustment or a premium/discount amount, such as a coupon step-up of a Business Transformation-Linked Instrument, until after the SPT(s) trigger event of a Business Transformation-Linked Instrument has been reached, PMI will seek independent and limited assurance external verification of the performance level against the relevant SPT(s) for the stated KPI(s) by a qualified external reviewer with relevant expertise.

## Amendments to this Framework

PMI may review this Framework from time to time, including its alignment to updated versions of the relevant principles as and when they are released, with the goal of adhering to best practices in the market. PMI may also review this Framework in case of material changes in the perimeter, methodology, and in particular KPIs and/or the SPTs calibration. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of a Second Party Opinion provider. The updated Framework, if any, will be published on PMI's website and will replace this Framework.



An employee in PMI's plant research facility in Switzerland

# Disclaimer

The information and opinions contained in this Framework are provided as of the date of this Framework and are subject to change without notice. Neither PMI nor any of its subsidiaries assumes any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. This Framework represents current PMI policy and intent, is subject to change and is not intended to, nor can it be relied on, to create legal relations, rights or obligations. This Framework is intended to provide non-exhaustive, general information. This Framework may contain or incorporate by reference public information not separately reviewed, approved or endorsed by PMI and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by PMI as to the fairness, accuracy, reasonableness or completeness of such information.

This Framework may contain statements about future events and expectations that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the use of words such as "strategy," "expects," "continues," "plans," "anticipates," "believes," "will," "aspires," "estimates," "intends," "projects," "aims," "goals," "targets," "forecasts" and other words of similar meaning. PMI cannot guarantee that any forward-looking statement will be realized, although PMI believes that it has been prudent in its plans and assumptions.

PMI's reduced-risk products constitute a new product category in its early stages that is less predictable than its mature cigarette business. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements and whether to invest in or remain invested in our securities.

In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, PMI has identified 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; any such statement is qualified by reference to these cautionary statements included in PMI's Annual Report on Form 10-K for the year ended 2020 and PMI's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2021 and June 30, 2021 and subsequent securities filings, which discuss certain risks PMI faces including those related to the COVID-19 pandemic.

PMI's business risks include: excise tax increases and discriminatory tax structures; increasing marketing and regulatory restrictions that could reduce our competitiveness, eliminate our ability to communicate with adult consumers, or ban certain of our products; health concerns relating to the use of tobacco and other nicotine-containing products and exposure to environmental tobacco smoke; litigation related to tobacco use and intellectual property; intense competition; the effects of global and individual country economic, regulatory and political developments, natural disasters and conflicts; changes in adult smoker behavior; lost revenues as a result of counterfeiting, contraband and cross-border purchases; governmental investigations; unfavorable currency exchange rates and currency devaluations, and limitations on the ability to repatriate funds; adverse changes in applicable corporate tax laws; adverse changes in the cost, availability, and quality of tobacco and other agricultural products and raw materials, as well as components and materials 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 its attempts to produce and commercialize reduced-risk 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, enter new markets or improve its margins through increased prices and productivity gains; if it is unable to expand its brand portfolio internally or through acquisitions and the development of strategic business relationships; or if it is unable to attract and retain the best global talent. PMI is further subject to other risks detailed from time to time in its publicly filed documents. 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 we may make from time to time, except in the normal course of its public disclosure obligation.

Future results are also subject to the lower predictability of our reduced-risk product category's performance. The COVID-19 pandemic has created significant societal and economic disruption, and resulted in closures of stores, factories and offices, and restrictions on manufacturing, distribution and travel, all of which will adversely impact our business, results of operations, cash flows and financial position during the continuation of the pandemic. Our business continuity plans and other safeguards may not be effective to mitigate the impact of the pandemic. Currently, significant risks include our diminished ability to convert adult smokers to our RRP's, significant volume declines in our duty-free business and certain other key markets, disruptions or delays in our manufacturing and supply chain, increased currency volatility, and delays in certain cost saving, transformation and restructuring initiatives. Our business could also be adversely impacted if key personnel or a significant number of employees or business partners become unavailable due to the COVID-19 outbreak. The significant adverse impact of COVID-19 on the economic or political conditions in markets in which we operate could result in changes to the preferences of our adult consumers and lower demand for our products, particularly for our mid-price or premium-price brands. Continuation of the pandemic could disrupt our access to the credit markets or increase our borrowing costs. Governments may temporarily be unable to focus on the development of science-based regulatory frameworks for the development and commercialization of RRP's or on the enforcement or implementation of regulations that are significant to our business. In addition, messaging about the potential negative impacts of the use of our products on COVID-19 risks may lead to increasingly restrictive regulatory measures on the sale and use of our products, negatively impact demand for our products, the willingness of adult consumers to switch to our RRP's and our efforts to advocate for the development of science-based regulatory frameworks for the development and commercialization of RRP's.

The impact of these risks also depends on factors beyond our knowledge or control, including the duration and severity of the pandemic, its recurrence in our key markets, actions taken to contain its spread and to mitigate its public health effects, and the ultimate economic consequences thereof.

It is not possible to predict or identify all risk factors. Consequently, risks discussed should not be considered to be a complete discussion of all potential risks or uncertainties. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in the Framework.

No representation is made as to the suitability of any Business Transformation-Linked Instruments to fulfill sustainability criteria required by prospective investors.

This Framework does not create any legally enforceable obligations against PMI or any of its subsidiaries; any such legally enforceable obligations relating to any Business Transformation-Linked Instruments are limited to those expressly set forth in the legal documentation governing each such Business Transformation-Linked Instrument. Therefore, unless expressly set forth in such legal documentation, PMI's or its subsidiaries' failure to adhere or comply with any terms of this Framework, including, without limitation, failure to achieve any sustainability targets or goals set forth herein, will not constitute an event of default or breach of contractual obligations under the terms and conditions of any such Business Transformation-Linked Instruments. Factors that may affect PMI's ability to achieve any sustainability goals or targets set forth herein include (but are not limited to) market, political and economic conditions, changes in government policy (whether with a continuity of the government or on a change in the composition of the government), changes in laws, rules or regulations, and other challenges.

This Framework does not constitute a recommendation regarding any securities of PMI or its subsidiaries. This Framework is not, does not contain and may not be deemed to constitute an offer to sell or a solicitation of any offer to buy any securities issued by PMI or any of its subsidiaries. In particular, neither this document nor any other related material may be distributed or published in any jurisdiction in which it is unlawful to do so, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession such documents may come must inform themselves about, and observe any applicable restrictions on distribution. Any bonds or other securities that may be issued by PMI or its subsidiaries from time to time, including any business transformation-linked bonds, shall be offered by means of a separate prospectus or offering document in accordance with applicable laws, and any decision to purchase any such securities should be made solely on the basis of the information contained in any such prospectus or offering document provided in connection with the offering of such securities, and not on the basis of this Framework.

In this Framework, the term "materiality," "material," and similar terms, when used in the context of economic, environmental and social topics, 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. While future events discussed in this Framework may be significant, any significance should not be read as necessarily rising to the level of materiality of the disclosures required under U.S. federal securities laws.





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