



PHILIP MORRIS
INTERNATIONAL

DECLARATION OF CARBON NEUTRALITY

MARKET ENTITIES CLUSTER 1

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1 Carbon neutrality declaration

The **Qualifying Explanatory Statement** (QES) contains all the required information on the carbon neutrality of the given subject. All information provided within this report has been reviewed by a third party (SGS) and is believed to be correct. If provided with any information affecting the validity of the following statements, this document will be updated accordingly to reflect the affiliate(s) current status towards carbon neutrality.

This is the first declaration of achievement of carbon neutrality for the following list of markets that will be collectively referred to as "Markets Cluster 1" in this document:

Country	Legal Entities
Australia	Philip Morris (Australia) Limited
Costa Rica	PHILIP MORRIS COSTA RICA, SOCIEDAD ANONIMA
Denmark	Philip Morris ApS
Finland	Philip Morris Finland Oy
Greece	PAPASTRATOS CIGARETTES MANUFACTURING COMPANY SINGLE MEMBER
New Zealand	Philip Morris (New Zealand) Limited
Norway	Philip Morris Norway AS
Portugal	Tabaqueira II, S.A.
Sweden	Philip Morris Aktiebolag
Turkey	Philip Morris Pazarlama ve Satis A.S.
Turkey	Philip Morris Seyahat Perakende Satis Anonim Sirketi

Table 1.1 - Market Legal Entities

Carbon neutrality of the Scope 1 and 2 emissions under the direct operational control of Market Entities Cluster 1, including their office, warehouse, fleet and retail operations achieved by Market Entities Cluster 1, in accordance with PAS2060:2014 for the period 1 January 2023 to 31 December 2023 with a commitment to maintain to 31 December 2025, SGS United Kingdom Limited Certified.

Certification letter from SGS can be found in Annex A.

2 Introduction

This document forms the Qualifying Explanatory Statement (QES) to demonstrate that Philip Morris International “Markets Cluster 1” has achieved **carbon neutrality** for the period starting 1st January 2023 and ending 31st December 2023 in accordance with PAS 2060:2014.

This has been achieved through:

- **Continuous carbon emissions reduction** through action plans under PMI direct controls: office, warehouse, fleet and retail operations under affiliates’ control. These reductions have been captured as part of the GHG inventory for 2023.
- **Compensation of remaining carbon emissions** for the period commencing 1st January 2023 and ending 31st December 2023.

This report includes the information which substantiates the declaration of PMI affiliate’s achievement of carbon neutrality for this application period (under PAS 2060:2014) and commitment on carbon neutrality up to 2025 (3 years, from 2022 the reference year) in compliance with PAS 2060:2014 standard.

The Markets Cluster 1 affiliates have also set up a Carbon Management Plans to reduce the GHG emissions associated to the office, warehouse, fleet and retail operations to demonstrate commitment to being carbon neutral in accordance with PAS2060:2014 standard.

2.1 General information

PAS 2060 Information requirement	Information as it relates to PMI affiliates
Entities making PAS 2060 declarations	Markets Cluster 1, as per <i>Table 1.1 - Market Legal Entities</i> .
Individual responsible for the evaluation and provision of the data necessary for the substantiation of the declaration (inc. preparing, substantiating, communicating and maintaining the declaration)	Len Beggs
Subject of PAS 2060 declaration	Scope 1 and 2 emissions under the direct operational control of Markets Cluster 1, as per <i>Table 1.1 - Market Legal Entities</i> , from offices, warehouse, fleet and retail operations (full list available in Annex C).
Function of subject	Sales and distribution of products for PMI and its brands.
Activities required for subjects to fulfil its function	The activities required within the office, warehouse, fleet and retail operations are: <ul style="list-style-type: none"> • Sales • Distribution • Marketing • Administration • Facility management
Rationale for selection of the subjects	PMI's ambition is to be carbon neutral for all of its direct operations (full scope 1 and 2) by 2025. In this journey, all subjects (factories, offices, warehouses, fleet, retail) that have reached substantial emission reduction in the past years qualify to compensate residual emissions and become carbon neutral.
Type of conformity assessment undertaken	I3P-3 Independent third-party certification - unified
Reference date for PAS 2060 program	1 st of January 2023
Achievement period	1 st of January 2023 – 31 st of December 2023
Commitment period	1 st of January 2022 – 31 st of December 2025

Table 2.1 - General information

2.2 Scope

The subject for carbon neutrality is the entities grouped in Markets Cluster 1.

The main business activities of these entities is the distribution, sales and marketing of PMI brands.

During the reporting period, the definition of the subject(s) remained unchanged. In the case that material change occurs to the subject(s) in the future, the process of determination and substantiation of the subject(s) and associated GHG emissions shall be re-started on the basis of newly defined subject(s).

2.3 Boundaries of the subject

The system boundaries considered for the organizational carbon footprint of the subject are the activities occurring within the physical perimeter of the entities and under the entities' control (excluding manufacturing and Swedish Match) including:

- Offices
- Warehouses
- Fleet
- Retail stores

GHG emissions associated with entities in Markets Cluster 1 office, warehouse, fleet and retail operations within the defined boundary for the period of 1st January 2023 to 31st December 2023 have been quantified in accordance with GHG Protocol Corporate Accounting Standard (operational control) and verified by SGS.

SGS then certifies that the Carbon Neutral Declaration set out in this QES is appropriately reported in accordance with the requirement of PAS 2060:2014.

The assurance letter issued by SGS can be found in Annex A.

3 Quantification of carbon footprint

3.1 Emissions results

The total GHG emissions related to scope 1 and 2 refer to office, warehouse, fleet and retail operations during the year 2023 (application period) and represent a total **5,324.3 tons of CO₂ equivalent**.

Country	Legal Entities	Scope 1 [tCO ₂ e]	Scope 2 (market-based) [tCO ₂ e]	Total Scope 1 and 2 [tCO ₂ e]
Australia	Philip Morris (Australia) Limited	404.1	209.1	613.2
Costa Rica	PHILIP MORRIS COSTA RICA, SOCIEDAD ANONIMA	392.5	0.2	392.7
Denmark	Philip Morris ApS	159.4	12.3	171.8
Finland	Philip Morris Finland Oy	37.8	0.0	37.8
Greece	PAPASTRATOS CIGARETTES MANUFACTURING COMPANY SINGLE MEMBER	377.6	33.7	411.4
New Zealand	Philip Morris (New Zealand) Limited	86.6	1.7	88.4
Norway	Philip Morris Norway AS	26.3	2.0	28.3
Portugal	Tabaqueira II, S.A.	1,496.9	4.5	1,501.4
Sweden	Philip Morris Aktiebolag	255.0	22.4	277.4
Turkey	Philip Morris Pazarlama ve Satis A.S.	1,467.6	293.7	1,761.2
Turkey	Philip Morris Seyahat Perakende Satis Anonim Sirketi	27.2	13.6	40.8
Cluster 1 Total		4,731.1	593.2	5,324.3
% of Total		88.9	11.1	100.0

Table 3.1 - GHG emissions overall results

3.2 Methodology

Total GHG emissions associated with entities in Markets Cluster 1, 1st January 2022 to 31st December 2022, have been quantified according to GHG Protocol, Corporate Accounting and Reporting Standard, following the operational control approach. This methodology was chosen as it represents best practice in terms of organization carbon footprint inventory and PAS 2060:2014 endorses it as being fully compliant with its requirements.

The types of greenhouse gases (GHG) included in the Kyoto Protocol to the United Nations Framework Convention on Climate Change are required for reporting under the GHG Protocol Corporate Standard and the below listed were covered in the calculations:

- carbon dioxide (CO₂),
- methane (CH₄),
- nitrous oxide (N₂O).

The inventory accounts for 100% of GHG emissions of business activities and operations in which PMI affiliate(s) has direct operational control and the full authority to introduce and implement its operating policies (excluding manufacturing and Swedish Match).

All scope 1 and 2 greenhouse gas emissions relevant to the system boundary are included and quantified, in accordance with the GHG Protocol, Corporate Accounting and Reporting Standard, as confirmed by SGS verification.

3.2.1 Scope 1

GHG emissions related to scope 1 come from direct emissions from sources owned or controlled by entities within Markets Cluster 1. In PMI context, scope 1 emissions result from:

- Stationary combustion of:
 - Natural gas
 - LPG, propane and butane
 - Diesel – (fuel oil)
 - Heavy fuel oil
 - Petrol
 - Biomass
- Mobile combustion of:
 - Petrol
 - Diesel
 - Biodiesel
 - Bioethanol
 - Natural gas (compressed)

3.2.2 Scope 2

GHG emissions related to scope 2 come from indirect emissions from the generation of purchased electricity, steam, heat and cooling consumed by the entities in Markets Cluster 1. In PMI context, scope 2 emissions are from the consumption of:

- Purchased electricity
- District steam
- District heating (inc. cooling)

3.2.3 Scope 3

GHG emissions related to scope 3 refers to all other indirect emissions as a consequence of the activities of the entities within Markets Cluster 1 that occurs from sources not owned or controlled by these entities. These emissions are out of scope of this declaration.

3.3 Data sources

Primary and secondary data has been used for the Carbon Quantification process. Primary data is used where possible, only where primary data was not available, secondary data is used to quantify emissions.

While scope 2 emissions for some PMI sites may be estimated, wherever possible emissions are reported based on direct utilities consumption – invoice data. The consumption is then multiplied using the relevant IEA coefficient to determine the emissions for that energy source.

Fuel consumption data for fleet vehicles are reported based on direct consumption. The total fuel consumption is then multiplied using relevant DEFRA coefficients to determine the emissions.

Data sources (e.g., invoices) were reviewed by SGS through the inventory verification, and certification against PAS 2060:2014 processes.

Assumptions and estimations

Wherever possible primary data is used to determine our scope 1 and 2 emissions. In some cases, primary data is not available. In these cases, the affected market estimates their consumption using the surface area and average PMI consumption rates from the previous year for the relevant surface type (eg office or warehouse). For retail space estimations, industry averages are used to estimate consumption where primary data is not available.

In some markets where there are multiple legal entities, but data is captured at country level, then the consumption is spread across the legal entities. In some cases, the split is well defined in the market (eg entity one owns site A, entity 2 owns site B etc). In other cases, it is less obvious for the separation of emissions. In these cases, the headcount associated with each entity is used to allocate emissions between legal entities.

A similar situation can arise with the fleet emissions. In countries with multiple legal entities, fleet emissions are either allocated based on vehicle count in each entity or kilometers travelled by each entity.

In each case where the emissions are spread across legal entities using one of the methods described above, the total emissions is not compromised for the country.

All data related to Philip Morris market declared greenhouse gas emissions has been reviewed by SGS through the GHG inventory verification process.

3.4 Exclusions

Annex C outlines all the inclusions and exclusions for GHG emissions; to ensure the coverage of any potential exclusions within the system boundary an additional 3% has been added to affiliates' total carbon footprint to ensure the carbon neutrality program covers 100% of the GHG emissions.

3.5 Uncertainties

Generally, the use of secondary data throughout the assessment represents the major source of uncertainties on results. Actions taken to minimize these uncertainties are described below and were reviewed by SGS.

- Secondary emissions factors: uncertainty associated to the use of secondary emission factors is because they represent averages, rather than specific emissions. However, their use was appropriate, and care has been taken to use the best available datasets (DEFRA and IEA).
- Primary activity data has been used where practical for fleet and office emissions.

Result of the uncertainty calculation is reported in Annex D.

3.6 Comparison with baseline year

2022 is the first PAS 2060:2014 certification year, and therefore is used as baseline period subsequently.

Year	Scope 1 [tCO ₂ e]	Scope 2 (market-based) [tCO ₂ e]	Total Scope 1 and 2 [tCO ₂ e]
2022	5,330.2	649.0	5,979.1
2023	4,731.1	593.2	5,324.3
% Reduction	11.2	8.6	11.0

Table 3.2 - Comparison with baseline year

4 Carbon Management Plan

The carbon reduction management plan considers a 3-year period (2023-2025) with the aim of reducing emissions and/or emissions intensity.

This target will be monitored periodically (minimum annually) to check if the expected outcomes are aligned to the actual results. To achieve the target a series of projects will be implemented.

The following paragraphs explain in detail projects implemented in entities in Markets Cluster 1, that relate related to office, warehouse, fleet and retail operations GHG emissions reductions.

4.1 PMI global best practice

In 2023, 92.8% of PMI's purchased electricity came from renewable sources. Since 2017, we are gradually increasing the uptake of green electricity (as showed in below table) with the aim to reach 100% green electricity purchased for all our affiliates by 2025. By investing in renewable energy electricity, PMI overall avoided the emissions of **over 1.9 million tonnes of CO₂ equivalent between 2017 and 2023**.

Indicator	2017	2018	2019	2020	2021	2022	2023	Total
Purchased electricity [MWh]	858,511	870,181	890,430	823,365	809,464	818,363	850,999	5,921,313
Electricity purchased from renewable sources [MWh]	442,739	544,845	616,336	612,694	663,106	715,257	789,318	4,384,294
% Renewable	51.6	62.6	69.2	74.4	81.9	87.4	92.8	74.0
CO2 Scope 2 (GHG emissions) - Market based [t GHG]	229,977	164,159	132,721	90,370	64,217	42,482	28,727	752,654
CO2 Scope 2 (GHG emissions) - Location based [t GHG]	427,238	410,441	420,725	383,899	361,314	358,475	371,719	2,733,812
Difference between location based and market based	197,261	246,281	288,004	293,530	297,097	315,994	342,992	1,981,158

Table 4.1 - Avoided CO2 emissions due to green electricity increase

4.2 Implemented GHG emissions reduction project repository in Markets Cluster 1

At PMI, emissions reduction project governance and budget approval come from two distinctive main streams; one driven from central functions and another by the local team. Table 4.2 shows projects implemented or under implementation in the last few years, evaluated in 2023 carbon footprint assessment.

Country	Description	Timing	Emissions Reduction [kgs CO2 eq]
Global	Telematics implementation To increase safe and eco driving awareness and make safe and eco driving a habit, telematic solutions have been implemented. The plan is to cover 100% of working tool vehicles.	2023 and ongoing	5,466,931
Global	Reduced emission vehicle limits Reducing the maximum permissible emissions levels of vehicles to ensure our fleet has constant downward pressure on our overall emissions.		
Global	Fleet electrification Reviewing vehicle replacement options with a view to moving to hybrid, plug in hybrid and electric vehicles.		

Country	Description	Timing	Emissions Reduction [kgs CO2 eq]
Global	Driving elearning training, "Fleet Defense" Drivers in the markets in scope have been undergoing driver training, which is expected to improve anticipatory driving, thereby reducing fuel emissions.		
Global	Market Scorecard Market comparison score card which contains the requirement for them to have a CO2 reduction plan.	Since 2022	Difficult to quantify with certainty, but a measure we believe is important to raise awareness and commitment in markets.
Australia	Renewable Electricity (small meters)	Oct-23	281,312.00
Denmark	Scope 2 - Current lease in LEED or Green Building Offices	Dec-19	Difficult to quantify
Sweden	Scope 2 - Current lease in LEED or Green Building Offices	Dec-19	Difficult to quantify
Sweden	Scope 2 - Solar panels installed by landlord	2021	1,344
Sweden	Scope 2 - automatic switch off of lamps in toilets (when not in use for a couple of minutes)		Difficult to quantify
Turkey	Office heating & cooling optimization project; Office heating & cooling system has been upgraded.	Jul-22	2,500
Turkey	Motion sensor of common usage areas (WC, cafeteria etc.)	Jul-22	1,000
Turkey	Employee Awareness eco-driving practical commentary drive training	Dec-23	3,360
Turkey	Energy Reduction Awareness Communication	Dec-23	2,500
Turkey	Improve air condition efficiency (New VRV Installation)	Dec-23	2,500
Turkey	Office Lighting Efficiency (LED)	Dec-23	2,000
Turkey	Office space consolidation after smart-work model.	Apr-22	Difficult to quantify
Turkey	Energy Awareness Campaigns - encourage people to turn lights off after themselves.	Dec-23	Difficult to quantify
Costa Rica	Fleet Size Impact - Reduction of number of vehicles	Nov-23	4,075

Table 4.2 - Implemented GHG emissions reduction projects

4.3 Planned GHG emissions reduction initiatives in Markets Cluster 1

In order to achieve the above-mentioned target, PMI is committed to identifying and implementing carbon saving projects until 31/12/2025. Table 4.3 shows main initiatives identified and estimated reduction for the whole commitment period (2022-2025). Note that the global programs listed in table 4.2 continue into 2024.

Country	Description	Timing	Emissions Reduction [kgs CO2 eq]
Australia	Renewable Electricity (large meters)	Jan-24	281,312.00
Turkey	Awards for employees who reduce fuel consumption	Dec-25	Not quantifiable
Costa Rica	Reforestation activity	Jun-24	Not quantifiable
Costa Rica	Office relocation - 30% reduction m2	Q4-2024	Not quantifiable
Costa Rica	Eco driving Digital Communication	Q2-2024	Not quantifiable
Costa Rica	Efficient Driving Training	Q3 2024	Not quantifiable
Costa Rica	Fuel Consumption analysis	Q3 2024	Not quantifiable

Table 4.3 - Planned GHG emissions reduction initiatives

Actual emissions reductions will be measured in terms of absolute emissions compared year on year.

5 Carbon offset program

5.1 Offset program for the first application period

PMI has an offsetting program in place to support the carbon neutrality, based on quality criteria aligned with the most rigorous international standards and targeting social and economic benefits.

Carbon neutrality is achieved by reducing and compensating Greenhouse Gases (GHG) emissions through supporting the development of sustainable climate solutions in developing countries. Compensation projects bring social, environmental and economic benefits, which contribute to United Nations Sustainable Development Goals (SDGs) and are labelled by independent carbon standards such as the VERRA Standard (VCS)¹, Climate Community and Biodiversity Alliance (CCBA)², Gold Standard³, and other offsets as endorsed in PAS2060.

Credits were retired on 22 November 2024.

These projects are supported by publicly available project documentation on the [GSF Registry \(goldstandard.org\)](https://registry.goldstandard.org/)⁴ and on <https://registry.terra.org/>. The registry system is the central storehouse of data

¹ <https://verra.org/>

² <http://www.climate-standards.org/>

³ <https://www.goldstandard.org/>

⁴ <https://registry.goldstandard.org/projects?q=&page=1>

on all registered projects, and tracks the generation, retirement and cancellation of all credits. To register with the program, projects must show that they have met all standards and methodological requirements.

5.2 Offsetting project(s)

Offsetting projects selected by Markets Cluster 1 for compensating the 2023 emissions are:

Project Name	Description of Project	Official Project Link
Kantingan Peatland Restoration and Conservation Project	The Katingan Restoration and Conservation Project ('The Katingan Project') protects and restores 149,800 hectares of peatland ecosystems, to offer local communities sustainable sources of income, and to tackle global climate change. The project lies within the districts of Katingan and Kotawaringin Timur in Central Kalimantan Province and covers one of the largest remaining intact peat swamp forests in Indonesia.	Kantingan Peatland VCS 1477
Pacajai REDD+ Project	REDD Project to stop deforestation within private parcels amounting to 135,105 Ha at the edge of the deforestation frontier in Brazil. The project will generate multiple climate, social, and biodiversity benefits.	Pacajai REDD+ Project VCS 981

Table 5.1 - Offsetting Projects

Offsetting retirements per legal entity for Markets Cluster 1 for compensating the 2023 emissions are as follows:

Country	Legal Entity	Project chosen for compensation			Final requested offset value [tCO ₂]
		Katingan Peatland Restoration and Conservation Project		Pacajai REDD+ Project	
		6358-303209602-303222401-VCU-016-APX-ID-14-1477-01112015-31122016-1	6359-307878967-307896966-VCU-016-APX-ID-14-1477-01012017-31122017-1	9709-126134313-126159312-VCS-VCU-259-VER-BR-14-981-01012017-31122017-0	
		[tCO ₂]	[tCO ₂]	[tCO ₂]	
Denmark	Philip Morris ApS	177			177
Portugal	Tabaqueira II, S.A.		1,547		1,547
Sweden	Philip Morris Aktiebolag		286		286
Turkey	Philip Morris Pazarlama ve Satis A.S.		1,815		1,815
Turkey	Philip Morris Seyahat Perakende Satis Anonim Sirketi		43		43
Australia	Philip Morris (Australia) Limited			632	632
Costa Rica	PHILIP MORRIS COSTA RICA, SOCIEDAD ANONIMA			405	405
Finland	Philip Morris Finland Oy			39	39
Greece	PAPASTRATOS CIGARETTES MANUFACTURING COMPANY SINGLE MEMBER			424	424
New Zealand	Philip Morris (New Zealand) Limited			92	92
Norway	Philip Morris Norway AS			30	30
TOTAL		177	3,691	1,622	5,490
% of TOTAL		3.22	67.23	29.54	100.00

Table 5.2 - Markets Cluster 1 offsetting projects retirement allocations

5.3 Amount of credits purchased

Credits have been purchased by PMI, for Cluster 1, for the period covering 1st of January 2023 – 31st December 2023.

The amount of credits purchased is **5,490 tonnes of CO₂ equivalent***, it is composed by two contributions:

- 5,324.3 tonnes of CO₂ equivalent (scope 1 and 2), amount evaluated for the first application period
- 159.7 tonnes of CO₂ equivalent, that represent the overrate of 3% of the whole carbon footprint to cover all the exclusions (Annex C) and precludes underestimation.

** Note that rounding each legal entity up to nearest ton increased the total to 5,490 tonnes of CO₂ equivalent.*

We can reasonably assume that the emissions from Market Cluster 1 entities are covered by these credits.

Emissions are split as per the following between the following legal entities:

Group / Country	Legal Entity(ies)	Scope 1 [tCO ₂ e]	Scope 2 (market-based) [tCO ₂ e]	Total Scope 1 and 2 (market-based) [tCO ₂ e]	3% Overrate [tCO ₂ e]	Total CO ₂ to Compensated (round up) [tCO ₂ e]
Australia	Philip Morris (Australia) Limited	404.1	209.1	613.2	18.4	632.0
Greece	Philip Morris Greece – Papastratos Cigarette Manufacturing Company Single Member, S.A.	377.6	33.7	411.4	12.3	424.0
Costa Rica	Philip Morris Costa Rica S.A	392.5	0.2	392.7	11.8	405.0
New Zealand	Philip Morris (New Zealand) Limited	86.6	1.7	88.4	2.7	92.0
Nordics	Denmark	159.4	12.3	171.8	5.2	177.0
	Finland	37.8	0.0	37.8	1.1	39.0
	Norway	26.3	2.0	28.3	0.8	30.0
	Sweden	255.0	22.4	277.4	8.3	286.0
Portugal	Philip Morris Portugal – Tabaqueira II, SA	1,496.9	4.5	1,501.4	45.0	1,547.0
Turkey	Philip Morris Pazarlama ve Satış A.Ş. (Türkiye)	1,467.6	293.7	1,761.2	52.8	1,815.0
	Philip Morris Seyahat ve Perakende Satış A.Ş. (Türkiye)	27.2	13.6	40.8	1.2	43.0
Cluster 1 Total		4,731.1	593.2	5,324.3	159.7	5,490.0
% of Total		88.9	11.1	100.0		


Table 5.3 – Emissions to be offset by legal entity

The Gold Standard and VERRA guarantee that the offsets **generated represent genuine, additional GHG** emission reductions. The projects are technically designed so as to enable the quantification of a specific number of emissions reductions/removals the carbon credits expected from each farm/forest. The Gold Standard and VERRA label also guarantee that the projects involved in delivering credits meet the criteria of additionality, permanence, leakage and double counting.

It also guarantees that the units were verified by an independent third-party and that the credits were only issued after the emission reduction has taken place.

The following certificates have been retired in accordance with *Table 5.4 - Markets Cluster 3 offsetting projects retirement allocations* to offset unavoidable emissions, year 2023.

Originating project name: Kantingan Peatland Restoration and Conservation Project
Quantity of retired credits: 177
Unit Type: VCU
Serial number: 6358-303209602-303222401-VCU-016-APX-ID-14-1477-01112015-31122016-1
Retirement Date: 22 November, 2024
Project ID: VCS 1477
Project type: Agriculture Forestry and Other Land Use
Country: Indonesia





Certificate of Verified Carbon Unit (VCU) Retirement


Verra, in its capacity as administrator of the Verra Registry, does hereby certify that on 22 Nov 2024, 177 Verified Carbon Units (VCUs) were retired on behalf of:

Philip Morris ApS


Project Name
Katingan Peatland Restoration and Conservation Project

VCU Serial Number
6358-303222222-303222398-VCU-016-APX-ID-14-1477-01112015-31122016-1

Additional Certifications
CCB-Biodiversity Gold; CCB-Climate Gold; CCB-Community Gold; CCB-Gold

Powered by 

Originating project name: Kantingan Peatland Restoration and Conservation Project
Quantity of retired credits: 3,691
Unit Type: VCU
Serial number: 6359-307878967-307896966-VCU-016-APX-ID-14-1477-01012017-31122017-1
Retirement Date: 22 November, 2024
Project ID: VCS 1477
Project type: Agriculture Forestry and Other Land Use
Country: Indonesia





Certificate of Verified Carbon Unit (VCU) Retirement

Verra, in its capacity as administrator of the Verra Registry, does hereby certify that on 22 Nov 2024, 3,691 Verified Carbon Units (VCUs) were retired on behalf of:

Tabaqueira II, S.A., Philip Morris Aktiebolag, Philip Morris Pazarlama ve Satış A.Ş., Philip Morris Seyahat Perakende Satış Anonim Şirketi

Project Name
Katingan Peatland Restoration and Conservation Project

VCU Serial Number
6359-307878967-307882657-VCU-016-APX-ID-14-1477-01012017-31122017-1

Additional Certifications
CCB-Biodiversity Gold; CCB-Climate Gold; CCB-Community Gold; CCB-Gold

Powered by  APX

Originating project name: Pacajai REDD+ Project
Quantity of retired credits: 1,622
Unit Type: VCU
Serial number: 9709-126134313-126159312-VCS-VCU-259-VER-BR-14-981-01012017-31122017-0
Retirement Date: 22 November, 2024
Project ID: VCS 981
Project type: Agriculture Forestry and Other Land Use
Country: Brazil



5.4 Compensation program for the second application

For the second application period, PMI will cancel the volume of carbon credits required once the emission calculations are completed for that period. The volumes of credits required by PMI affiliates will be confirmed at later stage upon completion of the greenhouse gas inventory audit for this Application Period. The portfolio composition and share among projects will be determined based on the volume of credits.

6 Annex A – Carbon Neutral Assurance letter



Verification Statement Number:
CCP267920.PMI.2023.V1 2024.12.06

The Carbon Neutrality Declaration as presented in its Qualifying Explanatory Statement (QES), for the application period 01/01/2023 – 31/12/2023 of:

Philip Morris International Market Entities Cluster 1, as defined in the scope section of this opinion and comprising market related activities of:

Philip Morris (Australia) Limited
Philip Morris Costa Rica S.A
Philip Morris ApS
Philip Morris Finland Oy
Philip Morris Greece – Papastratos Cigarette Manufacturing Company, SA
Philip Morris (New Zealand) Limited
Philip Morris Norway AS
Philip Morris Portugal – Tabaqueira II, SA
Philip Morris Aktiebolag
Philip Morris Pazarlama ve Satış A.Ş (Türkiye) and
Philip Morris Seyahat ve Perakende Satış A.Ş (Türkiye)

has been verified by SGS United Kingdom Limited as conforming to the requirements of PAS 2060:2014: Specification for the demonstration of carbon neutrality (PAS 2060).

Lead Assessor: Lisa Gibson
Technical Reviewer: Andrew James Collins

Authorised by:



Pamela Chadwick
Business Manager
SGS United Kingdom Ltd

Verification Statement Date: 6th December 2024

This Statement is not valid without the full verification scope, objectives, criteria and conclusion available on pages 2 to 3 of this Statement.

SGS United Kingdom Ltd Inward Way, Rossmore Business Park, Ellesmere Port, Cheshire CH65 3EN Tel +44 (0)151 350 6666
Climate Change Programme ukclimatechange@sgs.com www.sgs.com

Member of SGS Group

Registered in England No. 1193985 Registered Office: Rossmore Business Park, Ellesmere Port, Cheshire, CH65 3EN



Schedule Accompanying Greenhouse Gas Verification Statement CCP267920.PMI.2023.V1 2024.12.06

Brief Description of Verification Process

SGS has been contracted by Philip Morris International (PMI) for the verification of their Carbon Neutrality Declaration as presented in the Qualifying Explanatory Statement (QES) for Market Entities Cluster 1, for the application period 01/01/2023 – 31/12/2023, against the requirements of PAS 2060:2014: Specification for the demonstration of carbon neutrality (PAS 2060).

Roles and Responsibilities

The management of Philip Morris International responsible for the organization's GHG information system, the development and maintenance of records and reporting procedures in accordance with that system, including the calculation and determination of GHG emissions information, preparation of reports, QES, purchase and retirement of carbon offsets.

It is SGS' responsibility to express an independent opinion on the Carbon Neutrality Declaration as provided by the Client for the application period 01/01/2023 – 31/12/2023.

SGS conducted a third-party verification following the requirements of ISO 14064-3: 2019 of the provided Carbon Neutral Declaration and supporting QES during the period June 2024 to December 2024. The assessment was conducted via desk review. The verification was based on the verification scope, objectives and criteria as agreed between Philip Morris International and SGS.

Objectives:

The purpose of the verification exercise was, by review of objective evidence, to independently review and confirm:

- That the Carbon Neutrality Declaration and QES conform to the requirements of PAS 2060
- That the emissions data reported in the QES are accurate, complete, consistent, transparent and free of material error or omission and have been determined in accordance with WRI/WBCSD GHG Protocol, Corporate Accounting and Reporting Standard
- That evidence is available to support information reported within the QES including carbon offset purchases and retirements.

Level of Assurance

The level of assurance agreed is reasonable.

Scope

This engagement covers verification of:

- The organizational boundary was established following the operational control consolidation approach for each of the market affiliates.
- Title or description of activities: Emissions for market affiliates office, warehouse, fleet and retail operations
- Scope 1 & 2 emissions only
- Location/boundary of the activities: as per list below
- First application period: Calendar Year 2023

Intended user of the verification statement: internal, customers, general public.



Market affiliates:

Country	Legal Entity
Australia	Philip Morris (Australia) Limited
Costa Rica	Philip Morris Costa Rica S.A
Denmark ²	Philip Morris ApS
Finland ²	Philip Morris Finland Oy
Greece ¹	Philip Morris Greece – Papastratos Cigarette Manufacturing Company, SA
New Zealand	Philip Morris (New Zealand) Limited
Norway ²	Philip Morris Norway AS
Portugal ¹	Philip Morris Portugal – Tabaqueira II, SA
Sweden ²	Philip Morris Aktiebolag
Turkey ¹	Philip Morris Pazarlama ve Satış A.Ş (Türkiye) and Philip Morris Seyahat ve Perakende Satış A.Ş (Türkiye)

¹ excluding manufacturing operations related emissions

² excluding Swedish Match related emissions

Materiality

The materiality required of the verification was considered by SGS to be below 5%,

We planned and performed our work to obtain the information, explanations and evidence that we considered necessary to provide a reasonable level of assurance that the CO₂ equivalent emissions, carbon neutrality declaration and QES for the first period 01/01/2023 – 31/12/2023 are fairly stated.

SGS' approach is risk-based, drawing on an understanding of the risks associated with compiling and reporting GHG emission information and the controls in place to mitigate these risks. Our examination included assessment, on a sample basis, of evidence relevant to the voluntary reporting of emission information and carbon neutrality.

Conclusion

Philip Morris International provided their Carbon Neutrality Declaration based on the criteria outlined above. The Carbon Neutrality Declaration and QES for the application period 01/01/2023 – 31/12/2023 are verified by SGS to a reasonable level of assurance, consistent with the agreed verification scope, objectives and criteria.

SGS concludes with reasonable assurance that the presented Carbon Neutrality Declaration and supporting QES is materially correct and is a fair representation of the CO₂ equivalent data and information and conforms to the requirements of PAS2060 2014.

7 Annex B – Qualifying Explanatory Statements (QES) checklist



QES%20Document.xls

x

8 Annex C – Scope 1, 2 and 3 emissions inclusion and exclusion

Included and excluded emission sources related to the subject(s) are presented below, together with explanation for exclusions.

Emission source	Description	Inclusion exclusion	Justification of Exclusion
Stationary combustion	Combustion of fuels in boilers and furnaces for the generation of heat and steam, used for production processes and heating of buildings	Included	-
Mobile combustion sources	Transportation of employees and goods with cars under the affiliates' control.	Included	-
Process emissions	Emissions occurring during the production process (DIET)	N/A	-
Fugitive emissions	Refrigerant gases losses	Excluded	Identified as below materiality threshold within the GHG inventory
Electricity consumption	Generation of purchased electricity	Included	-
Heat, steam and/or cold consumption	Purchase of heat, steam or cold energy not produced at operation site.	Included	-
Scope 3	All other indirect emissions	Excluded	Out of scope

Table 8.1 - Inclusions and exclusions

Uncertainties around the quantification of the carbon footprint have been assessed throughout the assessment following the guidelines released by ISO and available in the “GHG Protocol’s Measurement and Estimation Uncertainty of GHG Emissions tool” (supporting worksheet file “Uncertainty_Calculation_Tool”)⁵; since the uncertainties are not known for all the parameters (activity data and emission factors), the IPCC Guideline for National Greenhouse Inventories Reporting Instructions (1996) was used:

- Activity data: 7% (IPCC)
- Emission factor: 7% (IPCC)

All country information can be accessed in the below file attached:

2023%20PMI%20Ma
rkets%20Cluster%20

Overall outcome of the uncertainty calculation (from attached file)

Overall															
Source description															
LPG (Energy) [MJ]	0.00	MJ	+7.0%		kg GHG/MJ	+7.0%	0.00	0.00	+9.5%	Good	0.00	0.00			
Natural Gas (Energy) [MJ]	1,823,823.00	MJ	+7.0%		kg GHG/MJ	+7.0%	86,697.29	86,697.29	+9.5%	Good	0.75	16.48			
Diesel or Fuel oil Light L (Energy) [MJ]	23,701.01	MJ	+7.0%		kg GHG/MJ	+7.0%	1,673.03	167	+9.5%	Good	0.77	0.03			
Fuel oil - H (Energy) [MJ]	0.00	MJ	+7.0%		kg GHG/MJ	+7.0%	0.00	0.00	+9.5%	Good	0.00	0.00			
Hard Coal (Energy) [MJ]	0.00	MJ	+7.0%		kg GHG/MJ	+7.0%	0.00	0.00	+9.5%	Good	0.00	0.00			
Biomass (Energy) [MJ]	0.00	MJ	+7.0%		kg GHG/MJ	+7.0%	0.00	0.00	+9.5%	Good	0.00	0.00			
Distill Steam (Energy) [MJ]	0.00	MJ	+7.0%		kg GHG/MJ	+7.0%	0.00	0.00	+9.5%	Good	0.00	0.00			
Distill Heavy (Energy) [MJ]	664,697.13	MJ	+7.0%		kg GHG/MJ	+7.0%	33,139.88	3,14	+9.5%	Good	2.69	0.78			
Purchased Renewable Electricity (Electricity) [kWh]	1,823,631.01	kWh	+7.0%		kg CO ₂ /kWh	+7.0%	0.00	0.00	+9.5%	Good	0.00	0.00			
Net Electricity (Energy) [kWh]	1,772,700.85	kWh	+7.0%		kg CO ₂ /kWh	+7.0%	560,680.92	960.05	+9.5%	Good	36.44	3,072.94			
Vehicles Fleet Consumption [L]	1,566,479.47	L	+7.0%		kg CO ₂ /L	+7.0%	2,058,448.89	1,246.45	+9.5%	Good	162.5677	162.5677			
Vehicles Diesel Consumption [L]	534,489.94	L	+7.0%		kg CO ₂ /L	+7.0%	1,235,168.6	1,235.14	+9.5%	Good	122.17	17,489.38			
Vehicles Biodiesel Consumption [L]	0.00	L	+7.0%		kg CO ₂ /L	+7.0%	0.00	0.00	+9.5%	Good	0.00	0.00			
Vehicles Ethanol Consumption [L]	0.00	L	+7.0%		kg CO ₂ /L	+7.0%	0.00	0.00	+9.5%	Good	0.00	0.00			
Vehicles Natural Gas Consumption [L]	0.00	L	+7.0%		kg CO ₂ /L	+7.0%	0.00	0.00	+9.5%	Good	0.00	0.00			
Emissions from other sources: Emissions from other sources are not included in the total emissions.															
Total GHG emissions: 6,344,548.87 tCO₂e															

Table 9.1 - Uncertainty calculations

Uncertainties due to emission Factors and Activity Data				
1	2	3	4	5
Gas	Source category	Emission factor	Activity data	Overall uncertainty
CO ₂	Energy	7%	7%	10%
CO ₂	Industrial Processes	7%	7%	10%
CO ₂	Land Use Change and Forrestry	33%	50%	60%
CH ₄	Biomass Burning	50%	50%	100%
CH ₄	Oil and Nat. Gas Activities	55%	20%	60%
CH ₄	Rice cultivation	$\frac{3}{4}$	$\frac{1}{4}$	1
CH ₄	Waste	$\frac{2}{3}$	$\frac{1}{3}$	1
CH ₄	Animals	25%	10%	20%
CH ₄	Animal waste	20%	10%	20%
N ₂ O	Industrial Processes	35%	35%	50%
N ₂ O	Agricultural Soils			2 orders of magnitude
N ₂ O	Biomass Burning			100%

Note: Individual uncertainties that appear to be greater than $\pm 60\%$ are not shown. Instead judgement as to the relative importance of emissions factor and activity data uncertainties are shown as fractions which sum to one

Source: Revised 1996 IPCC Guidelines for National Greenhouse Gas Inventories: Reporting Instructions

Table 9.2 - IPCC uncertainty data

⁵ <https://ghgprotocol.org/calculation-tools>



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