



PHILIP MORRIS INTERNATIONAL

we were

we are transforming for good

we will be

2022 ESG HIGHLIGHTS

based on PMI's Integrated Report 2022



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About PMI

we were

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Philip Morris International (PMI) is a leading international tobacco company working to deliver a smoke-free future and evolving its portfolio for the long term to include products outside of the tobacco and nicotine sector.

The company's current product portfolio primarily consists of cigarettes and smoke-free products. Since 2008, PMI has invested more than USD 10.5 billion to develop, scientifically substantiate and commercialize innovative smoke-free products for adults who would otherwise continue to smoke, with the goal of completely ending the sale of cigarettes. This includes the building of world-class scientific assessment capabilities, notably in the areas of pre-clinical systems toxicology, clinical and behavioral research, as well as post-market studies.

In November 2022, PMI acquired Swedish Match – a leader in oral nicotine delivery – creating a global smoke-free champion led by the companies' *IQOS* and *ZYN* brands. The U.S. Food and Drug Administration (FDA) has authorized versions of PMI's *IQOS* Platform 1 devices and consumables and Swedish Match's *General* snus as Modified Risk Tobacco Products (MRTPs).

As of March 31, 2023, PMI's smoke-free products were available for sale in 78 markets, and PMI estimates that approximately 18.5 million adults around the world had already switched to *IQOS* and stopped smoking. Smoke-free products accounted for approximately 35% of PMI's total 2023 first-quarter net revenues.

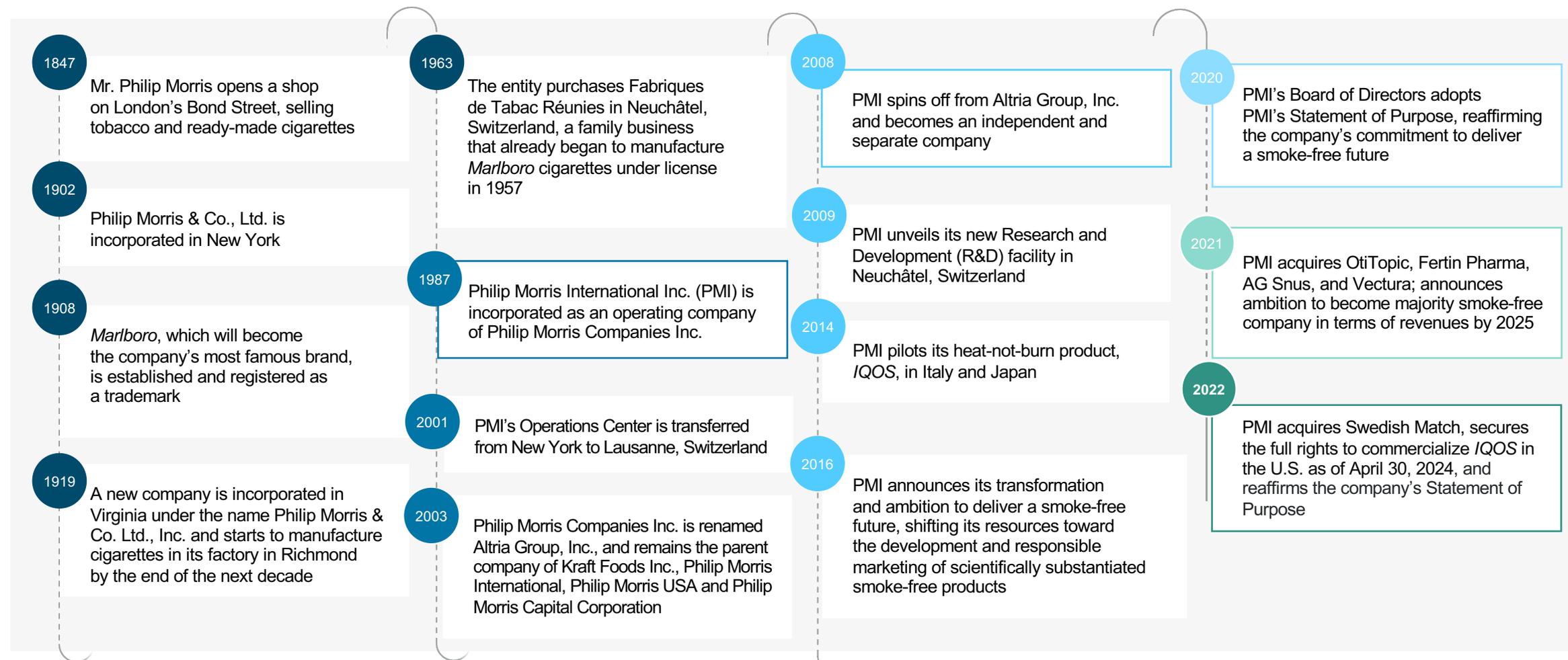
With a strong foundation and significant expertise in life sciences, PMI announced in February 2021 its ambition to expand into wellness and healthcare areas and, through its Vectura Fertin Pharma business, aims to enhance life through the delivery of seamless health experiences.



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



About PMI continued



Forward-looking and cautionary statements

This presentation 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: 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 in certain markets or countries; 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; the

impact and consequences of Russia's invasion of Ukraine; changes in adult smoker behavior; the impact of COVID-19 on PMI's business; 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; if it is unable to attract and retain the best global talent, including women or diverse candidates; 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 reduced-risk product category's 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 year ended December 31, 2022 and the Form 10-Q for the quarter ended March 31, 2023. 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.

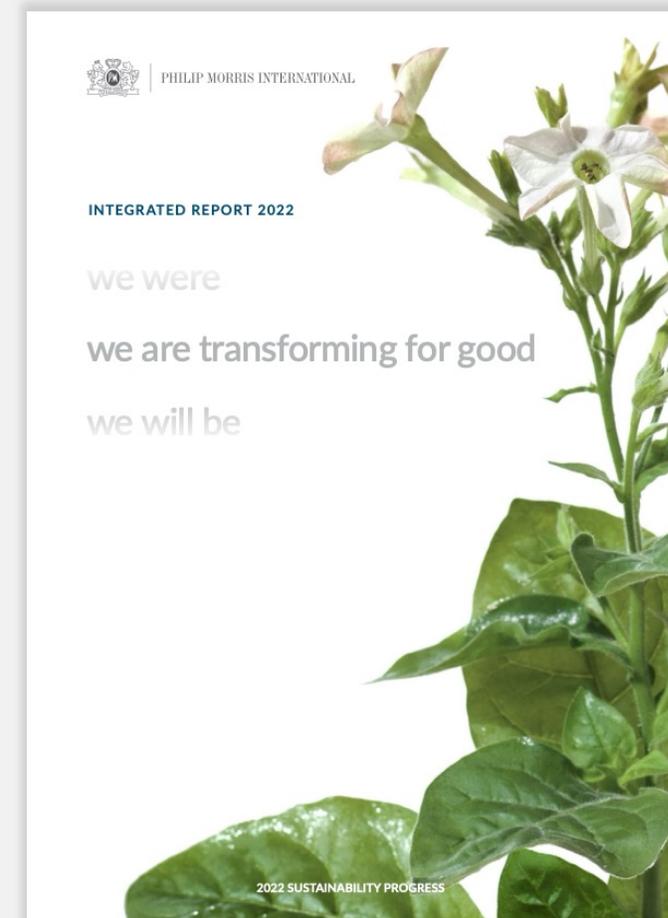


About these ESG highlights

This ESG Highlights presentation is based on and should be read in conjunction with PMI's Integrated Report 2022 and annual report on Form 10-K for the year ended December 31, 2022, as well as press releases and additional resources available at www.pmi.com.

Unless otherwise indicated, the data and information in this presentation cover our operations worldwide for the full calendar year 2022 or reflect the status as of December 31, 2022 in line with our financial reporting calendar. Unless explicitly stated, the data, information, and aspirations in this report do not incorporate PMI's Vectura Fertin Pharma subsidiary (consolidating the 2021 acquisitions of wellness and healthcare companies Fertin Pharma A/S, Vectura Group plc., and OtiTopic, Inc.), nor the late 2022 acquisition of Swedish Match AB. Where not specified, data come from PMI financials, nonfinancials, or estimates.

→ [See PMI's Integrated Report 2022](#)



Overview

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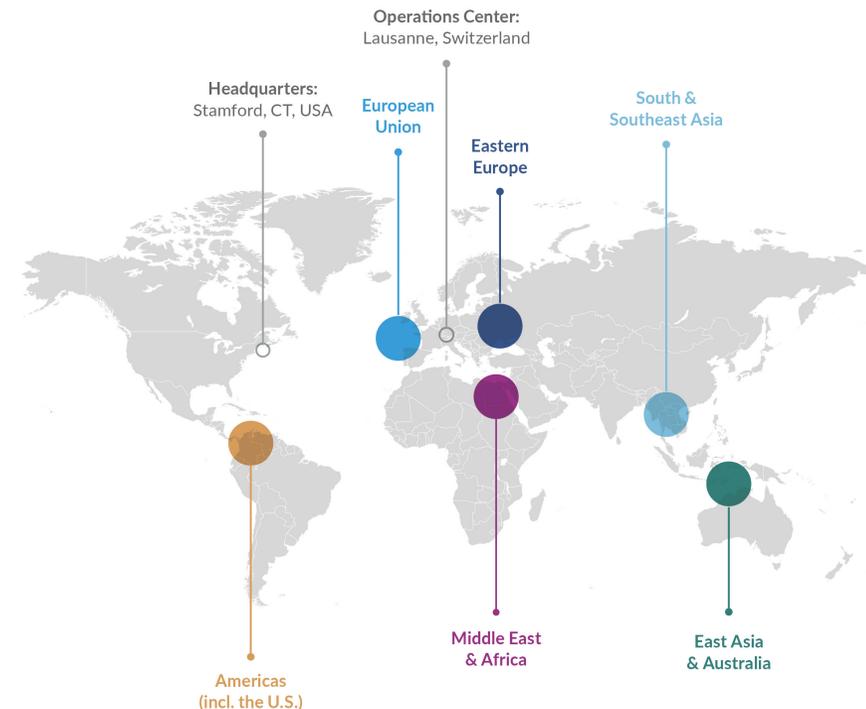
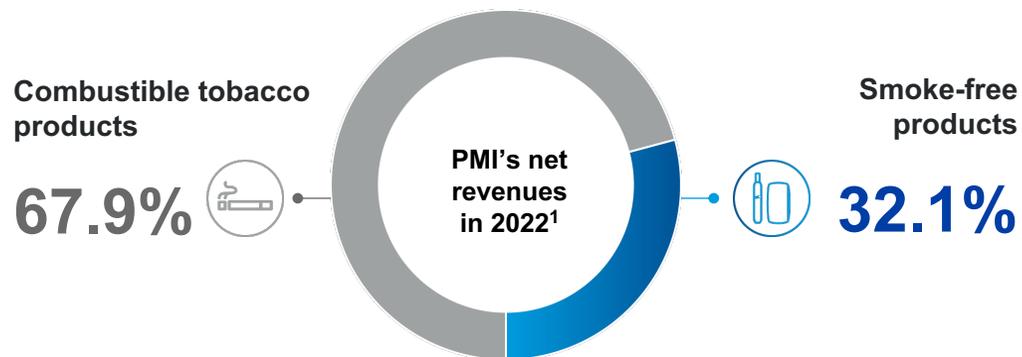
[Industry trends](#)

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Our global footprint in 2022

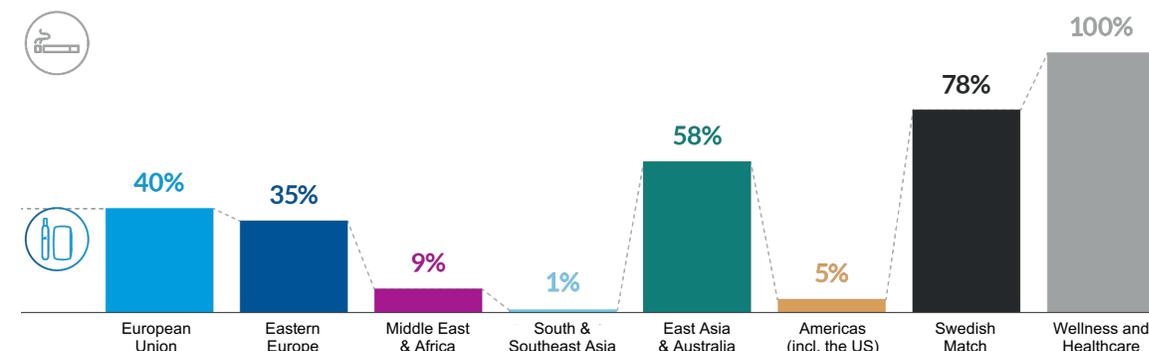
Our product portfolio



Proportion of PMI's total 2022 net revenues generated by each segment²



Proportion of 2022 net revenues derived from smoke-free products in each segment²



¹ For definition of net revenues related to smoke-free products and combustible tobacco products, see [Glossary](#). Including Swedish Match net revenues from November 11, 2022 (acquisition date) to December 31, 2022.

² Figures in the graphs are rounded. For definition of net revenues derived from smoke-free products, see [Glossary](#). As of December 31, 2022, we managed our business in six geographical segments, a Swedish Match segment (reflecting operating results from November 11, 2022 (acquisition date) to December 31, 2022) and a Wellness and Healthcare segment (which includes the operating results of our new Wellness and Healthcare business, Vectura Fertin Pharma). See [Glossary](#).

PMI's Statement of Purpose

Issued by PMI's Board, PMI's Statement of Purpose was published in the 2022 Proxy Statement as an update to the letter to shareholders published in the 2017 Proxy Statement and the Statement of Purpose published in the 2020 Proxy Statement.

Transforming for good

“

The Company is actively accelerating the decline of cigarette smoking beyond what traditional tobacco control measures can achieve alone.

”

“

PMI remains committed to accelerating the end of smoking and laying the foundations of a strong business in areas of wellness and healthcare as we strive to develop commercially successful products that have a net positive impact on society.

”

“

This means not only transforming the Company to deliver on its purpose but also inspiring the industry to follow its lead.

”

“

PMI's key stakeholder constituencies, which are fundamental to both the achieving of its purpose and to the pace of its progress, will be affected in different ways by PMI's transformation.

”

“

PMI believes that with the right regulatory encouragement and support from civil society, cigarette sales can end within 10 to 15 years in many countries.

”

[→ Read PMI's Statement of Purpose](#)



2022 highlights

PRODUCT IMPACT



SOCIAL

24.9 m

Estimated total adult users of PMI's smoke-free products (2021: 21.7m)¹

32.1%

Of net revenues derived from smoke-free products (2021: 29.5%)²

73

Markets where PMI smoke-free products are available for sale, of which 42% in low- to middle-income countries (2021: 71, 42%)³

USD 10.7 bn

Cumulative investments behind smoke-free products since 2008 (2021: 9.2 bn)⁴

91%

Of total shipment volume covered by youth access prevention programs in indirect retail channels (2021: 91%)⁵

USD 0.3 bn

Annual net revenue from wellness and healthcare products (2021: 0.1 bn)

ENVIRONMENT

86%

Recycling rate of IQOS devices returned to our centralized recycling hubs (weighted-average percentage of each device that is recycled) (2021: 86%)⁶

68%

Of shipment volume covered by markets with anti-littering programs in place for combustible cigarettes

8.5%

Of shipment volume covered by markets with smoke-free consumables take-back programs⁷



¹ Figures pertain to total IQOS users. See [Glossary](#).

² For definition of net revenues related to smoke-free products, see [Glossary](#). 2022 figure includes Swedish Match net revenues from November 11, 2022 (acquisition date) to December 31, 2022. 2021 data exclude the impact related to the Saudi Arabia customs assessments.

³ Including Swedish Match and excluding PMI Duty Free. Classification of low- and middle-income countries is based on World Bank report issued in July 2022.

⁴ Investments reflect research, product and commercial development, production capacity, scientific substantiation, and studies on adult smoker understanding.

⁵ Total shipment volume includes cigarettes, other tobacco products (OTPs), and smoke-free product consumables. See [PMI's ESG KPI Protocol 2022](#) for further details.

⁶ Recycling rate: percentage of the weight of each device that is recycled, weighted-average depending on device type and processing facility (includes 80% recycling and 6% energy recovery). 2022 data cover CIRCLE hubs in Hungary and Japan.

⁷ Shipment volume includes heated tobacco units, e-vapor cartridges, and e-vapor disposables. See [PMI's ESG KPI Protocol 2022](#) for further details.

2022 highlights

OPERATIONAL IMPACT



SOCIAL

40.7%

Of management positions held by women, exceeding our 2022 target of 40% (2021: 39.7%)

7

Human rights impact assessments conducted since 2018 in highest-risk countries (2021: 5)

ENVIRONMENT

55%

Proportion of tobacco purchased at no risk of net deforestation of managed natural forest and no conversion of natural ecosystems (2021: 37%)

Triple A

Score from CDP for climate, forest, and water security for the third consecutive year



Megatrends

Healthier lifestyles









Climate and nature urgency









Inequality

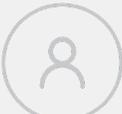








Erosion of trust






Technological progress









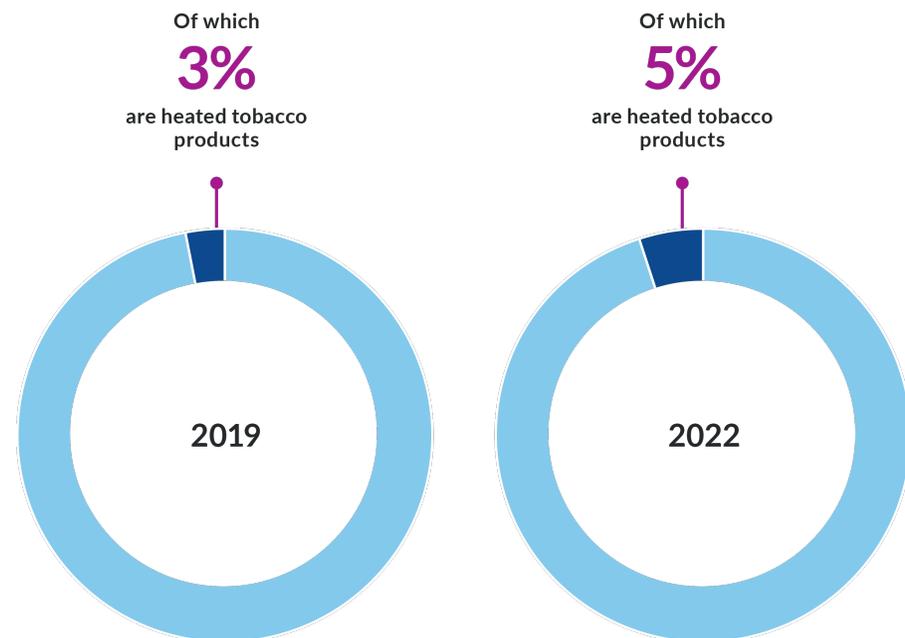
Main capitals impacted

-  Human
-  Intellectual
-  Natural
-  Manufactured
-  Social
-  Financial



Industry trends

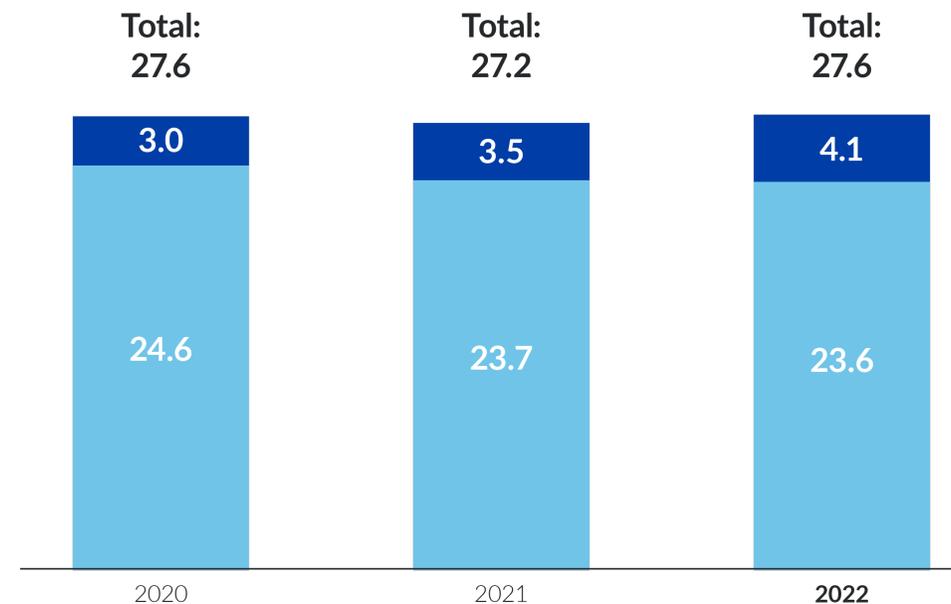
Industry volume split 2019–2022¹



	2019	2022
Combustible tobacco products	96%	92%
Smoke-free products	4%	8%

¹ See [Glossary](#). Data exclude China and the U.S.

PMI total international share (in %)



■ Cigarettes
■ Heated tobacco units

Source: PMI financials or estimates.
Note: International market excludes China and the U.S., reflects cigarettes and HTUs, and includes cigarillos in Japan.
Sum of share of market by product categories might not foot to total due to rounding



Strategy and governance

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Value creation

Resources and relationships

- 71,070** Employees¹, of whom **42%** are women
- USD 642 m** Adjusted R&D expenditure, of which 99% dedicated to smoke-free products
- ~281,000 tons** Packed tobacco sourced
- 53 factories²** Of which 24 are partially or fully dedicated to the production of smoke-free products
- >220,000** Contracted tobacco farmers
- >30,000** Suppliers
- ~USD 157 bn** Market capitalization as of December 31, 2022

Our mission

Accelerate the end of smoking by offering adult smokers who would otherwise continue to smoke scientifically substantiated better alternatives than smoking and evolve in the longer term into a broader lifestyle, consumer wellness and healthcare company.

Our value chain transformation

To achieve this mission, all segments of our value chain—including sourcing, operations, commercialization, and consumers and revenues—are undergoing rapid transformation.

CAPITALS

- Human
- Manufactured
- Intellectual
- Social
- Natural
- Financial

Value created in 2022

- 24.9 m** Users of PMI's smoke-free products³
- 0.1%** Prevalence of child labor among contracted farms supplying tobacco to PMI
- 2,500** Patents granted in IP5 jurisdictions relating to smoke-free products
- 511** Scientific publications since 2008 sharing our methods and findings
- 11%** Reduction of CO₂e emissions along the value chain (scope 1+2+3) vs. 2019
- 100%** Tobacco purchased at no risk of deforestation of primary and protected forests
- 7** In-depth human rights impact assessments completed since 2018
- 73** Markets where PMI smoke-free products are available for purchase, among which 42% are low- and middle-income markets⁴
- 93%** Critical supplier spend sourced sustainably
- 99%** Tobacco purchased through direct contracts by PMI and our tobacco suppliers, enabling implementation of PMI's Good Agricultural Practices
- 32.1%** Annual net revenues from smoke-free products⁵
- USD 73 bn** In excise tax paid on PMI products



Note: Presentation of information in this visual is informed by the Integrated Reporting Framework of the IFRS Foundation.

¹ Incorporating Vectura Fertin Pharma, as well as the 2022 acquisition of Swedish Match, PMI employed approximately 79,800 people worldwide at year-end 2022.

² Including Swedish Match and Vectura Fertin Pharma.

³ Figures pertain to total IQOS users. See [Glossary](#).

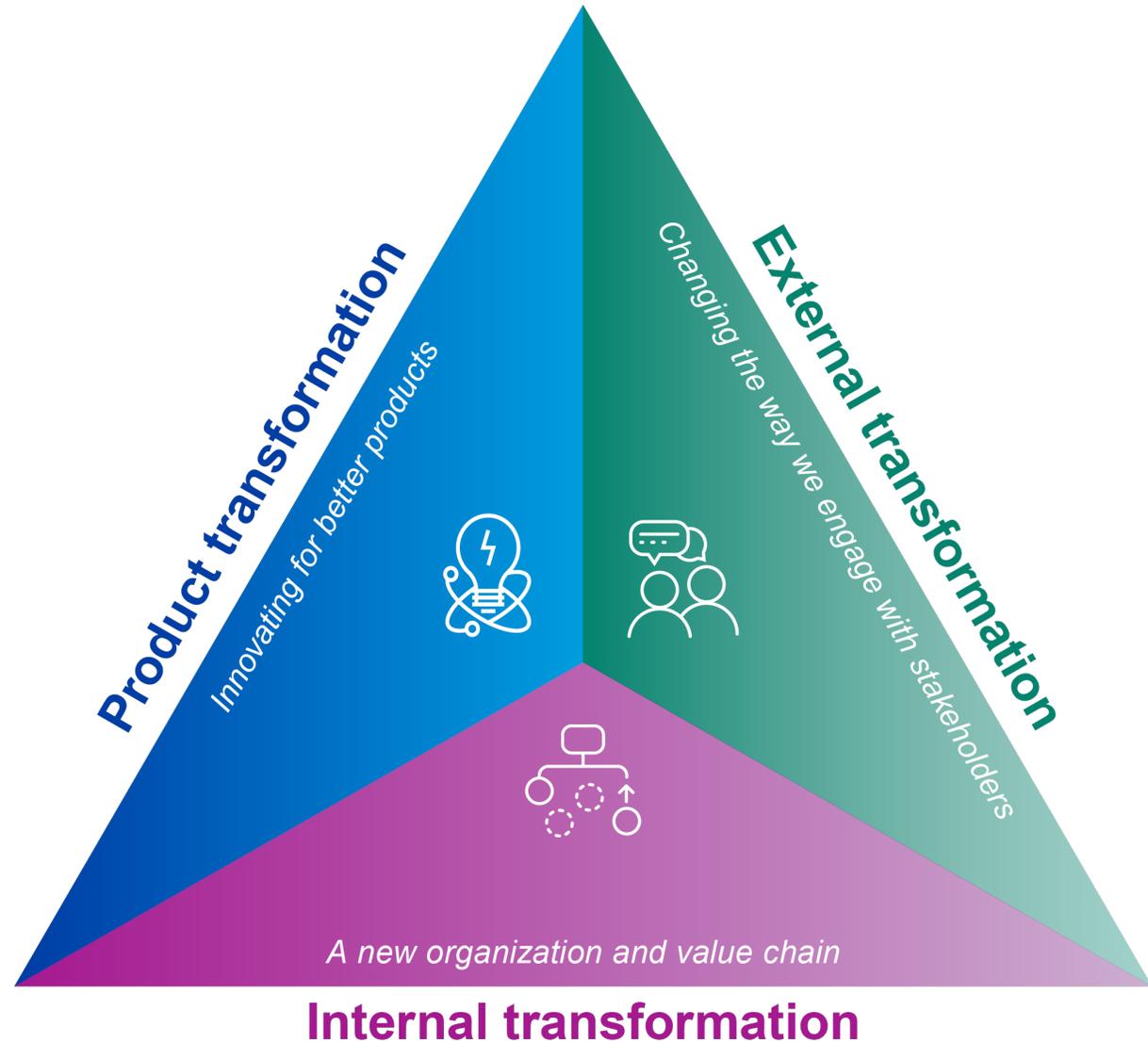
⁴ Including Swedish Match and excluding PMI Duty Free. Classification of low- and middle-income countries is based on World Bank report issued in July 2022.

⁵ For definition of net revenues related to smoke-free products, see [Glossary](#). Including Swedish Match net revenues from November 11, 2022 (acquisition date) to December 31, 2022.

Transforming for good

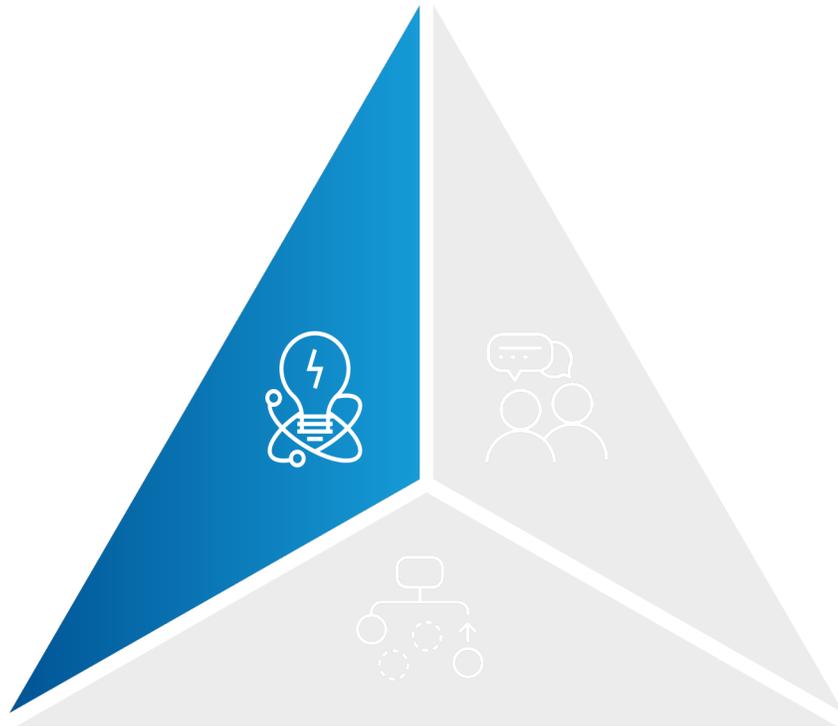
PMI's business transformation

While a transformation of this magnitude and complexity is not achieved overnight, we are committed to making it happen as fast as possible.



Product transformation

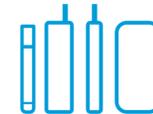
Innovating for better products



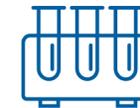
Supporting transformation



Growth priorities



Emerging opportunities



External transformation

Changing the way we engage with stakeholders

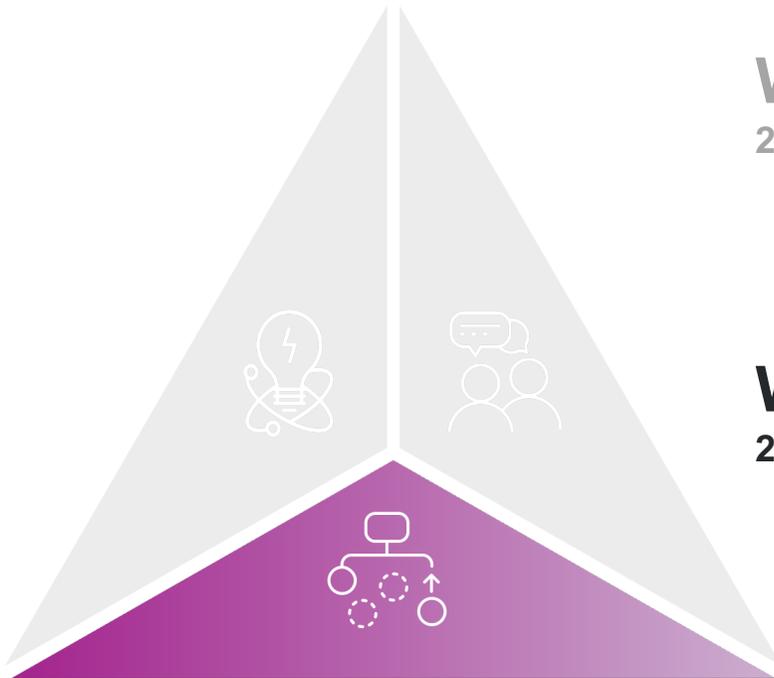


Read more about our [stakeholder engagement](#)



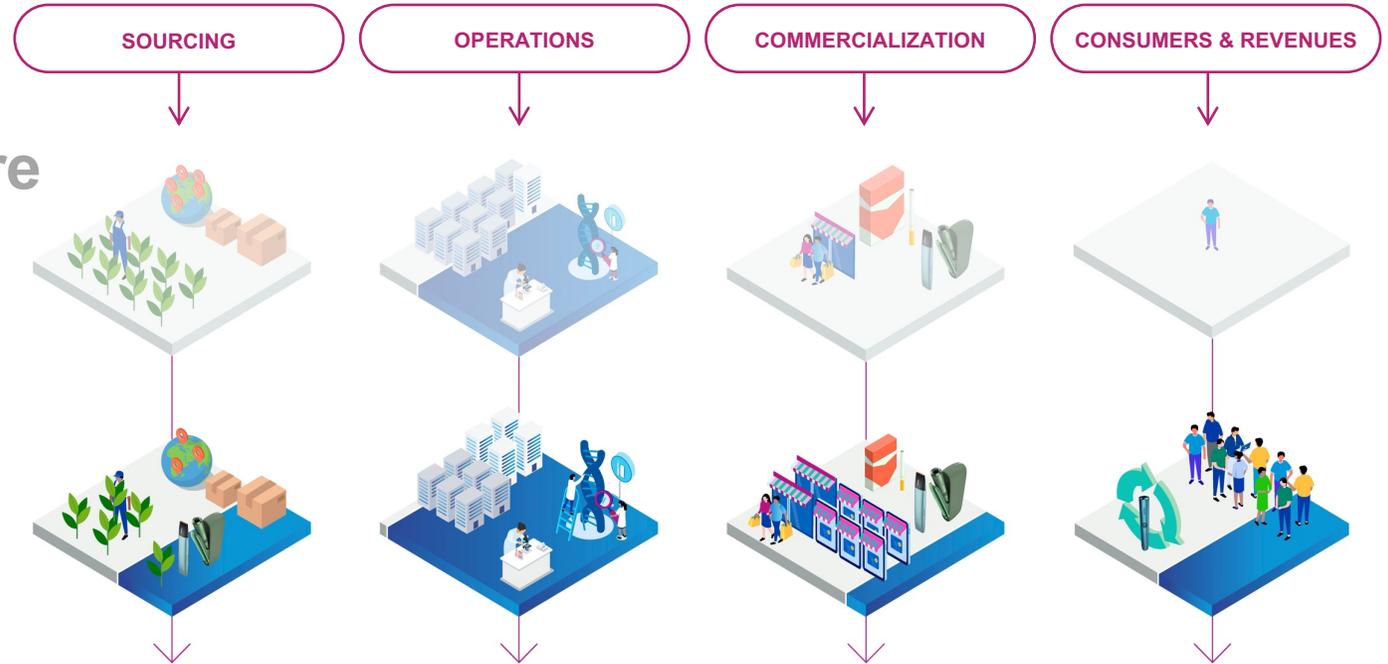
Internal transformation

A new organization and value chain



[Read more about our value chain transformation](#)

We were
2015



We are
2022



We will be



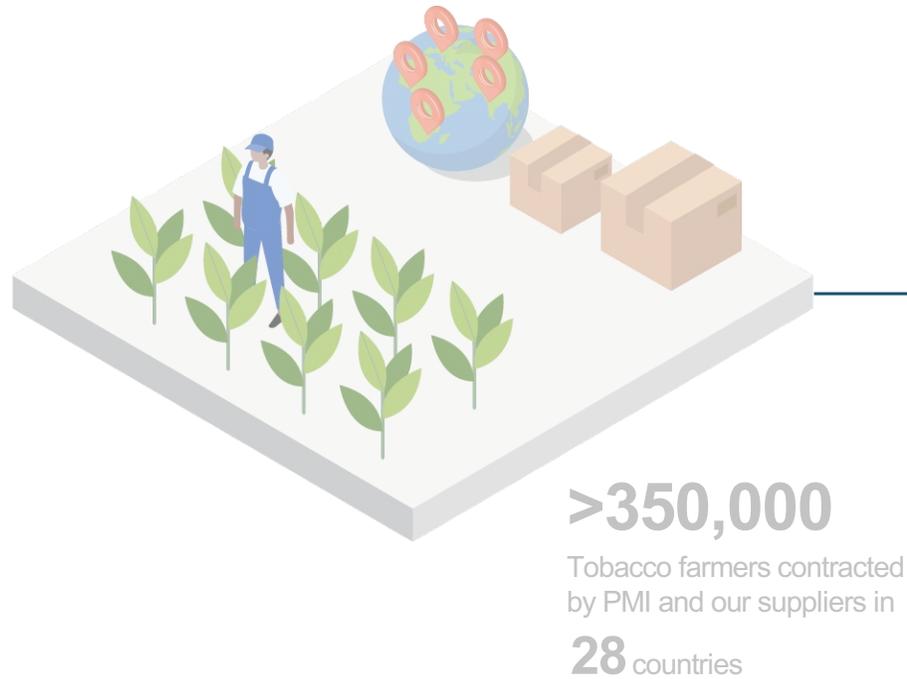
Our internal value chain transformation:

Sourcing

Transitioning to an increasingly diversified supply chain, including electronics sourcing



We were
2015



We are
2022



¹ Direct spend focuses on materials used in the manufacture of our products; it includes tobacco leaf, direct materials, and electronic devices and accessories. Data excludes Swedish Match, and Vectura Fertin Pharma.

Our internal value chain transformation:

Operations

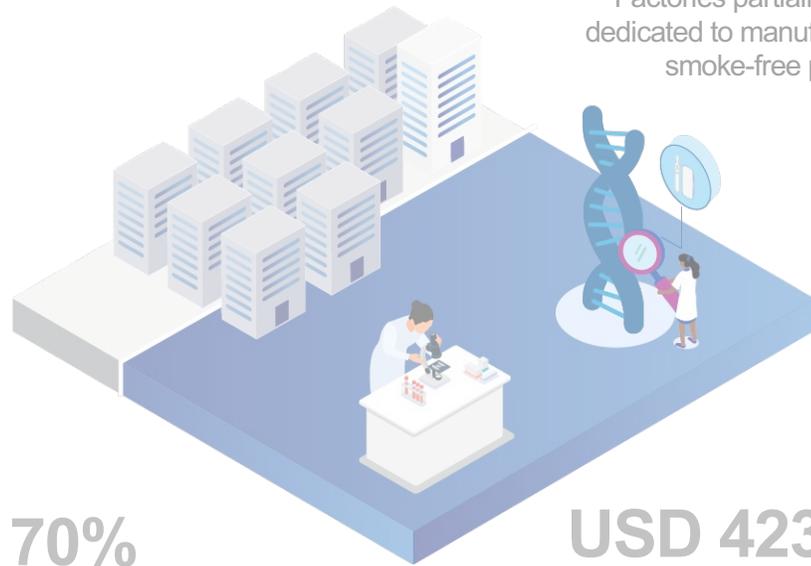
Reallocating R&D expenditure towards smoke-free product innovation and scientific capabilities, while reorienting manufacturing toward smoke-free products



**We were
2015**

3/48

Factories partially or fully dedicated to manufacturing smoke-free products



70%

Of adjusted R&D expenditure related to smoke-free products

USD 423 m

Adjusted R&D expenditure

**We are
2022**

24/53

Factories partially or fully dedicated to manufacturing smoke-free products¹



99%

Of adjusted R&D expenditure related to smoke-free products

USD 642 m

Adjusted R&D expenditure

¹ Data reflects the number of factories operated and owned by PMI at the end of the respective year, including Swedish Match and Vectura Fertin Pharma. 2022 factories include eight facilities producing heated tobacco units, two producing other smoke-free consumables and 14 Swedish Match owned facilities, primarily engaged in the production of smoke-free products.

Our internal value chain transformation:

Commercialization

Moving from B2B to an increasingly consumer-centric model to commercialize smoke-free products



We were
2015

7

Markets where PMI
smoke-free products
are available for sale



1

Smoke-free
electronic product
commercialized

0.6%

Of total shipment volume
related to smoke-free products

5 bn units smoke-free product
shipment volume

877 bn units combustible
product shipment volume

We are
2022

73

Markets where PMI
smoke-free products
are available
for sale¹



15.1%

Smoke-free product shipment
ratio (smoke-free/total)²

114 bn units smoke-free
product shipment volume²

641 bn units combustible
product shipment volume²

10

Smoke-free devices
and over 40 taste
variants for PMI
heated tobacco units

¹ Including Swedish Match.

² These indicators are calculated based on millions of units. Smoke-free products shipment volume includes volume of smoke-free products that can be converted into cigarette equivalent units, such as heat-not-burn, e-vapor, and oral smokeless. Total shipment volume includes the listed smoke-free products as well as combustible tobacco products; cigarettes and other tobacco products expressed in cigarette equivalent units. Data does not include Swedish Match or wellness and healthcare products.

Our internal value chain transformation:

Consumers & revenues

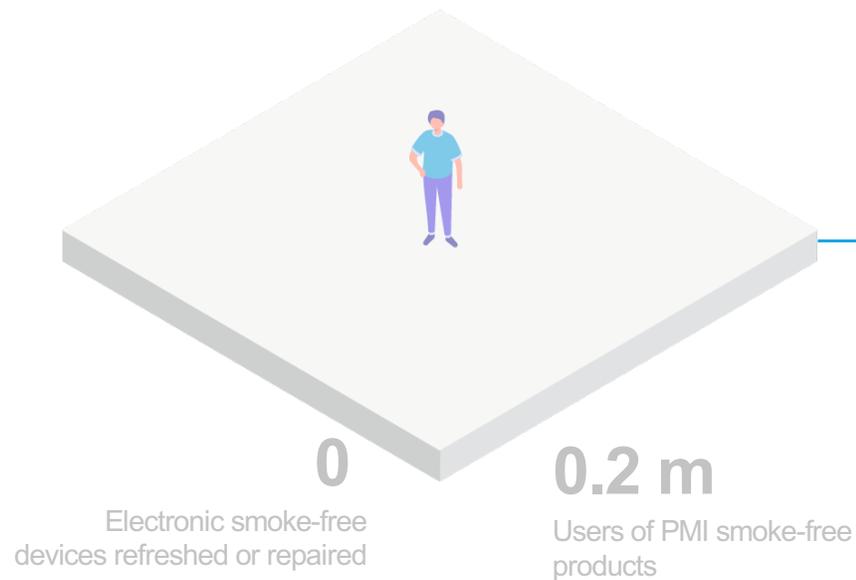
Shifting revenue source from majority cigarettes to majority smoke-free products while addressing post-consumer waste



**We were
2015**

0.7%

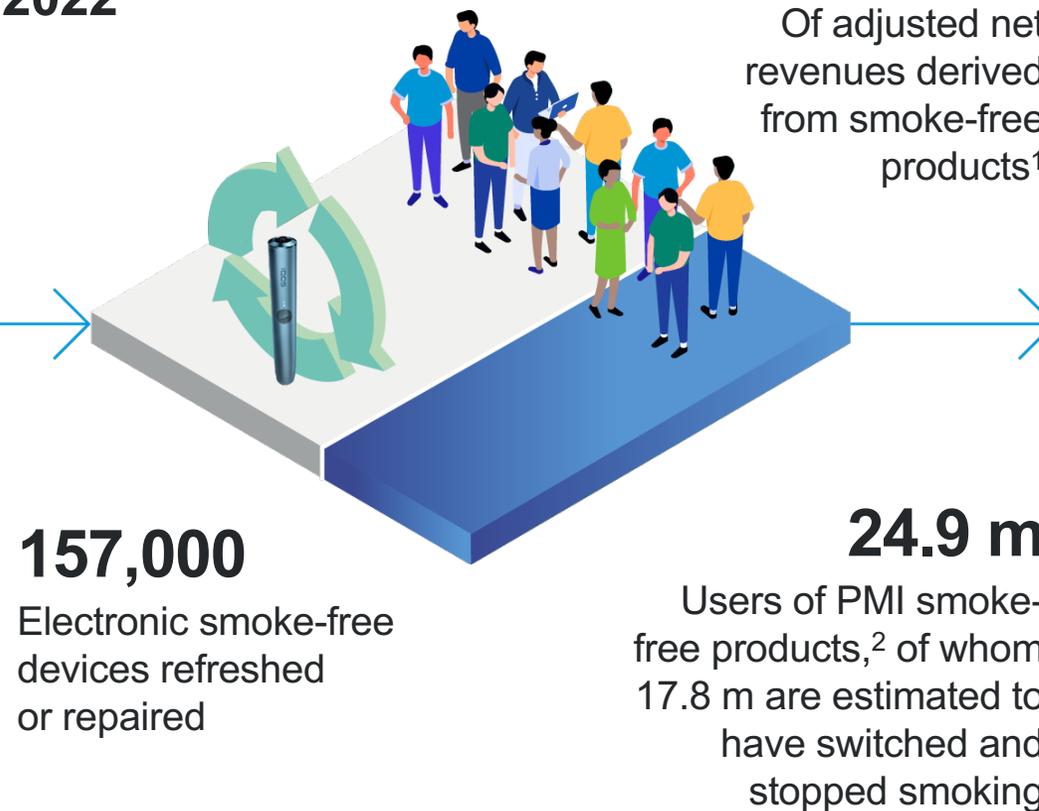
Of adjusted net revenues from smoke-free products



**We are
2022**

32.1%

Of adjusted net revenues derived from smoke-free products¹

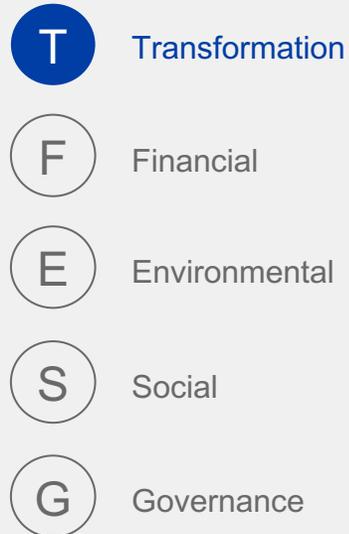


¹ Figure includes Swedish Match net revenues from November 11, 2022 (acquisition date) to December 31, 2022.

² Figures pertain to total IQOS users.

Business Transformation Metrics

Reporting the pace and scale of our transition

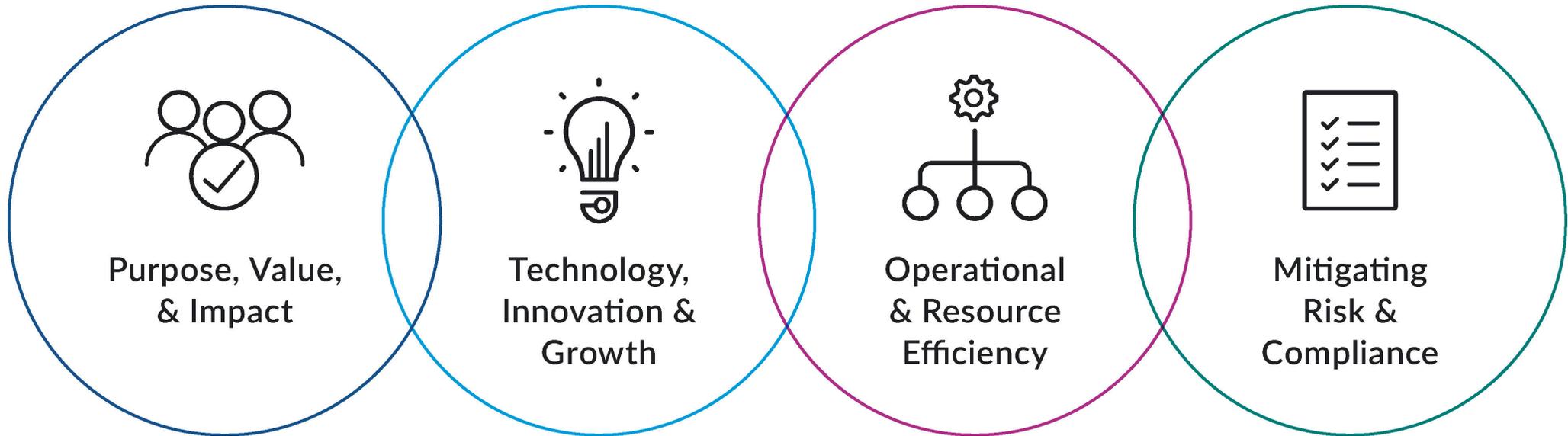


- Business transformation is a very company-specific journey, which ESG reporting standards do not properly capture.
- In 2016, we introduced a set of bespoke key performance indicators (KPIs) we call **Business Transformation Metrics**.
- They allow our shareholders and stakeholders to assess both the pace and scale of our transformation.
- Transparent, measurable, verifiable, updated based on stakeholder feedback.
- PricewaterhouseCoopers SA (PwC) has provided limited independent assurance on select Business Transformation Metrics.¹

¹ See Assurance Report available in [Integrated Report 2022](#), p. 202

Our approach to sustainability

For PMI, sustainability is more than just a means to minimize negative externalities and mitigate risks while maximizing operational efficiency and resource optimization. We see it as a **fundamental opportunity for innovation, growth, and purpose-led, impact-driven, long-term value creation.**



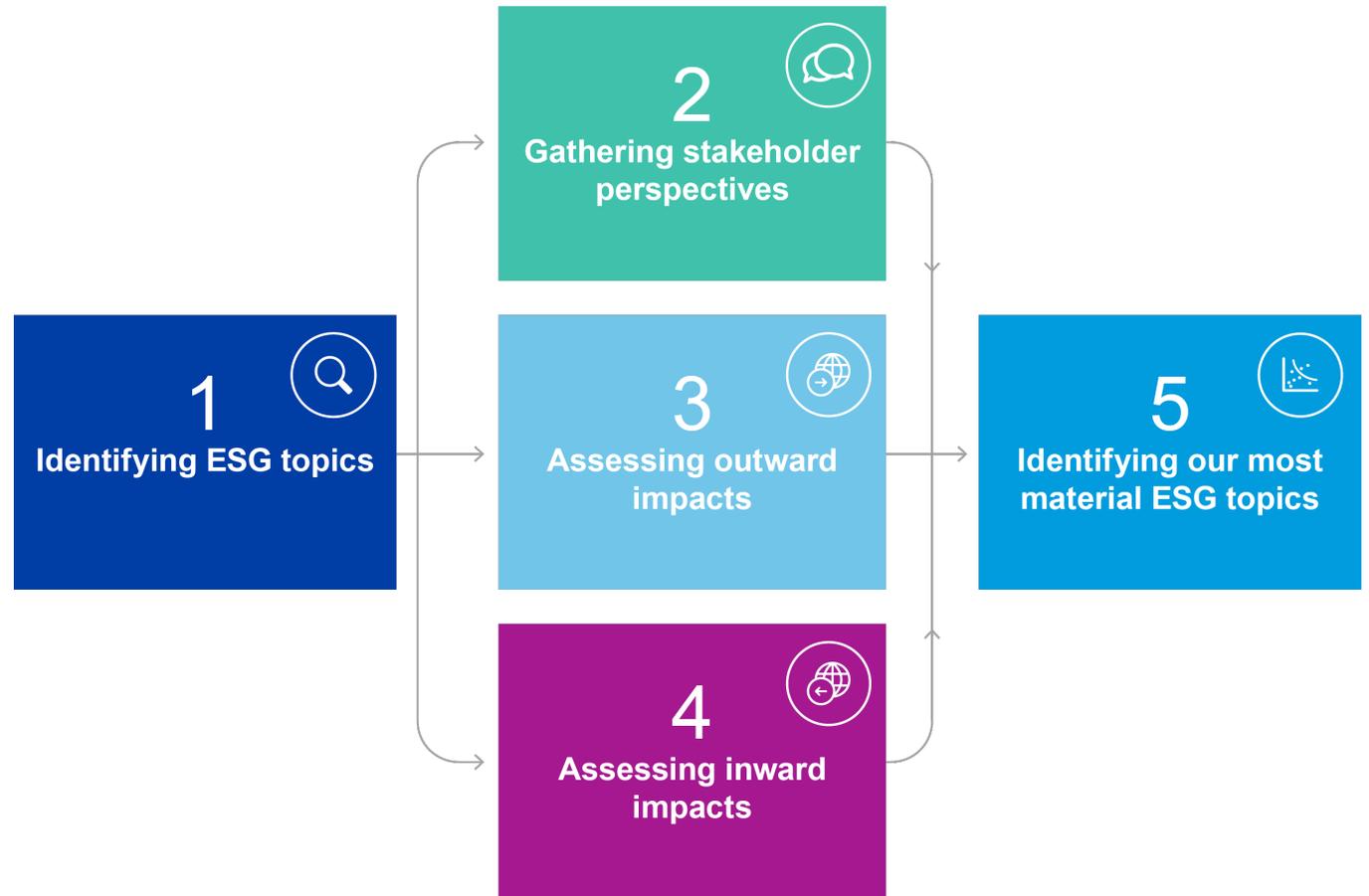
Sustainability materiality assessment: the right focus

A robust sustainability materiality analysis allows us to identify, assess, and prioritize ESG topics on which we should focus. Seeking to embed the principle of double materiality, our 2021 assessment consisted of a fivefold approach.

Our 2021 sustainability materiality assessment process



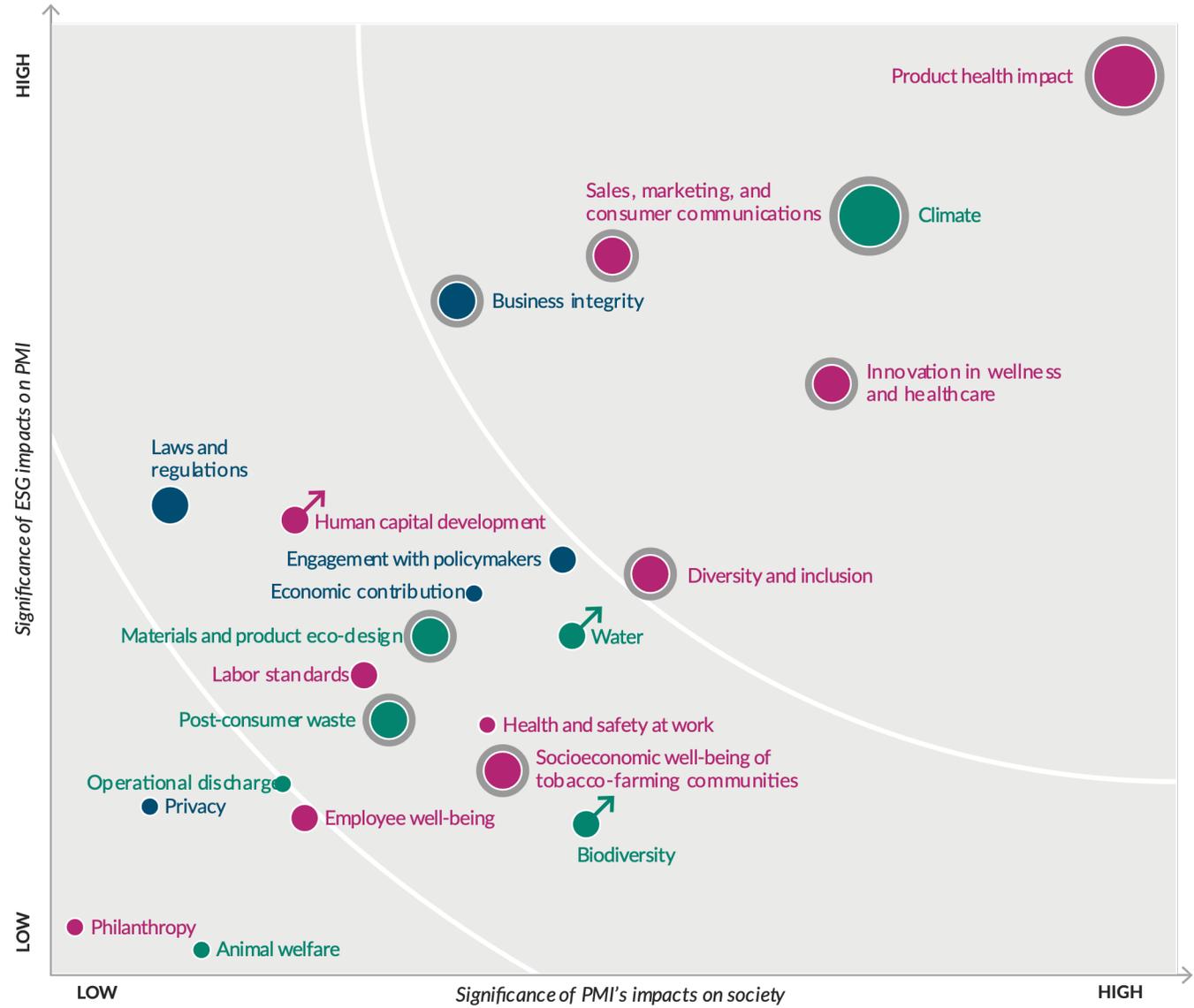
→ [Read PMI's 2021 Sustainability Materiality Report](#)



Sustainability materiality assessment: the right focus continued

Key	Relevance to our stakeholders
E ENVIRONMENTAL	Very high
S SOCIAL	High
G GOVERNANCE	Medium
Our most material topics	Low
Emerging topics	

→ [Read PMI's 2021 Sustainability Materiality Report](#)



Sustainability materiality assessment: the right focus continued

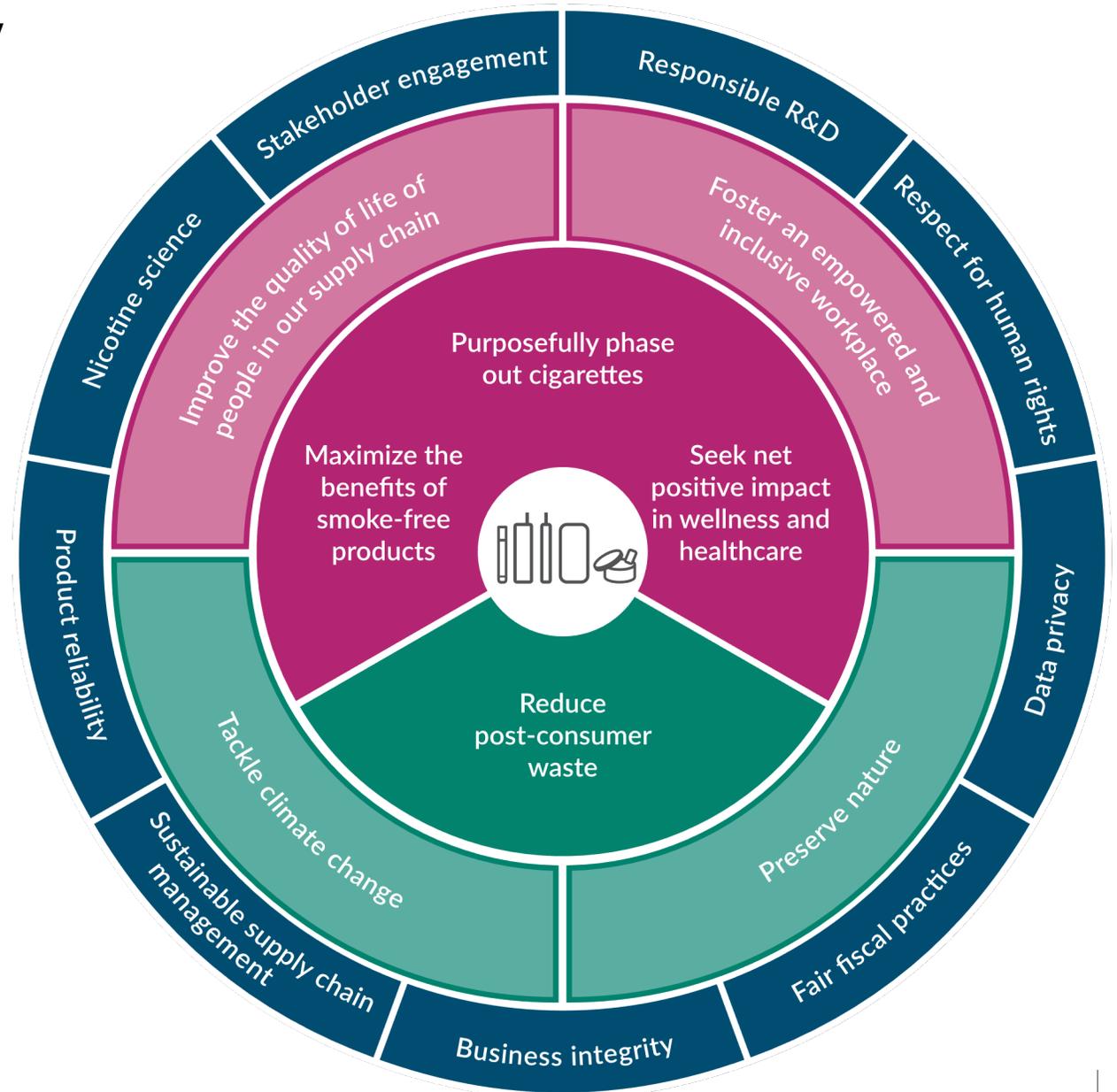
Our ESG framework showcases these priority ESG topics. This framework recognizes two distinct forms of issues: those that relate to our products (what we produce) and those related to our business operations (how we produce).

→ [Read PMI's 2021 Sustainability Materiality Report](#)



Our sustainability strategy

- Impact-driven approach to sustainability
- Separate identification of environmental and social impacts
- Distinct forms of social and environmental impacts —
 - **PRODUCT IMPACT:**
those impacts generated by our products (what we produce)
 - **OPERATIONAL IMPACT:**
those impacts generated by our business operations (how we produce)
- 8 impact-driven strategies: 4 on product impacts + 4 on operational impacts
- 9 governance-related topics define our ability to successfully address environmental and social issues



2025 Roadmap

11 headline goals connected to 8 strategies.

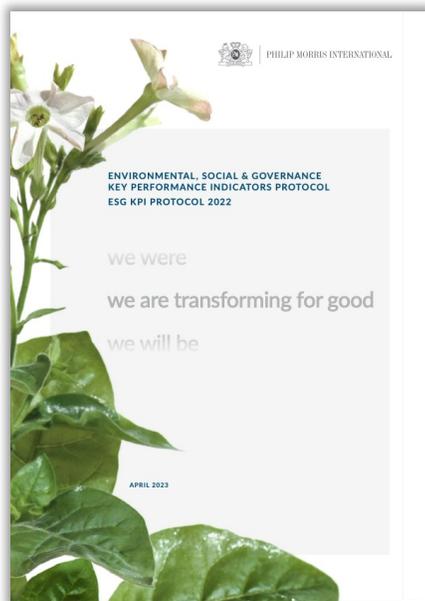
Our roadmap outlines our key commitments and informs the route of our long-term plan.

	Goals	Priority ESG topics	Primary SDGs
	Purposefully phase out cigarettes <ol style="list-style-type: none"> Intentionally work toward phasing out cigarettes by ensuring that smoke-free products represent at least 30% of our shipment volumes and more than half of our net revenues by 2025 while continuing to reduce our combustible shipment volume 	Product health impact	3
	Maximize the benefits of smoke-free products <ol style="list-style-type: none"> Develop and commercialize science-based smoke-free alternatives, making them available in 100 markets (of which at least half in low- and middle-income markets) and continuing to increase the total number of users Deploy robust youth access prevention programs in indirect retail channels and ensure that sales of our products abide by our Marketing Codes 	Product health impact; Sales, marketing, and consumer communications	3
	Seek net positive Impact in wellness and healthcare <ol style="list-style-type: none"> Leverage scientific and development capabilities to generate at least USD 1 billion in annual net revenues from products in wellness and healthcare 	Innovation in wellness and healthcare	3 8
	Reduce post-consumer waste <ol style="list-style-type: none"> Reduce post-consumer waste and prevent littering by implementing comprehensive programs covering all our consumables Follow eco-design and circularity principles for all smoke-free electronic devices 	Materials and product eco-design; Post-consumer waste	8 12
	Foster an empowered and inclusive workplace <ol style="list-style-type: none"> Nurture a more diverse culture that promotes equity and inclusion by providing access to lifelong learning to all our employees and improving gender and local representation in management globally 	Diversity and inclusion; Human capital development	4 5 8 10
	Improve the quality of life of people in our supply chain <ol style="list-style-type: none"> Eradicate systemic child labor in our tobacco supply chain Ensure all contracted tobacco farmers make a living income, and partner with our direct suppliers to promote a living wage for their workers 	Socioeconomic well-being of tobacco-farming communities	1 8
	Tackle climate change <ol style="list-style-type: none"> Achieve carbon neutrality in our operations and accelerate our decarbonization toward net zero across our value chain 	Climate	13 15
	Preserve nature <ol style="list-style-type: none"> Promote biodiversity, address critical water challenges, ensure no conversion of natural ecosystems, and halt deforestation in both our tobacco and pulp and paper supply chains 	Biodiversity; Water	6 15



Performance indicators and targets

Our ESG KPI protocol is a method for making the connection between our company's purpose, strategic direction, financial performance, and environmental and social considerations.



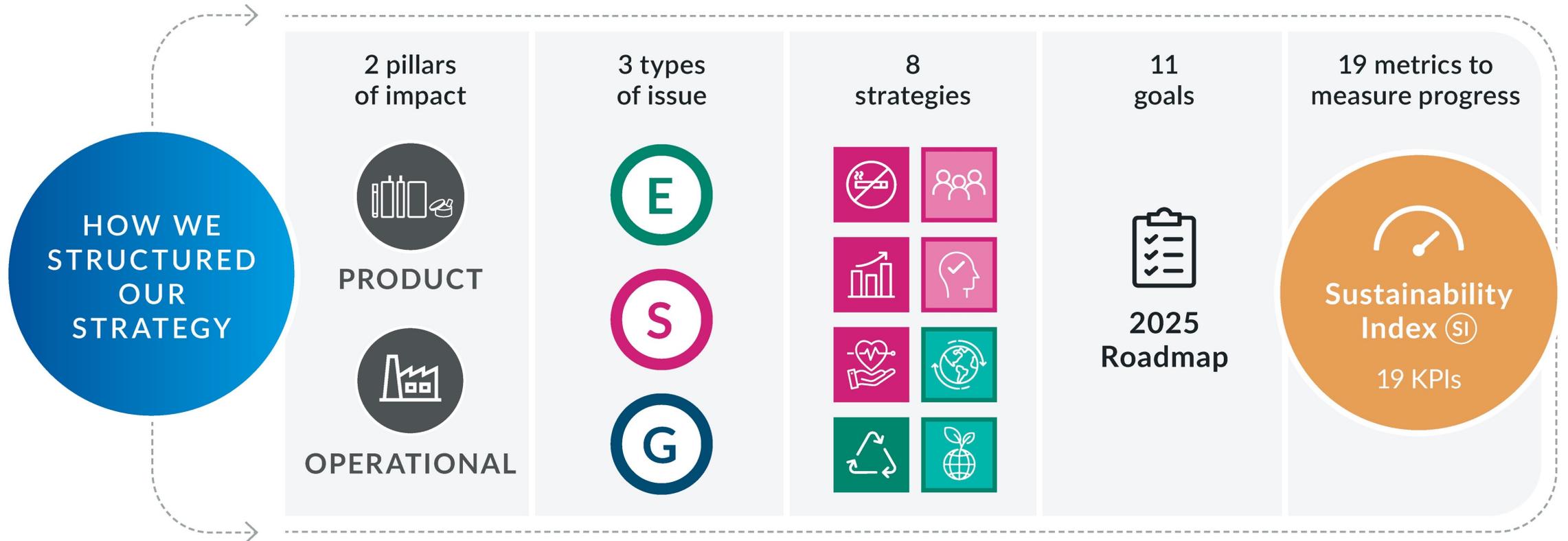
→ [Read PMI's ESG KPI Protocol 2022](#)

Linking ESG performance to executive compensation

In February 2022, PMI's Board of Directors decided to better reflect PMI's commitment to sustainability, which is the core of its corporate strategy, by including the Sustainability Index as one of our performance metrics under equity awards. Following the index's structure, its KPIs are aggregated into two main drivers: Product Sustainability and Operational Sustainability.

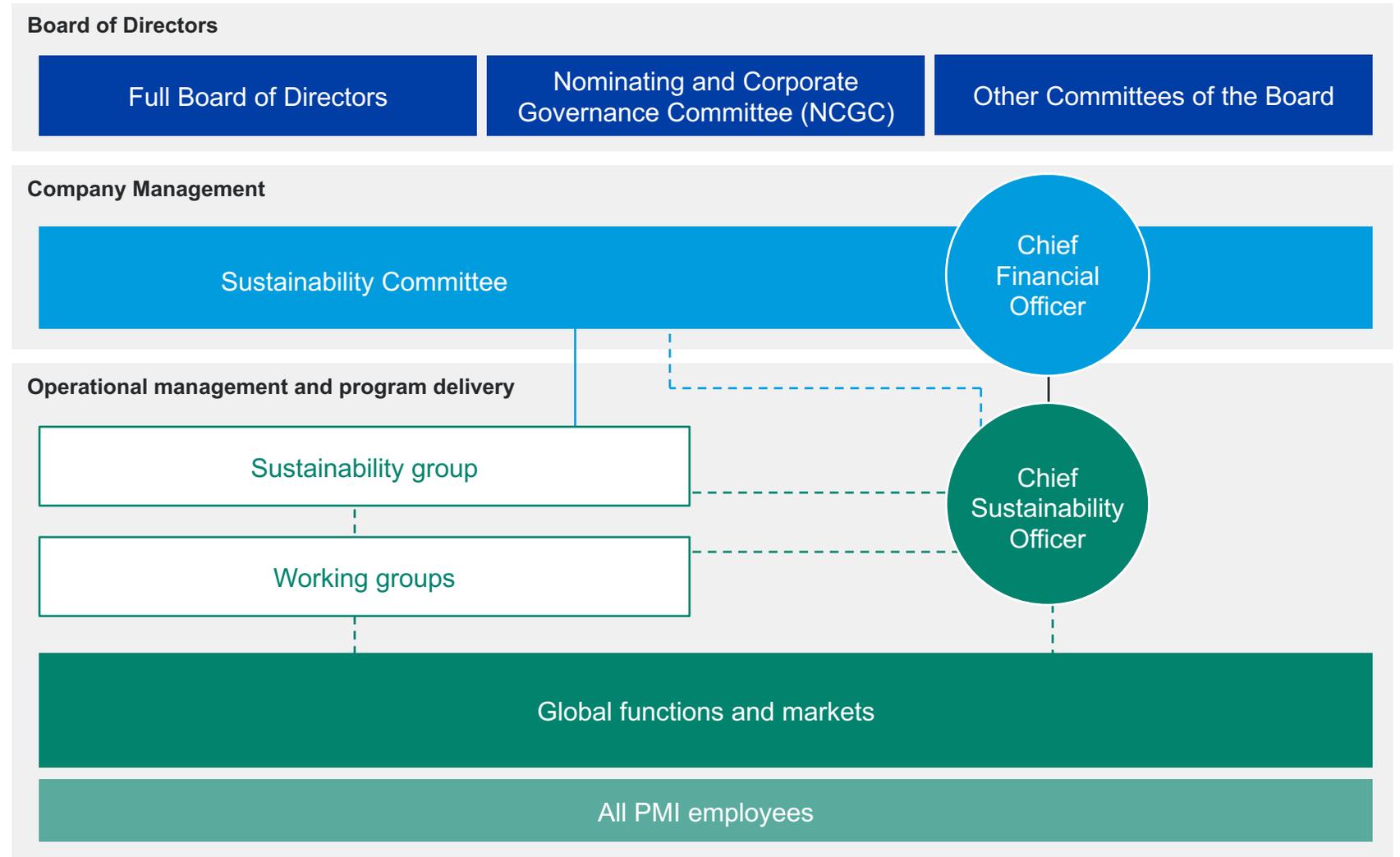


Summary of our approach to sustainability



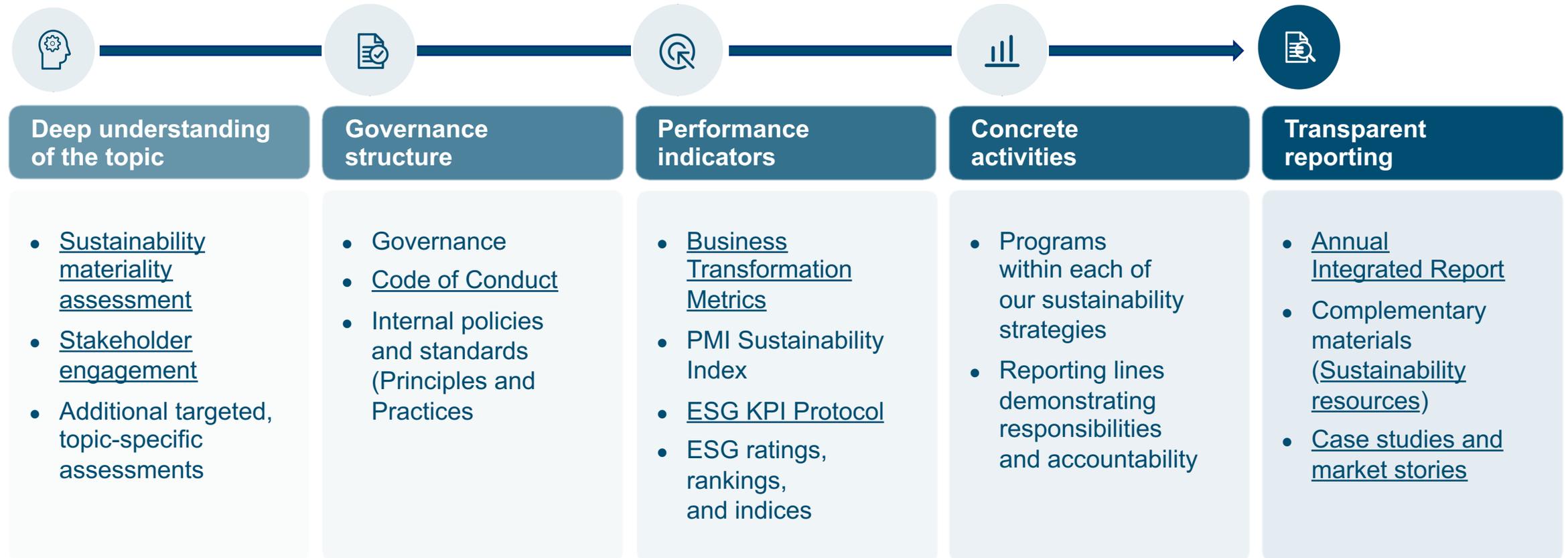
Sustainability governance structure

Integrating sustainability into our company relies on a formal governance and management structure with clear accountabilities at different levels of the organization



Our approach to sustainability programs

Our harmonized approach to designing and managing material sustainability topics is built on the following foundational elements:



Our approach to sustainability programs continued

In 2022, to enhance the robustness of our ESG data management and reporting, we undertook an extensive relevance review of all our reported ESG metrics.

As part of this exercise, we evaluated the strength, validity, and maturity of the data reported.

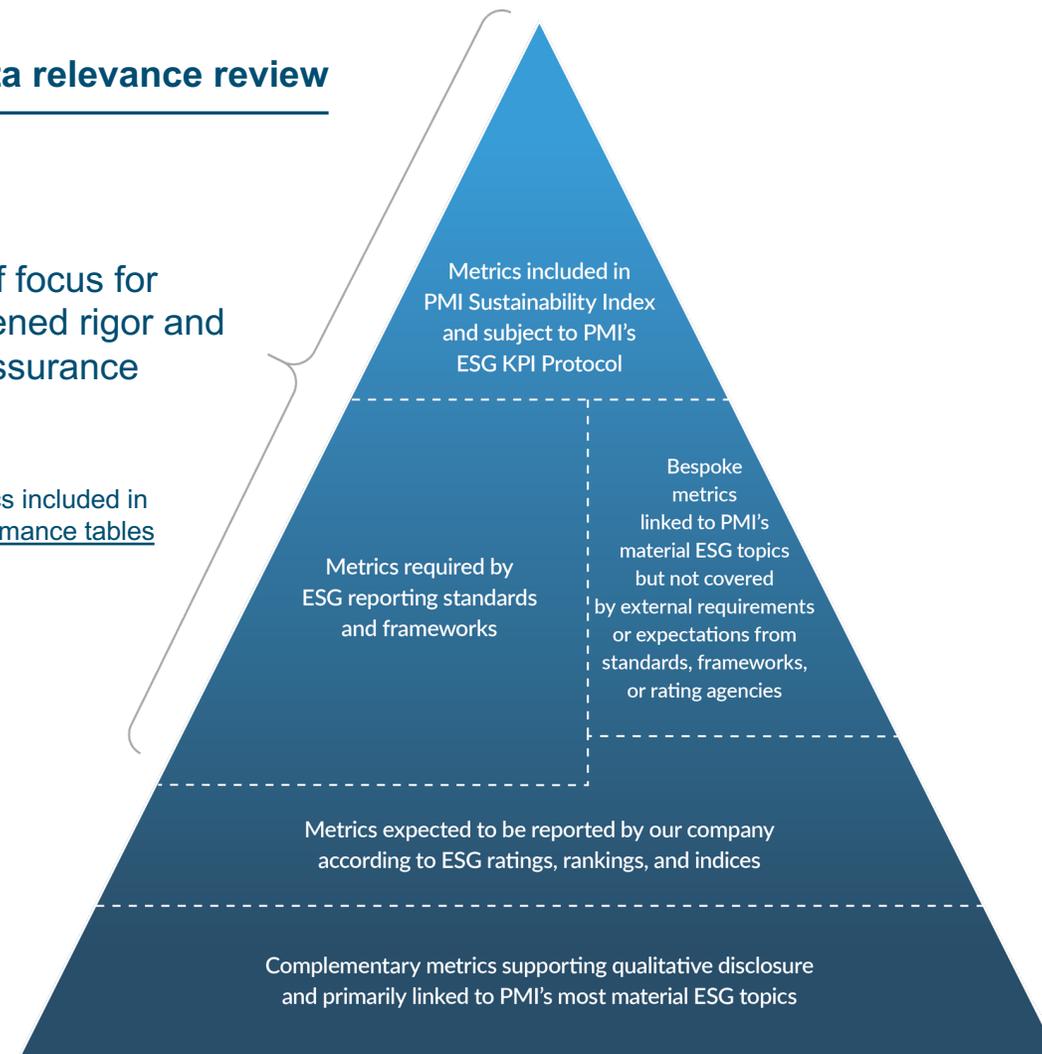
This visual showcases the criteria utilized to determine relevance and prioritize ESG data and will act as a compass as we continue to fine-tune our internal processes and expand internal and external assurance.

ESG data relevance review

Area of focus for heightened rigor and data assurance



→ Metrics included in performance tables



→ Read more about our [Business Transformation Metrics](#)





Product impact



Maximize the benefits of smoke-free products

p39



Purposefully phase out cigarettes

p48



Seek net positive impact in wellness and healthcare

p50



Reduce post-consumer waste

p52



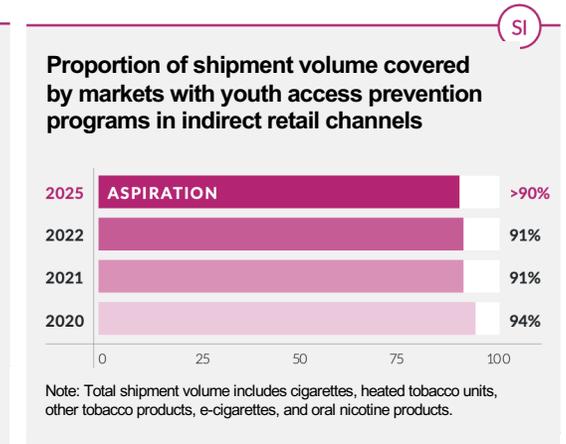
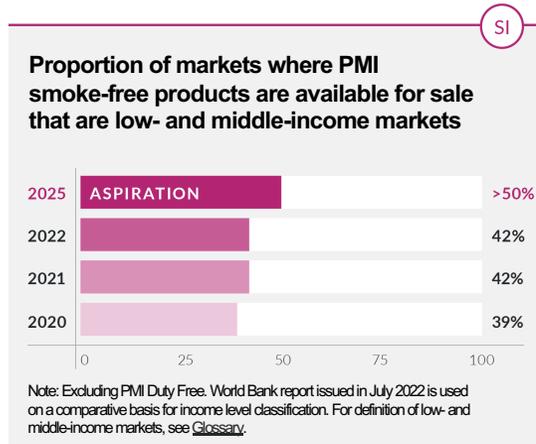
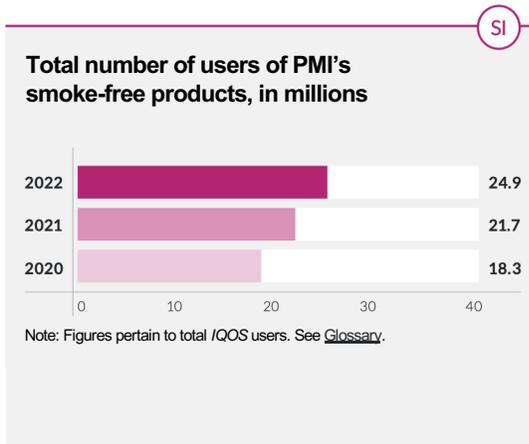
PRODUCT IMPACT

Maximize the benefits of smoke-free products



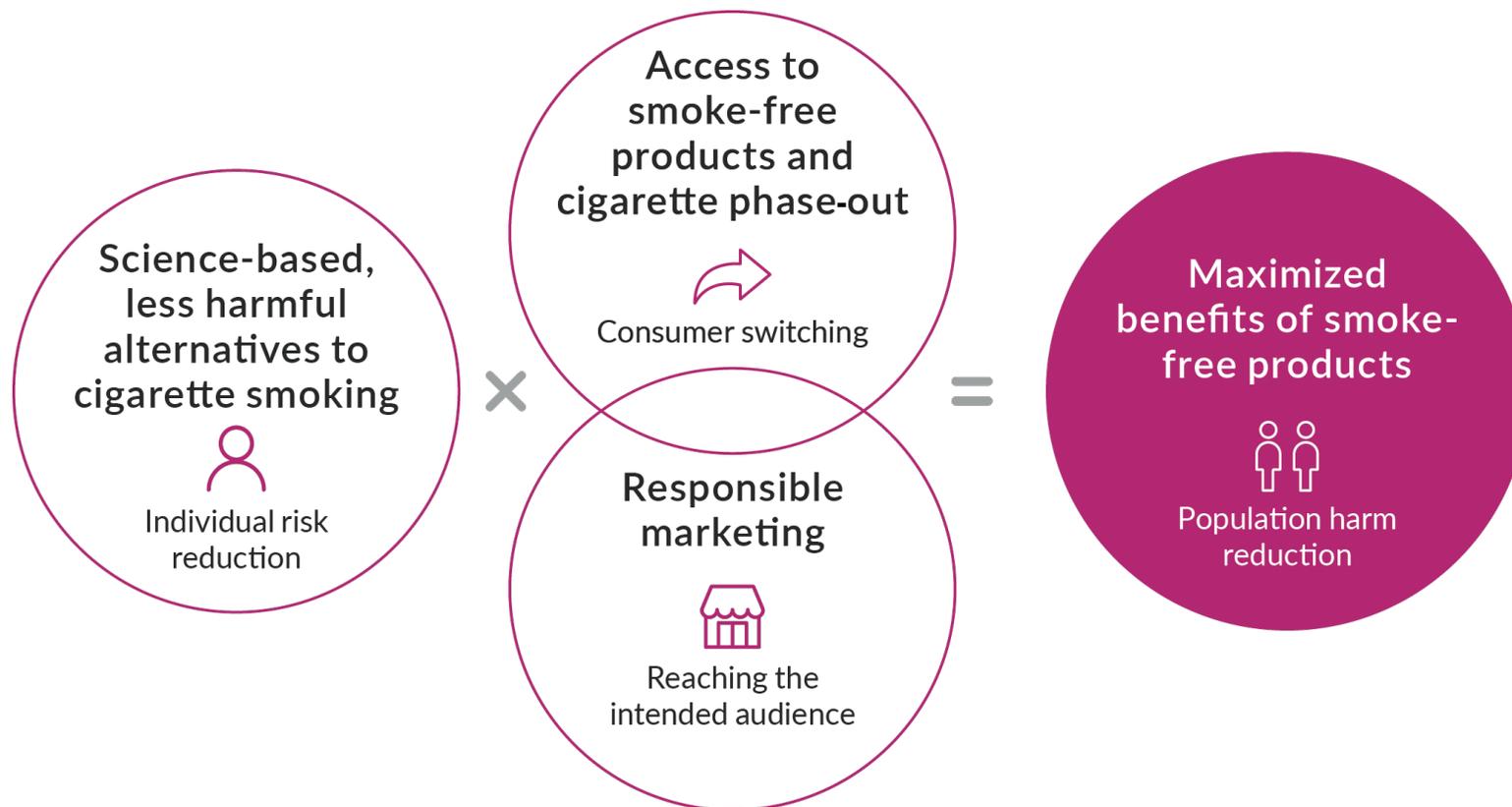
OUR PROGRESS AND ASPIRATIONS AT A GLANCE

SI Sustainability Index



Maximize the benefits of smoke-free products

In order to maximize the benefits of our SFP to individual smokers and the population as a whole, we deploy a three-fold approach:



Science-based, less harmful alternatives to cigarette smoking



PMI's scientific assessment of smoke-free products

- 99% of R&D expenditure of USD 642 million dedicated to noncombustible products in 2022
- USD >10.5 billion in researching and developing better alternatives to cigarettes since 2008¹
- 2,500 patents granted for smoke-free technologies by the five largest intellectual property (IP5) offices in the world since 2015²



Our scientific research

251

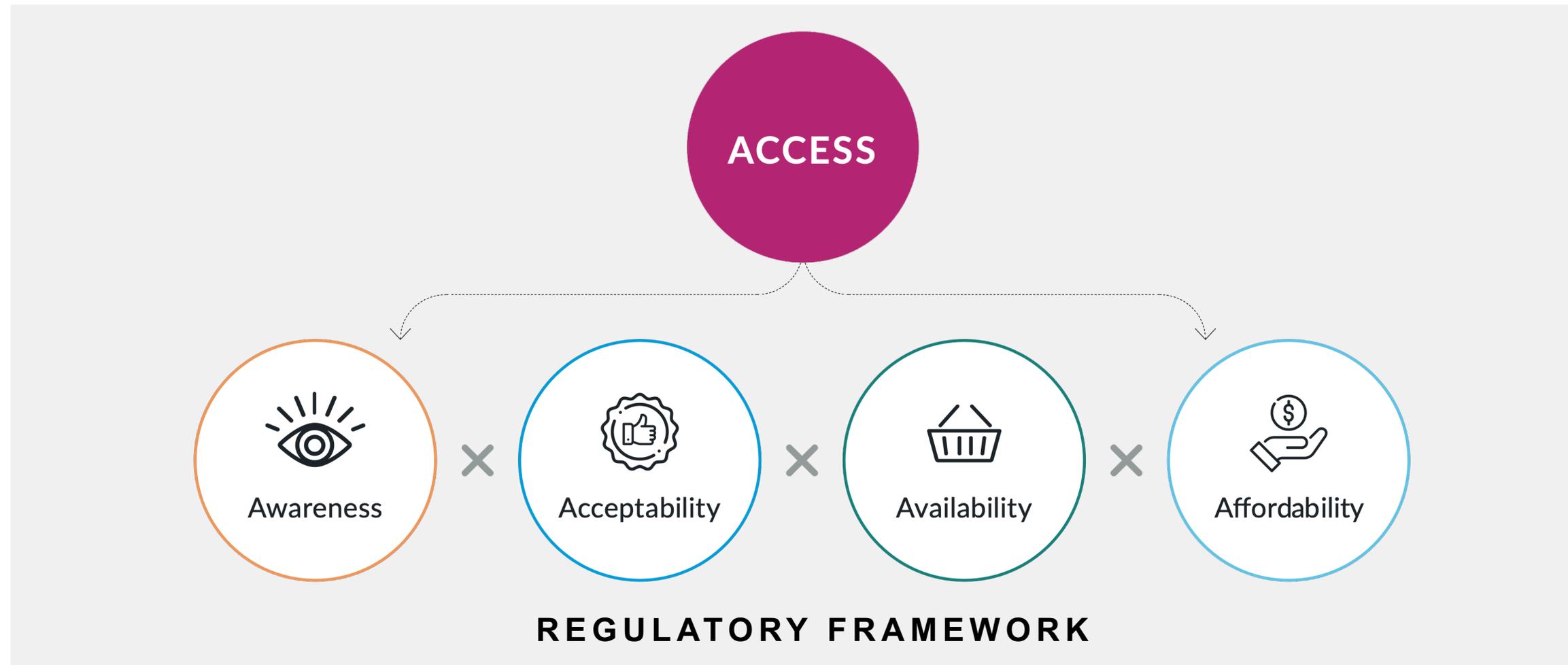
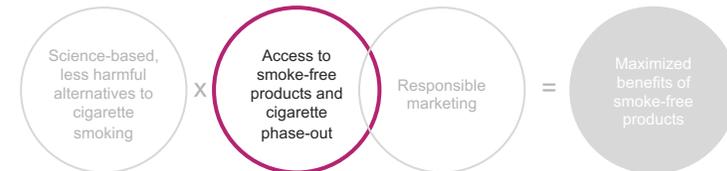
Toxicological assessment studies, 26 clinical assessment studies, and 58 perception and behavior premarket and post-market (surveillance) studies on smoke-free products since 2015.

→ Our scientific results are available on [PMIScience.com](https://www.pmis.com/science)

¹ Investments reflect research, product and commercial development, production capacity, scientific substantiation, and studies on adult smokers.
² IP5 jurisdictions are Europe (patents granted by the European Patent Office), China, South Korea, Japan, and the U.S.



Access to smoke-free products



Awareness



Informing the general public about the smoke-free category

We seek to improve awareness of the smoke-free product category among the general public, **enhance understanding** of key concepts underpinning it, such as the role of combustion, nicotine, tar, and harm reduction, **and address widespread misconceptions** about smoke-free products.



→ Read more about PMI's ["Unsmoke"](#) campaign

Communicating and engaging with adult consumers

- Deploy **consumer-centric** branded campaigns
- Engage with adult smokers via our cigarette packaging, e.g. **JustScan**
 - In 2022, we reached approximately **1.3 million** adult consumers across **36 markets** globally via **JustScan**
- Shift to a more **consumer-centric** and increasingly **B2C commercialization model**

Acceptability

No single product will address the individual preferences of all adult smokers

We are delivering a multi-category portfolio of better, science-based alternatives to cigarettes offering a wide variety of user experiences, technologies, tastes, and price options for adult smokers who would otherwise continue to smoke cigarettes.



Overview of major smoke-free product categories



HEATED TOBACCO

- Heats tobacco
- Uses real tobacco
- Nicotine naturally present in tobacco
- No smoke, no ash, no burn



E-VAPOR

- Vaporizes e-liquid
- No tobacco
- Nicotine derived from tobacco added to e-liquid
- No smoke, no ash, no burn



ORAL NICOTINE

- Snus**
 - Tobacco pouch designed for oral use
 - Nicotine naturally present in tobacco
 - No smoke, no ash, no burn
- Nicotine pouches**
 - Nicotine containing pouch designed for oral use
 - No tobacco
 - Nicotine derived from tobacco
 - No smoke, no ash, no burn

Availability



Advocating for contemporary tobacco control policies and risk-proportionate regulation



Making our smoke-free products available in an increasing number of markets

Progress in 2022



73

Markets where smoke-free products are available for sale¹



285

Flagship IQOS boutiques and stores worldwide

¹ Including Swedish Match.



Affordability



Our vision of a smoke-free future can only materialize if all adult smokers can afford to switch to better alternatives and actually do if they don't quit.

Progress in 2022



We must ensure that our portfolio includes products that are affordable to all adult smokers and deploy inclusive solutions to alleviate cost-barriers



Maintained

42% Of markets where smoke-free products are available for sale that are low- and middle-income markets (2021: 42%)¹



2

iii SOLID 2.0 & BONDS by IQOS

Our diversified portfolio offers different price points to facilitate access for consumers in the low- and middle-income segments



Second life

Remarketing of used products collected and refreshed or repaired following stringent standards to address cost consumer acquisition barriers

¹ Including Swedish Match and excluding PMI Duty Free. Classification of low- and middle-income countries is based on World Bank report issued in July 2022.

Responsible marketing



Progress in 2022



76,000

People (approximately) participated in at least one Marketing Codes-related training session in the past two years, of which approximately 32% were PMI employees and 68% were third-party workers.

2

- Marketing Codes published:
- [Code for Non-combusted Alternatives](#)
 - [Code for Combusted Tobacco Products](#)

14

Substantiated violations of our Marketing Codes by PMI employees investigated and addressed by our Ethics and Compliance function (2021: 13)

16

Audits covering 21 markets conducted by our Corporate Audit department

Maintained

A central governance process to evaluate all new flavored product variants

Mystery shopper

Through our mystery shopper program, an independent third party uses mystery shoppers to monitor compliance with our responsible marketing and commercialization requirements

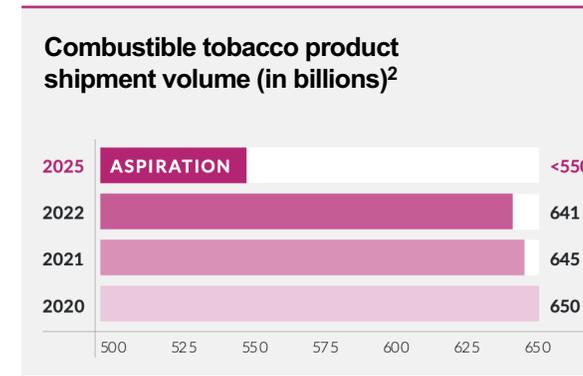
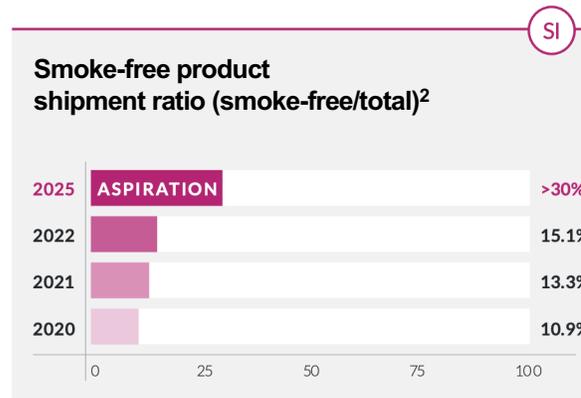
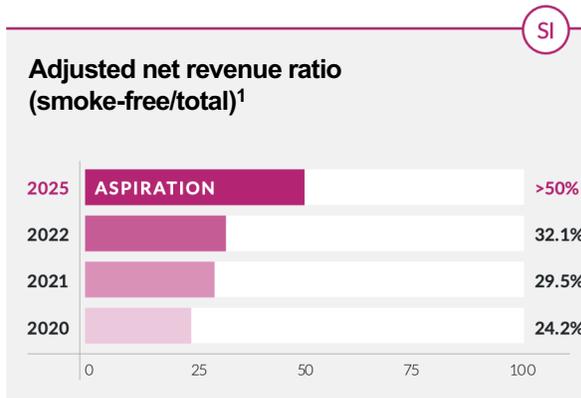
Maintained

91% Of PMI's total shipment volume covered by youth access prevention programs in indirect retail channels (2021: 91%)¹

¹ Total shipment volume includes cigarettes, other tobacco products, and smoke-free product consumables. See PMI's [ESG KPI Protocol 2022](#) for further details

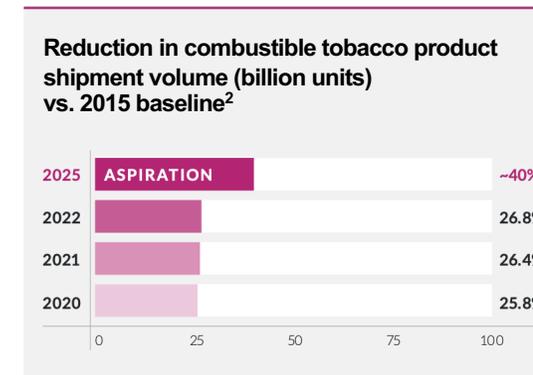


Purposefully phase out cigarettes



¹ For definition of net revenues related to smoke-free products, see [Glossary](#). 2022 figure includes Swedish Match net revenues from November 11, 2022 (acquisition date) to December 31, 2022. 2021 adjusted net revenues exclude the impact related to the Saudi Arabia customs assessments.

² These indicators are calculated based on millions of units. For definition of smoke-free products and combustible tobacco products, see [Glossary](#). Smoke-free products shipment volume includes volume of smoke-free products that can be converted into cigarette equivalent units, such as heat-not-burn, e-vapor, and oral nicotine. Total shipment volume includes the listed smoke-free products as well as combustible tobacco products: cigarettes and other tobacco products expressed in cigarette equivalent units. Data do not include Swedish Match or wellness and healthcare products.



Purposefully phase out cigarettes

To accelerate the end of smoking, we:

Allocate our resources to smoke-free products

Engage with stakeholders

Advocate for risk-appropriate regulation and taxation

Lead an industry transformation

In 2022, smoke-free products represented:

- >50% of our net revenue in 17 of 73 markets
- 74% of our commercial expenditure (marketing) ratio (smoke-free/total)
- 15.1% of product shipment ratio (smoke-free/total), while combustible tobacco product shipment volume decreased by 26.8% vs. 2015 baseline

Note: Please refer to "Performance metrics" section of [Integrated Report 2022](#) pp. 190-201 for complete KPIs with accompanying footnotes.



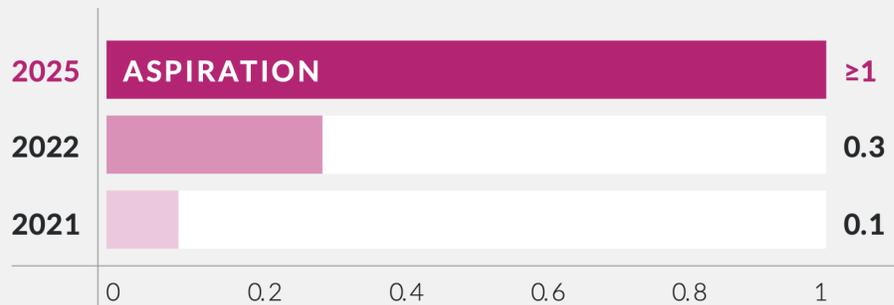
Seek net positive impact in wellness and healthcare



OUR ASPIRATION AT A GLANCE



Annual net revenue from wellness and healthcare products (in billions USD)



Note: For definition of net revenues related to wellness and healthcare, see [Glossary](#). 2021 figure includes portion of net revenues reported after acquisition of Fertin Pharma A/S, Vectura Group plc. and OtiTopic, Inc. that took place in the third quarter of 2021.

Striving to become a company that has a net positive impact on society, we are expanding our offerings to include products that will address critical unmet consumer and patient needs within the wellness and healthcare space.

Seek net positive impact in wellness and healthcare

- Developing a pipeline of products that would bring at least USD 1 billion in net revenues in wellness and healthcare business by 2025
- In March 2022, we launched a new wellness and healthcare business consolidating three innovative and forward-looking companies we acquired in 2021: Vectura Fertin Pharma

Key growth areas



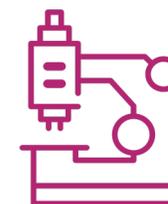
**Inhaled
therapeutics**



**Consumer
health**



**Nicotine
replacement
therapies**



**Contract Development
and Manufacturing
Organization (CDMO)**

PRODUCT IMPACT

Reduce post-consumer waste



OUR ASPIRATIONS AT A GLANCE

Sustainability Index



[Read about our strategy online](#)

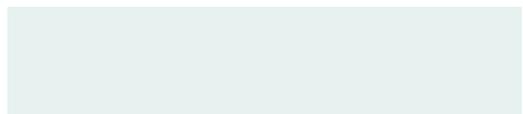
Notes: Aspirations referring to smoke-free electronic devices exclude disposable products and non-PMI-designed devices. We plan to recalibrate our 2025 packaging aspirations as we plan for 2030, taking a fresh look at being impactful in an ever-changing environment. 1 The effective recycling rate is calculated based on the proportion of device sales volume covered by the CIRCLE program multiplied by the actual recycling rate of devices at the active CIRCLE hubs (weighted average), which includes actual recycling and energy recovery. Russia CIRCLE hub was discontinued in 2022 and is therefore excluded from the reported recycling numbers of 2022. 2 We plan to recalibrate this aspiration in 2023 to account for regulatory and market developments. In particular, as of 2023, depending on market circumstances (e.g., available waste treatment infrastructure and regulatory frameworks), collected devices may be considered covered by the CIRCLE program if they are either processed at our centralized CIRCLE hubs, through local e-waste streams, or by local recycling partners (under the governance of PMI central CIRCLE team to fulfill our standardized processing requirements and recycling rates performance). 3 For all markets where possible in compliance with local regulatory requirements.

Maintain

2023

2025

DEVICES



70% Effective recycling rate of our smoke-free electronic devices¹

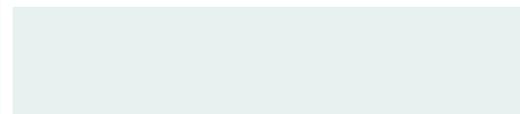
≥1m Smoke-free electronic devices refreshed or repaired (cumulative since 2021)

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

100% Of PMI smoke-free electronic device sales volume covered by the CIRCLE program²

80% Effective recycling rate of our smoke-free electronic devices¹

CONSUMABLES



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

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

PACKAGING



100% Of packaging materials made with recyclable materials

95% Of packaging materials coming from renewable sources

15% Reduction of packaging materials weight versus 2018 baseline



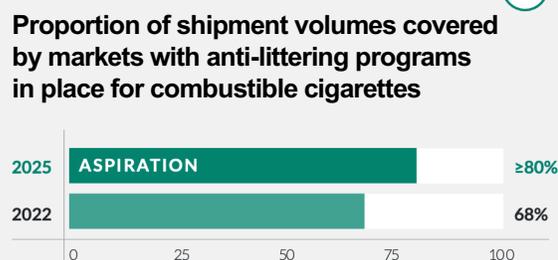
Reduce post-consumer waste

Cigarettes

1. Invest in R&D toward filters made of plastic-free alternatives.
2. Encourage behavioral change through impactful anti-littering awareness programs and initiatives

Progress in 2022

>2,000 employees in over 60 countries participated in the challenge as part of PMI-driven activities



Smoke-free consumables

1. Deploy end-of-life take-back programs
2. Design for circularity and waste reduction
3. Responsible disposal

HTUs on average **3x less likely to be littered** than cigarette butts

Progress in 2022

Required that our affiliates launching *VEEV* pods, *VEEBA* disposable e-vapor products, and *TEREA* HTUs put in place end-of-life take-back programs



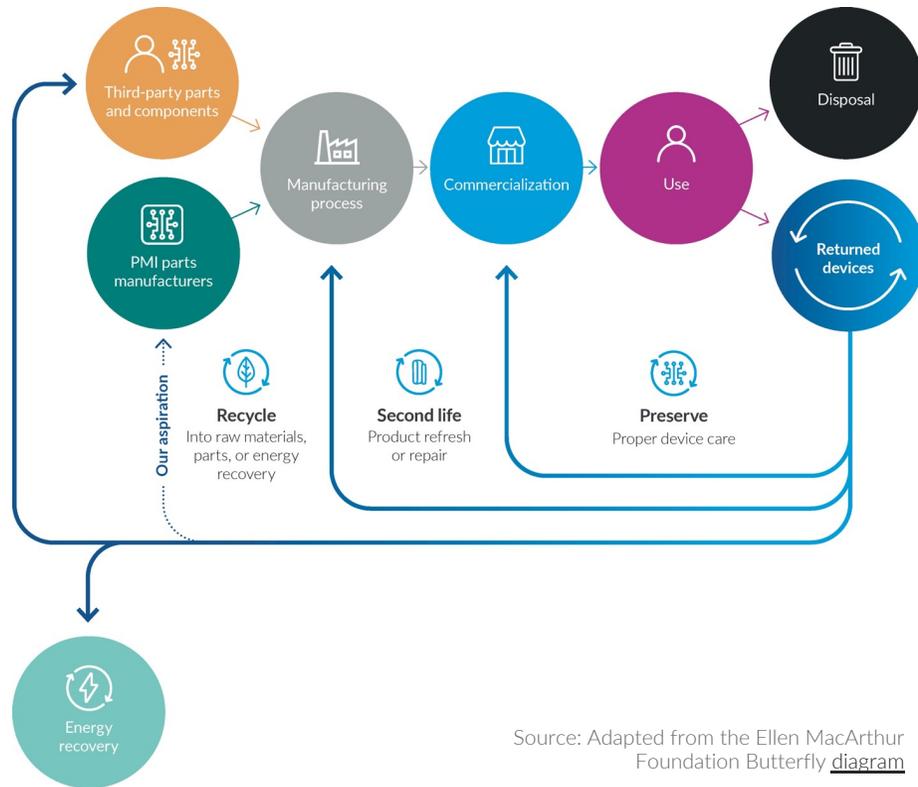
Note: Shipment volume includes heated tobacco units, e-vapor cartridges, and e-vapor disposables.



Reduce post-consumer waste continued

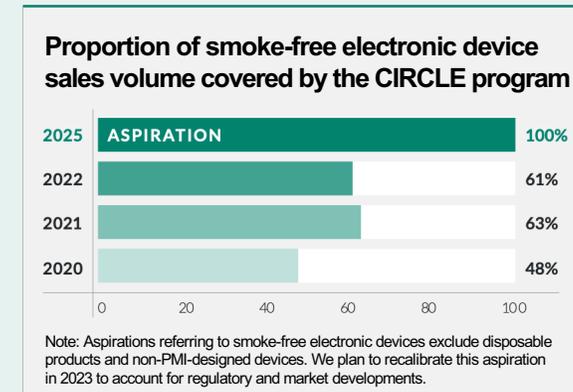
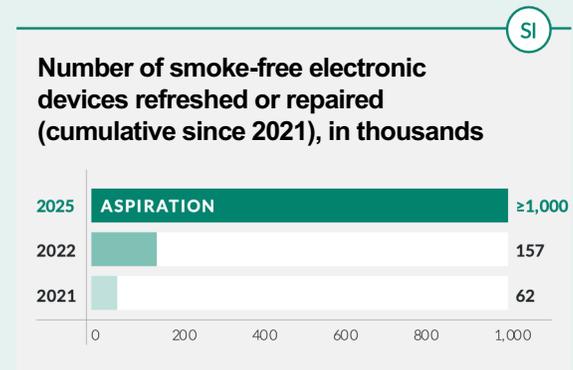
Smoke-free electronic devices

1. Design for circularity and waste reduction
2. Improve recyclability
3. Refresh and repair used devices

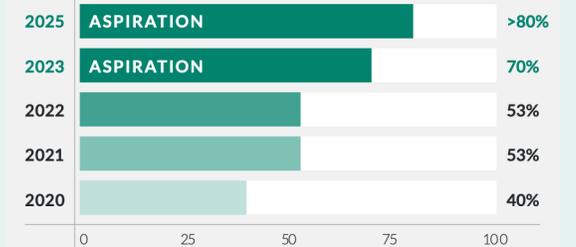


Source: Adapted from the Ellen MacArthur Foundation Butterfly [diagram](#)

Progress in 2022



Effective recycling rate of our smoke-free electronic devices



Note: Excludes disposable products and non-PMI designed devices. The effective recycling rate is calculated based on the proportion of devices sales volume covered by the CIRCLE program multiplied by the actual recycling rate of devices at the active CIRCLE hubs (weighted average), which includes actual recycling and energy recovery. Russia CIRCLE hub was discontinued in 2022 and is therefore excluded from the reported recycling numbers of 2022.



Reduce post-consumer waste continued

Packaging

1. Minimize packaging materials
2. Improve packaging circularity by designing for recyclability
3. Promote use of materials made from renewable resources

Use of materials in our packaging in 2022



Material	Proportion
Paper and board	92%
Plastic	6%
Aluminum	1%
Other	2%

Progress in 2022

Proportion of packaging materials coming from renewable sources

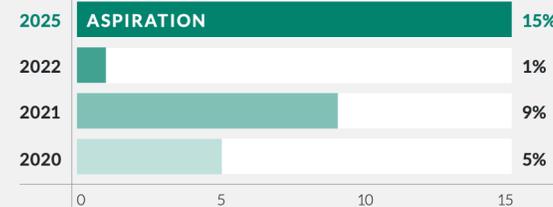


Proportion of packaging made with recyclable materials



Note: Prior years' data has been restated to take into account more accurate computation of packaging material usage.

Reduction of packaging materials weight versus 2018 baseline



Proportion of recyclable inner liners by year-end



Note: For all markets where possible in compliance with local regulatory requirements.





Operational impact



Foster an empowered and inclusive workplace

p57



Improve the quality of life of people in our supply chain

p60



Tackle climate change

p65



Preserve nature

p70

Foster an empowered and inclusive workplace



OUR ASPIRATIONS AT A GLANCE

Sustainability Index

Maintain

100% Of employees earning at least a living wage

<0.65 Collision rate in our fleet

40% Of management positions held by women

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

≥30 Employee Net Promoter Score

Global EQUAL-SALARY certification

2022

100% Of PMI employees covered by parental leave principles

2023

32% Of senior roles held by women

2025

70% Of PMI employees with access to structured lifelong learning offers

≥60% Representation of local talent in the executive management teams of at least 80% of our markets or clusters

≤60% Representation of any gender in managerial roles in most of our functions and regions

35% Of senior roles held by women

>70% Perception of psychological well-being among our employees

≥20% Representation of Asian talent in senior roles globally

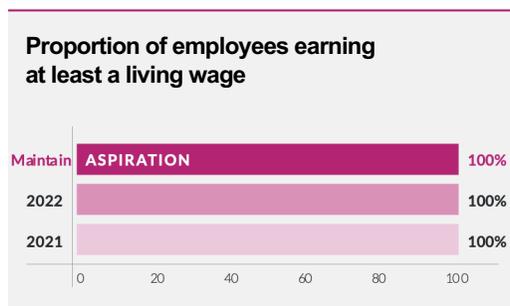
Foster an empowered and inclusive workplace

Progress in 2022



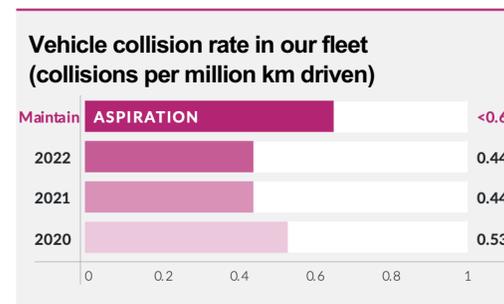
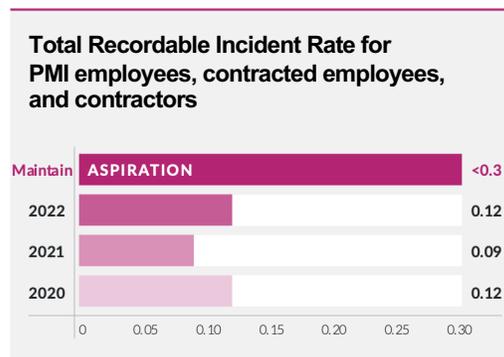
Providing fair employment

- Maintained our global **EQUAL-SALARY** certification which verifies that PMI continues to pay female and male employees equally for equal work



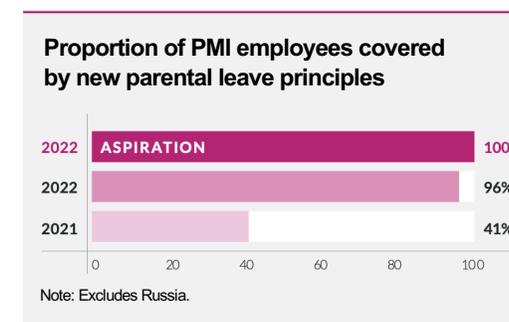
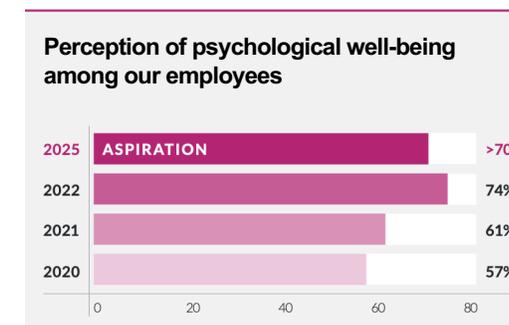
Protecting the health, safety, and security of our employees

- 98% of manufacturing facilities with ISO 45001¹



Promoting mental health and well-being

- Developed “**Mental Health for All**”, a self-paced, online training on our internal e-learning platform



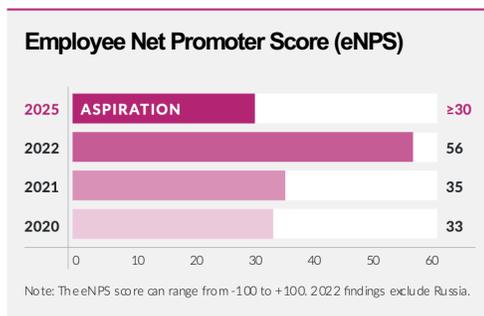
Foster an empowered and inclusive workplace continued

Progress in 2022

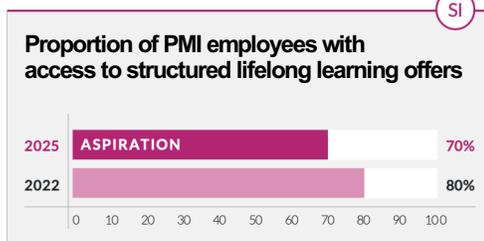


Developing our human capital

- Certified by the Top Employers Institute as a global Top Employer for the seventh year in a row

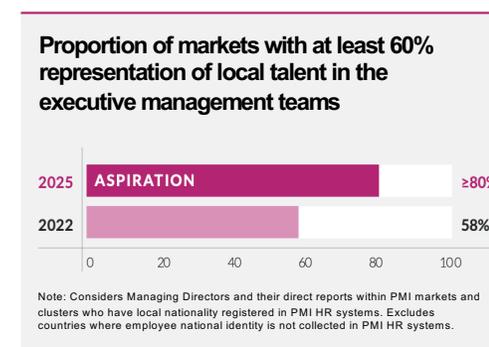
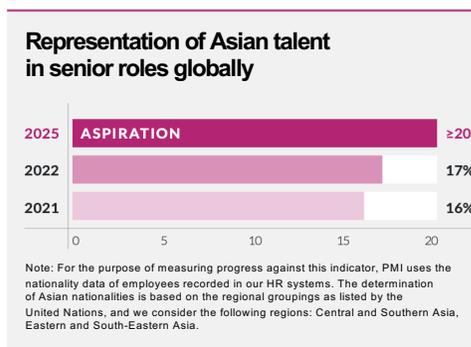
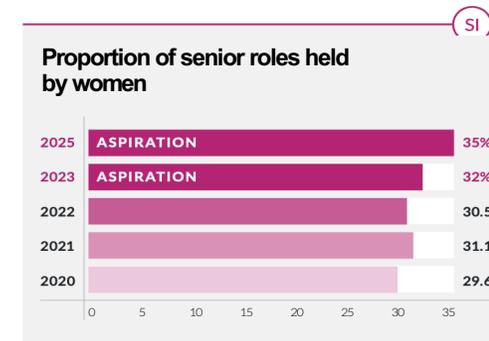
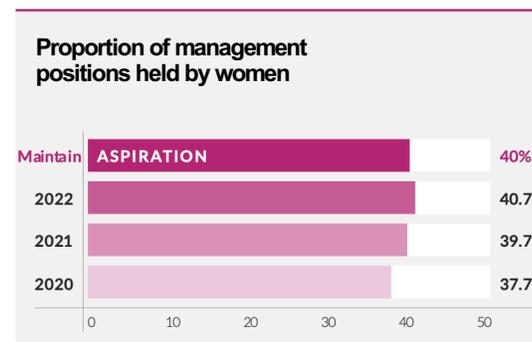


- Employee turnover decreased to 9.3% (2021: 12%)



Fostering diversity, equity, equality, and inclusion

- Included in the Bloomberg Gender-Equality Index (GEI) in 2023 for the third consecutive year
- Continued to foster our global Employee Resource Groups (ERGs)



OPERATIONAL IMPACT

Improve the quality of life of people in our supply chain



SI Sustainability Index

OUR ASPIRATIONS AT A GLANCE

Maintain

>90% Of PMI purchased tobacco volume for which labor practices and adherence to our Agricultural Labor Practices Code are systematically monitored

100% Of contracted tobacco farmers and farmworkers supplying tobacco to PMI have access to personal protective equipment for the application of crop protection agents and prevention of green tobacco sickness

100% Of tobacco farmworkers are provided with safe and adequate accommodation¹

2022

100% Of contracted farmers supplying tobacco to PMI paying their workers at least the minimum legal wage or agricultural benchmark

2025

100% Of contracted farmers supplying tobacco to PMI make a living income (SI)

0% Prevalence of child labor among contracted farmers supplying tobacco to PMI (SI)

100% Of critical suppliers from whom PMI sources sustainably

2030

10 Highest-risk countries covered by external human rights impact assessments, with findings addressed (SI)

100% Of contracted farmers supplying tobacco to PMI have basic water access

100% Contracted farmers supplying tobacco to PMI have access to basic sanitation and hygiene

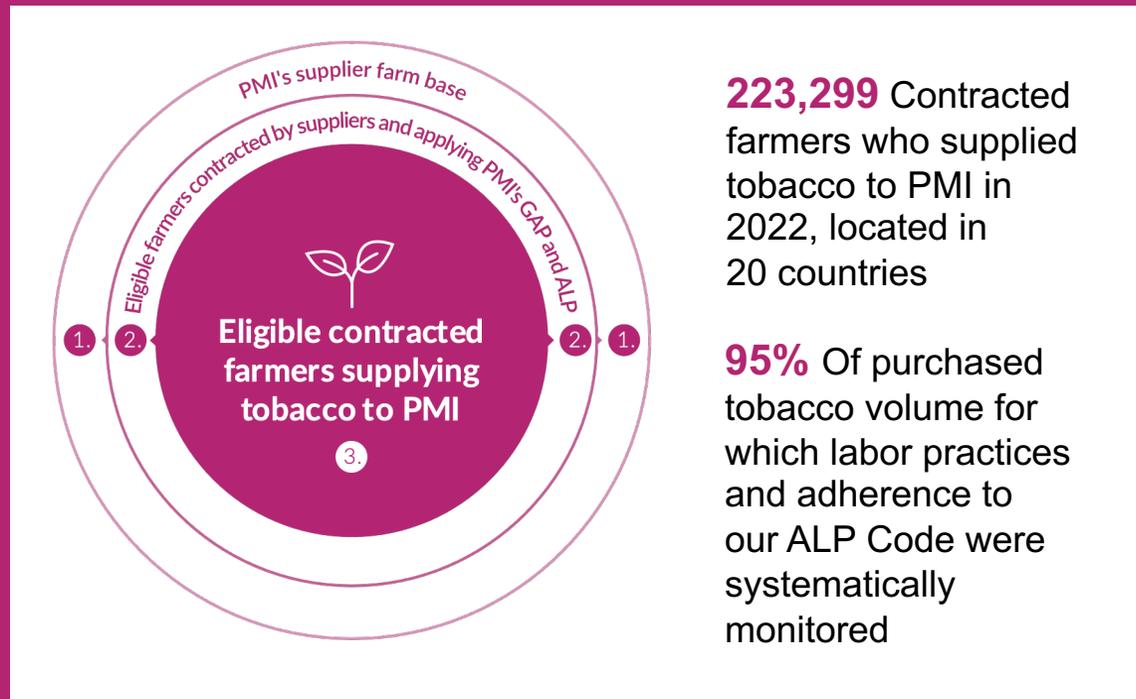
Note: In 2022, we strengthened our approach to monitoring the quality of life of people in our tobacco supply chain by introducing the Sustainable Tobacco Supply Chain (STSC) framework. Although it is still a requirement to monitor performance against our Agricultural Labor Practices (ALP) Code for all contracted farms, we decided to shift from reporting sustainability progress on all farmers contracted by PMI's suppliers or PMI leaf operations to farmers whose tobacco volumes are purchased and used in PMI products.

¹ Scope is limited to farmers that provide accommodation to workers.



Promoting fair working and living conditions in our tobacco supply chain

Implementing our Sustainable Tobacco Supply Chain (STSC) framework



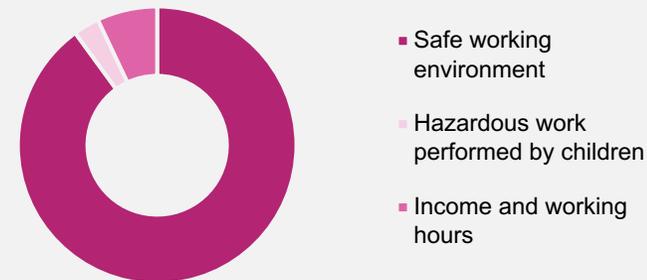
223,299 Contracted farmers who supplied tobacco to PMI in 2022, located in 20 countries

95% Of purchased tobacco volume for which labor practices and adherence to our ALP Code were systematically monitored

Monitoring the implementation of PMI's ALP Code

- Internal monitoring by field technicians, who raise “prompt actions” and report “nonconformities”
- External assessments by the independent third-party organization Control Union (all reports available [here](#))
- External verification by specialized local expert partners

Breakdown of total prompt actions recorded by field technicians in 2022, by type



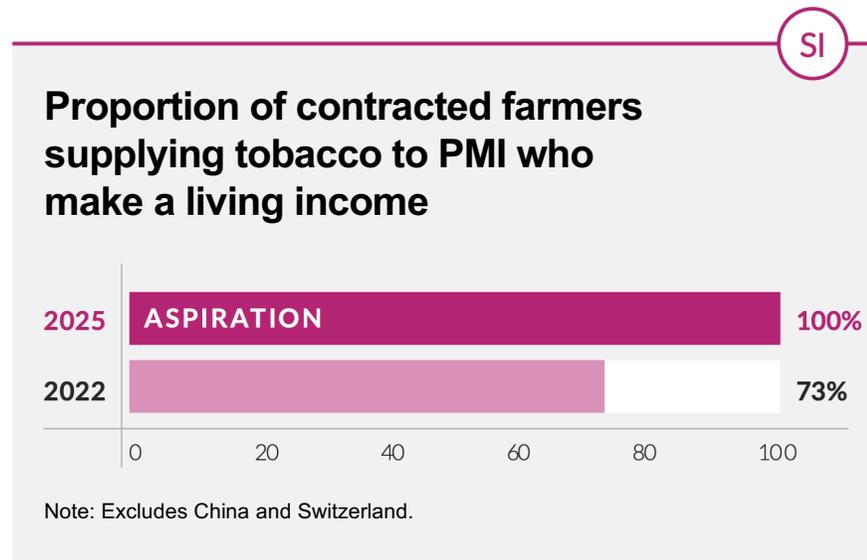
→ Further reading: [Agricultural Labor Practices \(ALP\) \(2011\)](#), [ALP Step Change \(2018\)](#), [ALP Code](#), [Good Agricultural Practices \(GAP\)](#), [Human Rights Commitment](#), [Responsible Sourcing Principles](#), [ALP 10-year anniversary report](#)



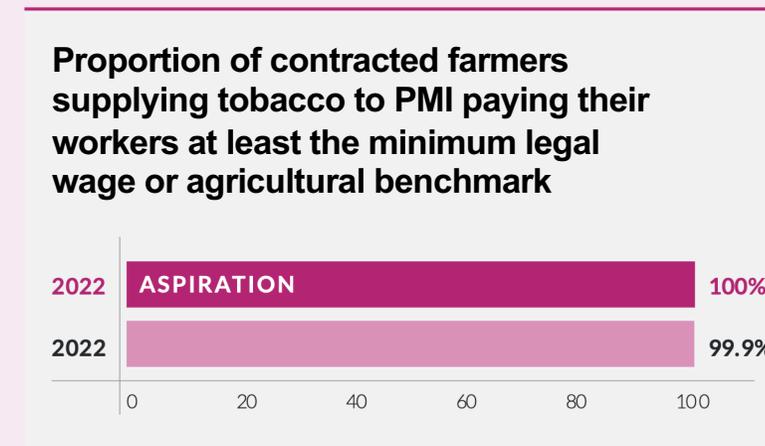
Promoting fair working and living conditions in our tobacco supply chain continued

Contributing toward alleviating poverty

- Robust analyses and studies to define living income values and assess current farmer incomes
- Support to farmers in maximizing efficiencies on their farms and improve productivity
- Promote opportunities for households to diversify their income, notably through the cultivation of complementary crops beyond tobacco



Our ALP Code requires that the wages of all workers meet—at a minimum—the national legal standard or formalized agricultural benchmark standard



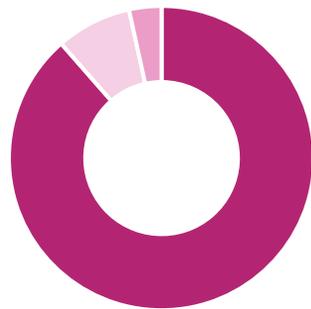
Promoting fair working and living conditions in our tobacco supply chain continued

Eliminating child labor

Progress in 2022

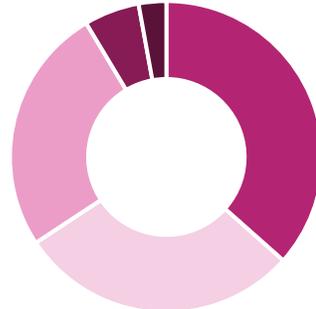
- We use International Labour Organization (ILO) standards to measure our progress toward our target of zero child labor

Total number of prompt actions recorded in 2022 relating to child labor among contracted farms supplying tobacco to PMI, by type



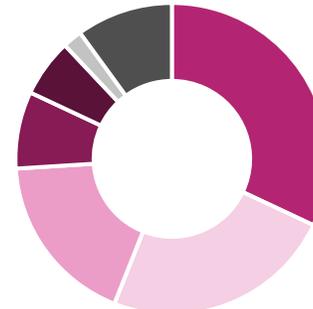
Children under 18 performing hazardous tasks	155
Children under 15 hired	14
Children under 13 performing light work	6

Total number of child labor prompt actions recorded in 2022 among contracted farms supplying tobacco to PMI, by country

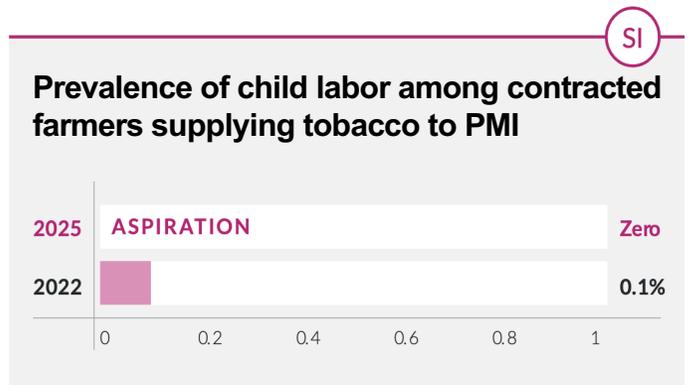


Turkey	64
Philippines	51
Mozambique	45
Indonesia	10
Pakistan	5

Types of prompt actions recorded in 2022 relating to hazardous work performed by children among contracted farms supplying tobacco to PMI



Handling or applying CPA or fertilizer	32%
Stringing	24%
Harvesting or handling green tobacco	18%
Carrying heavy loads	8%
Working with sharp tools	6%
Driving a tractor or operating machinery	2%
Other	10%



Celebrating 10 years of the ALP program

AGRICULTURAL LABOR PRACTICES (ALP) 10 YEAR ANNIVERSARY REPORT
DECEMBER 2021

➔ Further reading:
[ALP 10 year Anniversary Report](#)

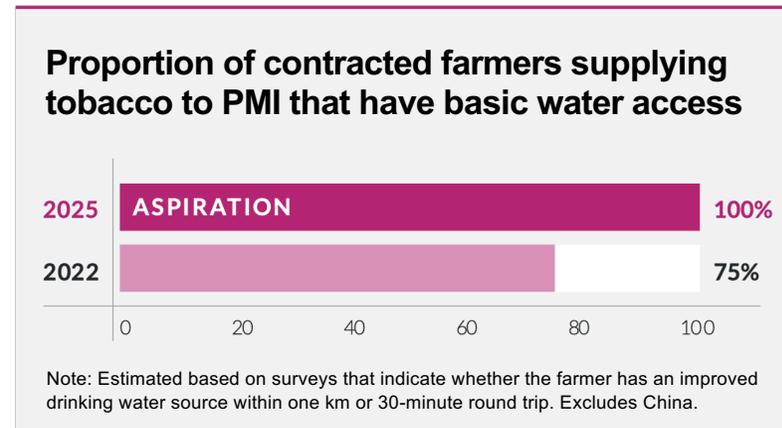
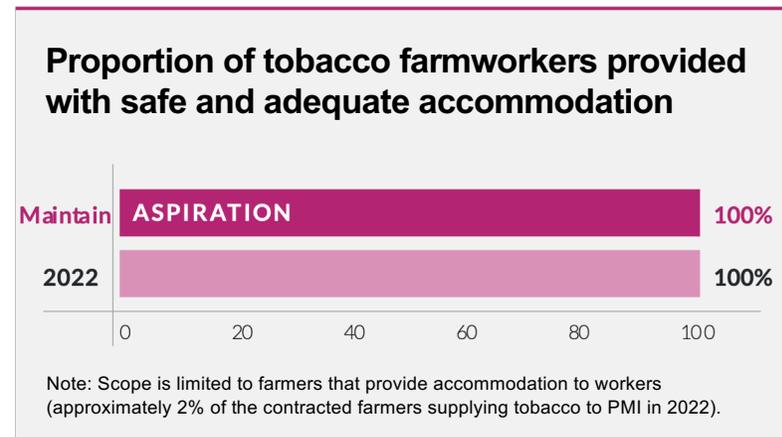
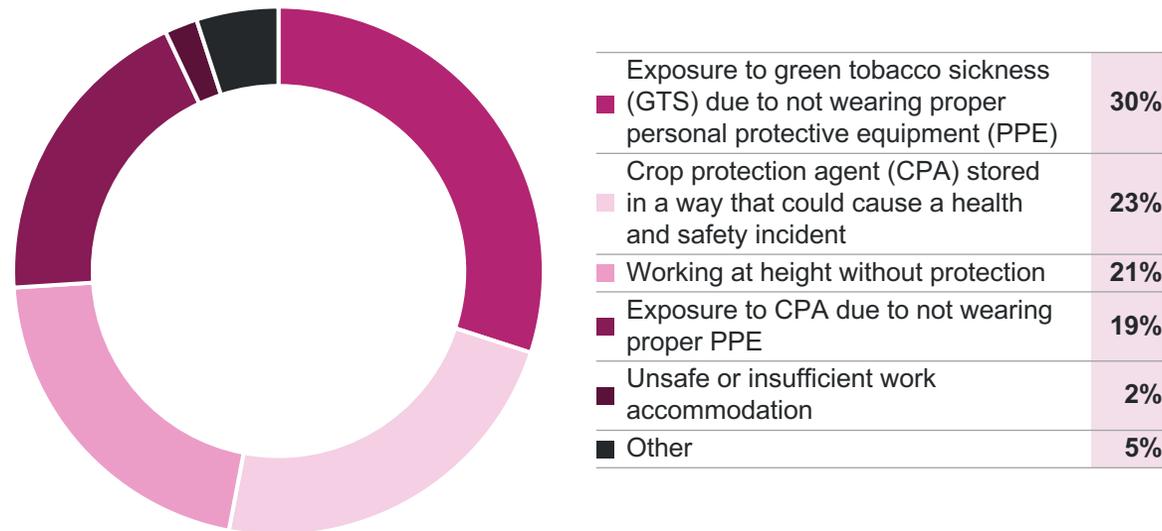


Promoting fair working and living conditions in our tobacco supply chain continued

Promoting a safe working environment

- 5,490 prompt actions related to unsafe working environment recorded by field technicians in 2022

Types of prompt actions recorded in 2022 relating to safe working environment issues among contracted farms supplying tobacco to PMI



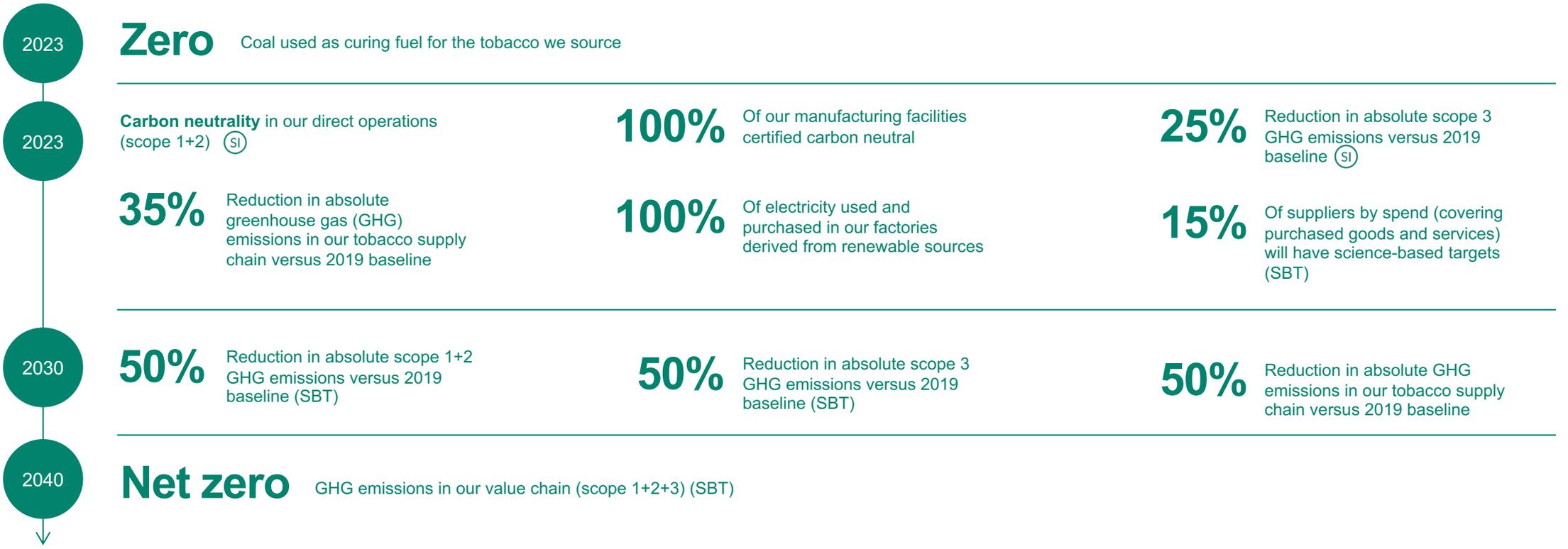
OPERATIONAL IMPACT

Tackle climate change



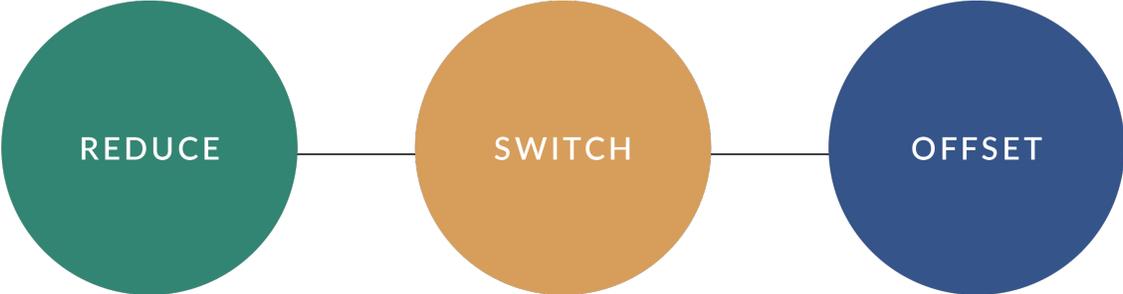
OUR ASPIRATIONS AT A GLANCE

Sustainability Index



Tackle climate change

Our three-pronged approach to decarbonization



Reduce consumption and optimize efficiency



Minimize the use of fossil fuels and promote the switch to renewable energy



Compensate for the remaining unavoidable emissions with instruments and activities in line with international best practices incorporating environmental and social integrity

PMI's Low-Carbon Transition Plan

Our Low-Carbon Transition Plan (LCTP), published in October 2021, provides a transparent and detailed view of how we plan to achieve our climate ambitions. It describes the various tools and enablers—including our approach to carbon pricing, our portfolio of climate investments, and our governance and management arrangements—that will help us deliver on our climate targets. By openly sharing our objectives and methodologies, we seek to accelerate the achievement of our targets and commitments ([read more here](#)).

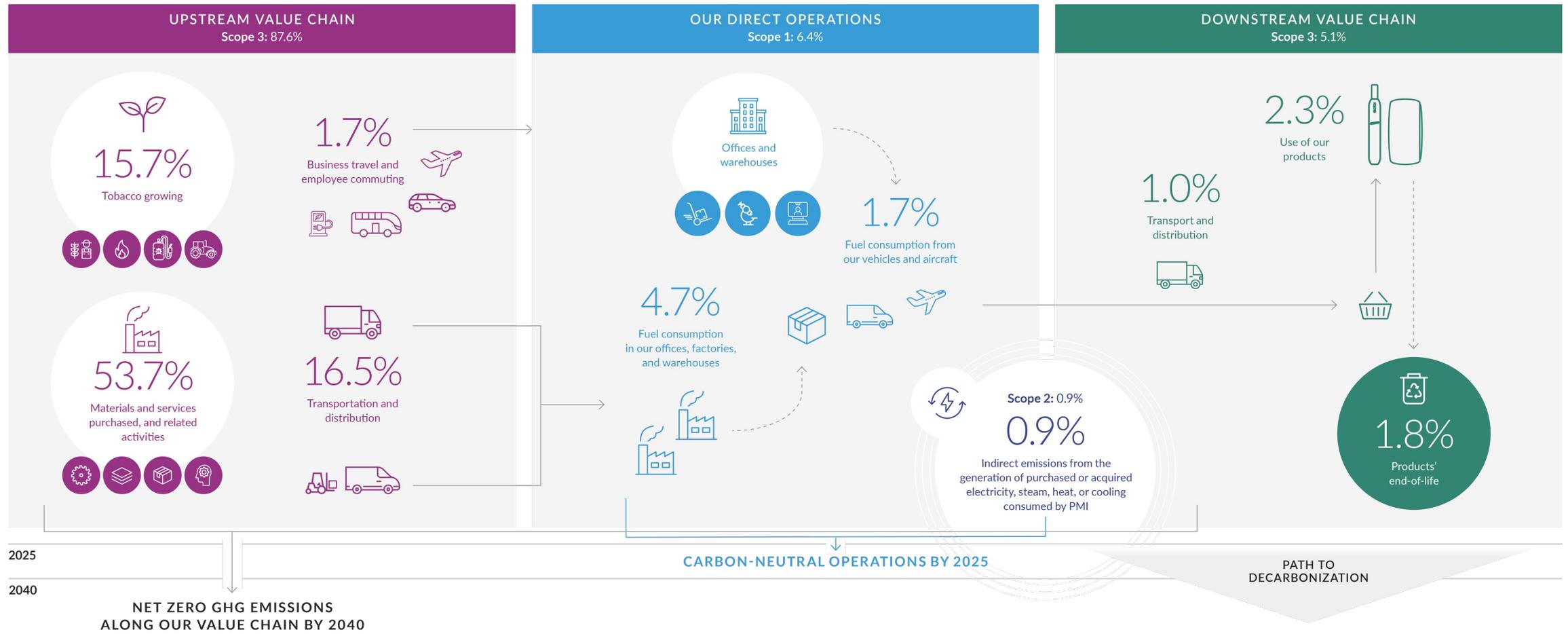


→ Further reading: [Task Force on Climate-related Financial Disclosures \(TCFD\)](#)



Tackle climate change continued

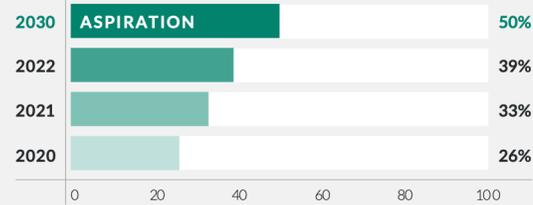
Carbon emissions along our value chain in 2022¹



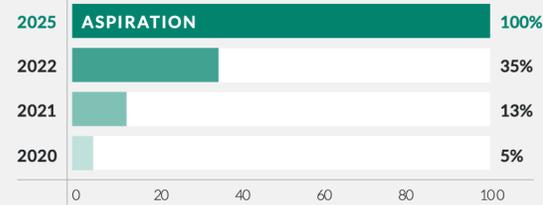
Tackle climate change continued

Carbon neutrality in our direct operations

Reduction in absolute scope 1+2 GHG emissions versus 2019 baseline

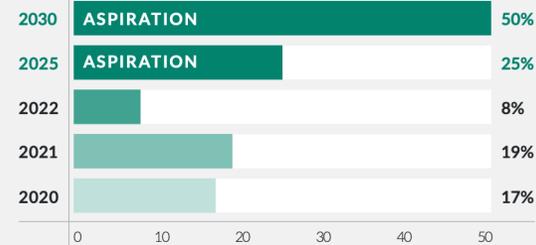


Proportion of our manufacturing facilities certified carbon neutral

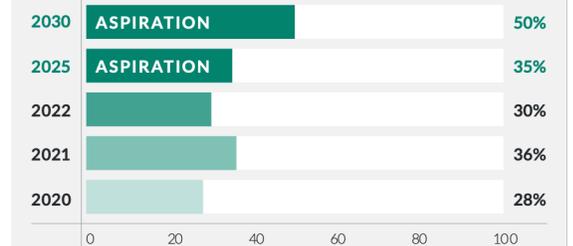


Carbon reduction in our value chain

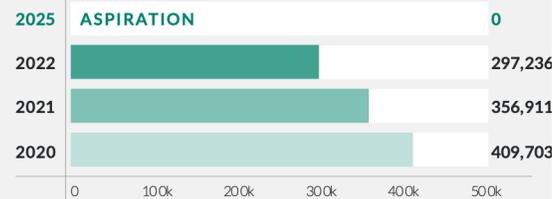
Reduction in absolute scope 3 GHG emissions versus 2019 baseline



Reduction in absolute GHG emissions in our tobacco supply chain versus 2019 baseline



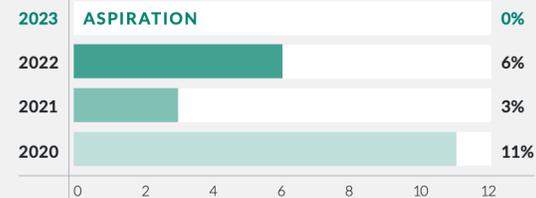
Net CO₂e scope 1+2 (metric tons)



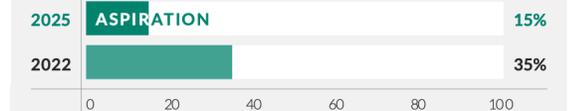
Proportion of electricity used and purchased in our factories derived from renewable sources



Proportion of Virginia tobacco purchased cured with coal



Proportion of suppliers by spend covering purchased goods and services with science-based GHG reduction targets



PMI'S LOW-CARBON TRANSITION PLAN

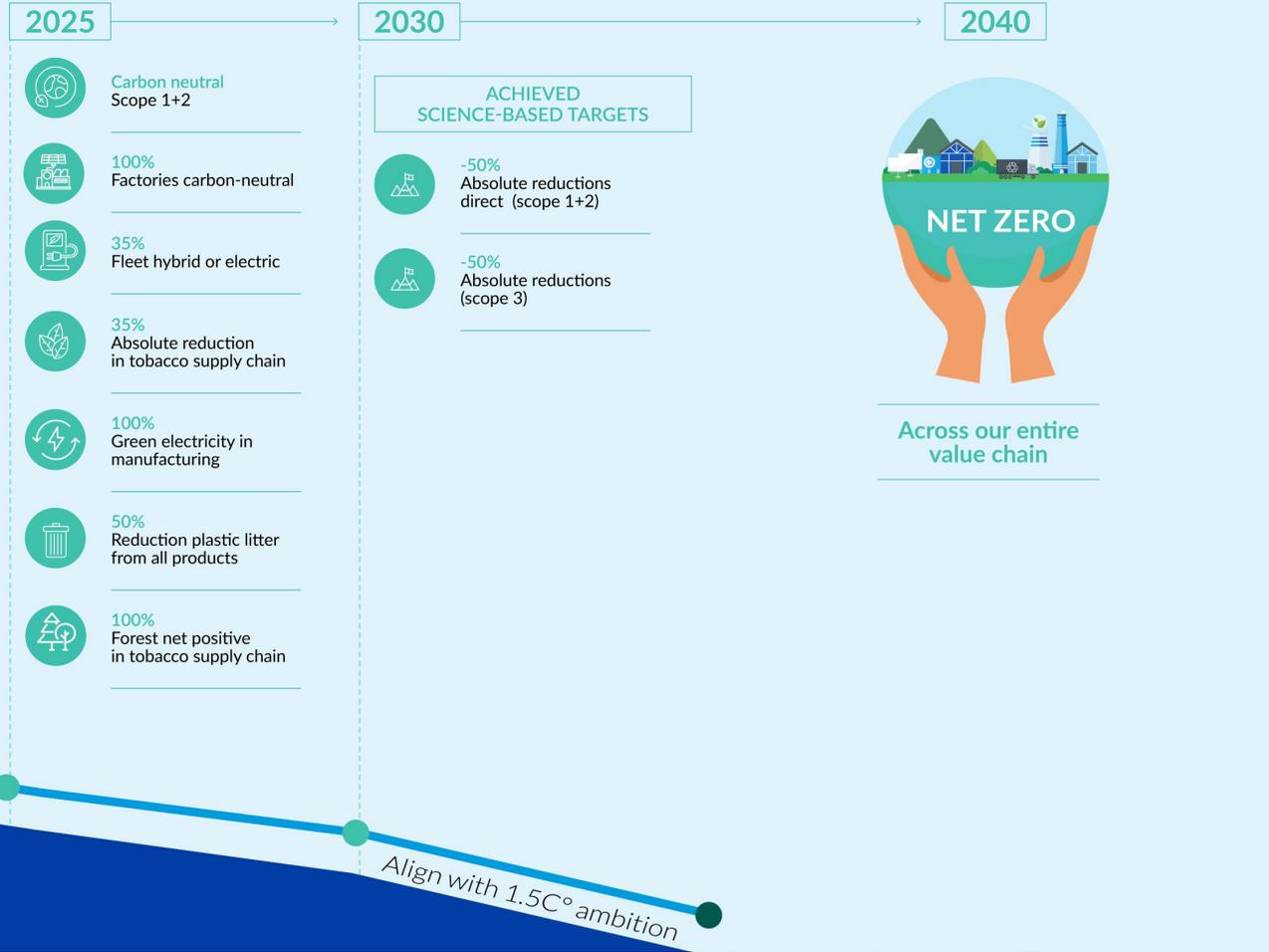
PROGRESS ACHIEVED THUS FAR



BRINGING OUR TARGETS FORWARD



DELIVERING OUR TARGETS ON OUR CLIMATE STRATEGY



Path to net zero by 2040

Align with 1.5°C ambition



OPERATIONAL IMPACT

Preserve nature



OUR ASPIRATIONS AT A GLANCE

Sustainability Index

Maintain

Zero gross deforestation of primary and protected forests associated with our tobacco supply chain

>70% Of flue-cured tobacco purchased cured with renewable fuel sources (self-sufficient firewood or biomass)

100% Of tobacco purchased without detection of residues attributable to the use of highly hazardous pesticides

≤3.1 Water ratio in our manufacturing facilities (water withdrawn in cubic meters per million cigarettes equivalent)

Virtually zero waste to landfill in manufacturing sites

2025

Zero net deforestation of managed natural forest and no conversion of natural ecosystems in our tobacco supply chain

Net positive impact on forests associated with our tobacco supply chain

Zero gross deforestation of primary and protected forest associated with our supply of paper and pulp-based materials

100% Of our tobacco-growing areas covered by local water risk assessments (cumulative since 2018)

100% Of our manufacturing facilities certified to the Alliance for Water Stewardship (AWS) standard¹

2030

≥10 million cubic meters of water optimized in our tobacco-growing areas (cumulative since 2019)

Net zero deforestation of managed natural forest and no conversion of natural ecosystems in the paper and pulp-based products supply chain

2033

No net loss on ecosystems connected to PMI's value chain

Scale solutions **toward a positive impact** on water resources, measured as volume of water optimized and restored

2050

Contribute toward a **net positive impact** on nature

Contribute toward a **positive impact** on water resources

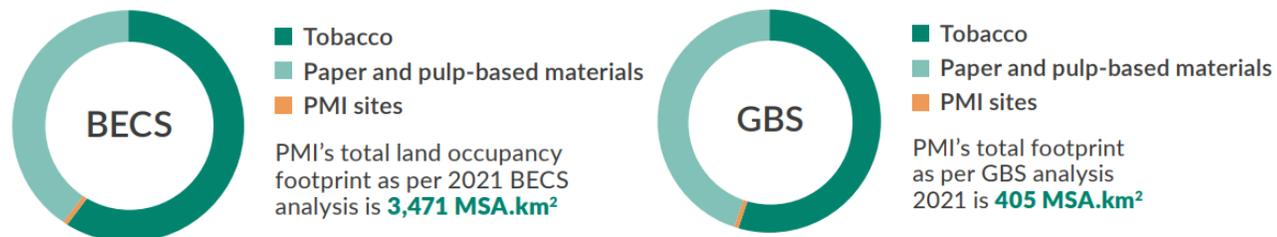


Protecting biodiversity

PMI completed two analyses to better understand its footprint and define key action areas:

1. Biodiversity extent, condition, and significance (BECS) land-based assessment
2. Global biodiversity score (GBS) resource use-based assessment

Results of PMI biodiversity footprint



PRESSURES

1. Ecosystem use & use change
2. Spread of invasive species
3. Climate change
4. Water resources exploitation
5. Pollution of soil, water, air



AREA TARGETS

1. Zero deforestation and no ecosystem conversion
2. Species protection
3. Net zero
4. Water stewardship
5. Waste and littering reduction

→ Further reading: [Biodiversity and Water Ambitions \(2022\)](#)

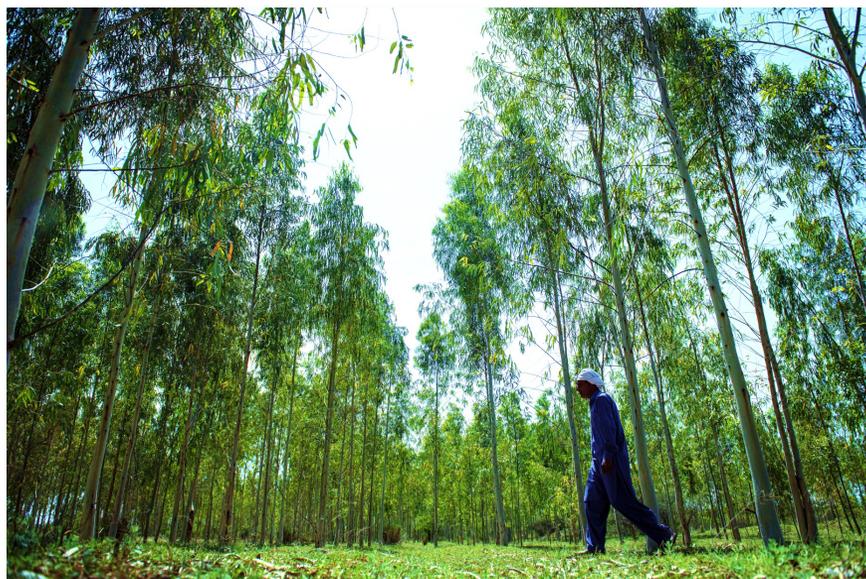
Progress in 2022

Proportion of tobacco purchased without detection of residues attributable to the use of highly hazardous pesticides



Halting deforestation

We are committed to achieving a deforestation-free supply chain for our tobacco and paper and pulp-based materials



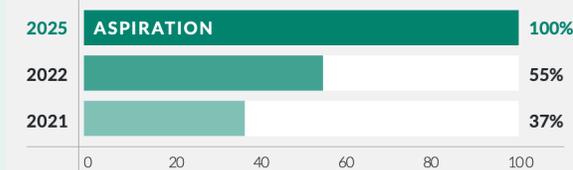
→ Further reading: [Biodiversity and Water Ambitions \(2022\)](#)

Progress in 2022

Proportion of tobacco purchased at no risk of gross deforestation of primary and protected forests



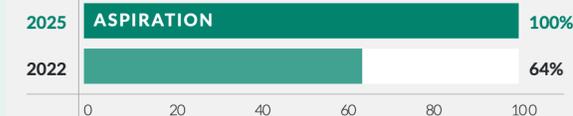
Proportion of tobacco purchased at no risk of net deforestation of managed natural forests and no conversion of natural ecosystems



Proportion of flue-cured tobacco purchased that is cured with renewable fuel sources (self-sufficient firewood or biomass)



Proportion of paper and pulp-based materials purchased at no risk of gross deforestation of primary and protected forests



Managing water responsibly

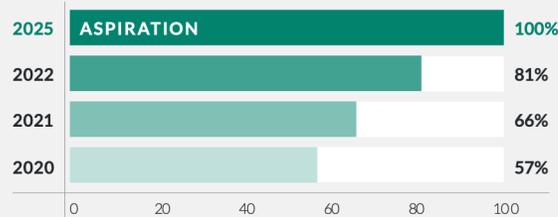
Our ambition is to preserve water resources and respect the natural cycle of water while also providing benefits to biodiversity, climate change, and social impact



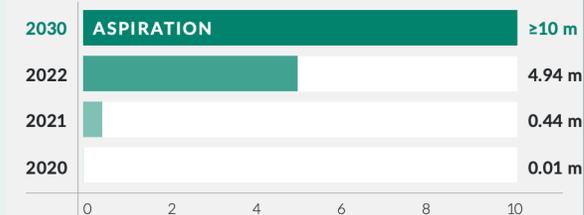
→ Further reading: [Biodiversity and Water Ambitions \(2022\)](#)

Progress in 2022

Proportion of tobacco-growing areas covered by local water risk assessments (cumulative since 2018)

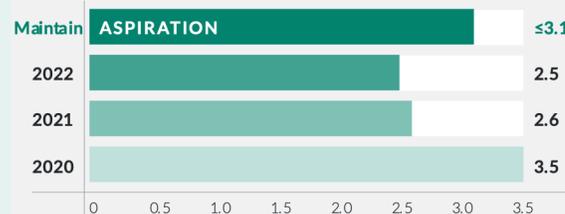


Cubic meters of water optimized in our TGAs (cumulative, since 2019)



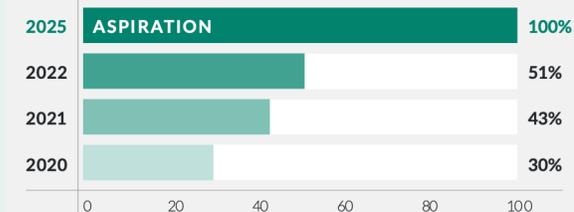
Note: Indicator is based on the World Resources Institute's volumetric benefit accounting methodology and is verified by an external third party.

Water ratio in our manufacturing facilities (water withdrawn in cubic meters per million cigarettes equivalent)



Note: In 2021, we updated our methodology to account for the conversion factor of heated tobacco units to conventional cigarettes of 5:1 and have restated historical data accordingly.

Proportion of PMI factories certified to AWS standard



Note: Aspiration pertains to priority manufacturing facilities identified based on site overall risk in relation to the watershed, water withdrawal, water consumption, product portfolio, and other strategic considerations.

Fundamentals

[Conduct R&D responsibly and transparently](#)

[p75](#)

[Manage our supply chain sustainably](#)

[p79](#)

[Sustain product reliability](#)

[p75](#)

[Safeguard data privacy and protection](#)

[p81](#)

[Nicotine science](#)

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[Apply fair fiscal practices](#)

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[Uphold business ethics and integrity](#)

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[Case studies](#)

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[Respect human rights](#)

[p78](#)

[Market stories](#)

[p83](#)



Conduct R&D responsibly and transparently

R&D is focused on developing and scientifically substantiating smoke-free alternatives to cigarettes for adults who would otherwise continue to smoke.

- Builds confidence in our science among scientific community, regulators, consumers
- Protects our company from reputational risk
- Allows us to commercialize smoke-free products

Sharing our methods and findings

450+

Published papers on smoke-free products in peer-reviewed publications since 2008

Open Science

Conference series continued throughout 2022, available on PMIScience.com.

Presented findings at conferences and virtual events in the field of toxicology, aerosol engineering, respiratory drug delivery

Sustain product reliability

Our quality management system covers all our products, smoke-free and combustible, from raw material to retail shelf. Our factories are designed to manufacture our products to the highest quality standards, following the ISO 9001 certification principles.

Quality management system

- Contracted farmers and suppliers
- Factories
- Inspection by authorities and certified bodies
- Packaging, storage, and transport of finished goods to consumers

Progress in 2022

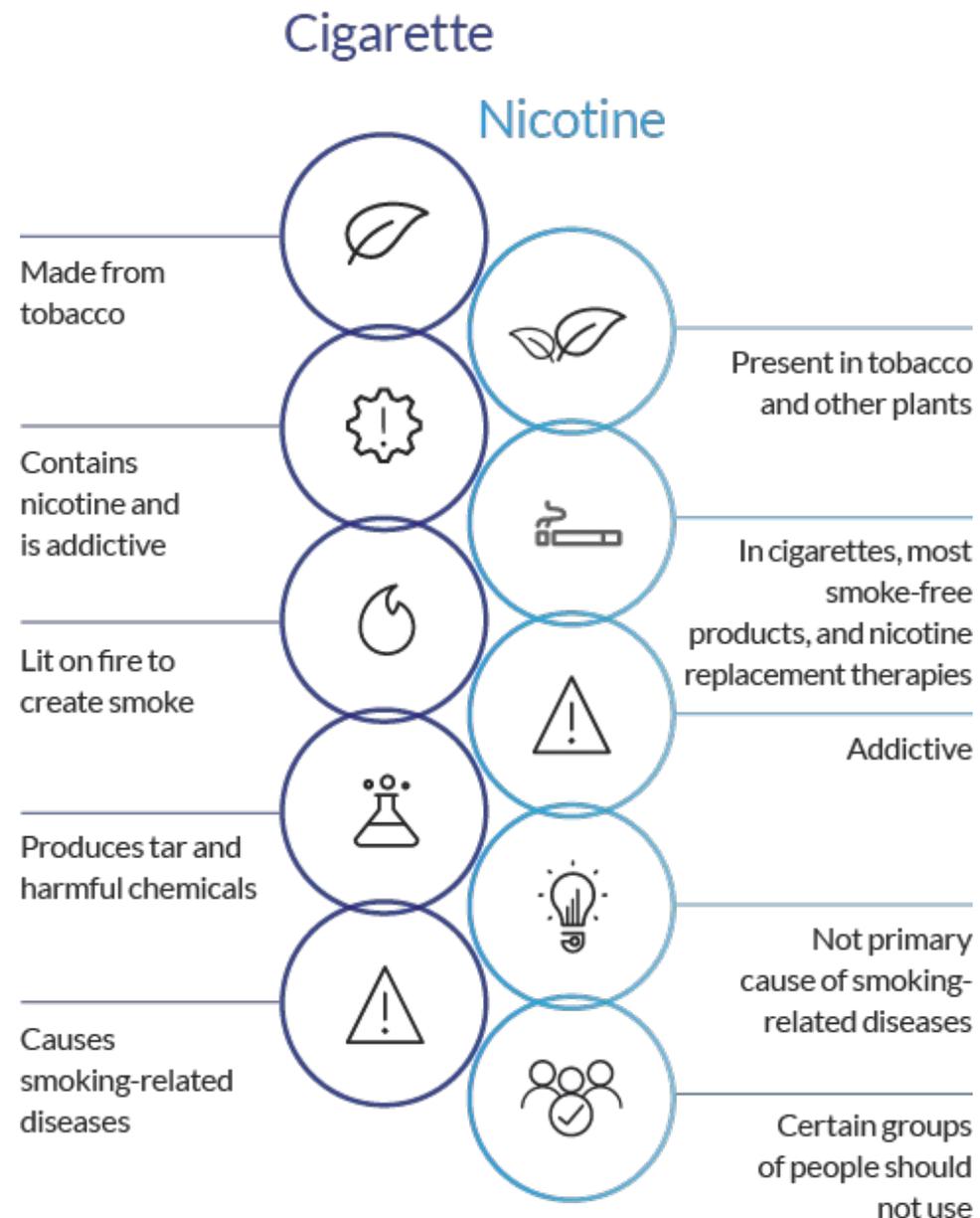
- Zero product recalls
- 1,800 product quality associates
- ~100 corporate quality professionals
- PMI quality assurance colleague on site at each key electronic manufacturing supplier of smoke-free devices



Nicotine science

While nicotine is addictive and not risk-free, it is not the primary cause of smoking-related diseases, such as cardiovascular, respiratory diseases, and cancer.

Nicotine plays an important role in helping adults who would otherwise continue to smoke to transition from cigarettes to better alternatives with a nicotine profile that resembles that of a cigarette.



Uphold business ethics and integrity

We clearly define the ethical and compliance expectations to which we hold ourselves and the third parties with whom we work, and we back up these expectations with governance and management systems to ensure we deliver on them.

Progress in 2022

- **98.7% of eligible employees globally**, including 100% of senior management, have **certified their commitment to the newly launched PMI's Code of Conduct**¹
- **Closed 923 of 990** reports of suspected compliance allegations and other concerns, of which:
 - 429 (46%) involved a compliance allegation
 - 494 (54%) did not involve a compliance allegation
- **Total of 352,796 Ethics & Compliance training courses completed** by employees and third parties
- **Launched a series of five e-learning courses** (available in 31 languages) to approximately 40,000 employees

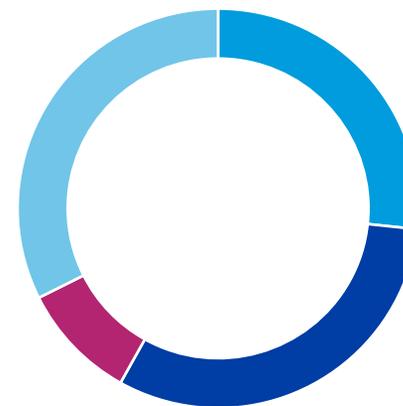
¹ For the purposes of the 2022 PMI Code of Conduct Annual Certification, "eligible employees" are those who have office-based computer access, and "Senior Leaders" are defined as employees at a salary grade of 19 and above.



Our Code of Conduct:
Delivering a smoke-free future with integrity

➔ Further reading:
[Our Code of Conduct \(2023\)](#)

Substantiated violations

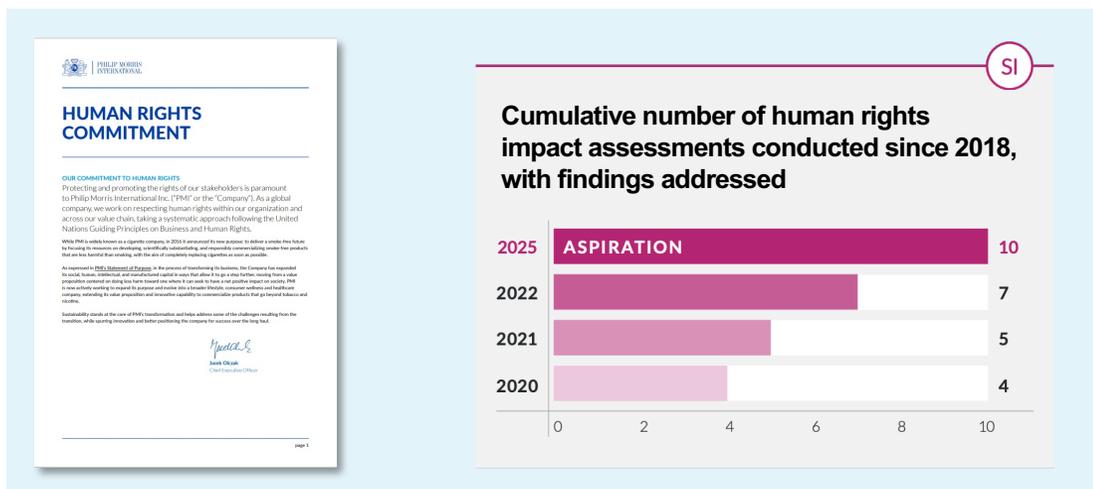
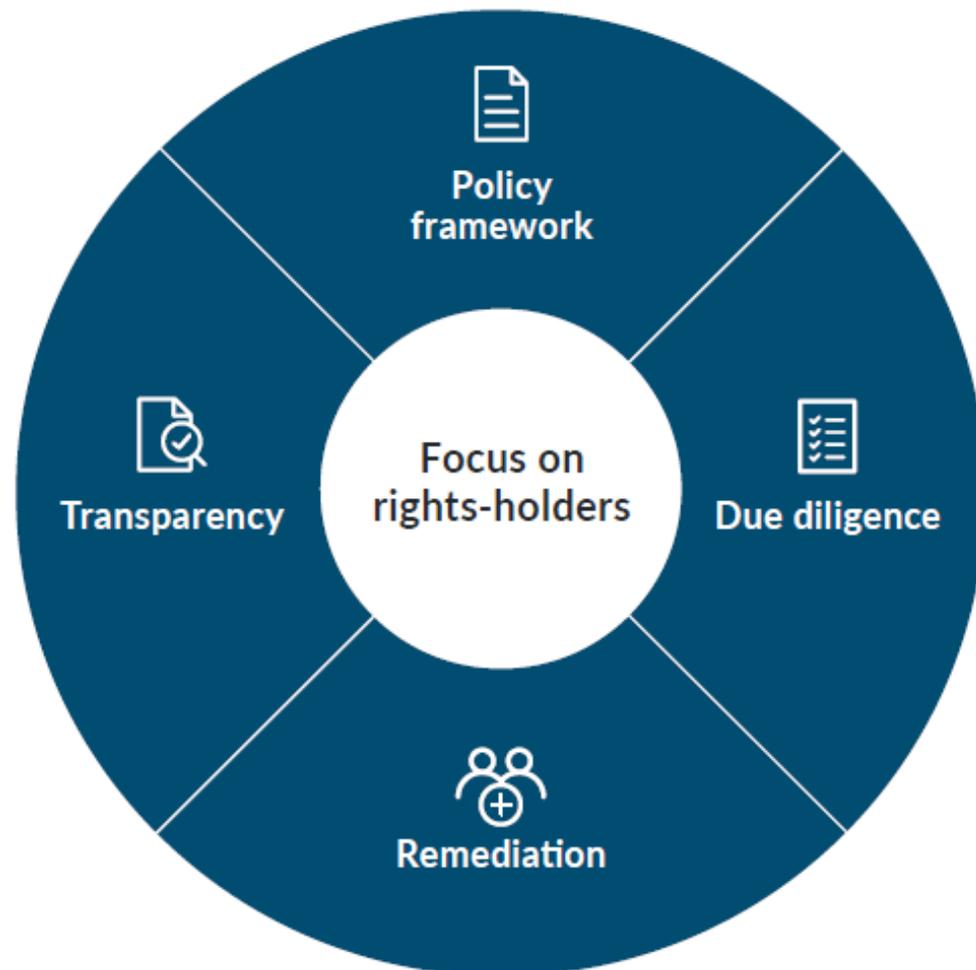


Theft and fraud	28%
Workplace integrity	33%
Failure to speak up or obstructing an investigation	10%
Other	34%

Respect human rights

Progress in 2022

- Seven Human Rights Impact Assessments (HRIAs) completed, and findings addressed (cumulative since 2018)¹
- Made our company-wide Business and Human Rights e-learning available in seven additional languages
- Refreshed our Human Rights Commitment



¹ Our assessment prioritizes countries which are assessed as highest risks from a human rights standpoint. They are determined based on key parameters such as PMI's footprint and the country's human rights risk profile, as determined by internationally recognized organizations.

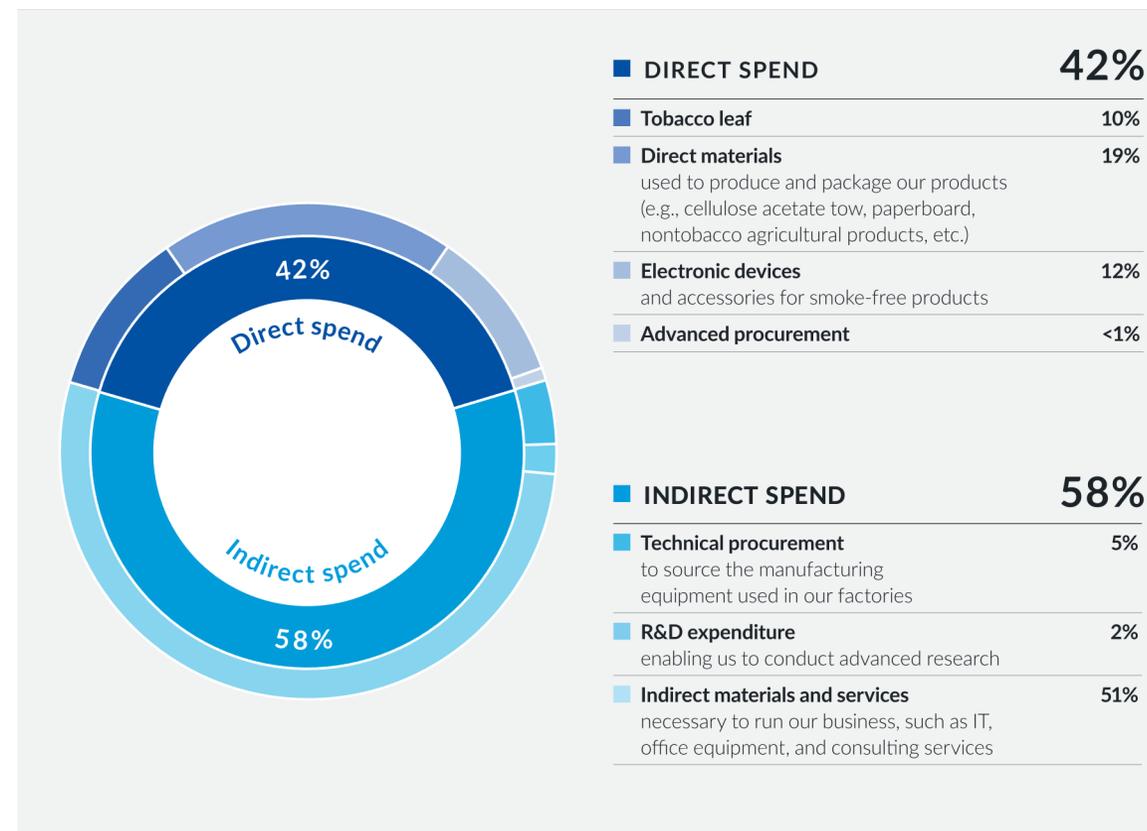
Manage our supply chain sustainably

Progress in 2022

- 93% critical supplier spend sourced sustainably¹
- 30% of total procurement spend on smoke-free products' critical suppliers
- 67% of electronic supply chain spend covered by Responsible Business Alliance's (RBA's) Validated Assessment Program or Customer Managed Audits (CMAs)²

Direct spend with highest exposure to sustainability risk	Main risks
Tobacco production across Africa, Asia, South America	Working conditions, child labor, climate change, access to water, socioeconomic well-being of farming communities
Electronics manufacturing	Working conditions
Paper and pulp-based materials	Deforestation, biodiversity loss, climate change

2022 Supply chain spend

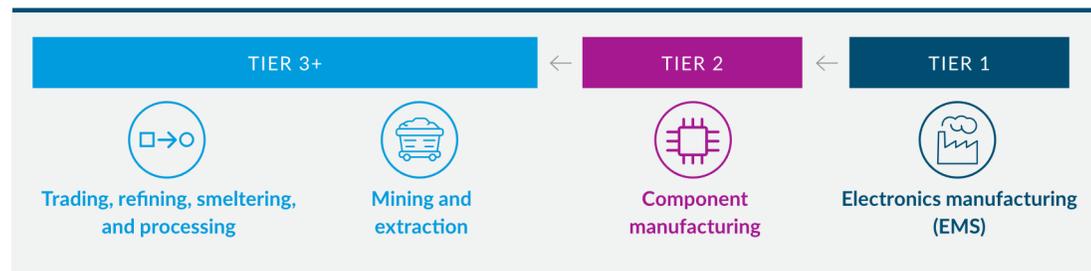


See our [Responsible Sourcing Principles](#) and corresponding Implementation Guidance.
¹ Sustainable sourcing is determined based on a minimum threshold score of 45 out of 100 in EcoVadis (direct materials) or 125 out of 200 in RBA with no open priority issues (electronics). All tobacco purchased by contracted farmers, thereby covered by PMI's integrated production system, is considered sustainable.
² This figure includes 42 out of 46 of our electronic critical suppliers sites.



Manage our supply chain sustainably continued

Overview of electronics supply chain



At a glance

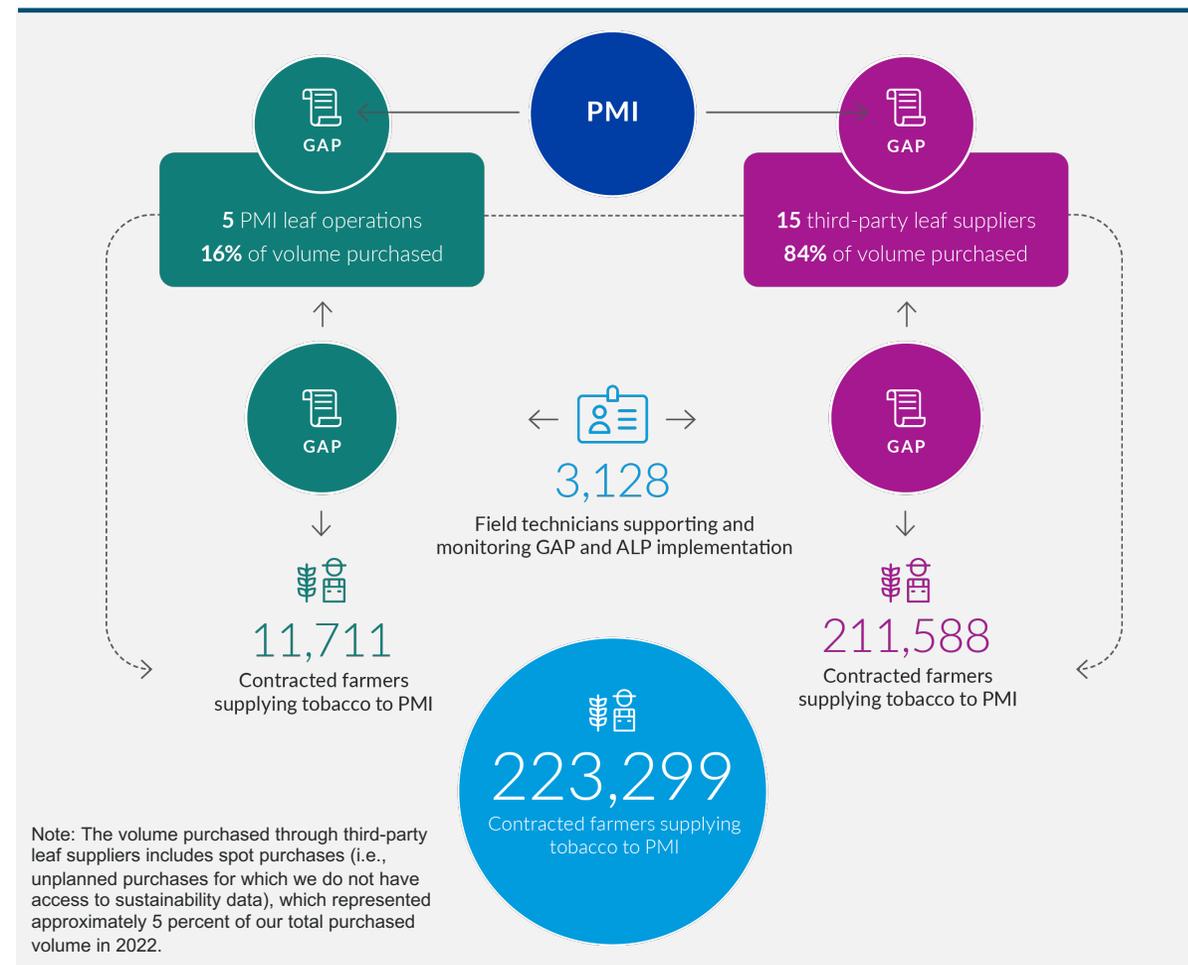
- >30,000 tier 1 suppliers globally
- USD 12.6 billion supply chain spend¹

Principles of sustainable supply chain management

- Proactive engagement
- Risk-based approach
- Continuous improvement
- Impactful programs to tackle climate change, protect nature, promote fair working conditions

¹ Total supply chain spend includes procurement spend and tobacco leaf sourcing spend.

Overview of tobacco supply chain



Note: The volume purchased through third-party leaf suppliers includes spot purchases (i.e., unplanned purchases for which we do not have access to sustainability data), which represented approximately 5 percent of our total purchased volume in 2022.



Safeguard data privacy and protection

PMI's Global Privacy Program

sets standards for data privacy and security across markets and functions. It governs collection, processing, and sharing of personal data by PMI affiliates.

In 2022, we continued providing our workforce with renewed training to assist with identifying and reacting to key cyber threats.

Complemented by:

- Simulated phishing campaigns
- Hub of resources on information security awareness accessible to employees and contractors

Apply fair fiscal practices

Paying taxes commensurate with our economic activities is not only our duty but the responsible thing to do.

2022 taxes	Total (USD billion)
Corporate income tax	2.2
Total excise taxes on PMI products	73.4
• Excise taxes on PMI products reported by PMI affiliates	48.9
• Excise taxes reported by our importers and distributors ¹	24.5
VAT and sales tax	9.0

¹ Note: In addition to the taxes reported by PMI legal entities, our importers and distributors in many countries are responsible for paying import duties and excise taxes on our products. Though such payments may not appear in PMI's financial statements, they represent a portion of the product taxes paid by our consumers worldwide and so are included in the table above.



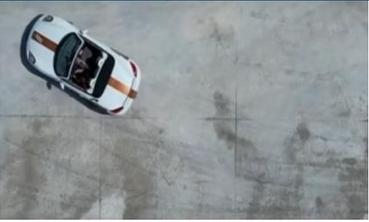
2022 Case studies

					
<p><u>First end-to-end human rights impact assessment in Malaysia</u></p> <p>In 2022, we completed our sixth country-level HRIA since 2018, aimed to identify relevant risks and opportunities across Malaysia’s value chain.</p>	<p><u>A holistic approach to water stewardship at our Sukorejo plant in Indonesia</u></p> <p>How Philip Morris Indonesia developed a holistic water stewardship strategy while pursuing the Alliance for Water Stewardship (AWS) certification at our Sukorejo plant.</p>	<p><u>Embedding convenience into our smoke-free consumables take-back program in Switzerland</u></p> <p>Addressing waste from our products and improving circularity in our value chain through the first smoke-free take-back program.</p>	<p><u>The future of work – Lifelong learning program in PMI</u></p> <p>Our Operations function continued to expand its voluntary lifelong learning program, encouraging employees to develop skills to shape their careers in the way they desire.</p>	<p><u>Assessing human rights impacts in Brazil</u></p> <p>Our seventh HRIA focused on helping identify, prioritize, and address potential risks and opportunities across our Brazilian affiliate’s value chain.</p>	<p><u>Heightened engagement with retailers to minimize the risk of youth having access to our products in Thailand</u></p> <p>Deploying heightened efforts and communication with indirect channels to help prevent youth’s access to our products.</p>

→ Further reading: [PMI’s Case studies and market stories](#)



2022 Market stories

<p>Pakistan</p> 	<p>Slovakia</p> 	<p>Italy</p> 	<p>Indonesia</p> 	<p>Turkey</p> 	<p>Workplace</p> 
<p><u>Empowering women to return to work in Pakistan</u></p> <p>Learn how an initiative in Pakistan is helping break down barriers and the societal expectations between women and the workplace.</p>	<p><u>Paving the way forward for sustainability in Slovakia</u></p> <p>Learn how our Slovakian team is raising awareness of post-consumer waste recycling opportunities.</p>	<p><u>The importance of preventing littering in Italy</u></p> <p>Discover how PMI's effort to addressing littering in Italy has evolved, and how it's continuing to encourage responsible behaviors.</p>	<p><u>Focus on: Harnessing green energy in Indonesia</u></p> <p>PMI works toward its carbon-neutrality targets with a transformative new solar energy project for Sampoerna in Indonesia.</p>	<p><u>Driving sustainability forward in Turkey</u></p> <p>A focus on safer driving techniques is having a wide-ranging impact on the environment in Turkey.</p>	<p><u>Championing well-being in the workplace</u></p> <p>Discover how a network of well-being champions is transforming our approach to employee health and happiness at PMI.</p>

→ Further reading: [PMI's Case studies and market stories](#)



Reporting

[Performance in ESG ratings, rankings, and indices](#) [p85](#)

[Consolidated list of forward-looking aspirations](#) [p86](#)

[Performance metrics](#) [p94](#)

[Further resources](#) [p95](#)

[Glossary of terms and acronyms](#) [p96](#)



Performance in ESG ratings, rankings, and indices

		2022 score	
S&P Global Corporate Sustainability Assessment	PMI was selected for the third year in a row as a member of the Dow Jones Sustainability North America Index (score as of March 17, 2023).	84/100 	Member of Dow Jones Sustainability Indices <small>Powered by the S&P Global CSA</small>
Sustainalytics	PMI maintained its “Medium ESG Risk” classification (score as of November 30, 2022).	24.1 	
MSCI	PMI maintained a rating of BBB in the MSCI ESG Rating assessment (score as of December 23, 2022).	BBB 	
CDP Climate, Forest, Water Security	PMI was awarded a Triple A score for the third consecutive year in recognition of its efforts to combat climate change, protect forests, and promote water security.	AAA 	
CDP Supplier Engagement	PMI earned a place on CDP’s Supplier Engagement Leaderboard for the sixth consecutive year.	Leaderboard 	
Bloomberg Gender-Equality Index	PMI was included for the third year in a row in the 2023 Bloomberg Gender-Equality Index (GEI) for its transparency in gender reporting and advancing women’s equity.	Index member 	
S&P ESG Evaluation	PMI scored 62/100, based on its ESG Profile Score (59/100) and Preparedness Opinion (“Adequate +3”). The former is based on entity-specific scores and sector/region scores (score as of February 3, 2023; report available here)	62/100 	
Tobacco Transformation Index	PMI ranked second out of 15 tobacco companies assessed, leading the industry in the “Strategy and Management,” “Capital Allocation & Expenditure,” and “Marketing Policy & Compliance” categories (score as of September 2022).	3.69/5 	
ISS ESG	PMI achieved industry leadership, maintaining a rating of “C” (score as of August 2, 2022).	C 	
State Street R-Factor	Outperformer within the tobacco industry; industry average score of 56 (score as of February 1, 2023)	65 	

Key  Improve  Maintain



Consolidated list of forward-looking aspirations

Aspiration	Goal	Timeline	Sustainability Strategy	Sustainability Index	Material Topic
Total number of users of PMI smoke-free products (in millions)		2025		SI	Product health impact; Sales, marketing, and consumer communications
Estimated number of users who have switched to PMI smoke-free products and stopped smoking (in millions)	>40	2025			Product health impact; Sales, marketing, and consumer communications
Number of markets where smoke-free products are available for sale	100	2025		SI	Product health impact; Sales, marketing, and consumer communications
Proportion of markets where smoke-free products are available that are low- and middle-income markets	>50%	2025		SI	Product health impact; Sales, marketing, and consumer communications
Proportion of PMI's total shipment volume covered by youth access prevention programs in indirect retail channels	>90%	Maintain		SI	Product health impact; Sales, marketing, and consumer communications
Smoke-free product shipment ratio (smoke-free/total)	>30%	2025		SI	Product health impact
Smoke-free product shipment volume (billion units)	>250	2025			Product health impact
Combustible tobacco product shipment volume (billion units)	<550	2025			Product health impact
Change in combustible tobacco product shipment volume (bn units) vs. 2015 baseline	~(40%)	2025			Product health impact
Adjusted net revenues ratio (smoke-free/total)	>50%	2025		SI	Product health impact
Annual net revenue from wellness and healthcare products (in billion USD)	≥1	2025		SI	Innovation in wellness and healthcare

Business Transformation Metric

Maximize the benefits of smoke-free products



Purposefully phase out cigarettes



Seek net positive impact in wellness and healthcare



Notes: See "Performance metrics" section of [Integrated Report 2022](#) (pp. 190-201) for complete aspirations with accompanying footnotes. For further details on the definitions, scope, calculation methodology, and data management for the metrics included in PMI's Sustainability Index, please refer to [PMI's ESG KPI Protocol 2022](#).

Consolidated list of forward-looking aspirations continued



Aspiration	Goal	Timeline	Sustainability Strategy	Sustainability Index	Material Topic
Proportion of shipment volume covered by markets with anti-littering program in place for combustible cigarettes	≥80%	2025		(SI)	Materials and product eco-design; Post-consumer waste
Proportion of PMI smoke-free devices with eco-design certification	100%	2025		(SI)	Materials and product eco-design; Post-consumer waste
Cumulative number of smoke-free electronic devices refreshed or repaired since 2021	>1m	2025		(SI)	Materials and product eco-design; Post-consumer waste
Effective recycling rate IQOS devices	70%	2023			Materials and product eco-design; Post-consumer waste
	80%	2025			Materials and product eco-design; Post-consumer waste
Proportion of IQOS device sales volume covered by the CIRCLE program	100%	2025			Materials and product eco-design; Post-consumer waste
Recycling rate of IQOS devices at the CIRCLE hubs (weighted average)	80%	Maintain			Materials and product eco-design; Post-consumer waste
Proportion of shipment volume covered by markets with take-back programs in place for smoke-free consumables	≥80 %	2025		(SI)	Materials and product eco-design; Post-consumer waste
Recyclable inner liners	100 %	Maintain			Materials and product eco-design; Post-consumer waste
Proportion of packaging material that is recyclable	100%	2025			Materials and product eco-design; Post-consumer waste
Proportion of packaging material that is renewable	95%	2025			Materials and product eco-design; Post-consumer waste
Reduction of packaging materials used vs. 2018 baseline	15%	2025			Materials and product eco-design; Post-consumer waste

Reduce post-consumer waste

Notes: See "Performance metrics" section of [Integrated Report 2022](#) (pp. 190-201) for complete aspirations with accompanying footnotes. For further details on the definitions, scope, calculation methodology, and data management for the metrics included in PMI's Sustainability Index, please refer to [PMI's ESG KPI Protocol 2022](#).



Consolidated list of forward-looking aspirations continued

Aspiration	Goal	Timeline	Sustainability Strategy	Sustainability Index	Material Topic
Employees earning at least a living wage	100%	Maintain			Employee well-being
Employee Net Promoter Score	≥30	Maintain			Employee well-being
Global EQUAL-SALARY certification		Maintain			Employee well-being
PMI employees covered by parental leave principals	100%	2022			Employee well-being
Total recordable incidents rate (TRIR) per 200,000 hours worked—PMI employees, contracted employees, and contractors	<0.3	Maintain			Health and safety at work
Collision rate within PMI's fleet of vehicles per year (collisions per million km driven)	<0.65	Maintain			Health and safety at work
Proportion of manufacturing facilities with ISO 45001 certification	100%	Maintain			Health and safety at work
Employee self-assessment psychological well-being measure	>70%	2025			Health and safety at work
Proportion of PMI employees who have access to structured lifelong learning offers	>70%	2025			Diversity and inclusion; Human capital development
Proportion of management positions held by women	≥40%	Maintain			Diversity and inclusion; Human capital development
Proportion of women in senior roles	32%	2023			Diversity and inclusion; Human capital development
	35%	2025			Diversity and inclusion; Human capital development
Proportion of Asian talent in senior roles globally	≥20%	2025			Diversity and inclusion; Human capital development
Proportion of markets or clusters with at least 60% representation of local talent in the executive management teams	≥80%	2025			Diversity and inclusion; Human capital development

Foster an empowered and inclusive workplace



Notes: See "Performance metrics" section of [Integrated Report 2022](#) (pp. 190-201) for complete aspirations with accompanying footnotes. For further details on the definitions, scope, calculation methodology, and data management for the metrics included in PMI's Sustainability Index, please refer to [PMI's ESG KPI Protocol 2022](#).

Consolidated list of forward-looking aspirations continued

Aspiration	Goal	Timeline	Sustainability Strategy	Sustainability Index	Material Topic
Proportion of purchased tobacco volume for which labor practices and adherence to our Agricultural Labor Practices (ALP) Code are systematically monitored	>90%	Maintain			Socioeconomic well-being of tobacco-farming communities; Labor standards
Proportion of contracted tobacco farmers supplying tobacco to PMI who make a living income	100%	2025			Socioeconomic well-being of tobacco-farming communities; Labor standards
Proportion of contracted farmers supplying tobacco to PMI paying their workers at least the minimum legal wage or agricultural benchmark	100%	2022			Socioeconomic well-being of tobacco-farming communities; Labor standards
Prevalence of child labor among contracted farms supplying tobacco to PMI	Zero	2025			Socioeconomic well-being of tobacco-farming communities; Labor standards
Proportion of contracted tobacco farmers supplying tobacco to PMI who have access to water	100%	2025			Socioeconomic well-being of tobacco-farming communities; Labor standards
Proportion of tobacco farmworkers provided with safe and adequate accommodation	100%	Maintain			Socioeconomic well-being of tobacco-farming communities; Labor standards
Proportion of contracted tobacco farmers and farmworkers supplying tobacco to PMI have access to personal protective equipment for the application of crop protection agents and prevention of green tobacco sickness	100%	Maintain			Socioeconomic well-being of tobacco-farming communities; Labor standards
Proportion of critical suppliers from whom PMI sources sustainably	100%	2025			Socioeconomic well-being of tobacco-farming communities; Labor standards
Proportion of contracted farmers supplying tobacco to PMI have access to basic sanitation and hygiene	100%	2030			Socioeconomic well-being of tobacco-farming communities; Labor standards

Improve the quality of life of people in our supply chain



Notes: See "Performance metrics" section of [Integrated Report 2022](#) (pp. 190-201) for complete aspirations with accompanying footnotes. For further details on the definitions, scope, calculation methodology, and data management for the metrics included in PMI's Sustainability Index, please refer to [PMI's ESG KPI Protocol 2022](#).

Consolidated list of forward-looking aspirations continued

Aspiration	Goal	Timeline	Sustainability Strategy	Sustainability Index	Material Topic
Absolute reduction of CO ₂ e scope 1+2 vs. 2019 baseline	50%	2030			Climate
Net CO ₂ e scope 1+2 (metric tons)	Carbon neutrality	2025		(SI)	Climate
Proportion of electricity used and purchased that is from renewable sources	100%	2025			Climate
Proportion of carbon-neutral factories	100%	2025			Climate
Proportion of suppliers by spend (covering purchased goods and services) Which will have science-based targets (SBT)	15%	2025			Climate
Absolute reduction of CO ₂ e scope 3 ('000 metric tons) vs. 2019 baseline	25%	2025		(SI)	Climate
	50%	2030		(SI)	Climate
Absolute reduction of CO ₂ e scope 3 ('000 metric tons) from tobacco supply chain vs. 2019 baseline	35%	2025			Climate
	50%	2030			Climate
CO ₂ e intensity reduction in tobacco curing vs. 2019 baseline	75%	2025			Climate
Proportion of Virginia tobacco purchased cured with coal	0%	2023			Climate
Absolute reduction of CO ₂ e scope 1+2+3 ('000 metric tons)	Net zero	2040			Climate
CDP Climate Change rating	A	Maintain			Climate

Tackle climate change



Notes: See "Performance metrics" section of [Integrated Report 2022](#) (pp. 190-201) for complete aspirations with accompanying footnotes. For further details on the definitions, scope, calculation methodology, and data management for the metrics included in PMI's Sustainability Index, please refer to [PMI's ESG KPI Protocol 2022](#).



Consolidated list of forward-looking aspirations continued

Aspiration	Goal	Timeline	Sustainability Strategy	Sustainability Index	Material Topic
Proportion of tobacco purchased at no risk of gross deforestation of primary and protected forests	100%	Maintain			Forest
Proportion of tobacco purchased at no risk of net deforestation of managed natural forest and no conversion of natural ecosystems	100%	2025		SI	Forest
Proportion of flue-cured tobacco purchased that is cured with renewable fuel sources (self-sufficient firewood and biomass adoption)	>70%	Maintain			Forest
CDP Forest rating	A	Maintain			Forest
Proportion of paper, board, and pulp-based materials purchased at no risk of gross deforestation of primary and protected forests	100%	2025			Forest
Net positive impact on forest associated with our tobacco supply chain		2025			Forest
Proportion of paper, board, and pulp-based products purchased at no risk of net deforestation of managed forest and no conversion of natural ecosystems		2030			Forest
Cubic meters of water optimized in our tobacco-growing areas (cumulative since 2019) (million m ³)	≥10m	2030			Water
Proportion of tobacco-growing areas which are covered by Local Water Risk Assessments (cumulative, since 2018)	100%	2025			Water
Water ratio in our manufacturing facilities (water withdrawn in m ³ per million units of cigarettes sold)	<3.1	Maintain			Water
Proportion of PMI factories certified to AWS standard	100%	2025			Water
CDP Water rating	A	Maintain			Water

Preserve nature



Notes: See "Performance metrics" section of [Integrated Report 2022](#) (pp. 190-201) for complete aspirations with accompanying footnotes. For further details on the definitions, scope, calculation methodology, and data management for the metrics included in PMI's Sustainability Index, please refer to [PMI's ESG KPI Protocol 2022](#).

Consolidated list of forward-looking aspirations continued

Aspiration	Goal	Timeline	Sustainability Strategy	Sustainability Index	Material Topic
Scale solutions toward a positive impact on water resources, measured as volume of water optimized and restored		2033			Water
Contribute toward a positive impact on water resources		2050			Water
Proportion of tobacco purchased without detection of residues attributable to the use of highly hazardous pesticides (HHPs), as defined by FAO and WHO guidelines in 2016	100%	Maintain			Biodiversity
Proportion of tobacco purchased without detection of residues attributable to the use of WHO TOX1 group of crop protection agents	100%	Maintain			Biodiversity
No net loss on ecosystems connected to PMI's value chain		2033			Biodiversity
Contribute toward a net positive impact on nature		2050			Biodiversity
Proportion of PMI factories with virtually zero waste to landfill	100%	2022			Waste
Proportion of waste generated from PMI operations recycled	85%	Maintain			Waste
Proportion of waste generated from PMI operations disposed to landfill	<1%	Maintain			Waste
Proportion of manufacturing facilities certified to ISO 14001	100%	Maintain			Environmental management

Preserve nature



Notes: See "Performance metrics" section of [Integrated Report 2022](#) (pp. 190-201) for complete aspirations with accompanying footnotes. For further details on the definitions, scope, calculation methodology, and data management for the metrics included in PMI's Sustainability Index, please refer to [PMI's ESG KPI Protocol 2022](#).



Consolidated list of forward-looking aspirations continued

Fundamentals

Aspiration	Goal	Timeline	Sustainability Strategy	Sustainability Index	Material Topic
Percentage of spend with critical suppliers from whom PMI sources sustainably	100%	2025			Sustainable supply chain management
Proportion of tobacco purchased through direct contracts by PMI and PMI tobacco suppliers	>90%	Maintain			Sustainable supply chain management
Cumulative number of human rights impact assessments conducted since 2018, with findings addressed	10 highest-risk countries	2025			Respect for human rights

Manage our supply chain sustainably



Respect for human rights



Notes: See "Performance metrics" section of [Integrated Report 2022](#) (pp. 190-201) for complete aspirations with accompanying footnotes. For further details on the definitions, scope, calculation methodology, and data management for the metrics included in PMI's Sustainability Index, please refer to [PMI's ESG KPI Protocol 2022](#).



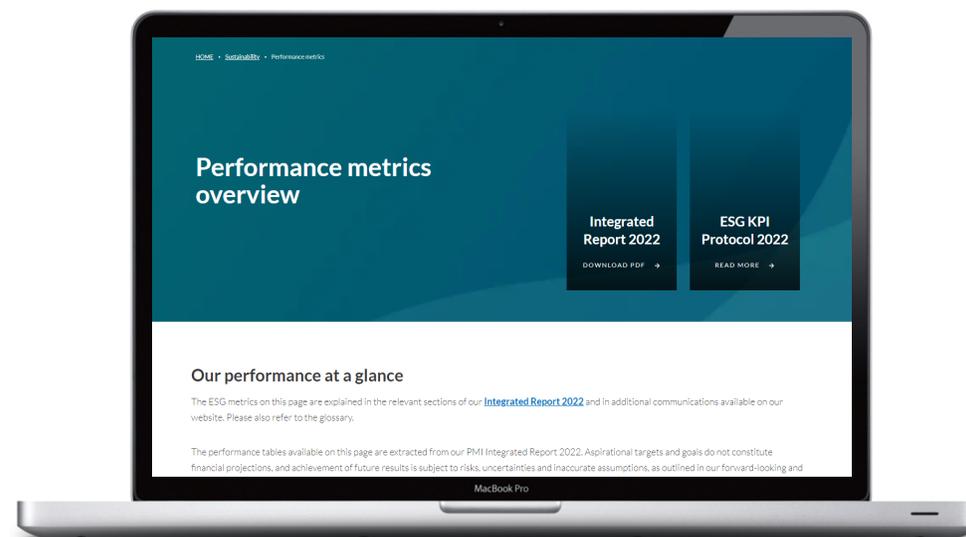
Performance metrics

Please visit

www.pmi.com/sustainability/performance-metrics
to browse and download our Business Transformation Metrics
and complete performance data.

GRI Content Index
SASB Content Index
available [here](#)

→ Read more in PMI's
[2022 Integrated Report](#)
[ESG KPI Protocol](#) and
[Sustainability Index](#)



Further resources



[→ Integrated Report 2022](#)



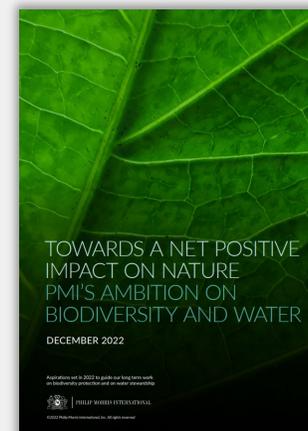
[→ ESG KPI Protocol](#)



[→ TCFD Report](#)



[→ Business Transformation-Linked Financing Framework](#)



[→ Biodiversity and Water](#)



[→ Post-consumer waste strategy](#)

More resources

[→ Sustainability Reporting](#)

[→ Sustainability Resources](#)

[→ Subscribe to PMI's quarterly Sustainability newsletter](#)



Glossary of terms and acronyms continued

RMI – Responsible Minerals Initiative

RSP – Responsible Sourcing Principles

SBT – Science-based target

SBTi – Science Based Targets initiative

SDGs – Sustainable Development Goals

Smoke – A visible suspension of solid particles, liquid droplets, and gases in air, emitted when a material burns

Smoke-free products or SFPs – The term we primarily use to refer to all of its products that are not combustible tobacco products, such as heat-not-burn, e-vapor, and oral nicotine. In addition, SFPs include wellness and healthcare products, as well as consumer accessories such as lighters and matches.

Smoke-free product consumables – The term PMI uses to refer to heated tobacco units used with heat-not-burn products, e-vapor disposables, cartridges containing e-liquids that are used for e-vapor products, and oral nicotine products including snus and nicotine pouches

TGA – Tobacco-growing area

Tier 1 suppliers – Suppliers that directly supply goods, materials or services to PMI

Tier 2 suppliers – Suppliers that provide their products and services to the Tier 1 suppliers

TNFD – Taskforce on Nature-related Financial Disclosures

Tons – "Tons" equates to "metric tons" throughout this report

Total IQOS users – The estimated number of legal age (minimum 18 years) users of PMI heat-not-burn products, for which PMI HTUs represented at least a portion of their daily tobacco consumption over the past seven days.

The estimated number of adults who have "switched to IQOS and stopped smoking" reflects:

- In markets where there are no heat-not-burn products other than PMI heat-not-burn products, daily individual consumption of PMI HTUs represents the totality of their daily tobacco consumption in the past seven days;
- In markets where PMI heat-not-burn products are among other heat-not-burn products, daily individual consumption of HTUs represents the totality of their daily tobacco consumption in the past seven days, of which at least 70% is PMI HTUs.

Note: The above IQOS user metrics reflect PMI estimates, which are based on consumer claims and sample-based statistical assessments with an average margin of error of +/-5% at a 95% Confidence Interval in key volume markets. The accuracy and reliability of IQOS user metrics may vary based on individual market maturity and availability of information. As of December 2020, PMI heat-not-burn products and HTUs include licensed KT&G heat-not-burn products and HTUs, respectively.

TRIR – Total Recordable Incident Rate

UNGPs – United Nations Guiding Principles on Business and Human Rights

Upstream supply chain – Those operations in which the materials flow into the organization (i.e., it mainly refers to procurement activities and inbound logistics)

VAP – Validated Assessment Program of the Responsible Business Alliance (RBA) is a leading standard for on-site compliance verification and effective, shareable audits

Voluntary standards and frameworks

- Global Reporting Initiative (GRI)
- International Integrated Reporting Council (IIRC)
- Sustainability Accounting Standards Board (SASB)
- Task Force on Climate-related Financial Disclosures (TCFD)
- UN Global Compact (UNGC)
- UN Sustainable Development Goals (SDGs)

WASH – Water access, sanitation, and hygiene

WBCSD – World Business Council for Sustainable Development

Wellness and Healthcare products – The term we use to primarily refer to products associated with inhaled therapeutics and oral and intra-oral delivery systems that are included in the operating results of PMI's new Wellness and Healthcare business, Vectura Fertin Pharma.

WHO – World Health Organization

YAP – Youth access prevention

ZDM – Zero Deforestation Manifesto



Glossary of terms and acronyms continued

Key definitions related to our work to improve tobacco farmer livelihoods:

A **living income** and **living wage** are both about achieving a decent standard of living. A living income is the net annual income required for a household to afford a decent standard of living for all its members and applies to, for example, self-employed farmers. A living wage is applied in the context of hired workers (e.g., in factories or on farms). (source: The Global Living Wage Coalition).

A **minimum legal wage**, as defined in PMI's ALP Code, is a wage for all workers (including temporary, piece-rate, seasonal, and migrant) that meets, at a minimum, the national legal standard or formalized agricultural benchmark standard. An agricultural benchmark may be formalized where a minimum legal wage is not available or applicable to a specific context.

Child labor, as defined by the ILO, is work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development. Under PMI's ALP Code, the minimum age for admission to work is not less than the age at which compulsory schooling is completed and, in any case, is not less than 15 years or the minimum age accepted by the country's laws, whichever age limit affords greater protection. No person below age 18 should be involved in any type of hazardous work. In the case of family farms, a child may only help on the farm provided that the work is non-hazardous, and the child is at least 13 years old or above the minimum age for such work as defined by the country's laws, whichever affords greater protection.

Hazardous work means work that, by its nature or by virtue of when or where it is carried out, is likely to harm the health, safety, or morals of children or others. The following can, for example, be hazardous, particularly without the proper PPE: applying crop protection agents (CPA); stalk cutting; stringing; carrying heavy loads; working with sharp tools; working in extreme temperatures; and working after dark.

Green tobacco sickness or GTS is a type of nicotine poisoning caused by the absorption of nicotine from the surface of wet, fresh, green tobacco leaves through the skin. The characteristic symptoms of GTS include nausea, vomiting, weakness, dizziness, stomach cramps, difficulty breathing, excessive sweating, headache, and fluctuations in blood pressure and heart rate. They can last from 12 to 48 hours.¹

Personal protective equipment or PPE in tobacco farming refers to any clothes, materials, or devices that provide protection from exposure to CPA and GTS during specific activities throughout the crop cycle.²

Living income benchmark studies are studies conducted in specific regions or areas to estimate the net annual income required for a household to afford a decent standard of living for all members of that household.

Living Income Reference Values represent a living income for typical families in rural (or urban) areas of low-income and middle-income countries.³ Reference Values provide a credible

estimate of living wage or income at a country level, for rural and urban areas. They offer an insightful reference beyond the currently available indicators for many countries, which are mostly limited to poverty lines and minimum wages.

Farmer income studies are conducted, through third-party service providers, to assess all legal income sources of contracted farmers within PMI's tobacco supply chain, including tobacco, complementary crops, and off-farm income.

Sustainable Tobacco Supply Chain framework or STSC – PMI's new approach focused on the full life cycle of tobacco production and targets actions toward the tobacco we purchase and use in our products.

¹ Schep LJ, Slaughter RJ, Beasley DM (September-October 2009). "Nicotinic plant poisoning." *Clinical Toxicology*.

² Adapted from the FAO/WHO (2014). *International Code of Conduct on Pesticide Management*.

³ Reference values are built on data and knowledge gained from 40 complete Anker methodology benchmark studies. Since they are based on a statistical analysis, they have a margin of error for typical rural (or urban) areas of a country, which is generally around +/- 10% using a 95% confidence interval. Sources: Living Income Reference Values | livingincome (living-income.com) and Anker Living Wage and Living Income Reference Values | Global Living Wage Coalition.



Notes

In this presentation, “PMI,” “we,” “us,” and “our” refer to Philip Morris International Inc. and its subsidiaries.

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This presentation contains references and links to websites operated by third parties. These references are provided as a convenience to you and as an additional avenue of access to the information contained in those sources; they should not be viewed as an endorsement by us of the content of these references and linked sites or opinions of their authors.

Unless otherwise stated, all references to *IQOS* are to our *IQOS* heat-not-burn devices and consumables.

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Estimates for total industry volume and market share in certain geographies reflect limitations on the availability and accuracy of industry data during pandemic-related restrictions.

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 slide 5 of this presentation.

This presentation should be read in conjunction with PMI’s [2022 Integrated Report](#) and [ESG KPI Protocol 2022](#)

