



PHILIP MORRIS
ROMÂNIA S.R.L.

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Raport anual referitor la implementarea Strategiei AWS

Annual Report Regarding AWS Strategy

July 2023

AWS Committee

1.About us:

Philip Morris Romania (PMR) is part of Philip Morris International (PMI), based in Lausanne, Switzerland, whose business is cigarette production and activities associated with cigarette production. The location of the cigarette factory PHILIP MORRIS ROMANIA S.R.L. is located in the city of Otopeni, Ilfov county, being bounded by the following neighborhoods:

- North – private properties;
- South – St. Horea, Closca and Crisan;
- East – forest (outside the town of Otopeni);
- West – Frasinului str., Gorunului str.



2. AWS principles

One of the very important resources for Philip Morris Romania in the production process of tobacco products is water, and over time our company has implemented numerous measures to reduce the impact that our activity has on the hydrographic basin in the Otopeni area.

In this process of water efficiency, the next step would be to obtain the Alliance for Water Stewardship global certification, the most important certification in this field that ensures the responsible use of water for the area. This common goal has beneficial social, economic and ecological impacts for all parties involved.

AWS-Alliance for Water Stewardship represents a technical support for the promotion and deepening of the positive impact of water administration.

The AWS standard offers a credible framework, applicable worldwide, for water users to understand their own water use and their impact and to work in collaboration and full transparency with other entities (companies, authorities, community, professional associations, non-governmental associations, etc. .) for sustainable water management in the wider context of water capture.



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Alliance for Water Stewardship certification is a rigorous process that includes a series of actions, criteria and indicators for water management both at the company level and outside the company's perimeter boundaries. This allows an organization to demonstrate its commitment to responsible water management, and this can be achieved through good communication and collaboration between all stakeholders in that watershed.

In this sense, PMR has implemented the AWS standard to ensure, both on the company site and within the micro hydrographic basin in which it operates, adhering to the central values on which the AWS standard is built:

- I. Good water management
- II. Sustainable water balance
- III. Ensuring good water quality
- IV. Protection of relevant areas related to water
- V. Ensuring drinking water and all hygiene and health conditions.

3. AWS commitment of the Manufacturing Director

The Director of Manufacturing, as a representative of PMR top management, defined the commitment in the AWS Policy:



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Politica referitoare la managementul apei - AWS

Philip Morris România (PMR) face parte din Philip Morris International (PMI), cu sediul la Lausanne, Elveția, ce are drept obiect de activitate fabricarea produselor din tutun.

Compania noastră, Philip Morris România, și-a asumat un angajament public de adoptare a principiilor standardului AWS (Alliance for Water Stewardship).

În acest sens, Philip Morris România își propune:

- alocarea de resurse umane și materiale suficiente pentru operarea eficientă a unui sistem de management al apei conform standardului AWS;
- o abordare procesuală internă optimă pentru asigurarea (cel puțin în aria aflată sub controlul / influența companiei):
 - o bunei administrări a apei
 - o utilizării sustenabile a apei
 - o calității bune a apei
 - o protecției ariilor relevante, dacă este cazul
 - o accesului la apă potabilă, suficientă și sigură pentru consum
 - o apei necesare igienei oamenilor
 - o mijloacelor necesare pentru combaterea bolilor transmisibile prin apă sau legate de apă;
- promovarea transparenței a implicării cât mai multor părți interesate din sectorul public și privat în proiecte comune de management performant al apei;
- conformarea cu cerințele legale și alte cerințe referitoare la managementul apei și la calitatea apei, cel puțin în aria aflată sub controlul / influența companiei;
- aplicarea unei analize de risc pentru identificarea oportunităților de îmbunătățire a performanței managementului apei și alocarea de resurse pentru implementarea celor relevante;
- asigurarea accesului părților interesate relevante la informații legate de utilizarea apei de către companie și partenerii săi.

Joao Brigido
Director Manufacturing
Philip Morris România

Otopeni, 26.08.2021

The AWS policy is brought to the attention of all own employees and those who work on the PMR site (subcontractors), but also to external interested parties who carry out their activity in the micro hydrographic basin in which PMR operates.

Also, for each element defined in the AWS Policy, specific objectives, indicators, and targets for the year 2023 were documented, considering the achievements of the previous years since the implementation of the 2020-2022 standard:



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Objective related AWS Commitment	INDICATOR	Goal
Allocation of sufficient human and material resources for activities related water management system according to the AWS standard	Annual budget (Euro)	Allocation of resources for at least 2 projects with an impact on water management
Insurance (at least in the area under the control / influence of the company):		
Good water management	Total score obtained in the self-assessment vis-à-vis the AWS requirements	Obtaining minim AWS Core: 0 – 39 points
	No. nonconformities identified by the certification body regarding compliance with AWS requirements for internal water management	0
	% Annual water revenues/Annual water costs	>45%
	Economic-social impact = no. of jobs that could be created by paying the fees imposed by the	>10
	Cultural impact = % of own employees' working	>0.1%
	Impact on the environment = % of used water	>90%
	Annual water losses % = (Water inputs - water	<5%
Sustainable use of water	Falling within the limits of the Water	<389584 m3/an
	Specific water consumption = m3/mil cigarettes	<11.94 m3/mil produse
	No. invalid tests analyze drinking water	0
Good water quality	% =No. invalid tests analyze water after treatment in treatment plants/ Total no. annual tests (across the year)	<2%
Protecting the relevant areas, if applicable	No. annual incidents generated by the PMR in relevant areas under the influence / control of	0
Access to potable water, sufficient and safe for consumption	No. annual EHS non-conformities regarding the	0
	Annual budget (Euro) granted for drinking water	≥25
Necessary water for people's hygiene	No. annual EHS non-conformities regarding the lack of employee hygiene conditions	0
Actions to prevention of water-transmissible or water-related diseases	No. invalid tests analyze drinking water	0
Transparent promotion of the involvement of stakeholders from the public and private sectors in projects of efficient water management	No. annual communications to interested	>10
	No. annually Feedback questionnaires	>50
	No. projects in which external third parties are involved	≥1
Compliance with legal requirements and other requirements related to water management and water quality, at least in the area under the control / influence of the company	No. annually of non-conformities related to non-compliance with legal requirements	0
	No. annually emergency situations / incidents with implications on water	0
Applying a risk analysis to identify opportunities to improve water management performance and allocating resources to implement the relevant ones	Global residual risk level at the end of the year	<4
Ensuring the access of relevant stakeholders to information related to the use of water by the company and its partners	No. annual internal and external communications regarding AWS performance	>3



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4. Our AWS strategy

The AWS policy includes the general objectives assumed by the PMR, in accordance with the AWS principles. In order to successfully implement the AWS Policy and achieve the assumed objectives, PMR implemented the AWS Strategy.

The PMR strategy is centered on the firm commitment not to cause damage to the environment and natural water sources, to preserve water quality, regardless of its business objectives. In this sense, it will apply a risk analysis to identify the internal nerve points, upstream and downstream, in order to establish concrete action plans.

The PMR principles for AWS implementation, defined in the AWS Strategy:

4.1 Leadership and AWS

At any level, starting with top management, the company must demonstrate leadership in terms of implementing AWS concepts. Similarly, the PMR must demonstrate leadership in relation to other stakeholders within the hydrographic basin in which the scope of AWS is located.

4.2 Approach to AWS as a management system

The implementation of AWS concepts systematically at the level of all processes within the organization and the promotion of the Plan-Do-Check-Act approach in Supply Chain processes, as much as possible, for the actors located in the same watershed. The concept of "water <-> sustainable resource" must be found in the organization of the company's operational processes and be implemented through operational control rules and through the permanent awareness of the internal staff.

4.3 Decisions made on the basis of credible information

Establishing objectives, analyzing risk and issuing action plans are based on the best possible information, trying to minimize their uncertainty. As the main method for collecting primary information, it is desired to predominantly implement metering at the level of water supply/production, use and reintroduction into nature, to the detriment of theoretical estimates.

4.4 Wide-scale, transparent and effective communication

The application of AWS concepts is done through a permanent and effective communication with all interested parties, through their consultation. The internal stakeholders within the company are management and employees. The company's external stakeholders refer to authorities, suppliers of raw materials, materials, services, including those related to water management (consultancy, water supply, water quality analysis, etc.), clients, non-governmental organizations, professional associations, the population, etc. from the hydrographic basin or from larger areas.

4.5 Change and AWS

The application of AWS concepts takes into account any change in the internal and external context of the PMR that the organization can identify and keep under control.

4.6 Continuous improvement

The purpose of the AWS management system implemented by PMR is to achieve the continuous improvement of performance related to the sustainable management of water in the hydrographic basin of which PMR is a part, within the limits of the influence/control exercised by the company.

The status of the implementation of the principles:



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In the analysis carried out by the management regarding the status of the implementation of these principles, the following conclusions were reached:

- The Leadership Principle is effectively implemented by PMR in the internal context of the organization. But, taking into account the micro and macro-stakeholders in the hydrographic basin and the fact that they do not show a major interest in the optimization of water management through joint actions with other factors, it cannot be said that this principle was very effectively manifested at external level.

-Taking into account the fact that the AWS management system was implemented by PMR on the matrix of an environmental management system, at the internal level of the company it worked in the period 2020-2022 with maximum effectiveness, foreseen and verified also for the first part of 2023.-

- PMR collected credible information : for the implementation of this principle measures were taken to monitor water quality, water-related costs, waters revenue. The efforts of companies to meter internal water users continue. The possibility that the water consumption estimation system generates an erroneous result regarding the water losses in the system (in the sense of overestimating this level) remains relevant. As companies' efforts to directly count users continue, the errors will diminish to nothing.

- PMR has established a transparent communication channel with the interested parties ; AWS is a relatively new concept in the economic and social context in Romania, the impact on the level of involvement of a potential interested in sustainable water management is relatively insignificant. The promotion of PMR's commitment and the desire to be involved in joint projects must be continued, for the benefit of those in the micro hydrographic basin, at least, if not with the impact of IWRA located downstream of the PMR's area of action.

- PMR deals with AWS aspects in all stages of organizational change ; is a principle that applies to any organizational change related to the organizational development of companies, but also the evolution of the context of the micro watershed.

- PMR's business motto is "continuous improvement" : PMR established the AWS 2023 Objectives, which are based on the principle of setting targets that reflect the improvement of AWS performance compared to the level of the 2020-2022 implementation period. Taking into account the analysis of the achievement of the AWS 2022 Objectives, the AWS 2023 Objectives were also defined.

5. The hydrographic basin and the AWS implementation area for PMR

Although the PMR location is in the Arges-Vedea hydrographic basin, the scope of AWS is initially assumed to be limited to the micro hydrographic basin, i.e. to approx. 35 km² around the PMR location (Otopeni-Tunari area - approximately marked in red).



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Since the PMR employees live in areas adjacent to the designated area, and due to a low possibility of influence in this area, starting from 2022, the area of interest and action will be extended to the neighboring counties, where the employees' domiciles exist

6. Our water performance

6.1 Quantitative results

PMR has established an internal data collection and estimation system when data from direct metering is not available. A water balance model was created. Following the results of the water balance at the company level, the water balance calculated according to the equation is highlighted:

Water balance = Water inputs - Stored water - Used water discharged after treatment - Water reintroduced into nature (irrigation, evaporation from the process) - Water remaining in the product.

If the value is positive, it means that there are losses that must be reduced to the level accepted by the company and documented in the AWS Objectives (the actions are those resulting from the risk analysis).

If the value is negative, it means that the company's stock is adequate and the losses are insignificant, reduced to the level of the technical yields of the equipment that uses them.

The calculation always takes into account the modification projects of the location, respectively of the production flow, a condition for truthful information that does not affect the final results is the use of systems with a complete counting.

The information available for **2022** showed the following configuration of water inputs and outputs related to **PMR (Sankey Diagrams):**



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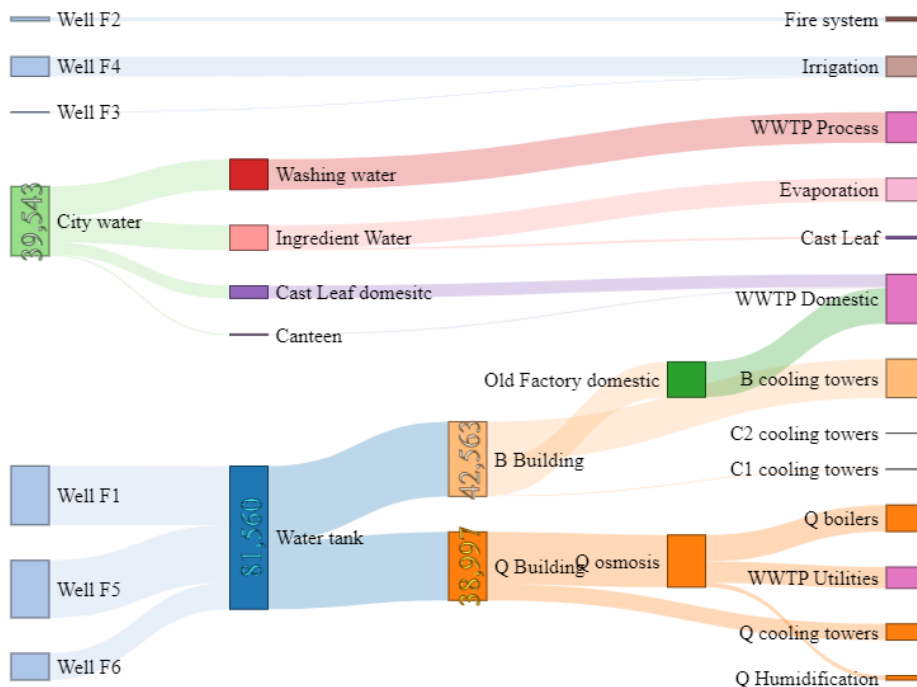
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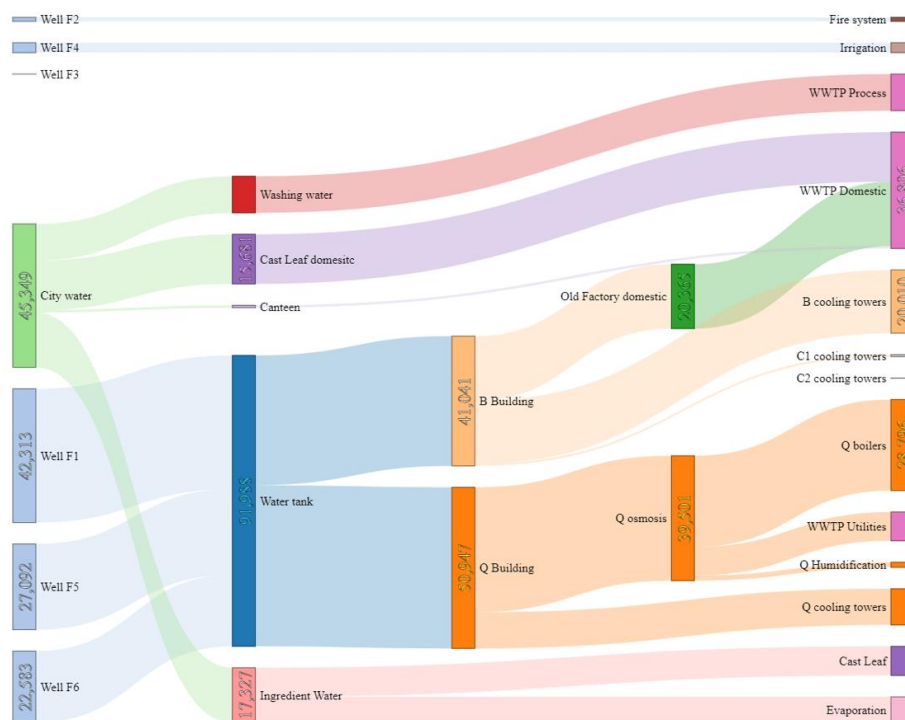
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The results recorded at the level of June 2023:





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6.2 Qualitative results

Throughout 2022 - the first part of 2023, the company fell within the limits of NTPA 002 - for parameter values: temperature, pH, total suspended matter, CCOCr, CBO5, ammoniacal nitrogen, sulfates, anionic detergents, chlorides, phenols, substances the extractives with organic solvents, rainwater and discharged household water and the water discharged by the Wabag WWTP station fell within the limits of NTPA 001. One of the projects of the 2021-2022 period was the upgrade of the WWTP station operated by ASTEC, a.i. to operate at NTPA 001 level.

The quality of the raw and potable water was evaluated in the following points, at the level of 2023, finding that it was within the limits of the legal requirements. Ditto for the quality of drinking water.

The results were compared with the limits established by Law no. 458/2002 - "Law on the Quality of Drinking Water, with subsequent amendments and additions, the results falling within the limits.

7. Challenges in our watershed

Applying a risk analysis method (SWOT analysis, impact analysis), PMR identified a number of potential risks and established preventive measures in the AWS Strategy Plan.

The main challenges in the hydrographic basin can be summarized as:

Inside PMR

- the continuous of the employee awareness process and the protection of water management under the conditions of medium and long-term organizational change projects.
- implementation of water reuse measures at the Wabag Station in process
- keeping water consumption and process water quality under control
- maintaining the quality parameters of the discharged water at the level of legal requirements

Outside PMR :

- the lack of reactivity at the level of authorities and other interested parties (local administration) regarding the AWS concept, its principles and possible involvement in joint actions, regarding the good practice of sharing the technical information necessary to identify joint projects.
- identifying as many interested parties as possible in water management for the development of relevant common projects in the hydrographic basin- identificarea de activitati care aduc plus valoare in Managementul apei

8. Partnership with interested parties

External

- PMR wants to intensify the actions carried out for the benefit of the community, in partnership with other economic entities or even with local authorities, overcoming the lack of appetite for such actions. If the interest is low in the area of the production unit, the decision was taken

Projects carried out at the level of 2023 necessary to improve AWS performance :

- Conducting awareness workshops regarding waste management and water pollution with plastic in collaboration with Green Academy and Wabag
- Conducting workshops with permanent contractors to identify activities where performance can be improved by all parties and finding related solutions
- Publication of the AWS performance report (including data related to compliance with legal requirements)



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- Performing Legionella analyzes in areas where there is a risk of occurrence
- Integration in the MC of the analysis of the impact that any change/project has on water consumption
- Implementation of Shut down - Start up checklist in production areas
- Monitoring the utilization capacity of water wells (<75%)
- Realization of a hydrogeological study that highlights the risk of drying up the boreholes and the effects of possible historical pollution that could affect the quality and quantity of water extracted from the boreholes
- Maintenance and maintenance of the water collection channel in the western part of the PMR
- The canal maintenance and sanitation works are included in the annual factory maintenance plan
- Completion of the modernization works of the Astec water treatment plant so that the discharged water falls within NTPA 001 (from NTPA 002) and maintaining the Station at authorized parameters.
- Implementation of the pilot project to improve the reuse of water in the WABAG Station
- Participation in support activities of the Otopeni community - UM - additional drilling feasibility study
- Replacement of Bay 1 and Bay 2 hydrant network
- Consumption optimization projects in Primary

Internally, a series of awareness-raising activities were carried out for the development of the AWS system:

In March 2023, a series of activities took place in which employees and permanent contractors were directly involved in both the organization and participation.

The event was held under the auspices of the Sustainability Days and was held in collaboration with ISS, WABAG, Ecolife Style, Medicover and GIS.

The event was attended by PMR, PMT employees, as well as the employees of the organizing contractors, Yusen Boco, Securitas, New Art Catering.

During the event, more than 800 PM employees and 280 contractor employees participated. They had practical experiences in which they learned how we can recycle waste and how we can save energy. Also, the attraction of the event was at the stand where the wastewater treatment process was presented, I understood how much water pollution affects us.

At the same time, we had the opportunity to enjoy various promotional materials left over from other events and to protect the environment by reusing them

- The World Water Day, on March 22, was marked by the distribution of informative materials both on e-mail and on LCDs. The film PMI was also presented
- In September 2023, a cleaning activity will be carried out on the occasion of World Clean up day
- In May, a workshop was held with interested parties at the PMR headquarters in which Secuitas, ISS, GIS, Danicos and EcolifeStyle participated. On this occasion, there was also an intervention exercise in case of accidental pollution.

In August, a similar workshop is planned, but in which ISS, GIS, Danicos and EcolifeStyle, WABAG, ASTEC, YUSEN will participate.

9. Good practices

PMR operates a dual management system - environment&AWS, a.i. operational control elements are grouped into categories:

A. AWS management best practices



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B. Good practices regarding the quantitative balance of water

C. Good practices regarding water quality

D. Good practices regarding access to drinking water, sanitation and hygiene facilities (WASH)

E. Good practices related to important water related areas (IWRA), if applicable.

Those that have a high degree of applicability (at the level of the entire company), with implications on compliance with legal and other requirements are:

- rules for water supply and wastewater discharge
- maintenance, repair and control programs and plans of the Engineering and Production departments for the control of defects, non-conformities and their timely remedy
- Management of dangerous substances (transport, storage and controlled handling, use of SDS and kits for intervention in case of accidental spillage)
- Involvement of employees in improving the activity and processes through improvement proposals, which are evaluated and implemented.
- Register of non-conformities for a quick evaluation and resolution of deviations from the basic state of equipment and processes
- Reevaluation of the management of chemicals and the way of storage/use, including the system for approving purchases of chemical substances
- Activities to raise awareness, inform and train employees
- Transparent communication: Taking into account the good practice of reporting to the CDP water disclosure, PMR proposed to provide relevant information about the activities in the area of Sustainability. Thus, in the first part of the year, a Sustainability Report was drawn up regarding the results of 2022. At the same time, a Materiality Study was made on PM activity in Romania.
- Awareness campaigns with different topics and the involvement of contractors
- Evaluation of the way of communication and redesign of the internal website for the presentation of the department and distribution of relevant information to employees
- Sustainability Booklet - for employees and contractors
- Periodically, reports are made to the external interested parties (reports to the authorities), according to the legal requirements or those coming from the regulatory acts.

In 2023, the Sustainability Report was made, which is an analysis of the activity carried out in Romania regarding environmental protection, health and safety at work and well-being.

Methodological approach of the assessment Identifying ESG Topics It is key that our sustainability materiality assessment be based on an exhaustive list of ESG topics covering all areas that are potentially relevant to Philip Morris Trading. We have started our materiality analysis by identifying the sustainability topics that are potentially relevant to PMT and a desktop research analysis was conducted to build a list of topics that cover the ESG aspects. Our list of sustainability topics was derived by the compilation of multiple sources such as the PMI 2021 Sustainability materiality report, the Sustainability materiality report Baltics 2022 sustainability standards and frameworks (e.g., the GRI and the SASB5), the UN Sustainable Development Goals (SDGs), a benchmark of sustainability practices of other multinationals and direct competitors. We sought to achieve



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balance and completeness by developing a list of topics covering all ESG areas likely to be relevant across our value chain and also by extracting relevant info gathered from the live interviews we held with our selected key stakeholders.

 Environment	 Social	 Governance
<ul style="list-style-type: none"> • Operational discharges • Water consumption and stewardship • Post-consumer waste • Materials and products Eco-design • Carbon footprint • Energy consumption • Biodiversity • Assessment of the environmental impact of suppliers • Transport 	<ul style="list-style-type: none"> • Equality, diversity, and inclusion • Employee wellbeing • Human rights • Phasing-out cigarettes • Sales, marketing, and communication with consumers • Local communities • Human resource development • Labor Standards • Health and Safety 	<ul style="list-style-type: none"> • Business integrity • Ethics and governance • Transparency and affiliations • Fighting the illegal tobacco trade • Privacy and confidentiality • Complaint resolution mechanisms • Economic contributions

All sustainability topics were assessed by ranking them from three different perspectives.

		
<p>Stakeholder Perspective</p> <p>The relevance and significance of impact on stakeholder groups</p>	<p>Outward impact</p> <p>The impact on society and the planet at different stages of PMI's value chain</p>	<p>Inward impact</p> <p>The impact on PMI's overall performance and business in terms of risks and opportunities that have or will have an impact on corporate value</p>



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List of ESG topics

Environment	
<p>Water management</p> <ul style="list-style-type: none">• Operational discharges (Industrial discharges of wastewater, hazardous substances. Assessing water risks, wastewater management);• Water consumption and stewardship (Actions to reduce water consumption, water quality matters); <p>Circular economy</p> <ul style="list-style-type: none">• Post-consumer waste (Recycling of materials used, programs to reduce waste after consumption. The circularity of the materials used. Waste reduction programs, pre and post consumption);• Eco-design of materials and products (Impact of materials used in the manufacture of products and their packaging). <p>Climate change</p> <ul style="list-style-type: none">• Carbon footprint (Greenhouse gases and other types of emissions, actions/targets in reducing the carbon footprint);• Energy consumption (Actions/programs to reduce the consumption of electricity and gas).• Biodiversity (The impact of company' activities on biodiversity) <p>Supply chain</p> <ul style="list-style-type: none">• Assessment of the environmental impact of suppliers (Environmental impact in the supply chain, the process of assessing/selecting suppliers using environmental criteria);• Transport (the environmental impact of the transport of materials or other transport).	

Governance	
<ul style="list-style-type: none">• Business integrity (Management and governance structure; Compliance with company principles and values; Business relationships and partnerships.)• Ethics and governance (Compliance with the laws and regulations imposed; Anticorruption, Anti-bribery and non-competitive behavior.)• Transparency and affiliations (Communication with all categories of stakeholders in a transparent way; Business transparency in all areas of work, tax, support received from the government and any political contribution; National and international affiliations with various organizations.)• Fighting the illegal tobacco trade (Anti-illicit policies/strategies; Compliance with applicable laws.)• Privacy and confidentiality (Protection and safety of company data and personal data. GDPR trainings for employees.)• Complaint reductions mechanisms (Mechanisms for handling complaints regarding various aspects related to the company's actions on both customers and employees; Number of complaints and methods of addressing them)• Economic contributions (Direct economic value generated and distributed (EVG&D), financial implications and risks for the company's activities)	



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Social	
<p>Inclusive workplace</p> <ul style="list-style-type: none"> • Equality, diversity, and inclusion (Diversity indicators: age, sex, disabilities etc. Anti-discrimination policies Programs/Actions to promote equality, diversity, and inclusion); • Employee wellbeing (Fair remuneration, employee satisfaction at work, employee benefits, well-being programs); • Human rights (Human rights policy, programs /actions to promote human rights). <p>Smoke-free transition</p> <ul style="list-style-type: none"> • Phasing-out cigarettes (Maximize the benefits of smoke-free products while purposefully phasing out cigarettes. Harm reduction, replacing products with nicotine, treating respiratory, smoking related diseases); • Sales, marketing, and consumer communication (compliance with the principles of communication with the client, programs to prevent the access of <18 years old). <p>Philanthropy</p> <ul style="list-style-type: none"> • Local communities (Actions/Impact on local communities, volunteering actions, social contributions/ partnerships) <p>Labor relations</p> <ul style="list-style-type: none"> • Human resource development (Educating and increasing the quality of employees); • Labor Standards (The working environment and aspects of the terms and conditions of employment and work of employees); • Health and safety at work for employees, suppliers, and partners (information on incidents, occupational diseases, etc.). 	

Gathering stakeholder perspectives Engaging our stakeholders in the process of identifying our priorities is essential. By incorporating their input as feedback into our strategy, we are best able to jointly address those issues that are important for them, where we have an impact, and candevloplong-lasting solutions.

Gatheringthe feedback of our key stakeholdersis an essentialstep of oursustainabilitymateriality assessment. lthe lpsus understand their expectations and prioritize sustainability topics effectively, informingour overall sustainabilityapproach and our ability to deliver againstshared sustainability goals. Philip Morris Trading considers that engaging with stakeholders should be done in an open and transparent way that offers the opportunity to understand their expectations and concerns, while allowing us to explain the context and the challengesrelatedto ourtransformation. The process started with in-depth qualitative interviews that targeted key internal and external stakeholders and gathered their perspectives on the ESG topics list. After finalizing the topics list we started collecting quantitative inputs through an online survey that covered all ESG topics identified and in which 348 stakeholders participated (internal and external stakeholders) The survey allowed stakeholders to rank ESG material themes by their importance but also had a ranking section part with three questions to set up the future priorities for Philip Morris Trading. Results overview Overall, both the interviews and the survey confirmed that sustainability continuesto increase in importance, and that ESG factors play an increasingly important role for all stakeholders, irrespectiveofthegrouptheyrepresent. In conducting an extensive materiality analysis for the tobacco industry, we embarked on a comprehensive journey to understand the most significant issues and topics impacting all the categories of stakeholders. Throughout this process, it became evident that the perspectives and priorities of these two groups often diverged, highlighting the importance of recognizing and addressing the diverse interests and concerns of different stakeholders. STEP 2 STEP 3 12 For employees within Philip Morris in Romania, the materiality analysis revealed several critical topics that resonated strongly within their community. The analysis identified themes such as, workspace health and safety, respect for human rights or employee well-being as highly significant. These topics reflect the day-to-day experiences and aspirations of the workforce, demonstrating their interest in a supportive and secure work environment that fosters personal growth and provides equitable rewards. The external stakeholders, including partners, professional associations, and



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public authorities representants, were more in agreement with the employees, opting for themes related to social, health and safety and employee wellbeing being some of the most important themes for them, but also equality, diversity, and inclusion, which ranked first in importance for external stakeholders, both in the individual relevance of the topics and as a point of priority in the future.



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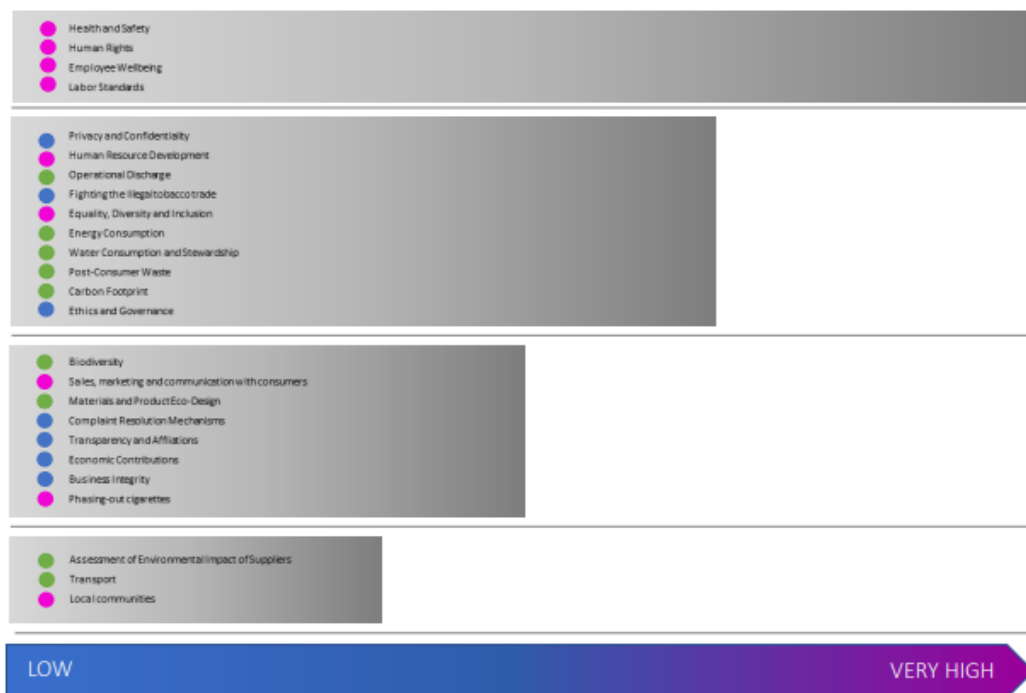
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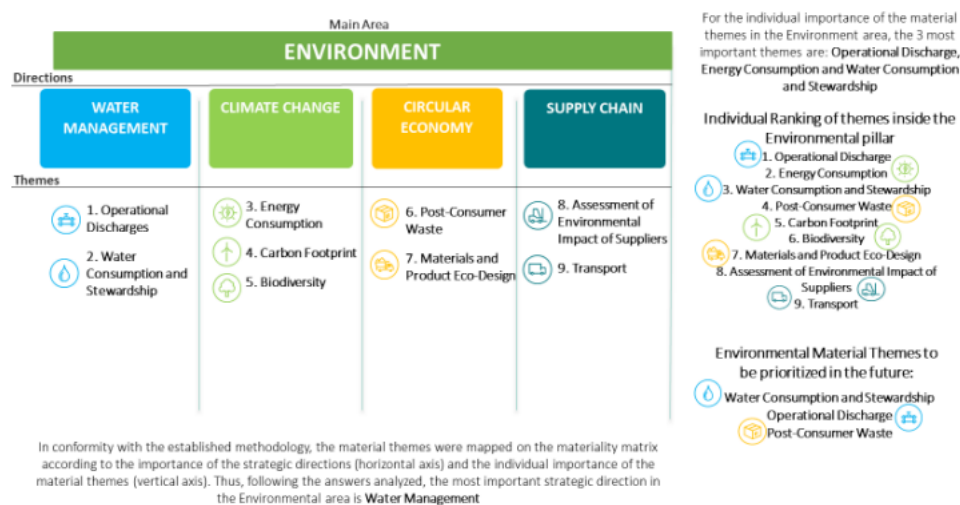
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Categorizing stakeholder perspectives



In the Environmental area, another important difference spotted was related to biodiversity topic, which for external stakeholders was set up significant, as a strategic theme, for employees and key stakeholders the theme of biodiversity remained between the least. This can draw attention at the company level, to an untreated or not very visible and yet important topic for the public. Therefore, Philip Morris can raise awareness on biodiversity and set priorities, plans and actions in this way.



Governance area was ranked lower for employees and external stakeholders and higher for the key stakeholders. The main topics uncovered are specific for each category, employees being concerned with privacy and confidentiality which can affect them directly, external stakeholders raising



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Assessing country context

In constructing the materiality assessment, we took an extra step and conducted a partial country assessment⁶ and placing the relevant materiality themes in the national frame so we could have a better understanding of how our priorities align not only with those of our stakeholders but also mapping them against Romania's current situation.

Environmental

Energy

To combat climate change, the European Union has adopted the European Climate Law, which raises the EU's 2030 emissions reduction target to 55% from 40% and makes achieving climate neutrality by 2050 a legal obligation.⁷

The climate law is part of the European Green Deal, the European Union's roadmap towards climate neutrality.

Romania's current 2030 emissions target fails to align with the 1.5°C compatible emissions range created by the two downscaled scenarios in this project of between 79-83% below 1990 levels (excl. LULUCF).[†] The current target reflects a higher emissions level than is projected under current policies, demonstrating that there is significant scope for setting a more ambitious target, and implementing more stringent policies to achieve deeper emissions cuts.⁸

Romania currently has one of the lowest CO2 emission values in the EU, along with Lithuania, Latvia, Estonia and Luxembourg⁹

According to the National Integrated Energy and Climate Change Plan (NIEEC) for the period 2021 – 2030, Romania has committed to further reduce its emissions from the energy produced to reach a share of 30.7% of energy from renewable sources by 2030 compared to 1990. PMR is contributing to this commitment by using 35% of energy from renewable sources.

Instead, energy consumption is clearly on an upward trend, both due to the increase in individual and industrial consumption.



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At national level, the challenge of responding to the growing demand has been recognized and the integration of sustainability practices should be the approach in terms of energy sources and infrastructure for the energy sector.

Romania's National Energy Strategy 2019-2030, with a horizon of 2050, has as main objectives the use of renewable energy and energy efficiency.

This suggests that even if current energy suppliers do not offer the possibility to buy electricity produced exclusively or mostly from renewable sources, national commitments should incentivize making such options more affordable.

Waste management

Plastic continues to be a ubiquitous material, present from the manufacture of products to packaging solutions. In this regard, the Single-Use Plastics (SUP) Directive was transposed in RO legislation as of SUP Directive 2019/904. The primary objectives of this Directive are to prevent and reduce the impact of certain plastic products on the environment, particularly the aquatic environment, and on human health, as well as to promote the transition to a circular economy through innovative and sustainable business models, products, and materials, thereby contributing to the efficient operation of the internal market.

While some initiatives such as cost-per-bag taxes in stores and more recycling opportunities have emerged over the years, they are incoherent and are not part of a broader vision aimed at mitigating the dramatic and long-lasting effects that the use of plastics has on the environment, biodiversity and quality of life.

Water

Romania has undertaken actions to improve water quality and access to water-supply infrastructure. Its environmental priorities center on the transition from biomass to renewable energy for household heating (SDG 7); the management of natural protected areas; and sustainable forest management and forest ecosystems (SDG 15) (Ministry of Environment of Romania, 2018).

Romania prioritizes SDGs 6, 7, 11 and 12 with an environmental dimension.

Romania, as the largest country in the Danube basin, also contributes to developing and updating the Danube River Basin Management Plan. The purpose is to enhance the quality of life and avoid environmental decline by using smart technologies to ensure the sustainable development of

Certain topics to take into consideration:

- Creating a better connection with stakeholders (identifying, assessing, communicating with them, engaging them).
- Better communication on various topics like health and safety inside the two entities.
- Satisfaction surveys inside the two entities to find topics that could improve employee wellbeing.

Environmental

	PMT	PMR
	Carbon footprint	Operational discharge
	Energy consumption	Water consumption and stewardship
	Post-consumer waste	Energy consumption

Comments:

While studying the responses from both entities we noticed not only a difference in priorities but also a difference in the material themes that are considered important by employees.

Regarding environment, PMR's employees have rated the environmental material themes higher and picked other themes as prime priorities.



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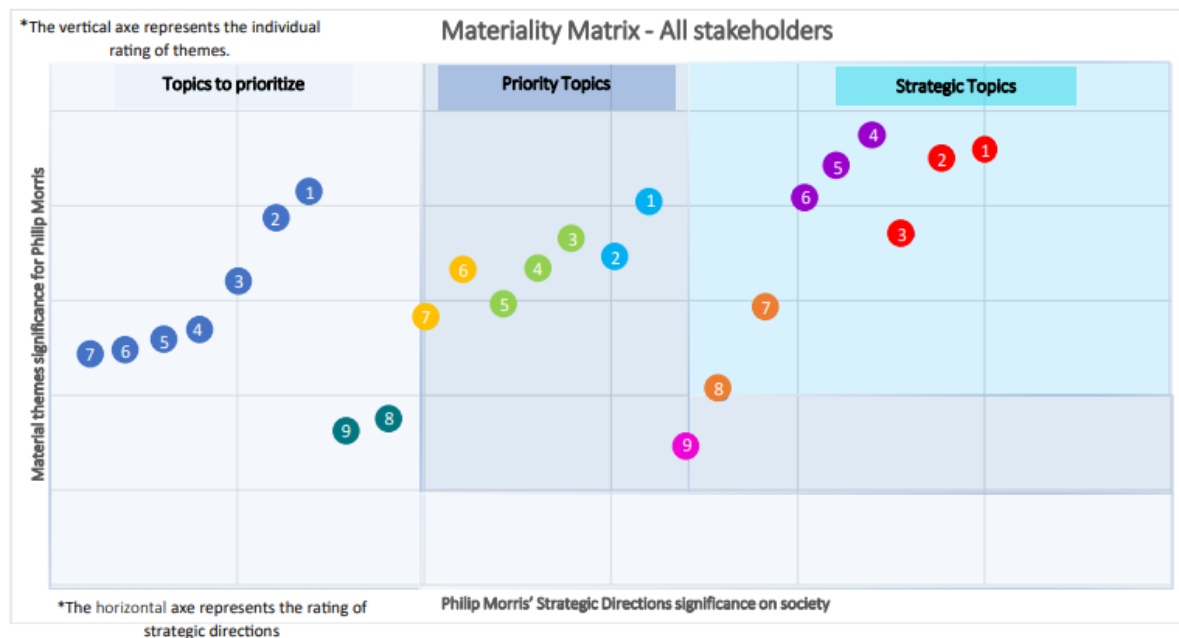
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Sustainability Materiality Matrix





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According to the materiality analysis we have identified two forms of social and environmental impacts. Product which derive from our products (or what we produce) and from our business activities (or from how we operate). As a result the strategic topics were mapped in relation with ESG elements. This mapping clarifies our inputs and desired results and gives our organization better insight into how to allocate resources and incorporate sustainability into our working methods. Additionally, it provides clarity for our external stakeholders, who are better able to comprehend our approach to sustainability from the standpoint of impact.

Mapping our most material topics to the UN SDGs

Philip Morris in Romania

Philip Morris International (Group level)

