Welcome to your CDP Forests Questionnaire 2023

F0. Introduction

F0.1

(F0.1) Give a general description of and introduction to your organization.

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 December 31, 2022, PMI's smoke-free products were available for sale in 73 markets, and PMI estimates that approximately 17.8 million adults around the world had already switched to IQOS and stopped smoking. Smokefree products accounted for approximately 32% of PMI's total full-year 2022 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 subsidiary, aims to enhance life through the delivery of seamless health experiences.

Our approach to sustainability focuses on developing strategies that can successfully address the environmental, social, and governance topics identified as a priority by our sustainability materiality assessment. From an environmental standpoint, we focus on reducing post-consumer waste from our products, tackling climate change, and preserving nature. Engagement beyond our own operations—in particular in our supply chain—is key, as this is where a significant portion of our sustainability impacts occurs. We are working with business partners to proactively identify, manage, and reduce risks, and create shared value.

Our business has a significant, global supply chain organized in two main streams: direct spend focused on materials used in the manufacture of our finished products (e.g., tobacco leaf, packaging materials, electronic devices and accessories) and indirect spend focused on goods and services necessary to operate our business.

The description above is a summary and is qualified in its entirety by reference to the full text of PMI's Annual Report on Form 10-K for the year ended December 31, 2022, 2023 Proxy Statement dated March 23, 2023 filed with the U.S. Securities and Exchange Commission on

the same date, and the full text of PMI's Integrated Report 2022. Certain terms, definitions and explanatory notes, as well as reconciliations of the applicable non-GAAP financial measures, are set forth in the materials referenced above.

In this submission:

-"PMI," "we," "us," and "our" refer to Philip Morris International Inc. and its subsidiaries;

-Trademarks and service marks in this submission are the registered property of, or licensed by, the subsidiaries of PMI and are italicized;

-Aspirational targets and goals set forth in this submission do not constitute financial projections, and achievement of future results is subject to risks, uncertainties, and inaccurate assumptions, as outlined in our forward-looking and cautionary statements on page 210 of PMI Integrated Report 2022;

-Materiality: In this submission and in related communications, the terms "materiality," "material" and similar terms, when used in the context of economic, environmental, and social topics, are defined in the referenced sustainability standards, and are not meant to correspond to the concept of materiality under the U.S. securities laws and/or disclosures required by the US Securities and Exchange Commission.

-Unless otherwise indicated, the data contained herein cover our operations worldwide for the full calendar year 2022 or reflect the status as of December 31, 2022. Where not specified, data comes from PMI financials, nonfinancials, or estimates. Unless explicitly stated, the data, information, and aspirations in this report do not incorporate PMI's Vectura Fertin Pharma business (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. As we evolve and continue to integrate these business acquisitions, we will, where material and feasible, include them into our ESG reporting in future reporting periods.

F0.2

(F0.2) State the start and end date of the year for which you are reporting data.

	Start Date	End Date
Reporting year	January 1, 2022	December 31, 2022

F0.3

(F0.3) Select the currency used for all financial information disclosed throughout your response.

USD

F0.4

(F0.4) Select the forest risk commodity(ies) that you are, or are not, disclosing on (including any that are sources for your processed ingredients or manufactured goods); and for each select the stages of the supply chain that best represents your organization's area of operation.

Timber products

Commodity disclosure

Disclosing

Stage of the value chain

Manufacturing

Are you disclosing information on embedded commodities?

No, because we have no embedded commodities

Palm oil

Commodity disclosure

Not disclosing

Stage of the value chain

Manufacturing

Explanation if not disclosing

PMI sources roughly 7,700 metric tons of vegetal glycerin derived from the production of biodiesel using palm oil as feedstock. The palm oil needed to produce this amount of vegetal glycerin is less than 0.01% of global palm oil production. According to PMI's deforestation risk assessment if PMI's market share of the commodity is lower than 2% and the commodity is sourced on a small scale where the overall impact on deforestation is low then the commodity does not represent a material risk of deforestation. Results from PMI's deforestation risk assessment within the value chain indicated that palm oil does not represent a material risk of deforestation for PMI due to the very low amount of palm oil that goes into PMI products. Palm oil based or containing glycerin represents 1.04% of the total Direct Material weight [tons] and 0.52% in terms of spend of the total Direct Materials sourced by PMI based on agricultural raw material. Glycerin derived from palm-oil is considered as a direct material as it is used as one of the components to produce our products. Finally, palm oil-based glycerin is widely sourced from fully or partly RSPO certified suppliers, lowering again the risk of deforestation.

Cattle products

Commodity disclosure

This commodity is not produced, sourced or used by our organization

Soy

Commodity disclosure

Not disclosing

Stage of the value chain

Manufacturing

Explanation if not disclosing

PMI sources around 1,100 metric tons of vegetal glycerin derived from the production of biodiesel using soy as feedstock. The soy needed to produce this amount of vegetal glycerin is less than 0.0004% of global soy production. According to PMI's deforestation risk assessment if PMI's market share of the commodity is lower than 2% and the

commodity is sourced on a small scale where the overall impact on deforestation is low then the commodity does not represent a material risk of deforestation. Results from PMI's deforestation risk assessment within the value chain indicated that soy does not represent a material risk of deforestation for PMI due to the very low amount of soy that goes into PMI products: Soy oil based or containing glycerin represents 0.15% of the total Direct Material weight [tons] and 0.08% in terms of spend of the total Direct Materials sourced by PMI based on agricultural raw material. Glycerin derived from soy is considered as a direct material as it is used as one of the components to produce our products.

Other - Rubber

Commodity disclosure
This commodity is not produced, sourced or used by our organization

Other - Cocoa

Commodity disclosure
Not disclosing

Stage of the value chain
Manufacturing

Explanation if not disclosing
PMI sources roughly 250 metric tons of cocoa products for flavor production. This amount compared with the global production of cocoa stands at about 0.006%, a very low volume. According to PMI's deforestation risk assessment if PMI's market share of the commodity is lower than 2% and the commodity is sourced on a small scale where the overall impact on deforestation is low then the commodity does not represent a material risk of deforestation. Cocoa powder represents close to 0% of the total Direct Material weight [tons] and 0.03% in terms of spend of the total Direct Materials sourced by PMI based on agricultural raw material and above 95% of the cocoa volume is sourced from companies holding cocoa sustainability certifications. Cocoa is considered under our direct materials category as it is used as one of the components to produce our products.

Other - Coffee

Commodity disclosure
This commodity is not produced, sourced or used by our organization

F0.5

(F0.5) Select the option that describes the reporting boundary for which forests-related impacts on your business are being reported
Operational control

F0.6

(F0.6) Select the countries/areas in which you operate.

Albania
Algeria
Argentina
Armenia
Aruba
Australia
Austria
Bangladesh
Belgium
Bosnia & Herzegovina
Brazil
Bulgaria
Canada
Chile
China
China, Macao Special Administrative Region
Colombia
Costa Rica
Croatia
Curaçao
Czechia
Denmark
Dominican Republic
Ecuador
Egypt
El Salvador
Estonia
Finland
France
Georgia
Germany
Greece
Guatemala
Hong Kong SAR, China
Hungary
India
Indonesia
Israel
Italy
Jamaica
Japan
Jordan
Kazakhstan

Kuwait

Latvia

Lebanon

Lithuania

Luxembourg

Malawi

Malaysia

Mexico

Morocco

Mozambique

Netherlands

New Zealand

Nicaragua

Nigeria

North Macedonia

Norway

Pakistan

Panama

Paraguay

Peru

Philippines

Poland

Portugal

Republic of Korea

Republic of Moldova

Réunion

Romania

Russian Federation

Senegal

Serbia

Singapore

Slovakia

Slovenia

South Africa

Spain

Sri Lanka

Sweden

Switzerland

Taiwan, China

Thailand

Tunisia

Turkey

Ukraine

United Arab Emirates

United Kingdom of Great Britain and Northern Ireland

United Republic of Tanzania

United States of America

Uruguay
Venezuela (Bolivarian Republic of)
Viet Nam

F0.7

(F0.7) Are there any parts of your direct operations or supply chain that are not included in your disclosure?

Yes

F0.7a

(F0.7a) Identify the parts of your direct operations or supply chain that are not included in your disclosure.

Forest risk commodity

Timber products

Value chain stage

Direct operations

Exclusion

Business activity

Description of exclusion

The data and information in this submission do not incorporate PMI's Vectura Fertin Pharma business (consolidating the 2021 acquisitions of wellness and healthcare companies Fertin Pharma A/S, Vectura Group plc., and OtiTopic, Inc.). We estimate that their sourced timber-based products represented less than 1% of PMI's total timber-based products in 2022. As we evolve and continue to integrate these business acquisitions, we will, where material and feasible, include them into our ESG reporting and external disclosures (including CDP Forests) in future reporting periods.

% of volume excluded

<1%

Potential for forests-related risk

Potential for forests-related risk, evaluated, but not disclosing to CDP

Please explain

Sourced timber-based products from Vectura Fertin Pharma business represent less than 1% of PMI's timber-based products sourced which is therefore not material based on PMI's materiality threshold (5%). As Vectura Fertin Pharma business sources paper and pulp-based materials for finished products, a forest risk assessment was conducted, leveraging on PMI's structured and thorough risk assessment approach, as applied to PMI's own tobacco and paper and pulp-based material supply chain. We plan to re-evaluate the materiality of Vectura Fertin Pharma's timber-based products in line with our intention to include them in our ESG reporting for the future.

Forest risk commodity

Timber products

Value chain stage

Direct operations

Exclusion

Recent merger, acquisition or divestiture

Description of exclusion

The data and information in this submission does not incorporate the acquisition made by PMI during 2022 of Swedish Match, which represented around 3% of PMI's total forest commodities sourced in 2022. PMI anticipates this data to be included in our ESG reporting and external disclosures (including CDP Forests) by 2024.

% of volume excluded

1-5%

Potential for forests-related risk

Potential for forests-related risk, evaluated, but not disclosing to CDP

Please explain

In 2022, the timber-based products purchased by Swedish Match business represented an estimated 3% (excluding embedded commodities) of PMI's total sourced timber-based products (derived as a proxy based on average volume from the tobacco and paper and pulp-based material purchased by PMI and Swedish Match) and is therefore not significant based on PMI's materiality threshold (5%). As Swedish Match business purchases paper and pulp-based materials for nicotine-containing finished products, a forest risk assessment was conducted, leveraging on PMI's structured and thorough risk assessment approach, as applied to PMI's own tobacco and paper and pulp-based material supply chain. We plan to re-evaluate materiality of Swedish Match's timber-based products in line with our intention to include them in our ESG reporting by 2024.

F0.8

(F0.8) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.?)

Indicate whether you are able to provide a unique identifier for your organization	Provide your unique identifier
Yes, an ISIN code	7181721090

F1. Current state

F1.1

(F1.1) How does your organization produce, use or sell your disclosed commodity(ies)?

Timber products

Activity
Using as input into manufacturing process for power generation
Using as input into product manufacturing
Distributing/packaging

Form of commodity
Paper
Boards, plywood, engineered wood
Primary packaging
Secondary packaging
Tertiary packaging
Cellulose-based textile fiber
Wood-based bioenergy
Other, please specify
　　Fine paper

Source
Smallholders
Multiple contracted producers
Contracted suppliers (manufacturers)

Country/Area of origin
Argentina
Australia
Austria
Belgium
Bosnia & Herzegovina
Brazil
Canada
Chile
China
Croatia
Czechia
Denmark
Egypt
Estonia
Eswatini
Finland

France
Germany
Hungary
Indonesia
Ireland
Italy
Japan
Latvia
Lithuania
Luxembourg
Malawi
Mozambique
Netherlands
New Zealand
Norway
Pakistan
Philippines
Poland
Portugal
Republic of Korea
Russian Federation
Slovakia
Slovenia
South Africa
Spain
Sweden
Switzerland
Thailand
Turkey
Ukraine
United Kingdom of Great Britain and Northern Ireland
United States of America
Uruguay
Viet Nam

% of procurement spend

11-20%

Comment

The percentage is calculated based on the total supply chain spend which includes direct and indirect materials and services, technical procurement, smoke-free devices, R&D and Leaf Procurement. The countries of origin listed are the countries from where the wood-based materials are sourced from, either as wood fuels or as paper and pulp-based products for packaging materials. Board and paper used for packaging together account for 5.3% of the total supply chain spend scope described above. Fine papers are specialty papers that are used exclusively for tobacco products and account for around 2.2% of the total supply chain spend scope described above. Acetate tow used

in our filters, made of acetate cellulose, accounts for around 3.0% of the total supply chain spend scope described above. Secondary packaging accounts to less than 1% of the total supply chain spend scope described above. The spend with wood-based fuels used in the tobacco curing process for the Virginia Flue-Cured tobacco (FCV) purchased in 2022 is estimated at less than 1% of the total supply chain spend described above. In total, the spend values coming from wood-based materials and paper and pulp-based materials vs total supply chain spend scope described above around 11.8%. This disclosure is organized using the same categories (i.e., board and paper, fine papers, acetate tow, secondary packaging, and wood-based fuels) which PMI follows to manage the supply chain of timber products. The same categories were used in the deforestation risk assessment of PMI's value chain, which has been the basis for setting priorities for further managing deforestation risks. The share of timber products is based on the total supply chain spend as described above.

F1.2

(F1.2) Indicate the percentage of your organization's revenue that was dependent on your disclosed forest risk commodity(ies) in the reporting year.

	% of revenue dependent on commodity	Comment
Timber products	100%	100% of PMI heated tobacco units, cigarettes and other nicotine-containing products require timber derivative products. Additionally, PMI uses board and paper for packaging of the majority of PMI's products.

F1.5

(F1.5) Does your organization collect production and/or consumption data for your disclosed commodity(ies)?

	Data availability/Disclosure
Timber products	Consumption data available, disclosing

F1.5a

(F1.5a) Disclose your production and/or consumption figure, and the percentage of commodity volumes verified as deforestation- and/or conversion-free.

Forest risk commodity
Timber products

Data type
Consumption data

Commodity production/ consumption volume

1,020,828

Metric for commodity production/ consumption volume
Metric tons

Data coverage
Full commodity production/consumption

Have any of your reported commodity volumes been verified as deforestation- and/or conversion-free?
Yes

% of reported volume verified as deforestation- and/or conversion-free
100

Please explain
PMI conducts periodic risk assessments on deforestation, highlighting that tobacco and paper and pulp-based supply chains represent a risk of forest loss. In tobacco supply chain, deforestation risks are indirect and related to wood fuel use for curing Virginia flue-cured tobacco (FCV) and land use change due to agriculture expansion, and use of timber for burley tobacco barns. Agriculture expansion and barn materials-related risks are very limited for the following 2 main reasons: i) PMI tobacco contracted volumes are decreasing annually as we increase our share of smoke-free products (SFP) in our product portfolio, which need less tobacco, making the conversion of natural ecosystem to tobacco farms unlikely and ii) mitigation activities implemented within our sustainability strategy have resulted in a minimal exposure to deforestation risks related to barn construction materials. We also look at opportunities to implement other income-generating activities, to diversify farmers' income limiting their need to further expand crop lands. In 2022 within our assurance program on forest protection, the external audit on tobacco curing fuels carried out on purchased (FCV) tobacco in line with our Zero Deforestation Manifesto (ZDM) confirmed that 100% of in scope PMI FCV tobacco is purchased at zero risk of gross deforestation and 55% of it is compliant with zero net deforestation criteria for natural managed forests. Additionally, we regularly assess deforestation risk in our tobacco supply chain, using Global Forest Watch digital maps with in-depth tailored assessments to confirm assumptions using primary data from satellite imagery from Sentinel 2 and European Space Agency (ESA) land cover maps.

For our paper and pulp-based products, in 2022, we continued conducting our risk assessment that embeds the criteria of the National Risk Assessment of the Forest Stewardship Council (FSC). We selected 17 criteria relevant to our supply chain and applied them to the list of PMI sourcing countries. We designed an assurance protocol covering all PMI sourcing countries with particular focus on the high-risk origins where we deployed on-the-ground audits, as needed. In 2022, as a result of our engagement, we asserted suppliers' compliance to ZDM based on fiber certification (FSC, PEFC and SFI). 100% of the paper and pulp-based products sourced in 2022 are covered by PMI's deforestation risk monitoring.

F1.5b

(F1.5b) Provide a breakdown of your DCF and non-DCF volumes relevant to your stage in the supply chain according to how verification is achieved and the highest level of traceability, respectively.

Timber products – DCF

% of DCF production/consumption volume from areas with no or negligible risk of deforestation/conversion

0

% of DCF production/consumption volume verified through monitoring systems

46

% of DCF production/consumption volume physically certified

54

Total percentage of production/consumption volume reported (DCF) [auto-calculated]

100

Timber products – Non DCF

% of non-DCF production/consumption volume from unknown origin

0

% of non-DCF production/consumption volume traceable only as far as country level

0

% of non-DCF production/consumption volume traceable only as far as sub-national area

0

% of non-DCF production/consumption volume traceable only as far as processing facility level

0

% of non-DCF production/consumption volume traceable to production unit level

0

Total percentage of production/consumption volume reported (non-DCF) [(auto-calculated)]

0

F1.5c

(F1.5c) For your disclosed commodity(ies), indicate the percentage of the production/consumption volume sourced by national and/or sub-national jurisdiction of origin.

Forest risk commodity
Timber products

Country/Area of origin
Brazil

State or equivalent jurisdiction
Specify state/equivalent jurisdiction
Santa Catarina

% of total production/consumption volume
6.71

Please explain
As part of our Forest Positive program, wherein we seek to use sustainable and traceable curing fuels in our tobacco supply chain and responsibly source paper and pulp-based products, PMI engages with key stakeholders both in the tobacco supply chain and in the paper and pulp-based materials supply chain with a strong focus on timber product traceability and the implementation of sustainable management practices to protect forests from deforestation risk.

In 2022, PMI continued to implement a harmonized and verifiable monitoring framework (MF) to allow monitoring of progress towards PMI's goals on sustainable tobacco leaf curing fuel. As part of the MF, tobacco suppliers are required to report on the location of their contracted tobacco farmers, to collect information regarding the source of firewood and fuel consumption and the methodology used to measure it. PMI's MF has been verified by a third party since 2018 and from the external verification conducted in 2022, 21 out of 22 tobacco suppliers assessed achieved 100% compliance with PMI's MF. The remaining 1 supplier was not considered to be material from a deforestation risk perspective by the MF program auditor and as being a new tobacco supplier in 2022 it has been engaged to align its practices to MF compliance requirements. Overall, the audit results recognize compliance with MF for the contracted Virginia flue cured tobacco volume purchased by PMI in 2022. The curing fuel originated from Santa Catarina refers to firewood and the volume is entirely covered by the assessment.

Paper and pulp-based products are also part of our Forest Positive program and traceability data are tracked on a yearly basis for acetate tow, board and paper used for packaging, fine papers, and secondary packaging materials, according to 2022 consolidated deliveries. According to a protocol tailored on the timber products we source, we request suppliers to provide traceability information covering their own

supply chain all the way to the Forest Management Units location as well as quantitative traceability data (in percentage of total volume delivered) for the entire volume delivered to PMI. The paper and pulp-based products volume from Santa Catarina is entirely covered by the assessment.

Forest risk commodity
Timber products

Country/Area of origin
Brazil

State or equivalent jurisdiction
Specify state/equivalent jurisdiction
Parana

% of total production/consumption volume
6.32

Please explain
As part of our Forest Positive program, wherein we seek to use sustainable and traceable curing fuels in our tobacco supply chain and responsibly source paper and pulp-based products, PMI engages with key stakeholders both in the tobacco supply chain and paper and pulp-based materials supply chain with a strong focus on timber product traceability and the implementation of sustainable management practices to protect forests from deforestation risk.

In 2022, PMI continued to implement a harmonized and verifiable monitoring framework (MF) to allow monitoring of progress towards PMI's goals on sustainable tobacco leaf curing fuel. As part of the MF, tobacco suppliers are required to report on the location of their contracted tobacco farmers, to collect information regarding the source of firewood and fuel consumption and the methodology used to measure it. PMI's MF has been verified by a third party since 2018 and from the external verification conducted in 2022, 21 out of 22 tobacco suppliers assessed achieved 100% compliance with PMI's MF. The remaining 1 supplier was not considered to be material from a deforestation risk perspective by the MF program auditor and as being a new tobacco supplier in 2022 it has been engaged to align its practices to MF compliance requirements. Overall, the audit results recognize compliance with MF for the contracted Virginia flue cured tobacco volume purchased by PMI in 2022. The curing fuel originated from Parana refers to firewood and the volume is entirely covered by the assessment.

Paper and pulp-based products are also part of our Forest Positive program and traceability data are tracked on a yearly basis for acetate tow, board and paper used for packaging, fine papers, and secondary packaging materials, according to 2022 consolidated deliveries. According to a protocol tailored on the timber products we source, we request suppliers to provide traceability information covering their own supply chain all the way to the Forest Management Units location as well as quantitative traceability data (in percentage of total volume delivered) for the entire volume delivered

to PMI. The paper and pulp-based products volume from Parana is entirely covered by the assessment.

Forest risk commodity

Timber products

Country/Area of origin

Brazil

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Rio Grande do Sul

% of total production/consumption volume

6.37

Please explain

As part of our Forest Positive program, wherein we seek to use sustainable and traceable curing fuels in our tobacco supply chain and responsibly source paper and pulp-based products, PMI engages with key stakeholders both in the tobacco supply chain and paper and pulp-based materials supply chain with a strong focus on timber product traceability and the implementation of sustainable management practices to protect forests from deforestation risk.

In 2022, PMI continued to implement a harmonized and verifiable monitoring framework (MF) to allow monitoring of progress towards PMI's goals on sustainable tobacco leaf curing fuel. As part of the MF, tobacco suppliers are required to report on the location of their contracted tobacco farmers, to collect information regarding the source of firewood and fuel consumption and the methodology used to measure it. PMI's MF has been verified by a third party since 2018 and from the external verification conducted in 2022, 21 out of 22 tobacco suppliers assessed achieved 100% compliance with PMI's MF. The remaining 1 supplier was not considered to be material from a deforestation risk perspective by the MF program auditor and as being a new tobacco supplier in 2022 it has been engaged to align its practices to MF compliance requirements. Overall, the audit results recognize compliance with MF for the contracted Virginia flue cured tobacco volume purchased by PMI in 2022. The curing fuel originated from Rio Grande do Sul refers to firewood and the volume is entirely covered by the assessment.

Paper and pulp-based products are also part of our Forest Positive program and traceability data are tracked on a yearly basis for acetate tow, board and paper used for packaging, fine papers, and secondary packaging materials, according to 2022 consolidated deliveries. According to a protocol tailored on the timber products we source, we request suppliers to provide traceability information covering their own supply chain all the way to the Forest Management Units location as well as quantitative traceability data (in percentage of total volume delivered) for the entire volume delivered to PMI. The paper and pulp-based products volume from Rio Grande do Sul is entirely

16

covered by the assessment.

Forest risk commodity

Timber products

Country/Area of origin

Brazil

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Bahia

% of total production/consumption volume

3.61

Please explain

As part of our Forest Positive program, wherein we seek to use sustainable and traceable curing fuels in our tobacco supply chain and responsibly source paper and pulp-based products, PMI engages with key stakeholders both in the tobacco supply chain and paper and pulp-based materials supply chain with a strong focus on timber product traceability and the implementation of sustainable management practices to protect forests from deforestation risk.

In 2022, PMI continued to implement a harmonized and verifiable monitoring framework (MF) to allow monitoring of progress towards PMI's goals on sustainable tobacco leaf curing fuel. As part of the MF, tobacco suppliers are required to report on the location of their contracted tobacco farmers, to collect information regarding the source of firewood and fuel consumption and the methodology used to measure it. PMI's MF has been verified by a third party since 2018 and from the external verification conducted in 2022, 21 out of 22 tobacco suppliers assessed achieved 100% compliance with PMI's MF. The remaining 1 supplier was not considered to be material from a deforestation risk perspective by the MF program auditor and as being a new tobacco supplier in 2022 it has been engaged to align its practices to MF compliance requirements. Overall, the audit results recognize compliance with MF for the contracted Virginia flue cured tobacco volume purchased by PMI in 2022. The curing fuel originated from Bahia refers to biomass from wood fiber and the volume is entirely covered by the assessment.

Paper and pulp-based products are also part of our Forest Positive program and traceability data are tracked on a yearly basis for acetate tow, board and paper used for packaging, fine papers, and secondary packaging materials, according to 2022 consolidated deliveries. According to a protocol tailored on the timber products we source, we request suppliers to provide traceability information covering their own supply chain all the way to the Forest Management Units location as well as quantitative traceability data (in percentage of total volume delivered) for the entire volume delivered to PMI. The paper and pulp-based products volume from Bahia is entirely covered by

the assessment.

Forest risk commodity
Timber products

Country/Area of origin
Brazil

State or equivalent jurisdiction
Specify state/equivalent jurisdiction
Mato Grosso do Sul

% of total production/consumption volume
3.56

Please explain
As part of our Forest Positive program, wherein we seek to use sustainable and traceable curing fuels in our tobacco supply chain and responsibly source paper and pulp-based products, PMI engages with key stakeholders both in the paper and pulp-based materials supply chain with a strong focus on timber product traceability and the implementation of sustainable management practices to protect forests from deforestation risk.
Paper and pulp-based products are part of our Forest Positive program and traceability data are tracked on a yearly basis for acetate tow, board and paper used for packaging, fine papers, and secondary packaging materials, according to 2022 consolidated deliveries. According to a protocol tailored on the timber products we source, we request suppliers to provide traceability information covering their own supply chain all the way to the Forest Management Units location as well as quantitative traceability data (in percentage of total volume delivered) for the entire volume delivered to PMI. The paper and pulp-based products volume from Mato Grosso do Sul is entirely covered by the assessment.

Forest risk commodity
Timber products

Country/Area of origin
Brazil

State or equivalent jurisdiction
Specify state/equivalent jurisdiction
Amapa

% of total production/consumption volume
0.18

Please explain

As part of our Forest Positive program, wherein we seek to use sustainable and traceable curing fuels in our tobacco supply chain and responsibly source paper and pulp-based products, PMI engages with key stakeholders both in the paper and pulp-based materials supply chain with a strong focus on timber product traceability and the implementation of sustainable management practices to protect forests from deforestation risk.

Paper and pulp-based products are part of our Forest Positive program and traceability data are tracked on a yearly basis for acetate tow, board and paper used for packaging, fine papers, and secondary packaging materials, according to 2022 consolidated deliveries. According to a protocol tailored on the timber products we source, we request suppliers to provide traceability information covering their own supply chain all the way to the Forest Management Units location as well as quantitative traceability data (in percentage of total volume delivered) for the entire volume delivered to PMI. The paper and pulp-based products volume from Amapa is entirely covered by the assessment.

Forest risk commodity

Timber products

Country/Area of origin

Brazil

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Minas Gerais

% of total production/consumption volume

0.27

Please explain

As part of our Forest Positive program, wherein we seek to use sustainable and traceable curing fuels in our tobacco supply chain and responsibly source paper and pulp-based products, PMI engages with key stakeholders both in the paper and pulp-based materials supply chain with a strong focus on timber product traceability and the implementation of sustainable management practices to protect forests from deforestation risk.

Paper and pulp-based products are part of our Forest Positive program and traceability data are tracked on a yearly basis for acetate tow, board and paper used for packaging, fine papers, and secondary packaging materials, according to 2022 consolidated deliveries. According to a protocol tailored on the timber products we source, we request suppliers to provide traceability information covering their own supply chain all the way to the Forest Management Units location as well as quantitative traceability data (in percentage of total volume delivered) for the entire volume delivered to PMI. The paper and pulp-based products volume from Minas Gerais is entirely covered by the assessment.

Forest risk commodity

Timber products

Country/Area of origin

Brazil

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Sao Paulo

% of total production/consumption volume

0.67

Please explain

As part of our Forest Positive program, wherein we seek to use sustainable and traceable curing fuels in our tobacco supply chain and responsibly source paper and pulp-based products, PMI engages with key stakeholders both in the paper and pulp-based materials supply chain with a strong focus on timber product traceability and the implementation of sustainable management practices to protect forests from deforestation risk.

Paper and pulp-based products are part of our Forest Positive program and traceability data are tracked on a yearly basis for acetate tow, board and paper used for packaging, fine papers, and secondary packaging materials, according to 2022 consolidated deliveries. According to a protocol tailored on the timber products we source, we request suppliers to provide traceability information covering their own supply chain all the way to the Forest Management Units location as well as quantitative traceability data (in percentage of total volume delivered) for the entire volume delivered to PMI. The paper and pulp-based products volume from Sao Paolo is entirely covered by the assessment.

Forest risk commodity

Timber products

Country/Area of origin

Mozambique

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Zambezia

% of total production/consumption volume

2.56

Please explain

As part of our Forest Positive program, wherein we seek to use sustainable and traceable curing fuels in our tobacco supply chain and responsibly source paper and pulp-based products, PMI engages with key stakeholders in the tobacco supply chain with a strong focus on timber product traceability and the implementation of sustainable management practices to protect forests from deforestation risk.

In 2022, PMI continued to implement a harmonized and verifiable monitoring framework (MF) to allow monitoring of progress towards PMI's goals on sustainable tobacco leaf curing fuel. As part of the MF, tobacco suppliers are required to report on the location of their contracted tobacco farmers, to collect information regarding the source of firewood and fuel consumption and the methodology used to measure it. PMI's MF has been verified by a third party since 2018 and from the external verification conducted in 2022, 21 out of 22 tobacco suppliers assessed achieved 100% compliance with PMI's MF. The remaining 1 supplier was not considered to be material from a deforestation risk perspective by the MF program auditor and as being a new tobacco supplier in 2022 it has been engaged to align its practices to MF compliance requirements. Overall, the audit results recognize compliance with MF for the contracted Virginia flue cured tobacco volume purchased by PMI in 2022. The curing fuel originated from Zambezia refers to firewood and the volume is entirely covered by the assessment. PMI developed deforestation risk maps for countries where farmers use firewood for tobacco curing and where medium to high deforestation risks were identified in the initial high-level global deforestation assessment. A deforestation risk map was developed for Mozambique. As an input for the development of the deforestation risk map, PMI requires tobacco suppliers to provide the exact location of their contracted farmers to create the map. Additionally, PMI has also identified the distance that contracted tobacco farmers travel to source firewood. Therefore, PMI can identify the forest management unit where the wood fuel is sourced from.

Forest risk commodity
Timber products

Country/Area of origin
Mozambique

State or equivalent jurisdiction
Specify state/equivalent jurisdiction
Manica

% of total production/consumption volume
0.01

Please explain
As part of our Forest Positive program, wherein we seek to use sustainable and traceable curing fuels in our tobacco supply chain and responsibly source paper and pulp-based products, PMI engages with key stakeholders both in the paper and pulp-based materials supply chain with a strong focus on timber product traceability and the implementation of sustainable management practices to protect forests from deforestation risk.
Paper and pulp-based products are part of our Forest Positive program and traceability data are tracked on a yearly basis for acetate tow, board and paper used for packaging, fine papers, and secondary packaging materials, according to 2022 consolidated deliveries. According to a protocol tailored on the timber products we source, we request

suppliers to provide traceability information covering their own supply chain all the way to the Forest Management Units location as well as quantitative traceability data (in percentage of total volume delivered) for the entire volume delivered to PMI. The paper and pulp-based products volume from Manica is entirely covered by the assessment.

Forest risk commodity
Timber products

Country/Area of origin
Philippines

State or equivalent jurisdiction
Specify state/equivalent jurisdiction
Ilocos Sur

% of total production/consumption volume
2.13

Please explain
As part of our Forest Positive program, wherein we seek to use sustainable and traceable curing fuels in our tobacco supply chain and responsibly source paper and pulp-based products, PMI engages with key stakeholders in the tobacco supply chain with a strong focus on timber product traceability and the implementation of sustainable management practices to protect forests from deforestation risk.

In 2022, PMI continued to implement a harmonized and verifiable monitoring framework (MF) to allow monitoring of progress towards PMI's goals on sustainable tobacco leaf curing fuel. As part of the MF, tobacco suppliers are required to report on the location of their contracted tobacco farmers, to collect information regarding the source of firewood and fuel consumption and the methodology used to measure it. PMI's MF has been verified by a third party since 2018 and from the external verification conducted in 2022, 21 out of 22 tobacco suppliers assessed achieved 100% compliance with PMI's MF. The remaining 1 supplier was not considered to be material from a deforestation risk perspective by the MF program auditor and as being a new tobacco supplier in 2022 it has been engaged to align its practices to MF compliance requirements. Overall, the audit results recognize compliance with MF for the contracted Virginia flue cured tobacco volume purchased by PMI in 2022. The curing fuel originated from Ilocos Sur refers to firewood and the volume is entirely covered by the assessment.

Forest risk commodity
Timber products

Country/Area of origin
Philippines

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Ilocos Norte

% of total production/consumption volume

0.54

Please explain

As part of our Forest Positive program, wherein we seek to use sustainable and traceable curing fuels in our tobacco supply chain and responsibly source paper and pulp-based products, PMI engages with key stakeholders in the tobacco supply chain with a strong focus on timber product traceability and the implementation of sustainable management practices to protect forests from deforestation risk.

In 2022, PMI continued to implement a harmonized and verifiable monitoring framework (MF) to allow monitoring of progress towards PMI's goals on sustainable tobacco leaf curing fuel. As part of the MF, tobacco suppliers are required to report on the location of their contracted tobacco farmers, to collect information regarding the source of firewood and fuel consumption and the methodology used to measure it. PMI's MF has been verified by a third party since 2018 and from the external verification conducted in 2022, 21 out of 22 tobacco suppliers assessed achieved 100% compliance with PMI's MF. The remaining 1 supplier was not considered to be material from a deforestation risk perspective by the MF program auditor and as being a new tobacco supplier in 2022 it has been engaged to align its practices to MF compliance requirements. Overall, the audit results recognize compliance with MF for the contracted Virginia flue cured tobacco volume purchased by PMI in 2022. The curing fuel originated from Ilocos Norte refers to firewood and the volume is entirely covered by the assessment.

Forest risk commodity

Timber products

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Jambi

% of total production/consumption volume

1.96

Please explain

As part of our Forest Positive program, wherein we seek to use sustainable and traceable curing fuels in our tobacco supply chain and responsibly source paper and pulp-based products, PMI engages with key stakeholders both in the paper and pulp-based materials supply chain with a strong focus on timber product traceability and the implementation of sustainable management practices to protect forests from deforestation risk.

Paper and pulp-based products are part of our Forest Positive program and traceability data are tracked on a yearly basis for acetate tow, board and paper used for packaging, fine papers, and secondary packaging materials, according to 2022 consolidated deliveries. According to a protocol tailored on the timber products we source, we request suppliers to provide traceability information covering their own supply chain all the way to the Forest Management Units location as well as quantitative traceability data (in percentage of total volume delivered) for the entire volume delivered to PMI. The paper and pulp-based products volume from Jambi is entirely covered by the assessment.

Forest risk commodity
Timber products

Country/Area of origin
Indonesia

State or equivalent jurisdiction
Specify state/equivalent jurisdiction
Central Kalimantan

% of total production/consumption volume
0.3

Please explain
As part of our Forest Positive program, wherein we seek to use sustainable and traceable curing fuels in our tobacco supply chain and responsibly source paper and pulp-based products, PMI engages with key stakeholders both in the paper and pulp-based materials supply chain with a strong focus on timber product traceability and the implementation of sustainable management practices to protect forests from deforestation risk.

Paper and pulp-based products are part of our Forest Positive program and traceability data are tracked on a yearly basis for acetate tow, board and paper used for packaging, fine papers, and secondary packaging materials, according to 2022 consolidated deliveries. According to a protocol tailored on the timber products we source, we request suppliers to provide traceability information covering their own supply chain all the way to the Forest Management Units location as well as quantitative traceability data (in percentage of total volume delivered) for the entire volume delivered to PMI. The paper and pulp-based products volume from Central Kalimantan is entirely covered by the assessment.

Forest risk commodity
Timber products

Country/Area of origin
Argentina

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Entre Rios

% of total production/consumption volume

0.01

Please explain

As part of our Forest Positive program, wherein we seek to use sustainable and traceable curing fuels in our tobacco supply chain and responsibly source paper and pulp-based products, PMI engages with key stakeholders both in the paper and pulp-based materials supply chain with a strong focus on timber product traceability and the implementation of sustainable management practices to protect forests from deforestation risk.

Paper and pulp-based products are part of our Forest Positive program and traceability data are tracked on a yearly basis for acetate tow, board and paper used for packaging, fine papers, and secondary packaging materials, according to 2022 consolidated deliveries. According to a protocol tailored on the timber products we source, we request suppliers to provide traceability information covering their own supply chain all the way to the Forest Management Units location as well as quantitative traceability data (in percentage of total volume delivered) for the entire volume delivered to PMI. The paper and pulp-based products volume from Entre Rios is entirely covered by the assessment.

Forest risk commodity

Timber products

Country/Area of origin

Argentina

State or equivalent jurisdiction

Specify state/equivalent jurisdiction
Salta

% of total production/consumption volume

0.11

Please explain

As part of our Forest Positive program, wherein we seek to use sustainable and traceable curing fuels in our tobacco supply chain and responsibly source paper and pulp-based products, PMI engages with key stakeholders in the tobacco supply chain with a strong focus on timber product traceability and the implementation of sustainable management practices to protect forests from deforestation risk.

In 2022, PMI continued to implement a harmonized and verifiable monitoring framework (MF) to allow monitoring of progress towards PMI's goals on sustainable tobacco leaf curing fuel. As part of the MF, tobacco suppliers are required to report on the location of their contracted tobacco farmers, to collect information regarding the source of firewood and fuel consumption and the methodology used to measure it. PMI's MF has been

verified by a third party since 2018 and from the external verification conducted in 2022, 21 out of 22 tobacco suppliers assessed achieved 100% compliance with PMI's MF. The remaining 1 supplier was not considered to be material from a deforestation risk perspective by the MF program auditor and as being a new tobacco supplier in 2022 it has been engaged to align its practices to MF compliance requirements. Overall, the audit results recognize compliance with MF for the contracted Virginia flue cured tobacco volume purchased by PMI in 2022. The curing fuel originated from Salta refers to firewood and the volume is entirely covered by the assessment. PMI developed deforestation risk maps for countries where farmers use firewood for tobacco curing and where medium to high deforestation risks were identified in the initial high-level global deforestation assessment. A deforestation risk map was developed for Argentina. As an input for the development of the deforestation risk map, PMI requires tobacco suppliers to provide the exact location of their contracted farmers to create the map. Additionally, PMI has also identified the distance that tobacco farmers travel to source firewood through the development of local forest risk maps with the support of an external consultant. Therefore, PMI can identify the forest management unit where the wood fuel is sourced from.

Forest risk commodity
Timber products

Country/Area of origin
Argentina

State or equivalent jurisdiction
Specify state/equivalent jurisdiction
Jujuy

% of total production/consumption volume
0.11

Please explain
As part of our Forest Positive program, wherein we seek to use sustainable and traceable curing fuels in our tobacco supply chain and responsibly source paper and pulp-based products, PMI engages with key stakeholders in the tobacco supply chain with a strong focus on timber product traceability and the implementation of sustainable management practices to protect forests from deforestation risk.

In 2022, PMI continued to implement a harmonized and verifiable monitoring framework (MF) to allow monitoring of progress towards PMI's goals on sustainable tobacco leaf curing fuel. As part of the MF, tobacco suppliers are required to report on the location of their contracted tobacco farmers, to collect information regarding the source of firewood and fuel consumption and the methodology used to measure it. PMI's MF has been verified by a third party since 2018 and from the external verification conducted in 2022, 21 out of 22 tobacco suppliers assessed achieved 100% compliance with PMI's MF. The remaining 1 supplier was not considered to be material from a deforestation risk perspective by the MF program auditor and as being a new tobacco supplier in 2022 it

has been engaged to align its practices to MF compliance requirements. Overall, the audit results recognize compliance with MF for the contracted Virginia flue cured tobacco volume purchased by PMI in 2022. The curing fuel originated from Jujuy refers to firewood and the volume is entirely covered by the assessment. PMI developed deforestation risk maps for countries where farmers use firewood for tobacco curing and where medium to high deforestation risks were identified in the initial high-level global deforestation assessment. A deforestation risk map was developed for Argentina. As an input for the development of the deforestation risk map, PMI requires tobacco suppliers to provide the exact location of their contracted farmers to create the map. Additionally, PMI has also identified the distance that tobacco farmers travel to source firewood. Therefore, PMI can identify the forest management unit where the wood fuel is sourced from.

Forest risk commodity

Timber products

Country/Area of origin

Argentina

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Missiones

% of total production/consumption volume

0.4

Please explain

As part of our Forest Positive program, wherein we seek to use sustainable and traceable curing fuels in our tobacco supply chain and responsibly source paper and pulp-based products, PMI engages with key stakeholders both in the paper and pulp-based materials supply chain with a strong focus on timber product traceability and the implementation of sustainable management practices to protect forests from deforestation risk. Paper and pulp-based products are part of our Forest Positive program and traceability data are tracked on a yearly basis for acetate tow, board and paper used for packaging, fine papers, and secondary packaging materials, according to 2022 consolidated deliveries. According to a protocol tailored on the timber products we source we request suppliers to provide traceability information covering their own supply chain all the way to the Forest Management Units location as well as quantitative traceability data (in percentage of total volume delivered) for the entire volume delivered to PMI. The paper and pulp-based products volume from Misiones is entirely covered by the assessment.

Forest risk commodity

Timber products

Country/Area of origin

Australia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Victoria

% of total production/consumption volume

0.4

Please explain

As part of our Forest Positive program, wherein we seek to use sustainable and traceable curing fuels in our tobacco supply chain and responsibly source paper and pulp-based products, PMI engages with key stakeholders both in the paper and pulp-based materials supply chain with a strong focus on timber product traceability and the implementation of sustainable management practices to protect forests from deforestation risk.

Paper and pulp-based products are part of our Forest Positive program and traceability data are tracked on a yearly basis for acetate tow, board and paper used for packaging, fine papers, and secondary packaging materials, according to 2022 consolidated deliveries. According to a protocol tailored on the timber products we source we request suppliers to provide traceability information covering their own supply chain all the way to the Forest Management Units location as well as quantitative traceability data (in percentage of total volume delivered) for the entire volume delivered to PMI. The paper and pulp-based products volume from Victoria is entirely covered by the assessment.

Forest risk commodity

Timber products

Country/Area of origin

Thailand

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Kanchanaburi

% of total production/consumption volume

0.11

Please explain

As part of our Forest Positive program, wherein we seek to use sustainable and traceable curing fuels in our tobacco supply chain and responsibly source paper and pulp-based products, PMI engages with key stakeholders both in the paper and pulp-based materials supply chain with a strong focus on timber product traceability and the implementation of sustainable management practices to protect forests from deforestation risk.

Paper and pulp-based products are part of our Forest Positive program and traceability data are tracked on a yearly basis for acetate tow, board and paper used for packaging, fine papers, and secondary packaging materials, according to 2022 consolidated

deliveries. According to a protocol tailored on the timber products we source we request suppliers to provide traceability information covering their own supply chain all the way to the Forest Management Units location as well as quantitative traceability data (in percentage of total volume delivered) for the entire volume delivered to PMI. The paper and pulp-based products volume from Kanchanaburi is entirely covered by the assessment.

Forest risk commodity
Timber products

Country/Area of origin
Viet Nam

State or equivalent jurisdiction
Specify state/equivalent jurisdiction
Quang Nam

% of total production/consumption volume
0.12

Please explain
As part of our Forest Positive program, wherein we seek to use sustainable and traceable curing fuels in our tobacco supply chain and responsibly source paper and pulp-based products, PMI engages with key stakeholders both in the paper and pulp-based materials supply chain with a strong focus on timber product traceability and the implementation of sustainable management practices to protect forests from deforestation risk.
Paper and pulp-based products are part of our Forest Positive program and traceability data are tracked on a yearly basis for acetate tow, board and paper used for packaging, fine papers, and secondary packaging materials, according to 2022 consolidated deliveries. According to a protocol tailored on the timber products we source we request suppliers to provide traceability information covering their own supply chain all the way to the Forest Management Units location as well as quantitative traceability data (in percentage of total volume delivered) for the entire volume delivered to PMI. The paper and pulp-based products volume from Quang Nam is entirely covered by the assessment.

Forest risk commodity
Timber products

Country/Area of origin
Any other countries/areas

State or equivalent jurisdiction

% of total production/consumption volume

63.55

Please explain

The above-mentioned volume refers to the sum of wood fuels for tobacco curing and paper and pulp-based materials sourced in 2022 which did not originate from forest risk countries as per CDP Guidance (Austria, Belgium, Bosnia and Herzegovina, Canada, Chile, China, Croatia, Czechia, Denmark, Estonia, Eswatini, Finland, France, Germany, Hungary, Italy, Japan, Korea, Latvia, Lithuania, Luxemburg, Malawi, Netherlands, New Zealand, Norway, Pakistan, Poland, Portugal, Russian Federation, Slovakia, Slovenia, Spain, Sweden, Switzerland, Ukraine, United Kingdom, Uruguay, U.S.A.). In 2022, PMI has continued to implement a harmonized and verifiable monitoring framework to allow monitoring of progress towards PMI's goals on sustainable leaf curing fuel in the markets from where we source Virginia Flue-Cured. As part of our Forest Positive program, wherein we seek to use sustainable and traceable curing fuels in our tobacco supply chain and responsibly source paper and pulp-based products, PMI engages with key stakeholders in tobacco supply chain and paper and pulp-based materials supply chain with a strong focus on timber product traceability and implementation of sustainable management practices to protect forests from deforestation risk.

PMI's MF has been verified by a 3rd party since 2018 and from the external verification conducted in 2022, 21 out of 22 tobacco suppliers assessed achieved 100% compliance with PMI's MF. The remaining 1 supplier was not considered to be material from a deforestation risk perspective by the MF program auditor and as being a new tobacco supplier in 2022 it has been engaged to align its practices to MF compliance requirements. Overall, the audit results recognize compliance with MF for the contracted Virginia flue cured tobacco volume purchased by PMI in 2022.

Paper and pulp-based products are also part of our Forest Positive program and traceability data are tracked on a yearly basis for paper and pulp-based packaging materials, according to 2022 consolidated deliveries. According to a protocol tailored on the timber products we source we request suppliers to provide traceability information covering their own supply chain all the way to the Forest Management Units location as well as quantitative traceability data (in percentage of total volume delivered) for the entire volume delivered to PMI.

F1.6

(F1.6) Has your organization experienced any detrimental forests-related impacts?

Yes

F1.6a

(F1.6a) Describe the forests-related detrimental impacts experienced by your organization, your response, and the total financial impact.

Forest risk commodity

Timber products

Impact driver type

Acute physical

Primary impact driver

Wildfires

Primary impact

Supply chain disruption

Description of impact

With climate change causing weather patterns across the globe to change dramatically, local negative impacts are increasingly evident. The occurrence of forest fires during 2022 is still alarming, particularly in countries where we source tobacco. The losses in forest cover, primary but also natural managed, contribute to land use change adding to the pressure on the demand for sustainable wood-based materials. The curing of Virginia Flue-Cured tobacco (FCV) is a process highly dependent on wood-based fuels (74% of the FCV sourced by PMI in 2022 was cured with wood-based fuels). For example, 100% of the FCV volume sourced in 2022 from Brazil was cured with firewood and woodchips coming from sustainable natural managed forests. From 2001 to 2022, Brazil lost 10.1 million ha of tree cover from fires out of over 56.1 million ha of total forest losses. Based on global data, we estimate that increases in forest cover loss, would threaten the availability of sustainable wood products. For example, in Brazil a 15% increase on farmers' production cost was estimated on average based on a global cost analysis. Decreased wood availability and increased production costs may generate knock-on effects in the supply of sustainable and traceable wood-based fuels for tobacco curing that need to be in line with PMI's requirements. The impacts experienced so far have not been substantive according to the company's definition of financial substantive impact (threshold of USD 5 million).

Primary response

Tighter supplier performance standards

Total financial impact

3,000,000

Description of response

Within its Forest Positive program, PMI involves multiple int/ext stakeholders, from senior management (e.g., our SVP Operations) and sustainability teams to mandate and create policies, procedures and targets to achieve full traceability and sustainability of wood fuels for tobacco curing. We work with tobacco suppliers via our Monitoring Framework (MF) for Sustainable Curing Fuels to be complied annually. PMI's MF was verified in 2022 by a third party with 21 out of 22 tobacco suppliers achieving 100% compliance with MF (remaining 1 supplier was not considered material from a deforestation risk perspective by the MF program auditor, while, as a new supplier in 2022, it was engaged to align practices to comply with PMI requirements). Overall audit results recognize compliance with MF for Virginia flue cured tobacco volume purchased by PMI in 2022. PMI's Zero Deforestation Manifesto is at the base of our deforestation risk assessment, and country specific programs to tackle deforestation. E.g., in Brazil, a forest management assessment relevant to local wood-based fuel supply was done in

31

2022. Results were used by suppliers to comply with the MF requirements. The indicated financial impact (USD 3 million) refers to the pro-rated annual budget for the Good Agricultural Practices program, related to the Virginia flue cured tobacco volume for 2022, which includes initiatives to address deforestation drivers in our tobacco supply chain and the cost to implement and verify the MF.

Forest risk commodity
Timber products

Impact driver type
Reputational and markets

Primary impact driver
Uncertainty about product origin and/or legality

Primary impact
Brand damage

Description of impact
Some of the markets where PMI sources tobacco are subject to deforestation risk, leading to the implementation of safeguard activities to tackle potential environmental, legal and reputational issues. This is the case for PMI's sourcing countries like Brazil where deforestation continues to be an issue threatening local populations needs and natural ecosystems. Failing to address deforestation and to secure sustainable, deforestation-free raw materials from at risk countries could prevent PMI from achieving its Zero Deforestation Manifesto (ZDM) targets and potentially become a reputational damage to the company. Attention from public and international organizations on environmental impacts from tobacco industry continues to increase. Land use change and associated impacts on ecosystem services were particularly relevant, e.g., as published in 2022, in a report by the World Resource Institute. PMI prioritizes engagement with its suppliers to ensure their products are in line with PMI's ZDM requirements. Timber based curing fuel volumes coming from identified high risk markets represent 28% of PMI's total timber-based curing consumption. The indicated financial impact (USD 3 million) refers to the Good Agricultural Practices Program pro-rated annual budget, applied to the Virginia flue cured tobacco volume for 2022, including initiatives to address deforestation issues in our tobacco supply chain and the cost to implement and verify the MF.

Primary response
Greater traceability of forest-risk commodities

Total financial impact
3,000,000

Description of response
PMI is responding to this issue by involving multiple stakeholders within and beyond the company. Within the company, PMI has involved its senior management and sustainability teams in the creation of policies, procedures and targets to achieve zero

deforestation supply chains. As part of this effort, PMI set a target to source 100% of the wood fuel for tobacco curing as traceable and sustainable with progress annually audited by a 3rd party. PMI is working with tobacco suppliers through the application of its Monitoring Framework (MF) for Sustainable Curing Fuels that all tobacco suppliers should comply with. Outcomes to date include the development and implementation of PMI's Zero Deforestation Manifesto (ZDM) which led to the sourcing of 99.8% sustainable wood-based fuels for tobacco curing in 2022, conducting deforestation risk assessment, and country specific programs to tackle deforestation. In 2022, a pilot was initiated with the aim of making our MF available as a certification standard to a larger farmer base in a landscape approach which was carried out in collaboration with the World Sustainability Organization (WSO).

The indicated financial impact (USD 3 million) refers to the pro-rated annual budget, applying the Virginia flue cured tobacco volume for 2022 to the Good Agricultural Practices Program budget, which includes initiatives to address deforestation issues in our tobacco supply chain and costs to implement and verify the MF.

F1.7

(F1.7) Indicate whether you have assessed the deforestation or conversion footprint for your disclosed commodities over the past 5 years, or since a specified cutoff date, and provide details.

Forest risk commodity
Timber products

Have you monitored or estimated your deforestation/conversion footprint?
Yes, we monitor deforestation/conversion footprint in our supply chain

Coverage
Full consumption volume

Reporting deforestation/conversion since a specified cutoff date or during the last five years?
Since a specified cutoff date, please specify year
2019

Known or estimated deforestation/ conversion footprint (hectares)
851

Describe methods and data sources used to monitor or estimate deforestation/ conversion footprint
PMI annually deploys its Monitoring Framework (MF) for Sustainable Curing Fuels across the entire tobacco flue-cured supply chain. MF requires wood fuel traceability to ensure it originates from sustainable sources. The MF fully embeds the requirements and ambitions of our Zero Deforestation Manifesto (ZDM) which are communicated to our tobacco suppliers through a set of tailored implementation guidelines. Through the application of MF, we systematically monitor the sustainability of all fuel types used in

our tobacco supply chain, including a requirement to maintain a full chain of custody for the wood-based fuels used in the curing process. Data gathered is verified by a third party, and onsite audits are carried out according to a three-year cycle to cover all our tobacco suppliers. In 2022, all suppliers of flue-cured tobacco were audited, either with a desktop or on-site audit, across the countries where we source this type of tobacco. When outstanding deforestation risk is detected by the external audit, we require our tobacco suppliers to compensate the related areas with reforestation interventions that need to match the at-risk hectares and aligned to the criteria of ZDM on reforestation activities. Our deforestation risk assessment and audits are conducted against a January 2019 cut-off date.

Since 2020, we have used analysis performed with Global Forest Watch (GFW) to digitally map forests in our tobacco-growing areas.
We have added in-depth assessments with primary input data from satellite imagery coming from Sentinel 2 and European Space Agency (ESA) land cover maps. Our spatial assessments cover all tobacco types and all suppliers from which we source across over 40 tobacco-growing areas in 20 countries. We use geographic information system data to pinpoint the farming areas where the tobacco we purchase is grown and then apply a 15-kilometer buffer to each site to account for the potential impact of indirect land use change outside the tobacco cultivation areas. We label the areas of interest resulting from our analysis as the tobacco-growing area (TGA). Globally, with our geospatial assessment, we monitor deforestation risk on around 57M hectares of land. This allows us to focus our on-site audits and activities on those areas where potential risks of deforestation and natural ecosystem conversions are detected.

F2. Procedures

F2.1

(F2.1) Does your organization undertake a forests-related risk assessment?
Yes, forests-related risks are assessed

F2.1a

(F2.1a) Select the options that best describe your procedures for identifying and assessing forests-related risks.

Timber products

Value chain stage
Direct operations
Supply chain

Coverage
Full

Risk assessment procedure

Assessed as part of other company-wide risk assessment system

Frequency of assessment

Annually

How far into the future are risks considered?

> 6 years

Tools and methods used

Internal company methods

External consultants

Global Forest Watch Pro

National specific tools and databases

Issues considered

Availability of forest risk commodities

Quality of forests risk commodities

Impact of activity on the status of ecosystems and habitats

Regulation

Climate change

Impact on water security

Tariffs or price increases

Loss of markets

Leakage markets

Brand damage related to forests risk commodities

Corruption

Social impacts

Stakeholders considered

Customers

Employees

Investors

Local communities

NGOs

Other forest risk commodity users/producers at a local level

Regulators

Suppliers

Please explain

Assessment of PMI's potential exposure to deforestation risk is done via deforestation risk assessment covering entire value chain by combining external tools and methodologies, geospatial analysis and national databases to identify potential risk areas. Through the annual risk assessment, we prioritize materials via 2 indicators: global deforestation impact of the material, and PMI's sourcing origins, weighted by PMI's market share per material

Since 2020, we use geospatial analysis performed through a toolbox including Global Forest Watch to pinpoint farming areas where the tobacco we purchase is grown and apply a 15km buffer to each site to account the potential impact of indirect land use change outside the tobacco cultivation areas. This allows to focus our on-site audits and

activities where potential deforestation risks are detected.

For our paper and pulp-based products, in 2022, we continue the risk assessment that embeds the criteria of the National Risk Assessment of Forest Stewardship Council. We selected 17 criteria relevant to our paper and pulp-based supply chain and applied them to the list of countries from which we source. Results are used to inform PMI's sourcing strategy and to identify suppliers that require additional engagement to mitigate risks linked to deforestation. With externals consultants, we also perform risk refresher by reviewing various publicly available resources and reports of critical cases through spatial analysis (e.g., GLAD). All our suppliers must comply with our Responsible Sourcing Principles (RSP) which define requirements both for our tier 1 and beyond tier 1 suppliers. We validate the adherence to the RSP engaging with them via our Supplier Due Diligence program, in partnership with EcoVadis.

PMI's deforestation risk assessment has been effective to identify relevant risks for PMI's operations, such as availability of timber to ensure PMI's future ability to manufacture smoke-free and cigarette products and ensure availability of wood-based fuel for tobacco curing. The assessment considers actions by tobacco suppliers to ensure the supply of sustainable wood fuel now and in the long term, applying the indicators and metrics of PMI's Monitoring Framework for Sustainable Leaf Curing Fuels that include, for example, traceability at the source and sustainable management of woodlots.

F2.2

(F2.2) For each of your disclosed commodity(ies), has your organization mapped its value chains?

	Value chain mapping
Timber products	Yes, we have mapped the entire value chain

F2.2a

(F2.2a) Provide details of your organization's value chain mapping for its disclosed commodity(ies).

Forest risk commodity
Timber products

Scope of value chain mapping
Own operations
Tier 1 suppliers
Tier 2 suppliers
Smallholders
Customers

% of total suppliers covered within selected tier(s)
100

Description of mapping process and coverage

To map wood use in our tobacco supply chain, we work with tobacco suppliers through the application of PMI's Monitoring Framework (MF) for Sustainable Curing Fuels to ensure full traceability of wood-based material used for curing.

Wood-based curing fuel volumes are related to tobacco volume purchases and reported on a digital platform that includes details linking suppliers with wood origin, proof of sustainability and calculated consumption factors to assess the efficiency in resource use. All wood-based curing fuel volumes are monitored through PMI's proprietary framework covering 100% of our tobacco suppliers.

For our paper and pulp-based products, all volumes are monitored through a PMI proprietary platform covering 100% of Tier 1 and Tier 2 suppliers. PMI requests suppliers to provide wood fiber traceability data all the way to the point of felling where possible. Our paper and pulp-based material platform collects information on volumes, mill location, feedstock supplier name, geographic information about wood fiber sourcing, type of certification where available. This information is at the base of the assurance process with which we assess suppliers' compliance to our Zero Deforestation Manifesto (ZDM).

Your own production and primary processing sites: attach a list of facility names and locations (optional)

Your suppliers' production and primary processing sites: attach a list of names and locations (optional)

F2.3

(F2.3) Do you use a classification system to determine risk of deforestation and/or conversion of other ecosystems for your sourcing areas, and if yes, what methodology is used, and what is the classification used for?

	Use of a classification system to determine deforestation and/or conversion risk of sourcing areas	Methodology used for classifying levels of risk	Use of risk classification	Attachment indicating risk classification for each sourcing area (optional)
1	Yes, we use a classification system	Assessment of PMI's potential exposure to deforestation risk is done via	PMI's deforestation risk assessment has been effective in identifying	

annual deforestation risk assessment covering tobacco supply chain and paper and pulp-based supply chain by combining external tools and methodologies, geospatial analysis and national databases to identify potential risk areas. Through the risk assessment, we prioritize materials in accordance with 2 criteria: global deforestation impact of the material, and PMI's sourcing origins, weighted by PMI's market share per material.

We use geospatial analysis performed with Global Forest Watch to pinpoint farming areas where the tobacco we purchase is grown and apply a 15km buffer to each site to account for the potential impact of indirect land use change outside the tobacco cultivation areas. This allows us to focus on-site audits and activities where potential deforestation risks are detected. Risk levels are defined based on the tree cover loss rate and land cover change events in the tobacco growing area. We use a 1% tree cover loss/year threshold to classify a market as high risk.

For our paper and pulp-based products, in 2022, we continue conducting risk assessment that embed the criteria of the National Risk Assessment of Forest Stewardship Council (NRA). From the NRA's 33 criteria,

relevant risks for PMI's operations. As an example, the availability of sustainably sourced timber for paper and pulp-based supply chain, critical to ensure PMI's future ability to manufacture smoke-free and cigarette products, as well as for wood-based fuel for tobacco curing has been identified. The assessment considers actions by tobacco suppliers to ensure the availability of sustainable wood fuel now and in the long term, applying the indicators and metrics of PMI's Monitoring Framework for Sustainable Leaf Curing Fuels that include, for example, traceability at the source and sustainable management of woodlots. Results from the deforestation risk assessment are used to inform PMI's sourcing strategy and to identify those suppliers that require additional engagement to mitigate risks potentially linked to deforestation. Our risk classification on tobacco supply chain allows us to prioritize markets to focus on 3rd party assessments, supplier engagements and actions to mitigate potential deforestation risk.

For our paper and pulp-based materials, in 2022, we focused on suppliers operating in low-risk origins. We applied the criteria of our Zero Deforestation Manifesto

| | | we selected 17 criteria relevant to our paper and pulp-based supply chain and applied them to the list of country origin. Combining this information with satellite monitoring allowed us to better understand the level of risk our suppliers are facing. More specifically, it enables us to categorize sourcing countries in low, medium, and high risk depending on the number of NRA criteria that are found to be at risk. With external consultants, we complement our risk analysis by reviewing various publicly available resources such as reports of critical cases through spatial analysis (e.g., GLAD). | (ZDM) through a 3rd party audit carried out by a forestry expert assurance company. Through desktop audits we collect relevant documentation that is stored in a dedicated web platform to be then reviewed by our third-party program auditor. Publicly available data such as FSC chain of custody certificates is requested to paper and pulp-based product suppliers as part of the audit scope and then validated by the program's 3rd party auditor. As a result of the 3rd party audit, assurance of all our low-risk suppliers' compliance against the criteria of our ZDM was confirmed. In 2022, selected suppliers supplying PMI from high-risk countries were audited on-site to improve our understanding of current conditions and to provide lead time to address potential corrective action plans to reach compliance. All of PMI's primary paper and pulp-based suppliers sourcing from Indonesia and Brazil underwent the on-site external audit. | |

F3. Risks and opportunities

F3.1

(F3.1) Have you identified any inherent forests-related risks with the potential to have a substantive financial or strategic impact on your business?

	Risk identified?
Timber products	Yes

F3.1a

(F3.1a) How does your organization define substantive financial or strategic impact on your business?

> PMI evaluates a "substantive impact" (e.g., financial or strategic impact) based on a variety of factors and quantitative indicators including but not limited to the potential impact on financial performance as well as other strategic factors that may affect PMI's efforts and/or delivery towards a smoke-free future and ultimately replace cigarettes with smoke-free products. The impacts reported as substantive strategic or financial impacts are defined as those identified and prioritized by management in our value chain, through key enterprise risks based on four risk dimensions: the impact a risk could have on the organization if it occurs, the likelihood a risk will occur, the velocity with which a risk would affect the organization if it occurs, and the interconnectivity of a risk with other risks, that exceed defined thresholds at the corporate level. As part of the Company's annual Integrated Risk Assessment (IRA) process, we have in place an extensive risk control program by which we assess the climate change physical and transition risks and deforestation risks. Specifically in our operations, locations with values (among others, buildings, machinery & equipment, stock & supplies, inventory, and business interruption exposure) exceeding USD30 million range are surveyed by engineers from our property insurer, who provide recommendations to us on the magnitude of environmental risks, for example risk of deforestation and land use change that could cause reduction or disruption in production capacity in specific locations, and the cost of management. A survey threshold of USD 30 million is used to focus assessments and mitigation efforts to sites likely to present beneficial cost to risk improvement ratios. Recommendations for risk management are given if the expected reduction in the financial impact of the risk exceeds the cost to comply by a factor of 10 or more. Internally, we focus on recommendations above the USD50 million range as management of identified risks can involve substantial capital expenditure and disruption to operations including our supply chain.
>
> In 2020+ risk forecasting terms, we assumed as substantive impacts those in excess of USD5 million or a raw material impact in excess of 1000 metric tons of tobacco leaves. This definition is applicable to PMI's agricultural supply chain. Over the last couple of years, we have been expanding our forest programs by first assessing current and future forest-related risks more broadly across our value chain. These risks include availability of forest resources, and impact on deforestation.

F3.1b

(F3.1b) For your disclosed forest risk commodity(ies), provide details of risks identified with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

Forest risk commodity
> Timber products

Type of risk
> Reputational and markets

Geographical scale

Global

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Increased commodity prices

Primary potential impact

Reduction or disruption in production capacity

Company-specific description

Wood-based materials are key materials to produce and market PMI products. For example, wood-based fuels are used for tobacco curing, while paper and pulp-based products are necessary to produce cigarettes and heated tobacco units and are also used in packaging. Some geographies where PMI purchases Virginia flue-cured tobacco (FCV) are highly dependent on wood fuel for the curing process and account for a significant portion of the overall curing fuel consumption. This is the case for the FCV sourced in 2022 by PMI in Brazil (BR) and Mozambique (MZ) which is cured solely with wood fuel that meets PMI's sustainability criteria even if both countries are defined as deforestation risk countries. Increased ecosystem vulnerability enhanced by additional deforestation could decrease the availability of sustainable wood-based materials in the future. This can impact PMI's ability to manufacture cost-competitive products if sustainable firewood for tobacco curing becomes more expensive, due to its scarcity, thus increasing the cost of production for tobacco contracted farmers. We estimate a potential 5%-15% increase in cost of production for MZ and BR markets, this range was modelled into a single figure estimate to drive response to risk. Such increase in farmers' production costs might directly affect our revenue or even our competitiveness if we would have to increase the price of our products to include externalities such as the availability of sustainable firewood.

Timeframe

4-6 years

Magnitude of potential impact

Medium-low

Likelihood

More likely than not

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact (currency)

100,000,000

Potential financial impact figure - minimum (currency)

Potential financial impact figure - maximum (currency)

Explanation of financial impact

In our 2022 risk forecasting, we assumed as substantive risks those with potential impact in excess of USD 5M or raw material impact in excess of 1000 metric tonnes of tobacco leaves in our tobacco supply chain. Since 2016, we expanded our forest program by assessing current and future forest-related risks, availability of forest resources, and impact on deforestation. To estimate financial impacts from this risk, PMI used public data sources on typical cost shares for firewood and fossil fuels in agro-commodities and estimated potential price increments resulting from supply chain disruptions due to increased ecosystem vulnerability. PMI assessed that poor enforcement of regulation could lead to increased ecosystem degradation impacting farmers' production cost with an estimated price increase up to 15% for the acquisition of sustainable firewood, increasing PMI's procurement costs above our metric for substantive financial impact. PMI estimated financial impacts by using modelled increments in firewood and diesel costs, along with total volumes of purchased tobacco and the ratio of volume being cured using fossil fuels and renewable fuel sources on an annual basis. It was then assumed that PMI procurement expenditure on tobacco would remain constant in a business-as-usual scenario and increased by the same rate as the modelled increment price under climate change scenarios (estimate up to 15% increase),resulting in a financial impact estimation of USD 100M within 4-6 years.

Primary response to risk

Engagement with suppliers

Description of response

In 2002 PMI launched its Good Agricultural Practices (GAP) program, defining the standards that must be met by all tobacco suppliers. The Monitoring Framework (MF) for Sustainable Leaf Curing Fuels was developed later in 2016 and it is mandatory that Virginia flue-cured (FCV) tobacco suppliers comply to its requirements on an annual basis on top of compliance with GAP. In 2022, MF's annual third-party verification results reflected 21 out of 22 tobacco suppliers achieving 100% compliance (the remaining 1 supplier was considered immaterial from a deforestation risk standpoint by the MF program auditor and being a new supplier for 2022, it was engaged to align practices to comply with requirements). Overall audit results recognize compliance with MF for FCV tobacco volume purchased by PMI in 2022. The implementation of GAP and MF is addressing risk of increased ecosystem vulnerability by providing a step-by-step guidance on how to tackle on the ground deforestation risk associated with tobacco curing through the development of ecosystem resiliency practices. Tobacco suppliers need to have in place a forest risk mitigation plan to manage the identified deforestation risks. MF has been an effective mechanism to identify and prevent potential risks associated with disruptions in the supply chain thanks to constant update of forest risk maps and deployment of mitigation action plans. In 2022 PMI was able to trace 99.8% of wood-based fuels, ensuring that it is sustainably sourced.

Cost of response

3,700,000

Explanation of cost of response

The cost of response covers the annual investment in projects to mitigate the identified risks in each PMI's Tobacco Growing Areas, as part of our Good Agricultural Practices (GAP) program and Monitoring Framework (MF) for sustainable curing fuel. The budget for 2022 was USD 3.7 million and it included the costs related to the implementation of GAP such as the deployment of sustainability initiatives to address the potential risk of tobacco production disruptions in the sourcing markets and their mitigation through GAP implementation activities. The MF supports the adoption of improved sustainability curing practices by the farmers in our supply chain to ensure continuity of implementation of the PMI's Forest Positive program. As an example, in Brazil through GAP, we are implementing reforestation, biodiversity and agricultural innovation initiatives. These initiatives were selected based on the results of our annual risk assessment. In 2022, the budget allocated for projects in Brazil represented 14% of the total implementation costs of the global budget. The total budget of the GAP program is revised on an annual basis. PMI expects to have similar associated costs in the next 5 to 6 years.

Forest risk commodity

Timber products

Type of risk

Regulatory

Geographical scale

Global

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Poor enforcement of regulation

Primary potential impact

Increased operating costs

Company-specific description

PMI sources a portion of materials from some countries known for their limited enforcement of forest-related regulation. We comply with applicable laws and we have compliance policies and programs in place which we require our suppliers to follow. If protected areas or timber harvest regulations are not enforced and if PMI does not have certainty that regulation designed to ensure sustainability of materials is enforced, PMI invests in additional measures to verify that the material is sustainable by origin country. For example, PMI sources Virginia Flue-Cured tobacco (FCV) from Philippines and Malawi, among other countries, and, based on the development of country-specific forest risk maps, we have identified possible deforestation risks in these countries, both of which rely solely on wood fuel for the curing process. Even though forests are protected by law, this is not always enforced, potentially causing PMI's procurement

costs to increase (estimated up to 15% price increase as a global average) due to the additional measures PMI is implementing to ensure all wood-based fuels used in curing tobacco are sustainable (for example, local risk assessment procedures, additional engagement with local suppliers, development of sustainability projects).

Timeframe
4-6 years

Magnitude of potential impact
Medium-low

Likelihood
Very likely

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact (currency)
100,000,000

Potential financial impact figure - minimum (currency)

Potential financial impact figure - maximum (currency)

Explanation of financial impact
In our 2022 risk forecasting, we assumed as substantive risks those with potential impact in excess of USD 5M or a raw material impact in excess of 1000 metric tonnes of tobacco leaves in our tobacco supply chain. Our Forest Positive program strongly leverages on the assessment of current and future forest-related risks, including availability of forest resources, and impact on deforestation.

To estimate financial impacts from risk, PMI used public data sources on typical cost shares for firewood and similar agricultural products, and estimated potential price increments resulting from supply chain disruptions due to increased ecosystem vulnerability. PMI estimated that poor enforcement of regulation could lead to the risk of increased ecosystem vulnerability impacting farmers' production cost up to an estimated 15% price increase in the acquisition of sustainable firewood, increasing PMI's procurement costs above our metric for substantive financial impact. PMI estimated financial impacts by using modelled increments in firewood costs, along with total volumes of purchased tobacco and the ratio of volume cured using fossil fuels as well as renewable fuel sources on annual basis. It was then assumed that the PMI procurement expenditure on tobacco would remain constant in a business-as-usual scenario and increase by the same rate as diesel price under climate change scenarios (estimated up to 15% increase), resulting on a financial impact estimation of USD 100M within 4-6 years.

Primary response to risk
Engagement with suppliers

Description of response

Good Agricultural Practices (GAP) was launched in 2002 and Monitoring Framework (MF) for Sustainable Leaf Curing Fuels followed since 2016. It is mandatory that tobacco suppliers comply to GAP and MF on annual basis. PMI's MF was verified in 2022 by a 3rd party auditor resulting in 21 out of 22 tobacco suppliers achieving 100% compliance with MF (the remaining supplier was considered immaterial from a deforestation risk standpoint by the MF program auditor and being a new supplier for 2022, it was engaged to align practices to comply with requirements). Overall audit results recognize compliance with MF for Virginia flue cured tobacco volume purchased by PMI in 2022. PMI actively engages with tobacco suppliers to support them in implementation of GAP and MF. Its implementation and supplier engagement are expected to address risk of poor enforcement of regulation by requiring tobacco suppliers to ensure that all wood-based fuels used are sustainable. PMI considers that the response has been effective and tobacco suppliers implementing GAP and MF are addressing this risk. Currently, 99.8% of the wood-based curing fuel, is sustainable and traceable, which has decreased the risk and is expected to prevent future impacts. Additionally, to address poor enforcement of regulation and other risks, PMI's Responsible Sourcing Principles provide process and performance requirements applicable to all suppliers including environmental, social and governance topics.

Cost of response

3,700,000

Explanation of cost of response

The cost of response covers the annual investment in projects to mitigate the identified risks in each PMI Tobacco Growing Area, as part of our Good Agricultural Practices (GAP) program and Monitoring Framework (MF) for sustainable curing fuel. The budget for 2022 was USD 3.7 million and it included costs related to the implementation of GAP activities such as deployment of the sustainability initiatives to address potential risk of tobacco production disruptions in the sourcing markets, to support the adoption of improved and innovative practices by the farmers in our supply chain and also to ensure continuity of implementation of the MF for sustainable curing fuel. As an example, in Brazil, we are implementing reforestation, biodiversity and agricultural innovation initiatives. These initiatives were selected based on the results of our annual risk assessment. In 2022, the budget allocated for Brazil represent 14% of the total costs of implementation of the initiatives. The total budget of the GAP program is revised on an annual basis. PMI expects to have similar associated costs in the near to medium term (in the next 5 years).

Forest risk commodity

Timber products

Type of risk

Reputational and markets

Geographical scale

Global

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Increased cost of certified sustainable material

Primary potential impact

Increased production costs

Company-specific description

There is no mature market for certified wood fuel for tobacco curing. This is a challenge for PMI to source certified sustainable materials. For the case of wood-based curing fuels, for example, PMI is already requiring tobacco suppliers to ensure fuel sustainability and traceability through specific on the ground activities. PMI's increased engagement with tobacco suppliers in sustainability activities results in additional expenditures. Expenditures in sustainability activities is one of the elements that may impact our tobacco procurement costs, with an estimate from 3%-15% increase in cost. Paper and pulp-based suppliers have worked to improve the offering of certified sustainable material to satisfy the demand of the market and especially players like PMI that have more stringent sustainability requirements. Latest estimate shows that close to 100% PMI's paper and pulp-based material suppliers are now part of certified chain of custody systems. PMI's Zero Deforestation Manifesto contemplates the purchase of certified material as being part of the solution, in addition to a robust wood fiber traceability, and use of recycled material which are all considered to be drivers of sustainability. In 2022, we purchased certified material from 11 suppliers, and we are planning to potentially increase this number in the coming years. In 2022, we started to participate in the FSC Pilot Program to allow us to report publicly certified purchased volumes in the future.

Timeframe

1-3 years

Magnitude of potential impact

Medium-low

Likelihood

About as likely as not

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact (currency)

Potential financial impact figure - minimum (currency)

16,000,000

Potential financial impact figure - maximum (currency)

32,000,000

Explanation of financial impact

The latest review of our board and paper (B&P) used for packaging, acetate tow (AT), fine papers (FP) and shipping case (SC) supply chains showed that a substantive cost increase is to be expected if PMI decides to adjust its sourcing strategy and buy certified products. A range of mark up going from 1.5% (USD 16 million) to 3% (USD 32 million) of the yearly purchasing spend is an estimate of cost increase applicable to FP, AT, B&P and SC.

To estimate financial impacts from this risk, PMI used public data on typical cost of certified fiber material according to the most widespread certification standards (FSC, PEFC, SFI). The total impact of certifying the sourced volume for B&P, AT, FP and SC could drive the increase of PMI's procurement costs above our metric for substantive financial impact (USD 5 million). PMI estimated financial impacts via modelled increments based on total volumes of purchased wood fiber materials using estimations on certification costs shared by supply chain operators such as suppliers. It was assumed that PMI procurement expenditure on the relevant fiber-based materials would remain constant in business-as-usual scenario.

Primary response to risk

Engagement with suppliers

Description of response

PMI's Forest Positive program is based on criteria of PMI's Zero Deforestation Manifesto (ZDM) that, as a public commitment to address and bring to zero deforestation, embeds most of the elements of the most authoritative forest product certification standards. PMI's Forest Positive program is audited by a third party and the deployment of the assurance program is based on the level of risk represented by PMI's sourcing origins to ensure the reaching of zero gross deforestation for all wood fiber products by 2025. In 2022, low risk origins were audited by a 3rd party, confirming compliance against the implementation criteria of our ZDM. PMI considers that the response has been effective and that fiber-based product suppliers implementing the ZDM requirements are addressing forest related risks. Currently, 100% of our fiber-based products are traceable, decreasing the risk on deforestation and preventing future impacts. Additionally, to address suppliers' governance and ownership of sustainability at central level, PMI's Responsible Sourcing Principles provide process and performance guidance applicable to all suppliers including environmental, social and governance topics.

Cost of response

360,000

Explanation of cost of response

The cost of response (USD 360,000) covers the annual investment in implementing, monitoring and verifying externally PMI's Forest Positive program with our fiber-based product suppliers. The budget includes the dissemination of implementation guidelines with suppliers through specific training sessions online, the use of a digital platform to connect with suppliers and collect all relevant information on forest protection and the assurance campaign run through an external auditor. In 2022 all suppliers supplying PMI from low deforestation risk countries were audited through a desktop review that

included traceability requirements as well as mapping the availability of certification processes and due diligence approaches in line with the criteria of our Zero Deforestation Manifesto. Next to the low-risk origins, two identified high-risk origins, Brazil and Indonesia, were selected to pilot on-site audits. We included the selected high-risk feedstock origin suppliers to improve our understanding of current conditions and to have lead time to address corrective action plans. All of the paper and pulp-based suppliers are included in the assurance campaign to ensure the achievement of 100% zero gross deforestation by 2025. PMI expects to have similar associated costs in the next 5-10 years.

Forest risk commodity

Timber products

Type of risk

Chronic physical

Geographical scale

Global

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Increased severity of extreme weather events

Primary potential impact

Supply chain disruption

Company-specific description

Most of our wood-based materials are sourced from regions (Nordics, European Countries, accounting for more than 50% of our wood/pulp origin) that are going through changes in weather/precipitation patterns (e.g., more rain, less snow) – that could impact trees growth, soils degradation and logging/harvesting periods, creating potential future resource availability limitations. Due to these risks, there could be a potential price increase impact for the paper and pulp-based materials that PMI is purchasing, with an estimated price range increase of 5% to 15% for paper and pulp-based products we purchase, potentially impacting 3% of sourced volume. In addition, in Asia, some of the paper and pulp-based products we purchase originate from concessions that are vulnerable to major drought events.

Timeframe

>6 years

Magnitude of potential impact

Medium

Likelihood

More likely than not

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact (currency)

Potential financial impact figure - minimum (currency)

49,000,000

Potential financial impact figure - maximum (currency)

147,000,000

Explanation of financial impact

The risk associated with decreased availability of sustainable and traceable wood-based materials in our paper and pulp-based products supply chain due to impacts of chronic physical risk could potentially be reflected in an estimated price range increase of 5% to 15% over our 2022 total spend.

Primary response to risk

Engagement with suppliers

Description of response

Our risk management strategy aims to reduce the likelihood of supply chain disruptions due to physical climate risks through enhancing biodiversity and forest conservation activities. In 2022, PMI continued implementing its Forest Positive (FP) program based on the commitment and criteria of its Zero Deforestation Manifesto (ZDM). The end goal of ZDM is to achieve positive environmental impacts over the long-term incl. a set of targets to protect forests in our supply chain. PMI is working with suppliers of paper and pulp-based products to move towards traceable and sustainable raw material sourcing. Compliance to ZDM was assessed by an external auditor in 2022, and the FP program will run until year 2030 when zero gross (already in 2025) and zero net targets are set to be reached and overall objectives reassessed. Achieving PMI's ZDM commitments will protect forests from which we source and contribute to increase resiliency to climate change impacts, like increased severity of weather events.

To achieve ZDM commitments PMI actively engages suppliers on sustainability expectations, increasing our understanding of their current practices on deforestation risk mitigation and exposure to physical climate risks. PMI considers its current approach to be effective as no major disruptions in the supply chain have taken place to this day. PMI will continue to adapt and improve its strategy, strengthening monitoring and progress towards targets, particularly in high-risk countries.

Cost of response

360,000

Explanation of cost of response

The cost of response is the estimated internal investment (USD 360,000), which covers the design and implementation of the assurance framework across the supply base, as well as the implementation of a monitoring framework supported by innovative

technologies, especially geospatial analysis on environmental attributes, to deliver the expected tangible results supporting our deforestation commitments. Future potential costs to implement other specific initiatives needed to catalyze adoption of improved and innovative practices in our paper and pulp-based supply chain are not yet evaluated and therefore not included in this figure.

F3.2

(F3.2) Have you identified any forests-related opportunities with the potential to have a substantive financial or strategic impact on your business?

	Have you identified opportunities?
Timber products	Yes

F3.2a

(F3.2a) For your selected forest risk commodity(ies), provide details of the identified opportunities with the potential to have a substantive financial or strategic impact on your business.

Forest risk commodity
  Timber products

Type of opportunity
  Resilience

Where in your value chain does the opportunity occur?
  Supply chain

Primary forests-related opportunity
  Improved supply chain engagement

Company-specific description
  We assume as substantive, those impacts that are in excess of USD 5 million or a raw material impact in excess of 1000 metric tons of tobacco leaves. This definition is applicable to PMI's agricultural supply chain. PMI identified opportunities to improve the company's resilience managing forest risks related to tobacco sourcing by engaging our tobacco suppliers to mitigate future cost increments in the sourcing of sustainable raw materials. We have developed a strategy to increase resilience through the application of the Monitoring Framework (MF) for Sustainable Leaf Curing Fuels. As part of MF, annually tobacco suppliers should demonstrate compliance with a set of sustainability criteria to prevent deforestation. Implementation of MF since 2016 is strategically relevant as it has increased PMI's engagement with tobacco suppliers to secure a consistent supply of sustainably cured tobacco. Resilience of our tobacco supply chain increases if forests are sustainably managed to mitigate risks on resource availability and price fluctuations. Our global cost of production analysis produced an estimate 3-15% price increase of wood-based curing fuels. To realize the opportunity, PMI is

working closely with tobacco suppliers by providing technical assistance associated to the implementation. This entails several measures: holding strategy sessions, financing country-specific risk assessments and providing technical advice for implementing our MF.

Estimated timeframe for realization

Current - up to 1 year

Magnitude of potential impact

Medium-high

Likelihood

Virtually certain

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

3,000,000

Potential financial impact figure – maximum (currency)

15,000,000

Explanation of financial impact figure

The potential financial impact reflects estimated benefits for farmers across our tobacco supply chain. We do not estimate direct potential financial benefits to PMI but rather indirect benefits to the company through supply chain improved resilience, including mitigation of future cost increments in the sourcing of raw materials. An intangible benefit for PMI would be to position itself as a leading company collaborating with its suppliers to implement actions that contribute to a more sustainable future.

To estimate financial impacts from this opportunity, PMI used public data sources on typical cost shares for firewood and similar agricultural products, as well as estimates on potential price increments resulting from supply chain disruptions due to increased ecosystem vulnerability. PMI estimated that this opportunity could reduce by 15% farmers' expected future costs related to acquisition of firewood, leading to the identification of a substantive opportunity according to our USD5 million metric.

PMI estimated financial impacts by using the modelled increments in firewood costs, along with total volumes of purchased tobacco and the ratio of volume being cured using fossil fuels as well as renewable fuel sources on an annual basis (lower range at 3% and upper range at 15%). It was then assumed that the PMI procurement expenditure on tobacco would remain constant in a business-as-usual scenario and increase by the same rate as diesel price under climate change scenarios.

Cost to realize opportunity

3,000,000

Strategy to realize opportunity

PMI implemented several programs including Good Agriculture Practices (GAP), Monitoring Framework for Sustainable Leaf Curing Fuel (MF), and Responsible Sourcing Principles (RSP) that prescribe environmental protection. We work with all our direct suppliers towards traceable and sustainable wood fuels together with a thorough verification process by an independent 3rd party auditor to assure practices adopted by our suppliers to avoid risks associated to deforestation.

Engagements with direct suppliers are fundamental for the implementation of our MF and Zero Deforestation Manifesto and for the achievement of the target of 100% zero gross and zero net deforestation in our tobacco and paper and pulp-based supply chain. Our direct suppliers are fundamental for the success of the program, including successful deployment of forest monitoring tools, establishing traceability to the point of harvest and documenting sustainable forestry practices. Majority of our tobacco suppliers have direct connections to farmers that rely on firewood for curing and, in most of the cases, direct access to the forest woodlot managers that need to provide evidence of the MF implementation. There are several engagement measures: holding strategy sessions, financing country-specific risk assessments and providing technical advice for implementing MF. On a quarterly basis, PMI sustainability teams conduct alignment sessions with our direct suppliers. Through engagement, tobacco suppliers have become more robust in demonstrating conformity with the MF principles when audited by a 3rd party auditor, e.g., the firewood sustainability assessment in Pakistan was updated in 2022 by collaborating with local NGO OMED and with the national government (PK Forest Department), demonstrating that fuel used for tobacco curing came from 100% sustainable sources.

The cost to realize the opportunity was derived from the experience gained through various projects implemented to address potential risk since the beginning of the Forest Positive program. Cost components include support to process improvement and compliance to MF and GAP calculated using specific cost assumption depending on the implementation market. The USD 3M represents the actual 2022 budget allocated for the project and other activities deployed including, barn improvement, reforestation, risk assessments, and 3rd party audits.

Forest risk commodity

Timber products

Type of opportunity

Resilience

Where in your value chain does the opportunity occur?

Supply chain

Primary forests-related opportunity

Increased supply chain resilience

Company-specific description

Over 50% of our wood-based direct materials originate from regions experiencing changes in weather/precipitation patterns, e.g. Nordic European Countries posing

potential future resource availability limitations.

The resilience to climate change of supply chains associated with forest and natural ecosystems increases when sustainable management practices are implemented to mitigate risk on resource availability and price fluctuation.

PMI's Responsible Sourcing Principles set mandatory requirements to all our suppliers and aim to achieve measurable, tangible improvements in our supply chain. With the publication of the Zero Deforestation Manifesto (ZDM), PMI has increased the focus on its wood-based material supply chain.

To help achieve our zero deforestation commitments, yearly we engage with our suppliers to communicate our expectations, increase understanding of their current practices and set targets for the materials they supply. We have performed webinars, individual interviews and commissioned third parties to perform onsite visits. PMI conducts annual strategy and engagement sessions with all pulp-based suppliers. This engagement enables technology and knowledge transfer to improve sustainability practices in our supply chain. In 2022, we engaged with a total of 59 paper and pulp-based product suppliers.

Estimated timeframe for realization

>6 years

Magnitude of potential impact

Medium

Likelihood

Likely

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

34,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

The potential financial impact reflects an estimated value to mitigate future cost increase in the acquisition of raw materials. To assess the financial impact from this opportunity, PMI estimated potential price increases resulting from supply chain disruptions due to an increased ecosystem vulnerability leading to displacement of operations which may impact sourcing and transportation costs driven by delocalization streams.

An intangible benefit for PMI would be to position and be recognized as a leading company collaborating with its suppliers to implement actions that contribute to a more sustainable future.

Cost to realize opportunity

660,000

Strategy to realize opportunity

PMI has implemented several programs including the Zero Deforestation Manifesto (ZDM) and the Responsible Sourcing Principles (RSP) that prescribe actions to protect the natural environment. We work with all our direct suppliers towards traceable and sustainable wood fuels and wood-based materials together with a thorough verification process by an independent 3rd party auditor to ensure the protection of forests against deforestation.

Engagements with our direct suppliers are fundamental for the implementation of our MF and ZDM and for the achievement of the target of 100% of zero gross and zero net deforestation in our paper and pulp-based supply chain. Our direct suppliers are fundamental for the success of the program, incl. the successful deployment of forest monitoring tools, by establishing traceability to the point of harvest and documenting sustainable forestry practices. We also leverage on supplier's compliance to product certification and chain of custody certifications.

In 2020 we performed a follow up audit for one of our wood-based material suppliers located in Asia resulting in the closing of all 17 corrective actions based on 14 findings identified during the initial audit, (incl. non-conformities and areas for improvement). In 2022, four additional webinar sessions have been scheduled to engage secondary pulp-based products suppliers resulting in 100% of them signing commitment letters as an alignment to the requirements of the ZDM program. ZDM implementation guidelines are distributed during the onboarding of suppliers to the PMI Forest Positive program and support is provided in the various stages of assessing, monitoring and managing forest related risks. In 2022, we engaged with a total of 59 paper and pulp-based product suppliers.

The cost to realize the opportunity was derived from the budget allocated to implement the various projects to address potential risk since the beginning of the program. Cost components include support to process improvement and compliance to MF with a specific assumption depending on the implementation market. The USD 600,000 represent the actual 2022 budget used for MF program deployments including 3rd party audits.

F4. Governance

F4.1

(F4.1) Is there board-level oversight of forests-related issues within your organization?

Yes

F4.1a

(F4.1a) Identify the position(s) of the individual(s) (do not include any names) on the board with responsibility for forests-related issues.

Position of individual or committee	Responsibilities for forest-related issues
Board-level committee	Environmental, social, and governance (ESG) factors are part of the responsibility of certain committees of the Board of Directors and considered in the evaluation of annual company performance and its management. As part of their responsibilities, the Board and its committees review and approve PMI's annual budget based on company's performance and targets. Including resources required to ensure implementation of our Zero Deforestation Manifesto commitments. For the 2022-2024 Performance Share Units (PSUs), in 2021 the Board introduced PMI's Sustainability Index as 1 of 3 performance metrics, including, KPI on no deforestation and no conversion of natural ecosystems. The Nominating and Corporate Governance Committee (NCGC) oversees the company's ESG and sustainability strategies and performance, and reports to the Board on sustainability matters including forest-related topics, several other committees are tasked with oversight responsibility for specific sustainability topics.

F4.1b

(F4.1b) Provide further details on the board's oversight of forests-related issues.

	Frequency that forests-related issues are a scheduled agenda item	Governance mechanisms into which forests-related issues are integrated	Please explain
Row 1	Scheduled - some meetings	Monitoring implementation and performance Monitoring progress towards corporate targets Overseeing the setting of corporate targets Overseeing value chain engagement Providing employee incentives	The Board of Directors (BoD) oversees PMI's full range of activities including establishing corporate policies, , setting strategic direction, and overseeing Management, which is responsible for day-to-day operations of the company, using the selected governance mechanism. The BoD approves the company's annual budget, employee incentives and receives updates on company's performance and targets against the budget throughout the year including those related to the achievement of sustainability commitments (incl. our net zero deforestation for tobacco supply chain by 2025) The BoD has established various standing Committees to assist with the performance of its

		Reviewing and guiding annual budgets Reviewing and guiding business plans Reviewing and guiding corporate responsibility strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding strategy Setting performance objectives	responsibilities and is regularly informed on future plans, and significant issues affecting the business, including the forest ones. The BoD held 8 regular meetings in 2022. The BoD is advised on forest-related issues by the Nominating and Corporate Governance Committee of the BoD, which oversees the Company's sustainability strategies and performance. The committee met 5 times in 2022. The BoD oversees the management of risks relating to the Company's business. Risk oversight is conducted both by Committees of the BoD as well as by the full BoD.

F4.1d

(F4.1d) Does your organization have at least one board member with competence on forests-related issues?

Row 1

Board member(s) have competence on forests-related issues
Yes

Criteria used to assess competence on forests-related issues
PMI assesses competence of the Board on sustainability related issues, including forest related issues, based on its members' relevant professional experience, academic background or other professional trainings on climate science, environmental science or engineering, sustainability, or other related subjects.

Several members of PMI's BoD have expertise in sustainability and ESG matters, including on Forest-related matters. Particularly, one of our board directors brings unique understanding of ESG strategy, as he has served as CEO to the Global Adaptation Institute (a foundation dedicated to the understanding of climate change) and as Co-Chair to the World Economic Forum's Global Agenda Council on Climate Change. His expertise also includes forest-related impacts from climate change. Professional biographies for each Board member are disclosed in our annual Proxy Statement available on PMI.com.

F4.2

(F4.2) Provide the highest management-level position(s) or committee(s) with responsibility for forests-related issues (do not include the names of individuals).

Name of the position(s) and/or committee(s)	Forests-related responsibilities of this position	Frequency of reporting to the board on forests-related issues	Please explain
Other C-Suite Officer, please specify Senior Vice President, Operations	Managing annual budgets relating to the implementation of forest-related policies and commitments Providing forests-related employee incentives Integrating forests-related issues into business strategy Setting forests-related corporate targets Monitoring progress against forests-related corporate targets Managing value chain engagement on forests-related issues Assessing forests-related risks and opportunities Managing forests-related risks and opportunities Assessing future trends in forest risk commodity demand	Quarterly	A member of the Company Management (CM), the Senior Vice President, Operations (SVP Operations) is tasked with addressing forest related risk across all activities of the company. In 2022, our SVP Operations reports directly to CEO and is delegated with operational responsibility, incl. maintaining robust business resiliency, risk assessment processes, and strategies to support business continuity. With the CM, they report forest related issues and the progress on achieving targets on Zero Gross and Net Deforestation, for 2025 and 2030 to the Nominating & Corporate Governance Committee and Audit Committee of the BoD on quarterly basis, via presentation incl. strategies and performance progression. The report covers as well 1 of the 19 KPIs in PMI's Sustainability Index (proportion of tobacco at no risk of deforestation on managed natural forest and no conversion of natural ecosystem), Our SVP Operations examines and monitors forest related risks, ensures that risk assessment and management are integrated into long-range plans, objectives, budgets, and performance review processes. He is responsible to address risks as they could lead to disruption of supply chains and could increase costs of our materials and operations. SVP Operations leads the Operations Sustainability Function (OSF) that reports to him and is tasked

			to drive environmental strategies and embed them into the core of our business, due to the strategic importance of forest-related issues on our operations.
Other, please specify Sustainability Committee	Managing annual budgets relating to the implementation of forest-related policies and commitments Providing forests-related employee incentives Integrating forests-related issues into business strategy Setting forests-related corporate targets Monitoring progress against forests-related corporate targets Managing value chain engagement on forests-related issues Assessing forests-related risks and opportunities Managing forests-related risks and opportunities Assessing future trends in forest risk commodity demand Other, please specify Overseeing PMI's sustainability work	Annually	The Sustainability Committee – composed of the company's CEO, CFO, Senior VP Operations, CSO and other members of the Company Management – meets quarterly to review and validate PMI strategy, commitments, goals, and annual reporting. The review encompasses the oversight of PMI's sustainability work, incl. deforestation and other forest related issues. PMI's sustainability strategy is shaped by a formal sustainability materiality assessment, which was carried out in 2021, re-prioritizing the most relevant sustainability topics for PMI. To help manage these topics from a global and sustainability perspective, within our CM, members are responsible for driving progress and delivering on our sustainability targets within their respective functions (e.g. mitigating climate change, decarbonizing our value chain and combating deforestation are addressed by SVP Operations). PMI's Chief Sustainability Officer (CSO) heads and manages PMI's Sustainability Team, reports on progress to the Sustainability Committee on a quarterly basis and updates the Board of Directors and/or the NCGC at least once a year.

F4.3

(F4.3) Do you provide incentives to C-suite employees or board members for the management of forests-related issues?

Provide incentives for management of forests-related issues	Comment

| Row 1 | Yes | | Our executive compensation program reflects our commitment to put sustainability at the core of our corporate strategy. The three components of total direct compensation for our executive officers are base salary, annual performance-based incentive compensation awards, and long-term variable equity awards. Sustainability performance (including progress on tackling deforestation risks) is incorporated in both annual incentive awards and equity awards. |

F4.3a

(F4.3a) What incentives are provided to C-Suite employees or board members for the management of forests-related issues (do not include the names of individuals)?

	Role(s) entitled to incentive?	Performance indicator	Contribution of incentives to the achievement of your organization's forests-related commitments	Please explain
Monetary reward	Board/Executive board Chief Executive Officer (CEO)	Ending deforestation and/or conversion of other natural ecosystems	PMI's compensation and benefits program supports business and financial objectives, including the achievement of sustainability efforts and zero deforestation targets (Zero gross deforestation targets for paper and pulp-based supply chain to be achieved until year 2025, Zero net deforestation for tobacco supply chain, and paper and pulp-based supply chain by, respectively, 2025 and 2030). At PMI, the Board of Directors (BoD) approves the company's annual budget and receives updates on the company's performance and targets against the budget throughout the year. The BoD considers that environmental,	PMI introduced the Sustainability Index (SI), which comprises 19 KPIs that are directly linked to our 11 roadmap goals. PMI's SI links ESG performance transparently and objectively to executive compensation. For a full list of individuals comprising the corporate executive team, please refer to Item 10 of the Annual Report on Form 10-K for the year ended December 31, 2022. Some of the forest related metrics that are linked to executive compensation include Zero net deforestation for tobacco supply chain. As with our roadmap, we have split the 19 KPIs according to two drivers: "Product Sustainability" (11 KPIs) and "Operational

			social and governance (ESG) factors, including deforestation targets as relevant to the company's business and long-term success. These factors are part of the responsibility of the Board and are considered in its evaluation of the annual performance of the company and its management.	Sustainability" (8 KPIs). PMI assesses and awards a score to each KPI on an annual basis based on the company's performance and calculates the extent to which the SI was fulfilled on a scale of 0 to 150 percent, with a target of 90 to 110 percent every year. The weighting applied to each KPI is informed by the results of our sustainability materiality assessment. As set out in PMI's Proxy Statement 2023, for the 2022-2024 PSUs, the SI is one out of three performance metrics, and weighs 30% of the total executive compensation.
Non-monetary reward	Corporate executive team Chief Sustainability Officer (CSO) Other, please specify Senior Vice president Operations (SVP)	Ending deforestation and/or conversion of other natural ecosystems Company performance against a sustainability index with forest-related factors (e.g., CDP Forests Score)	PMI's compensation and benefits program supports business and financial objectives, including the achievement of sustainability efforts. At PMI, the Board of Directors (BoD) approves the company's annual budget and receives updates on the company's performance and targets against the budget throughout the year. The BoD considers that environmental, social and governance (ESG) factors, including deforestation targets as relevant to the company's business and long-term success. These factors are part of	Reporting directly to the CEO, PMI's Senior Vice President Operations (SVP Operations), a member of Company Management, is responsible for the operationalization of PMI's Zero Deforestation Commitments, incl. the Zero gross deforestation for tobacco supply chain starting 2020 and with annual target, Zero gross deforestation targets for paper and pulp-based supply chain to be achieved until year 2025, Zero net deforestation in paper and pulp-based supply chain by 2030. Additionally, objectives linked to publications and external disclosures, aiming at having those

			the responsibility of the Board and are considered in its evaluation of the annual performance of the company and its management. Company performance against sustainability index with forest-related factors sit amongst the corporate executive team, including CSO and SVP Operations, and supports the company to assess our sustainability performance, benchmark ourselves against our peers, and, most importantly, identify areas for improvement on which we act when they can meaningfully contribute to improving our company's performance in line with our sustainability strategy, including our forest-related strategies.	externally recognized, sit with CSO and within Operations management. Furthermore, awards and recognition for best practices form a core element the company's employee recognition practices and are awarded in line with the achievement of sustainability commitments and targets. Achievement of commitments and targets was selected as an indicator of success as it allows PMI to objectively quantify the progress of the company in the field of forests and sustainability.

F4.4

(F4.4) Did your organization include information about its response to forests-related risks in its most recent mainstream financial report?

Yes (you may attach the report – this is optional)

F4.5

(F4.5) Does your organization have a policy that includes forests-related issues?

Yes, we have a documented forests policy that is publicly available

F4.5a

(F4.5a) Select the options to describe the scope and content of your policy.

Row 1

Scope

Company-wide

Commodity coverage

Timber products

Content

Commitment to eliminate conversion of natural ecosystems

Commitment to no land clearance by burning or clearcutting

Commitment to eliminate deforestation

Commitment to remediation, restoration and/or compensation of past harms

Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities

Adoption of the UN International Labour Organization principles

Commitment to resolving both social and environmental issues in own operations and supply chain

Commitment to protect rights and livelihoods of local communities

Commitments beyond regulatory compliance

Commitment to transparency

Commitment to stakeholder awareness and engagement

Commitment to align with the SDGs

Recognition of the overall importance of forests and other natural ecosystems

Description of business dependency on forests

Recognition of potential business impact on forests and other natural ecosystems

Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy

List of timebound milestones and targets

Description of forests-related performance standards for direct operations

Description of forests-related standards for procurement

Document attachment

🖇 pmi-zero-deforestation-manifesto.pdf

Please explain

PMI's Zero Deforestation Manifesto (ZDM) is our public policy and commitment on forest-related issues. Together with PMI's Responsible Sourcing Principles and Good Agricultural Practices it covers the use of wood fuel for curing tobacco, paper and pulp-based products used for manufacturing in all countries where PMI operates and sources materials from. Since these materials are key for the manufacturing of PMI's products, any disruptions on the availability or in their quality could directly translate in financial impacts for PMI. Thus, PMI's dependency on forests and its associated ecosystem services are covered in our policy which is revised and updated yearly as necessary. PMI recognizes that its operations (direct and supply chain) can have potential impacts on forests and natural habitats. Therefore, it has established time bound SDG-aligned commitments and targets beyond regulatory compliance including: zero gross

deforestation target for tobacco supply chain (achieved in 2020 and maintained since) zero gross deforestation targets for paper and pulp-based supply chain to be achieved until year 2025, zero net deforestation for tobacco supply chain, and paper and pulp-based supply chain by, respectively, 2025 and 2030. An assurance program is in place to support the achievement of the targets set as specified above.

Since 2002 PMI launched its Good Agricultural Practices (GAP) program, defining the principles and standards that must be met by all who grow and supply tobacco to PMI. GAP also aims to engage with suppliers and improve socioeconomic conditions and protect the rights of the people and local communities involved in tobacco production. Our Monitoring Framework for Sustainable Leaf Curing Fuel was launched in 2016 and since then it has been our main initiative to tackle deforestation risks. We leverage on our ZDM and other sustainability driven programs to drive decisions at all levels to establish sustainability practices in our value chain. This decision-making process is exemplified by our work in the Philippines in 2022: through our risk assessment we identified a change in tobacco farmer base and updated the local risks maps, identified farmers near to forest ecosystems, and developed management plans and training sessions with 100% farmers to be able to trace their firewood and comply with PMI's ZDM.

F4.6

(F4.6) Has your organization made a public commitment to reduce or remove deforestation and/or forest degradation from its direct operations and/or supply chain?

Forest risk commodity	Public commitments made
Timber products	Yes

F4.6a

(F4.6a) Has your organization endorsed any of the following initiatives as part of its public commitment to reduce or remove deforestation and/or forest degradation?

Other, please specify

PMI is a member of WBCSD Forest Solutions Group since 2019 in line with our strategy of protecting forests and promoting their sustainable management through adoption of shared best practices and benchmark with other sectors' champion companies.

F4.6b

(F4.6b) Provide details on your public commitment(s), including the description of specific criteria, coverage, and actions.

Forest risk commodity

Timber products

Criteria

No conversion of natural ecosystems

Zero gross deforestation/ no deforestation

Zero net deforestation

No new development on peat regardless of depth

Restoration and compensation to address past deforestation and conversion

Avoidance of negative impacts on threatened and protected species and habitats

No land clearance by burning or clearcutting

No conversion of High Conservation Value areas

No conversion of High Carbon Stock forests

Implementation of Nature-based Solutions that support landscape restoration and long-term protection of natural ecosystems

Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities

Promotion of gender equality and women's empowerment

Adoption of the UN International Labour Organization principles

Resolution of complaints and conflicts through an open, transparent and consultative process

Facilitate the inclusion of smallholders into the supply chain

No sourcing of illegally produced and/or traded forest risk commodities

No sourcing of forest risk commodities from unknown/controversial sources

Recognition of legal and customary land tenure rights

Operational coverage

Supply chain

% of total production/ consumption covered by commitment

100%

Cutoff date

2019

Forest risk countries/areas that the cutoff date applies to

Applied globally

Reason for selecting cutoff date

Specific to commitment

Commitment target date

2021-25

Please explain

To achieve our Zero Deforestation Manifesto (ZDM) forest commitments we have two core action areas: supplier engagement and third-party verification. As a result of the deforestation risk assessment of our value chain, we identified priority geographies and suppliers to be engaged.

Since 2019, we have been implementing ZDM to our tobacco and our paper and pulp-based material suppliers aiming to achieve zero gross deforestation by 2020 and 2025 respectively and zero net deforestation by 2025 and 2030 respectively. The difference in target dates is justified by the level of maturity of each supply chain and by the fact that

stakeholders we need to engage with in tobacco areas are relatively fewer than in the paper and pulp-based supply chain where we also have less indirect influence on business practices. The cut-off date has been set as of January 1st, 2019, for all scopes of ZDM implementation to demonstrate the robustness of the approach and rigorousness of the methodology PMI is using. Aside from addressing deforestation risk, one of the focus areas under ZDM is to have a free, prior, and informed consent (FPIC) when engaging directly or via our commercial partners with indigenous people and local communities in the context of significant land alteration due to projects promoted linked to forests playing a role in our supply chain. In 2022, for high-risk paper and pulp-based suppliers in Indonesia, we monitored progress on land disputes resolution, enforcement of FPIC, responsible management of contractors to respect local communities' rights including social/labor standards. Land dispute is actively monitored by our supplier with progress being shared to PMI to provide transparency and monitor land tenure with a robust approach on the consent of local communities.

Since 2018 we have implemented a 3rd-party audit process to verify the compliance of our suppliers with the Monitoring Framework (MF) for Sustainable Tobacco Leaf Curing Fuels and since 2022 the same approach has been taken with our paper and pulp-based suppliers. Suppliers must submit traceability evidence proving their firewood is legal and no conversion of natural habitats has been caused for its production, with a cut-off date of 2019. Via MF implementation, we expect our zero net deforestation commitments to be achieved by 2025. As a result of the MF 3rd-party verification, 100% of the Virginia Flue-Cured tobacco (FCV) we purchased in 2022 from Latin America, Europe, Africa, and Asia Pacific Regions is compliant with zero gross deforestation criteria and no ecosystems conversion was detected through our thorough geospatial assessment. To prevent deforestation, we work with our suppliers on the adoption of live barns in Malawi and Mozambique. The Burley tobacco we purchase from these markets is air-cured in barns made of timber, with poles that need to be replaced as they age, creating a potential risk of deforestation. To reduce this risk, we promote the use of "live barns," using living trees as barn poles which remain in place for many years. Since 2014 we have partnered with our suppliers to plant more than 300,000 live barns in Malawi and Mozambique. In Pakistan and Indonesia, we worked with suppliers to compensate areas where wood fuel attributes collected in the period starting from 2019 (cut-off date) to 2022 could not fully support the exclusion of deforestation risk. 199 hectares of forest have been restored to compensate for the outstanding deforestation risk since 2019. Aligned with the criteria of ZDM on reforestation activities, we reported additional 190 hectares of forest established on top of compensation activities since 2019.
One key objectives of PMI's Good Agricultural Practices program, which has been active since 2002, is to support improvement of crop quality and productivity in our agricultural supply chain. It has a positive impact to reduce land requirements releasing pressure on natural ecosystem and preventing their conversion

F5. Business strategy

F5.1

(F5.1) Are forests-related issues integrated into any aspects of your long-term strategic business plan, and if so how?

	Are forests-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, forests-related issues are integrated	5-10	In PMI internal sustainability-related terminology, we refer to medium term for 5-10 year time horizon, and long term for >10 year time horizon. Within this question, we selected the time-horizons as per CDP selection (all aligned with CDP's long-term definition) but align text references to PMI's internal scale. Forest related issues are integrated in PMI's long-term business objectives since 2016, when PMI worked to identify areas of most significant to both our business sustainability and to our stakeholders to prioritize risks, opportunities and emerging themes that required management action and business planning. We worked with BSD Consulting, part of ELEVATE to update and carry out comprehensive sustainability materiality assessment, carried out in 2021, further embedding forest-related issues identified as an important topic incorporated into PMI's sustainability strategy. In 2022, PMI's Sustainability Index (SI) was applied to measure progress and define success against our long-term commitments. The SI is comprised of 19 KPIs directly linked to 11 roadmap goals incl. KPI related to purchased tobacco at no risk of deforestation on managed natural forest and no conversion of natural ecosystem to be achieved in 2025 for our tobacco supply chain. PMI continues to integrate forests issues in long-term business objectives, to ensure sustainable supply of raw materials and mitigate future cost increments in acquisition of sustainable raw materials. In 2022 PMI continued its Monitoring Framework (MF) assurance for tobacco suppliers: 1.zero gross & zero net deforestation 2.Renewable sources/Self-sufficient firewood 3.Full traceability. The global roadmap for sustainable firewood aims at achieving the 3 above targets aligned with our medium-term business

			objectives (5-10 years). The indicators are monitored annually, with the implementation of MF. E.g., Brazil was identified as a high-risk country for the company, PMI is working with its agronomy team, tobacco suppliers, and external auditor to verify annually the sustainability of firewood sources and ensure zero gross deforestation in line with the indicator glidepath present in the SI. PMI makes sure that the company monitors progress on achieving sustainable supply of raw materials, which are essential both for the manufacturing of the company's products and medium-term business objectives (5-10 years).
Strategy for long-term objectives	Yes, forests-related issues are integrated	5-10	Responsible sourcing and sustainable tobacco production are a strategic objective for PMI. PMI has set goals and developed long-term strategic plans to avoid deforestation, and reduce greenhouse gas emissions from the use of wood-based fuels for tobacco curing, all of which were integrated in our long-term strategy via 3 strategic initiatives deployed to all Virginia flue-cured (FCV) tobacco markets annually - Reduce fuel consumption rate via curing efficiency improvement & curing barn optimization programs; - Move from unsustainable wood-based fuels to sustainable curing fuel sources; - Encourage fuel switching to less polluting fuels and use of sustainable biomass as an alternative to fossil fuels, where appropriate. To implement the strategic initiative to move from unsustainable to sustainable curing fuel sources, PMI adopted a Global Roadmap for sustainable firewood, including 3 global targets: 1. Annually achieve zero gross deforestation target, & zero net deforestation to be achieved in 2025 2. Annually achieve renewable sources/Self-sufficient firewood 3. Annually achieve full traceability. The global roadmap for sustainable firewood provides a timeline for the achievement of 3 above targets. In 2022, as a result of tobacco supplier engagement by holding meetings to support suppliers on the implementation of MF, 74% of FCV tobacco purchased was cured using renewable and traceable fuels (vs.75% in 2021), verified by 3rd party. It is important to source materials from deforestation-free supply chain for our tobacco and paper & pulp-based materials. The Zero Deforestation Manifesto (ZDM) which is aligned to the Accountability Framework Initiative guidelines and definitions governs our forestry

			management efforts and is designed to move us toward becoming forest positive. With it, we reinforced our commitment to protect and measure our impact on forests linked to PMI's supply chain. The ZDM establishes the importance of covering both natural forests and natural managed forests in our framework of action and specifies criteria for on-the-ground interventions needed for us to meet our 2025 and 2030 zero deforestation targets. PMI ensures to monitor progress on achieving a sustainable supply of raw materials that has no deforestation risk, which are essential both for the manufacturing of the company's products and medium-term business objectives (5-10y).
Financial planning	Yes, forests-related issues are integrated	5-10	Sustainable tobacco production is key for PMI, with goals and strategic plans to avoid deforestation and reduce greenhouse gas emissions from tobacco curing. As PMI is working towards achieving these goals, human and financial resources are covered in the medium-term (5-10 years) financial planning for forest related issues, in line with our 2025 and 2030 deforestation targets. For example, PMI developed its Monitoring Framework (MF) for Sustainable Leaf Curing Fuels for tobacco suppliers to comply with and was audited by a third party in 2022. MF requires tobacco suppliers to ensure that 100% of the wood-based fuels used for tobacco curing are sustainable and traceable. MF is an ongoing process implemented in 12 countries where PMI sources Virginia Flue-Cured tobacco (FCV), including Brazil, Argentina and Philippines, which represent some of PMI's main FCV origins. Since its design, careful financial planning including actions, and resources have been allocated to facilitate the achievement of PMI's forest-related objectives. For example, PMI's financial planning considers that sustainable wood fuel may come at a higher cost due to the increased efforts in traceability and verification in different geographies. These potential cost increments are integrated into PMI financial planning, and into PMI's sustainability programs which aim to address potential risks and opportunities. Annual budget planning is done in the third quarter for following year's budget and is includes allocation for initiatives implementation to ensure that tobacco farmers will have access to sustainable source of fuel wood and are not contributing to any deforestation on primary and protected forests. PMI supports suppliers and farmers committed to achieve full sustainability driving efficiency

			by promoting collective purchase access to shared sustainable firewood suppliers. This approach was deployed in 2016 in all FCV markets and covered by an external verification assurance process since 2018. The same financial analysis and consequent financial planning is carried forward for potential certification costs impacting PMI's paper and pulp-based product procurement. Certification premiums are specific for each supplier and careful evaluation needs to be updated on an annual basis.

F6. Implementation

F6.1

(F6.1) Did you have any forests-related timebound and quantifiable targets that were active during the reporting year?

Yes

F6.1a

(F6.1a) Provide details of your forests-related timebound and quantifiable target(s) and progress made.

Target reference number

Target 1

Forest risk commodity

Timber products

Year target was set

2019

Target coverage

Company-wide

Target category

Engagement with direct suppliers

Metric

% of volume from direct suppliers compliant with your no deforestation and/or conversion commitments

Traceability point

Third-party certification scheme

Base year
2019

Base year figure
0

Target year
2025

Target year figure
100

Reporting year figure
55

% of target achieved relative to base year [auto-calculated]
55

Target status in reporting year
Underway

Is this target linked to a commitment?
Zero net/gross deforestation

Please explain
PMI's environmental strategy aims to mitigate the risk of negative environmental impacts and combating forest loss is critical for PMI as we depend on wood-based materials for our products, and a significant part of our environmental management efforts is devoted to halting deforestation and allow for forests to provide ecosystem services that are at the base of sustainable raw material production. The most relevant source of risk of deforestation from tobacco arises from the Virginia flue-cured (FC) tobacco curing process where firewood is used. To address the risk and prevent deforestation in its supply chain, PMI has implemented several programs including Good Agriculture Practices (GAP), the Monitoring Framework for Sustainable Leaf Curing Fuel (MF) and the Responsible Sourcing Principles (RSP) that prescribe environmental protection as a best practice. For the tobacco supply chain, we have set a target of zero net deforestation of managed natural forest for the usage of firewood by 2025. We work with all our direct suppliers towards traceable and sustainable wood fuels together with a thorough verification process by an independent 3rd party to assure the protection of forests against deforestation. In 2022, 55% of our purchased tobacco was externally verified as compliant with the ZDM's zero net criteria.

Engagements with our direct suppliers are fundamental for the implementation of our MF and Zero Deforestation Manifesto and for the achievement of the target of 100% of zero net deforestation of managed natural forest in our tobacco supply chain by 2025. Our direct suppliers are fundamental for the success of the program, incl. the successful deployment of forest monitoring tools, by establishing traceability to the point of harvest

and documenting sustainable forestry practices. Our tobacco suppliers have direct connections to farmers that rely on firewood for curing and, in most of the cases, direct access to the forest woodlot managers that need to provide evidence of the traceability and sustainable management of the forest, in accordance with the MF requirements, to be validated as an accepted vendor for firewood. We are working to reach and maintain our zero net deforestation commitment.

Target reference number

Target 2

Forest risk commodity

Timber products

Year target was set

2019

Target coverage

Company-wide

Target category

Engagement with direct suppliers

Metric

% of volume from direct suppliers compliant with your no deforestation and/or conversion commitments

Traceability point

Third-party certification scheme

Base year

2019

Base year figure

0

Target year

2025

Target year figure

100

Reporting year figure

64

% of target achieved relative to base year [auto-calculated]

64

Target status in reporting year

Underway

Is this target linked to a commitment?

Zero net/gross deforestation

Please explain

In our tobacco supply chain, we have achieved zero gross deforestation of primary and protected forests in 2020, we have extended this commitment to our paper and pulp-based products supply chain. PMI committed to achieving zero gross deforestation of primary and protected forest associated with PMI's paper and pulp-based materials supply chain by 2025

For our paper and pulp-based sourced materials, within our Forest Positive programme continue to conduct a risk assessment in 2022 that embeds the criteria of the National Risk Assessment (NRA) of the Forest Stewardship Council (FSC). We selected 17 criteria relevant to our paper and pulp-based supply chain and applied them to the list of countries from which we source. This allowed us to identify, among others, the following origin countries as at high risk to meet our zero gross deforestation target: Brazil and Indonesia. We established an assurance system covering all the countries that are part of our paper and pulp-based supply chain and we placed particular focus on the high-risk origins (where we may deploy on-the-ground audits, as needed). We leverage satellite monitoring, replicating the operating model in place in our tobacco supply chain, to analyze deforestation risk in the areas where our paper and pulp-based product suppliers operate. Working with an external auditor to implement our zero-deforestation assurance framework, we use tools such as a complementary risk assessment based on forestry news feeds.

In our paper and pulp-based materials supply chain, we concentrated our efforts in 2022 on communicating our updated Zero Deforestation Manifesto (ZDM) to the suppliers of direct materials used in our products and device packaging. We engaged intensively with them, providing detailed implementation guidelines and hosting workshops and one-to-one training. By year-end, these suppliers had all committed to help achieve our 2025 target and agreed to undergo a compliance assessment starting 2022 until 2030. In the first year of assurance all the suppliers sourcing feedstock from low-risk origins have been audited to test the application of ZDM guidelines, as a result of the compliance assessment, 100% of them resulted fully aligned to the criteria defined by PMI to be in line with zero gross deforestation representing 64% of PMI's paper and pulp-based volumes for direct material procurement.

Target reference number

Target 3

Forest risk commodity

Timber products

Year target was set

2016

Target coverage

Company-wide

Target category

Traceability

Metric

% of volume traceable to traceability point

Traceability point

Forest management unit

Third-party certification scheme

Base year

2016

Base year figure

0

Target year

2022

Target year figure

100

Reporting year figure

100

% of target achieved relative to base year [auto-calculated]

100

Target status in reporting year

Achieved

Is this target linked to a commitment?

Zero net/gross deforestation

Please explain

Sustainable tobacco production is key for PMI with goals and strategic plans to reduce greenhouse gas emissions from tobacco curing as well as to tackle deforestation risk. The 3 strategic initiatives are: ▪ Reduce fuel consumption rate via curing efficiency improvement and curing barn optimization programs; ▪ Move from unsustainable to sustainable curing fuel sources; ▪ Encourage fuel switching to less polluting fuels and the use of biomass as an alternative to unsustainable wood fuels or fossil fuels where appropriate. Following the deforestation risk assessment and identified risks and

opportunities PMI has adopted a Global Roadmap for sustainable firewood, which includes the following 3 global targets: 1. Zero gross and zero net deforestation 2. Renewable sources/Self-sufficient firewood 3. Full traceability. The global roadmap for sustainable firewood provides a timeline for the achievement of the three targets above, set timeline for their achievement is annually. PMI implemented a verifiable Monitoring Framework for Sustainable Leaf Curing Fuel (referred to as MF) to monitor progress towards its global targets. MF is composed of four principles, and Principle 2 "Be Sustainable" focuses on sustainability and traceability of the fuel source. Purpose is to ensure that all origins adopt fuels from demonstrated sustainable source such as biomass from waste agricultural residues or wood fuel from sources sustainably managed (in accordance with the PMI defined criteria of sustainable wood fuel and required traceability). PMI supports and engages in capacity building activities with tobacco suppliers to ensure they are able to comply with the Monitoring Framework (MF) annually. Through the third-party verification process, we keep an unbiased track of our progress against our target with progress reported. The 2022 audit conducted for all our tobacco suppliers resulted in 21 out of 22 tobacco suppliers assessed achieving 100% compliance with PMI's MF. The remaining supplier was not considered to be material from a deforestation risk perspective by the MF program auditor and as being a new tobacco supplier in 2022 it has been engaged to align its practices to MF compliance requirements. Overall, the audit results recognize the compliance with MF, incl. traceability requirements, for the contracted Virginia flue cured tobacco volume purchased by PMI in 2022.

Target reference number
Target 4

Forest risk commodity
Timber products

Year target was set
2016

Target coverage
Company-wide

Target category
Engagement with direct suppliers

Metric
% of direct suppliers engaged

Traceability point

Third-party certification scheme

Base year

2016

Base year figure

0

Target year

2022

Target year figure

100

Reporting year figure

100

% of target achieved relative to base year [auto-calculated]

100

Target status in reporting year

Achieved

Is this target linked to a commitment?

Zero net/gross deforestation

Please explain

Sustainable tobacco production is key for PMI with goals strategic plans to reduce greenhouse gas emissions from tobacco curing to tackle deforestation risk. The 3 strategic initiatives are: ▪ Reduce fuel consumption rate via curing efficiency improvement and curing barn optimization programs; ▪ Move from unsustainable to sustainable curing fuel sources; ▪ Encourage fuel switching to less polluting fuels and the use of biomass as an alternative to unsustainable wood fuels or fossil fuels where appropriate. Following the deforestation risk assessment and identified risks and opportunities PMI has adopted a Global Roadmap for sustainable firewood, which includes the following three global targets: 1. Zero gross and net deforestation 2. Renewable sources/Self-sufficient firewood 3. Full traceability. The global roadmap for sustainable firewood provides a timeline for the achievement of the three targets above, set timeline for their achievement until 2020 as the first cycle and continued implementation beyond 2020. PMI has been implementing a verifiable Monitoring Framework (MF) for Sustainable Leaf Curing Fuel to monitor the progress towards its global targets. MF is composed of four principles, and Principle 2 "Be Sustainable" focuses on sustainability and traceability of the fuel source with 5 indicators. Purpose is to ensure that all origins adopt fuels of a demonstrated sustainable source such as biomass from waste agricultural residues or wood fuel from sources which are proven to be sustainably managed (in accordance with the PMI defined criteria of sustainable wood fuel). PMI supports and engages in capacity building activities with tobacco suppliers to ensure they comply with the MF annually. Through the annual third-party verification process, which includes on-site visits, we ensure and report progress against targets every year. As a result of the 3rd party audit conducted in 2022, 21 out of 22 tobacco suppliers assessed were confirmed to be compliant with PMI's MF. The

remaining 1 supplier was not considered material from a deforestation risk perspective by the MF program auditor and, as it was a new tobacco supplier in 2022 engagements took place to align their practices to MF compliance requirements. Overall, the audit results recognize the compliance with MF for the contracted Virginia flue cured tobacco volume purchased by PMI in 2022.

Target reference number
Target 5

Forest risk commodity
Timber products

Year target was set
2022

Target coverage
Company-wide

Target category
Third-party certification

Metric
% of volume third-party certified

Traceability point

Third-party certification scheme
FSC Chain of Custody
PEFC Chain of Custody
SFI Chain of Custody

Base year
2021

Base year figure
0

Target year
2022

Target year figure
70

Reporting year figure
85

% of target achieved relative to base year [auto-calculated]
121.4285714286

Target status in reporting year

Achieved

Is this target linked to a commitment?

Zero net/gross deforestation

Please explain

PMI's paper and pulp-based business partners must comply with our Responsible Sourcing Principles (RSP) which define expectations both for our suppliers and their suppliers. We validate the adherence to the RSP engaging through our Supplier Due Diligence program, with partnership with EcoVadis. In 2022, we monitored paper and pulp-based product suppliers' compliance with our Zero Deforestation Manifesto and a strong component of it relies on fiber certification (FSC, PEFC and SFI). In our Forest Positive program, we leverage on 3rd party certifications through the following actions: i. we require our suppliers to comply with strict requirements of certification standards (traceability, a chain of custody (CoC) approach, risk-based assessment of their sourcing areas) we have not yet implemented a paper-trail system (i.e., transaction numbers on invoices); ii. We receive from our suppliers their CoC certificates together with a declaration of the percentage of certified product they deliver to us and the list of fiber origin; iii. data collected from suppliers undergo 3rd party verification annually.

70% of volumes covered by certification standards was set as minimum target for year 2022, following CDP Forest A-list criteria. In the future we may review this target aiming at improving it year-on-year in line with our continuous improvement approach. Having a target in place for certified material (CoC) for paper and pulp-based packaging materials is important for PMI as it is an enabler to support our Forest Positive program. We specifically monitor annually our supplier's CoC certification for Board & Paper and Packaging sub-categories (including acetate tow and fine papers). We also request suppliers to deliver certified product, introducing this preferential criterion in our supplier evaluation scorecard that is used in tenders and business awards.

PMI approaches product certification progressively: in 2021, we started to source FSC certified material from 3 suppliers, expanding to 11 suppliers in 2022. In addition, in 2022 we evaluated options to publicly report certified volumes including participation to FSC Pilot Program Scheme. We are undergoing periodic audits during the 2-year FSC pilot project timeframe to validate and maintain the status of having the possibility to report the volumes of certified fiber purchased.

F6.2

(F6.2) Do you have traceability system(s) in place to track and monitor the origin of your disclosed commodity(ies)?

Do you have system(s) in place?	Supply chain coverage	Description of traceability system	Exclusions	Description of exclusion

Timber products	Yes	Volume from direct and indirect suppliers	PMI has a harmonized and verifiable monitoring framework (MF) to monitor progress towards its sustainable tobacco leaf curing fuel roadmap's goals. Principle 2 of the MF focuses on sustainability and traceability and has one specific indicator focusing on tracing and documenting all the wood-based fuel used for tobacco curing activities to the source (forest management unit). This information is provided by farmers and curing centers annually and is used by PMI to identify sources of wood-based fuel. PMI requires the following documentation for audits: a. Purchased fuel: receipts of purchased fuels, incl. the name of the vendor and amount of fuel purchased. For biomass, verification of the source of the fuel is Needed, incl. a report containing evidence of source. Suppliers with intermediaries need to provide a study from reliable sources such as universities, international organizations (e.g., FAO) and research institutes, describing the source of the purchased fuel. b. Farmer and community woodlot, commercial	Business activity	The data and information in this submission do not incorporate PMI's Vectura Fertin Pharma business (consolidating the 2021 acquisitions of wellness and healthcare companies Fertin Pharma A/S, Vectura Group plc., and OtiTopic, Inc.). We estimate that their sourced timber-based products represent less than 1% of PMI's total timber-based products in 2022. As we evolve and continue to integrate these business acquisitions, we will, where material and feasible, include them into our ESG reporting in future reporting periods. The data and information in this submission does not incorporate the acquisition made by PMI in late 2022 of Swedish Match, which represented around 3% of PMI's total forest commodities sourced in 2022. PMI anticipates this data to be included in our future ESG reporting.

plantations from tobacco suppliers and self-collected wood-fuel: evidence that proves the source and amount of purchased fuel by specific source. For example, tobacco suppliers in Brazil using wood pellets to cure tobacco can submit contracts and receipts from the wood pellets supplier, and the correspondent government permits certifying the timber plantation.

In 2022, an external audit was carried out to assess the documented evidence on traceability and sustainability of wood-based material used for curing. It is expected for all tobacco suppliers to maintain and improve the level of traceability achieved in 2022.

All our paper and pulp-based suppliers must comply with our Responsible Sourcing Principles (RSP) which define expectations both for our suppliers, and their suppliers. In 2022, we validate the adherence to RSP engaging via our Supplier Due Diligence program, which was enhanced by our partnership with EcoVadis. Suppliers are requested to provide

			traceability data regarding source of origin at national or subnational level and to provide information on certifications (FSC/PEFC). In 2022, 100% of our paper and pulp-based products' volume was traceable at least at national level, and at sub national level for high-risk countries.		

F6.2a

(F6.2a) Provide details on the level of traceability your organization has for its disclosed commodity(ies).

Forest risk commodity	Point to which commodity is traceable	Countries/areas to which this traceability point applies	% of total production/consumption volume traceable
Timber products	Forest management unit	Argentina Brazil Canada Chile China Estonia Finland Indonesia Italy Latvia Malawi Mozambique New Zealand Norway Pakistan Philippines Poland Republic of Korea Spain Sweden Turkey	39.6

		United Kingdom of Great Britain and Northern Ireland United States of America	
Timber products	State or equivalent	Argentina Australia Austria Belgium Bosnia & Herzegovina Brazil Canada Chile Croatia Czechia Denmark Estonia Eswatini Finland France Germany Hungary Indonesia Ireland Italy Japan Latvia Lithuania Luxembourg Mozambique Netherlands New Zealand Norway Poland Portugal Russian Federation Slovakia Slovenia South Africa Spain Sweden Switzerland	38.5

		Thailand	
		Ukraine	
		United Kingdom of Great Britain and Northern Ireland	
		United States of America	
		Uruguay	
Timber products	Municipality or equivalent	Australia	19.5
		Austria	
		Brazil	
		Canada	
		Chile	
		China	
		Egypt	
		Estonia	
		Finland	
		Germany	
		Hungary	
		Latvia	
		Lithuania	
		Mozambique	
		New Zealand	
		Norway	
		Portugal	
		Republic of Korea	
		Russian Federation	
		Slovakia	
		Spain	
		Sweden	
		Thailand	
		Turkey	
		United States of America	
		Uruguay	
		Viet Nam	
Timber products	Country	Argentina	2.4
		Austria	
		Brazil	
		China	
		Egypt	
		Finland	
		Italy	

	Sweden	
	Switzerland	
	Turkey	
	United States of America	

F6.3

(F6.3) Have you adopted any third-party certification scheme(s) for your disclosed commodity(ies)?

	Third-party certification scheme adopted?	% of total production and/or consumption volume certified
Timber products	Yes	54

F6.3a

(F6.3a) Provide a detailed breakdown of the volume and percentage of your production and/or consumption by certification scheme.

Forest risk commodity
Timber products

Third-party certification scheme
FSC Forest Management certification

Chain-of-custody model used

% of total production/consumption volume certified
15

Form of commodity
Primary packaging
Secondary packaging

Volume of production/ consumption certified
152,120

Metric for volume
Metric tons

Is this certified by more than one scheme?
No

Please explain
PMI's paper and pulp-based business partners must comply with our Responsible
Sourcing Principles (RSP) which define expectations both for our suppliers, and their

suppliers. In 2022, we validate the adherence to the RSP engaging with them via our Supplier Due Diligence program, which was enhanced by our partnership with EcoVadis. In 2022, we monitored suppliers' compliance to our Zero Deforestation Manifesto and a strong component of it relies on fiber certification (through FSC, PEFC and SFI) for our paper and board suppliers. In 2022 we leveraged on 3rd party certification systems through the following actions: i. we require our suppliers to comply with the strict criteria of certification standards (traceability with a chain of custody (CoC) approach, risk-based assessment of their sourcing areas) we have not yet implemented a paper-trail (i.e., transaction numbers on invoices); ii. We receive from our suppliers their CoC certificates together with a declaration of the percentage of certified product they deliver to us and the list of fiber origins; iii. data collected from suppliers undergo 3rd party verification, and this process will be done annually.

Additionally PMI implemented actions to validate and upscale the results coming from certification system. In 2021, we started to source FSC certified material from 3 suppliers and in 2022 we expanded to 11 suppliers. In 2022 we have evaluated options to publicly report certified volumes including participation FSC Pilot Program Scheme. We are undergoing periodic audits during the 2-year FSC pilot project timeframe to validate and maintain the status of certified procurement at corporate level that we expect to achieve in 2024. We also request suppliers to move to deliver certified product, introducing this preferential criterion in our supplier evaluation scorecard that is used in tenders and business awards. In 2022, we calculated that 54% of the volume we sourced for our packaging were declared as certified fibers. Out of the 54%, 15% is certified as Forest Stewardship Council (FSC) for Forest Management.

Forest risk commodity
Timber products

Third-party certification scheme
FSC Chain of Custody

Chain-of-custody model used

% of total production/consumption volume certified
9

Form of commodity
Primary packaging
Secondary packaging

Volume of production/ consumption certified
92,132

Metric for volume
Metric tons

Is this certified by more than one scheme?
No

Please explain

PMI's paper and pulp-based business partners must comply with our Responsible Sourcing Principles (RSP) which define expectations both for our suppliers, and their suppliers. In 2022, we validate the adherence to the RSP engaging with them via our Supplier Due Diligence program, which was enhanced by our partnership with EcoVadis. In 2022, we monitored suppliers' compliance to our Zero Deforestation Manifesto and a strong component of it relies on fiber certification (through FSC, PEFC and SFI) for our paper and board suppliers. In 2022, we leveraged on 3rd party certification systems through the following actions: i. we require our suppliers to comply with the strict criteria of certification standards (traceability with a chain of custody (CoC) approach, risk-based assessment of their sourcing areas) we have not yet implemented a paper-trail (i.e., transaction numbers on invoices); ii. We receive from our suppliers their CoC certificates together with a declaration of the percentage of certified product they deliver to us and the list of fiber origins; iii. data collected from suppliers undergo 3rd party verification, and this process will be done annually.

Additionally PMI implemented actions to validate and upscale the results coming from certification system. In 2021, we started to source FSC CoC certified material from 3 suppliers and in 2022 we expanded to 11 suppliers. In 2022, we have evaluated options to publicly report certified volumes including participation FSC Pilot Program Scheme. We are undergoing periodic audits during the 2-year FSC pilot project timeframe to validate and maintain the status of certified procurement at corporate level that we expect to achieve in 2024. We also request suppliers to move to deliver certified product, introducing this preferential criterion in our supplier evaluation scorecard that is used in tenders and business awards. In 2022, we calculated that 54% of the volume we sourced for our packaging were declared as certified fibers. Out of the 54%, 9% is certified as CoC Forest Stewardship Council (FSC).

Forest risk commodity

Timber products

Third-party certification scheme

FSC Controlled Wood

Chain-of-custody model used

% of total production/consumption volume certified

15

Form of commodity

Primary packaging
Secondary packaging

Volume of production/ consumption certified

155,588

Metric for volume

Metric tons

Is this certified by more than one scheme?
No

Please explain
PMI's paper and pulp-based business partners must comply with our Responsible Sourcing Principles (RSP) which define expectations both for our suppliers, and their suppliers. In 2022, we monitored suppliers' compliance to our Zero Deforestation Manifesto and a strong component of it relies on fiber certification (through FSC, PEFC and SFI) for our paper and board suppliers. In 2022, we leveraged on 3rd party certification systems through the following actions: i. we require our suppliers to comply with the strict criteria of certification standards (traceability with a chain of custody (CoC) approach, risk-based assessment of their sourcing areas) we have not yet implemented a paper-trail (i.e., transaction numbers on invoices); ii. We receive from our suppliers their CoC certificates together with a declaration of the percentage of certified product they deliver to us and the list of fiber origins; iii. data collected from suppliers undergo 3rd party verification, and this process will be done annually.
Additionally PMI implemented actions to validate and upscale the results coming from certification. In 2021, we started to source FSC certified material from 3 suppliers and in 2022 we expanded to 11 suppliers. In 2022, we have evaluated options to publicly report certified volumes including participation FSC Pilot Program Scheme. We are undergoing periodic audits during the 2-year FSC pilot project timeframe to validate and maintain the status of certified procurement at corporate level that we expect to achieve in 2024.   We also request suppliers to move to deliver certified product, introducing this preferential criterion in our supplier evaluation scorecard that is used in tenders and business awards. In 2022, we calculated that 54% of the volume we sourced for our primary packaging and secondary were declared as certified fibers. Out of the 54%, 15% is certified as FSC Controlled wood.

Forest risk commodity
Timber products

Third-party certification scheme
PEFC Sustainable Forest Management certification

Chain-of-custody model used

% of total production/consumption volume certified
10

Form of commodity
Primary packaging
Secondary packaging

Volume of production/ consumption certified
104,392

Metric for volume

Metric tons

Is this certified by more than one scheme?

No

Please explain

PMI's paper and pulp-based business partners must comply with our Responsible Sourcing Principles (RSP) which define expectations both for our suppliers, and their suppliers. In 2022, we validate the adherence to the RSP engaging with them via our Supplier Due Diligence program, which was enhanced by our partnership with EcoVadis. In 2022, we monitored suppliers' compliance to our Zero Deforestation Manifesto and a strong component of it relies on fiber certification (through FSC, PEFC and SFI) for our paper and board suppliers. In 2022, we leveraged on 3rd party certification systems through the following actions: i. we require our suppliers to comply with the strict criteria of certification standards (traceability with a chain of custody (CoC) approach, risk-based assessment of their sourcing areas) we have not yet implemented a paper-trail (i.e., transaction numbers on invoices); ii. We receive from our suppliers their CoC certificates together with a declaration of the percentage of certified product they deliver to us and the list of fiber origins; iii. data collected from suppliers undergo 3rd party verification, and this process will be done annually.

Additionally PMI implemented actions to validate and upscale the results coming from certification system, in 2021, we started to source FSC certified material from 3 suppliers and in 2022 we expanded to 11 suppliers. In 2022, we have evaluated options to publicly report certified volumes including participation FSC Pilot Program Scheme. We are undergoing periodic audits during the 2-year FSC pilot project timeframe to validate and maintain the status of certified procurement at corporate level that we expect to achieve in 2024. Furthermore, we request suppliers to move to process certification (CoC) or deliver product certified, introducing this preferential criterion in our supplier evaluation scorecard that is used in tenders and business awards. In 2022, we calculated that 54% of the volume we sourced for our primary packaging and secondary were declared as certified fibers. Out of the 54%, 10% is certified as PEFC Sustainable Forest Management.

Forest risk commodity

Timber products

Third-party certification scheme

PEFC Chain of Custody

Chain-of-custody model used

% of total production/consumption volume certified

5

Form of commodity

Primary packaging

Secondary packaging

Volume of production/ consumption certified

46,506

Metric for volume

Metric tons

Is this certified by more than one scheme?

No

Please explain

PMI's paper and pulp-based business partners must comply with our Responsible Sourcing Principles (RSP) which define expectations both for our suppliers, and their suppliers. In 2022, we validate the adherence to the RSP engaging with them via our Supplier Due Diligence program, which was enhanced by our partnership with EcoVadis. In 2022, we monitored suppliers' compliance to our Zero Deforestation Manifesto and a strong component of it relies on fiber certification (through FSC, PEFC and SFI) for our paper and board suppliers. In 2022, we leveraged on 3rd party certification systems through the following actions: i. we require our suppliers to comply with the strict criteria of certification standards (traceability with a chain of custody (CoC) approach, risk-based assessment of their sourcing areas) we have not yet implemented a paper-trail (i.e., transaction numbers on invoices); ii. We receive from our suppliers their CoC certificates together with a declaration of the percentage of certified product they deliver to us and the list of fiber origins; iii. data collected from suppliers undergo 3rd party verification, and this process will be done annually.

Additionally PMI implemented actions to improve the results coming from certification. In 2021, we started to source, directly to PMI plants, certified material from 3 suppliers, expanding it to 11 suppliers in 2022. Furthermore, we request suppliers to move to process certification (CoC) or deliver product certified, introducing this preferential criterion in our supplier evaluation scorecard that is used in tenders and business awards. In 2022, we calculated that 54% of the volume we sourced for our primary packaging and secondary were declared as certified fibers. Out of the 54%, 5% is certified as CoC PEFC.

F6.4

(F6.4) For your disclosed commodity(ies), do you have a system to control, monitor, or verify compliance with no conversion and/or no deforestation commitments?

	A system to control, monitor or verify compliance
Timber products	Yes, we have a system in place for our no conversion and/or deforestation commitments

F6.4a

(F6.4a) Provide details on the system, the approaches used to monitor compliance, the quantitative progress, and the non-compliance protocols, to implement your no conversion and/or deforestation commitment(s).

Forest risk commodity
Timber products

Operational coverage
Supply chain

Description of control systems
For our paper and pulp-based products, we used a risk assessment in 2022 that embeds the criteria of the National Risk Assessment (NRA) of the Forest Stewardship Council (FSC). We selected 17 relevant criteria and applied them to the list of countries we source from. Country risk assessment has been performed to identify risk levels. In 2022, our external auditor performed a compliance desk audit or on-site audit for all relevant suppliers depending on the risk level. We also leverage satellite monitoring, replicating the operating model in place in our tobacco supply chain, to analyze deforestation risk in the areas where our suppliers source fiber. Monitoring system to specifically ascertain compliance with our no deforestation commitments is implemented in all of tobacco growing areas (TGA) through the use of tools including Global Forest Watch (GFW) Pro and GLAD alerts, in 2022 we monitored deforestation risk in 57 million ha of land area linked to PMI's supply chain.

Monitoring and verification approach
Geospatial monitoring tool
Third-party verification

% of total volume in compliance
91-99%

% of total suppliers in compliance
91-99%

Response to supplier non-compliance
Retain & engage

% of non-compliant suppliers engaged
100%

Procedures to address and resolve non-compliance with suppliers
Developing time-bound targets and milestones to bring suppliers back into compliance
Providing information on appropriate actions that can be taken to address non-compliance

Please explain

In 2022, we have continued to implement with our paper and pulp-based suppliers our Zero Deforestation Manifesto requesting commitment to its targets and roadmap. 100% of our paper and pulp-based suppliers have committed to PMI's Forest Positive program. We use our internally developed forest risk classification system to define the supporting evidence that must be produced by each supplier for its origin countries to obtain validation of compliance through external audits. These are being performed annually as a documental review and with a frequency of three years as on the ground audit for high-risk countries.

For the tobacco supply chain, we have set a target of zero net deforestation of managed natural forest for firewood by 2025. We work with all our direct suppliers to move towards traceable and sustainable wood fuels together with a thorough verification process by a third-party to assure the protection of forests against deforestation and the deforestation risk is monitored annually via geospatial tools.
For instances when suppliers deviate from compliance, time bound actions plans are being developed together with the suppliers and progress is being monitored on a regular basis. The absence of clear commitment to act on issues identified or a persistent lack of action and improvement, may lead to contractual implications for the suppliers.

F6.6

(F6.6) For your disclosed commodity(ies), indicate if you assess your own compliance and/or the compliance of your suppliers with forest regulations and/or mandatory standards.

	Assess legal compliance with forest regulations
Timber products	Yes, from suppliers

F6.6a

(F6.6a) For your disclosed commodity(ies), indicate how you ensure legal compliance with forest regulations and/or mandatory standards.

Timber products

Procedure to ensure legal compliance

PMI's Good Agricultural Practices (GAP) program is a contractual requirement for all our leaf suppliers and contracted farmers, and mandates that local legal requirements are to be strictly followed. The program prescribes the compliance with forest regulations for the sustainable wood-based materials in our agricultural supply chain. GAP's implementation is supported on the ground by qualified and trained field technicians and is verified yearly through a third party. Furthermore, for the Virginia Flue-Cured tobacco (FCV) markets, the Monitoring Framework (MF) for Sustainable Leaf Curing Fuels requires tobacco suppliers to ensure that 100% of the wood-based fuels used for tobacco curing is sustainable and traceable, ensuring compliance with local forest regulations. Since 2018, an annual third-party audit is in place to ensure and verify the MF implementation. We also have our Zero Deforestation Manifesto (ZDM) which

governs our forestry management efforts and is designed to move us toward becoming forest positive. With it, we reinforced our commitment to protect and measure our impact on forests linked to PMI's tobacco and paper and pulp-based supply chain.

All our paper and pulp-based business partners must comply with our Responsible Sourcing Principles (RSP) which define expectations both for our suppliers, and their suppliers. In 2022, we validate the adherence to the RSP by engaging with them via our Supplier Due Diligence program. Suppliers are requested to answer a set of questions related to environmental compliance including if they have in place a procedure to regularly update their register of applicable environmental legislation and regulations, through which the compliance with forest regulations and/or mandatory standards is addressed. According to the questionnaire results and, as applicable after a desktop audit, the supplier risk profile may be re-evaluated and will require further due diligence. E.g., a medium-risk supplier that did not achieve the minimum acceptable RSP compliance will be required to undergo a desktop and/or an on-site audit. After the audits, corrective action plans are defined and implemented. PMI considers these programs and tools to be sufficient to ensure legal compliance within operations and supply chain, as these are aligned with all local regulation as well as PMI's policies, which are often more stringent.

Country/Area of origin

Argentina
Australia
Brazil
Indonesia
Mozambique
Philippines
Thailand
Viet Nam

Law and/or mandatory standard(s)

General assessment of legal compliance
Australia Illegal Logging Prohibition Act
Forest Law - Argentina
Brazilian Forest Code
Other, please specify
> Responsible Sourcing Principles; Good Agricultural Practices; Monitoring Framework for Sustainable Leaf Curing Fuel, Zero Deforestation Manifesto

Comment

As stated in our Zero Deforestation Manifesto we are committed to sourcing wood-based materials from traceable, sustainable, and legal sources.
All our business partners must comply with our Responsible Sourcing Principles (RSP) which define expectations both for our suppliers, and their suppliers. In 2022, we validate the adherence to the RSP engaging with them via our Supplier Due Diligence program, which was enhanced by our partnership with EcoVadis.
During this process, we ask our suppliers to demonstrate, by providing physical evidence, that they keep and regularly update a register of environmental legislation,

F6.7

(F6.7) Are you working with smallholders to support good agricultural practices and reduce deforestation and/or conversion of natural ecosystems?

	Are you working with smallholders?	Type of smallholder engagement approach	Smallholder engagement approach	Number of smallholders engaged	Please explain
Timber products	Yes, working with smallholders	Supply chain mapping Capacity building Financial and commercial incentives	Supplier questionnaires on environmental and social indicators Developing or distributing supply chain mapping tool Supplier audits Offering on-site technical assistance and extension services Providing agricultural inputs Disseminating technical materials Organizing capacity building events Investing in pilot projects Supporting smallholders to clarify and secure land tenure	210,000	In our sustainability strategy the implementation of PMI's Good Agricultural Practices (GAP) program covers 100% of our tobacco suppliers and contracted farmers with an estimated 210,000 smallholder farmers (out of 223,299) covered by the program in 2022. GAP's implementation is supported on the ground by qualified and trained field technicians (FT). During regular on-site visits FT performs a range of activities, from dissemination of technical materials, provision of agricultural inputs (e.g., fertilizers), to data collection on social and environmental indicators. In collaboration with our suppliers, capacity building and training sessions are organized for smallholder farmers to increase capabilities on the ground and support

					the correct implementation of GAP and to prevent and reduce deforestation and/or conversion of natural ecosystems at growing areas we source from. Based on a continuous improvement approach, pilot projects are developed and implemented within our tobacco supply chain, incl. those aimed at smallholder farmers. In 2022, Philip Morris Brasil S.A. expanded and improved the Responsible Leaf Project, in partnership with Produzindo Certo, with the aim of bringing to partner farmers a guiding and monitoring initiative to improve farming practices, bringing social and environment sustainability improvements. The expansion of Responsible Leaf in the years 2021 and 2022 was decided after a successful pilot carried out in 2020 with the participation of 123 farmers and, in the last two years, the scope of the program was extended to cover nearly 5,000 farmers. All farmers were visited by field technicians, previously trained by specialists, that provide

					to each farmer a productive, social and environmental diagnosis of their farm, as well as tailored action plans highlighting opportunities for growth and development. Farmers recognize that following the recommendations of FT's teams will better prepare them for the future, making their farms more sustainable, productive, and fully compliant with market demands and local legislation. Furthermore, for the Virginia Flue-Cured tobacco (FCV) markets, the Monitoring Framework (MF) for Sustainable Leaf Curing Fuels requires tobacco suppliers to provide capacity building activities to local stakeholders, incl. smallholder farmers. Annually a third-party audit is in place to verify the MF implementation.

F6.8

(F6.8) Indicate if you are working with your direct suppliers to drive action on forests-related issues and if so, provide details of the engagement.

Forest risk commodity
Timber products

Are you working with direct suppliers?
Yes, working with direct suppliers

Action(s) on forests-related issues driven by engagement
Ending deforestation and/or conversion of other ecosystems

Type of engagement

Capacity building

Details of engagement

Offering on-site training and technical assistance

Disseminating technical materials

Description of engagement

Since 2022, following the updated Zero Deforestation Manifesto (ZDM), our main strategy of engagement is to organize webinars and training sessions with our most relevant suppliers, covering topics related to deforestation risks in our tobacco supply chain, as well as in the paper and pulp-based products supply chain (Tier 1 are acetate tow, shipping cases, board, and fine papers). Webinars were carried out aimed at sharing with our supplier base the content of the commitments and targets made by PMI towards our long-term forest positive strategy, as well as our two-pronged approach: First - engaging with 21 suppliers of tobacco, and 59 paper and pulp-based products to move towards traceable and sustainable raw material sourcing; second, third-party verification.

% of suppliers engaged by procurement spend covered by engagement

100

Explain the impact of your engagement on the selected action

In the updated ZDM published in February 2021, PMI has extended the reach of its commitments:

- from zero net deforestation on Primary and protected forests to Zero gross

- new product categories [Marketing materials, case labels]

- no conversion of natural ecosystems.

- free prior informed consent.

Similar to the training sessions that were conducted in the roll out the ZDM , new webinars and trainings have been organized in 2022, to communicate extended expectations and collect suppliers' commitments accordingly.

In particular several webinar sessions were organized for 59 Pulp-Based Product suppliers, followed by some customized clarification meetings.

A post-webinars survey was conducted among the participants; reporting 85% satisfaction on clarity on ZDM.

As final outcome, in line with our goal, we received from all 59 suppliers their signed commitment on ZDM and related guidelines.

Is this engagement helping your suppliers engage with their suppliers on the selected action?

Yes

Does this engagement contribute to achieving a reported target?

Yes, please specify target ID(s)

target 1-5

F6.9

(F6.9) Indicate if you are working beyond your first-tier supplier(s) to drive action on forests-related issues, and if so, provide details of the engagement.

Forest risk commodity
Timber products

Are you working beyond first tier?
Yes, working beyond first tier

Action(s) on forest-related issues driven by engagement
Ending deforestation and/or conversion of other ecosystems

Type of engagement
Supply chain mapping
Capacity building

Details of engagement
Supplier questionnaires on environmental and social indicators
On-site meetings with indirect suppliers
Supplier audits
Offering on-site training and technical assistance
Disseminating technical materials
Participating in workshops
Investing in pilot projects

Description of engagement
Our sustainability strategy in tobacco leverage, among other standards, on the implementation of PMI's Good Agricultural Practices (GAP) program, that 100% of our tobacco suppliers and an estimated 223,299 contracted farmers are engaged on and participated in in 2022. GAP's implementation is supported on the ground by qualified and trained field technicians (FT) and is verified through the specific activities managed on sustainability such as the Monitoring Framework (MF) for sustainable curing fuels. During regular on-site visits FT perform a range of activities from the dissemination of technical materials, provision of agricultural inputs (e.g., fertilizers), to data collection on social and environmental indicators. In collaboration with our suppliers, capacity building and training sessions are organized for farmers to increase capabilities on the ground, support the correct implementation of GAP and to prevent and reduce deforestation and/or conversion of natural ecosystems in the growing areas we source from.

In 2022, Philip Morris Brasil S.A. expanded and improved the Responsible Leaf Project, in partnership with Produzindo Certo, a consulting company specialized in the deployment of social and environmental standard practices, with the aim of bringing social and environment sustainability improvements by guiding and monitoring initiatives to improve farming practices. In the last two years, the scope of the Project, which started with 123 farmers, was extended to cover nearly 5,000 farmers. This Project has

an approach divided in three phases: i) social-environmental-productive diagnosis of the farm; ii) development of an action plan and iii) annual farm monitoring and evaluation of achieved results. To cover 100% of farmers, all field technicians were trained by specialists, making possible, for example, the monitoring about forestry management practices by assessing legal conformity, the areas of preservation and native vegetation, water conditions for production and family/worker consumption, waste management and the biodiversity conditions. In addition, all data collected supports the local environmental team for the definition of new projects based on trends, risks & opportunities related to the ESG journey.

Explain the impact of your engagement on the selected action

Our sustainability strategy in tobacco leverages, among other standards, on the implementation of PMI's Good Agricultural Practices (GAP) program, that 100% of our tobacco suppliers and an estimated 223,299 contracted farmers are engaged on and participated in 2022. GAP's implementation is supported on the ground by qualified and trained field technicians (FT) and is verified through the specific activities managed on sustainability such as the Monitoring Framework (MF) for sustainable curing fuels. In collaboration with our suppliers, capacity building and training sessions are organized for farmers to increase capabilities on the ground, support the correct implementation of GAP and to prevent and reduce deforestation and/or conversion of natural ecosystems at the growing areas we source from. Based on a continuous improvement approach pilot projects are implemented within our tobacco supply chain, including indirect suppliers such as service providers. Furthermore, for the Virginia Flue-Cured tobacco (FCV) markets, the MF requires tobacco suppliers to provide capacity building activities to local stakeholders, incl. indirect suppliers. Every year a third-party audit is in place to ensure and verify the MF implementation.

Does this engagement contribute to achieving a reported target?

Yes, please specify target ID(s)

Target 1,3,4

F6.10

(F6.10) Do you engage in landscape (including jurisdictional) approaches to progress shared sustainable land use goals?

	Do you engage in landscape/jurisdictional approaches?
Row 1	Yes, we engage in landscape/ jurisdictional approaches

F6.10a

(F6.10a) Indicate the criteria you consider when prioritizing landscapes and jurisdictions for engagement in collaborative approaches to sustainable land use and provide an explanation.

Criteria for prioritizing landscapes/jurisdictions for engagement	Explain your process for prioritizing landscapes/jurisdictions for engagement

Row 1	Ability to contribute to/ build on existing landscape and/or jurisdictional approaches Company has operational presence in area Commodity sourcing footprint Opportunity to increase market access for smallholders and local communities Opportunity for increased human well-being in area Opportunity to protect and restore natural ecosystems Response to regulation Risk of deforestation, forests/land degradation, or conversion of other natural ecosystems Risk of biodiversity loss Risk of supplier non-compliance in area Risk of water stress/shortage Supply of commodities strategically important	PMI has two main mechanisms for engagement in collaborative approaches to sustainable land use in its Forest Positive program: Good Agricultural Practices (GAP) and the Monitoring Framework (MF). Since 2002 PMI launched its GAP, defining the principles and standards that must be met by all who grow and supply tobacco to PMI. GAP also aims to engage with suppliers and smallholder farmers to improve socioeconomic conditions and protect the rights of the people and local communities involved in tobacco production. Our Monitoring Framework for Sustainable Leaf Curing Fuel was launched in 2016 and since then it has been our main initiative to tackle deforestation risks. Our GAP program is applied in all tobacco growing areas (TGA) where PMI sources tobacco from, considering the surrounding ecosystems with the goal of minimizing negative impacts in the relevant landscapes and jurisdictions. PMI prioritizes landscapes for engagement based on sourcing footprints, and implements relevant nature-based solutions together with tobacco suppliers to ensure full monitoring and implementation of GAP and MF. PMI also conducts deforestation risk assessments in order to identify high risk markets and to be able to prioritize actions to be implemented to avoid land use change and deforestation risks. We collect data on multiple environmental indicators and monitors the percentage of compliant farmers. The results are used internally to track PMI progress towards its forest commitments, to identify and engage suppliers and farmers failing to adopt best practices or from high-risk areas, and to make decisions regarding projects to be implemented. As part of our GAP and MF, adherence to local regulations is also a mandatory requirement to be done by our tobacco suppliers and farmers. Support is being provided in order to ensure compliance to local regulations. PMI also prioritize projects that provide opportunities for implementation of nature-based solutions, protection and restoration of natural ecosystem, biodiversity improvement. Implementation of these projects provides multiple benefits to the ecosystem where we operate and to the socioeconomic condition improvement of our farmers.

F6.10b

(F6.10b) Provide details of your engagement with landscape/jurisdictional approaches to sustainable land use during the reporting year.

Landscape/Jurisdiction ID

LJ1

Country/Area

Brazil

Name of landscape or jurisdiction area

Rio Grande do Sul

Types of partners engaged in the initiative design and implementation

National government

Local producers/smallholder

International company(ies)

National/local company(ies)

Direct supplier(s)

Academics/ researchers

Type of engagement

Convener: High level of engagement in set-up, design, management and implementation

Partner: Shared responsibility in the implementation of multiple goals

Supporter: Implement activities to support at least one goal

Funder: Provides full or partial financial support

Goals supported by engagement

Improved rate of carbon sequestration (e.g., through restoration)

Reduced emissions from land use change and/or agricultural production

Avoided deforestation/conversion of natural ecosystems and/or decreased degradation rate

Forest fires monitored and prevented

Adequate water availability and quality (e.g. Water, Sanitation and Hygiene (WASH) services)

Increased and/or maintained protected areas

Natural ecosystems conserved and/or restored

Biodiversity protected and/or restored

Ecosystem services maintained and/or enhanced

Decreased ecosystem degradation rate

Promotion of transparency, participation, inclusion, and coordination in landscape policy, planning, and management

Governance forums that represent all relevant stakeholders in place and maintained

mproved business models that enable inclusion (including smallholders)

Income diversification amongst producers in area

Implementation of livelihood activities/practices that reduce pressure on forests

Company actions supporting approach

Co-design and develop goals, strategies and an action plan with timebound targets and milestones for the initiative

Collaborate on landscape sustainability assessments through participatory mapping

Collaborate on establishing and managing monitoring system(s) for deforestation, natural ecosystem conversion and/or degradation

Collaborate on establishing and managing monitoring system(s) for biodiversity, habitat fragmentation and/or threats to IUCN Red List species in priority areas

Help establish a transparent governance platform responsible for managing the initiative and its activities with clear roles, responsibilities and balanced decision-making

Identify and act on opportunities for pre-competitive collaboration with your sector

Engage stakeholders on importance of conservation, restoration and/or rehabilitation

Support enforcement of land-use and/or zoning plans

Capacity building for farmers, smallholders and local communities to implement good agricultural practices (including improved efficiency, crop diversification and adoption of certification)

Improve sustainability of waste management practices

Description of engagement

Engagements are being done through periodic monitoring and meetings with project partner Embrapa Clima Temperado (a Brazilian Agricultural Research Corporation) and convenings with Philip Morris Brasil S.A. (PMB) and PMI's regional team. The pre-diagnostics phase resulted in the identification of areas for action, among which the monitoring of biodiversity to be fully implemented by PMB; and the training of internal stakeholders and local farmers on topics related to biodiversity. Specific interventions to improve the sustainable tobacco production model continue to be assessed and include, among others, ecosystem restoration, identification of endangered species, and removal of invasive species.

Engagement with Embrapa Clima Temperado is fundamental to this project, as they are producing a range of technical training materials to be distributed to local, smallholder producers (tobacco farmers), reflecting detailed recommendation about sustainable agricultural production and other related identified environment and social opportunities to be implemented.

Engagement start year

2019

Engagement end year

Please specify

2025

Estimated investment over the project period (currency)

250,000

Is a collective monitoring framework used to measure progress?

Yes, progress is monitored using an internally defined framework

State the achievements of your engagement so far, and how progress is monitored

Auera is a voluntary project developed to manage biodiversity at farm level through practices that bring conservation benefits for the environment and to farmers through ecosystem services. For the Auera project, a system has been developed that includes on-field monitoring and farmer interviews to assess the goals of the project. Farms are assessed on increased or maintained protected areas, improved biodiversity and ecosystem services, and any improvements to soil or water quality through direct discussions with the farmers. Results are then discussed in periodic meetings with stakeholder and lead researcher Embrapa Clima Temperado and representatives from Philip Morris Brasil S.A (PMB). Although preliminary monitoring is ongoing, more defined KPIs will follow, aligning with the monitoring system already in place. Prioritizing according to company and farmer expectations, the first set of KPIs are related to soil and water conservation, with monitoring to obtain a dataset baseline for minimum soil tillage, permanent soil cover, crop rotation and flood control.

Training has been key to the monitoring of the Auera project, which has included training local, smallholder farmers and all PMB field technicians on topics related to soil and water conservation, biodiversity identification, and conservation. Specific to biodiversity, trainings have been provided on identifying both native species for preservation and invasive species for removal. This has resulted in improved governance of ecosystem services by promoting participation and inclusion in landscape management and is encouraging livelihood improvement by preserving natural areas and key ecosystem services such as soil health. Direct and indirect forest protection is triggered through enhanced sustainable management of the territory beyond the farm through improved capacity for fire control. In addition, there is more respect for protected areas as a result of better governance and the inclusion of indigenous people.

The Auera project monitoring system will be improved over time as KPIs are defined and methodologies are developed to assess and quantify goals such as carbon sequestration (aligning with SBTi FLAG) or overall social return on investment. The monitoring approach is calibrated on the outcomes that the project wants to achieve including preserving and enhancing ecosystem services, respecting land use, and involving local stakeholders in the governance model.

Landscape/Jurisdiction ID

LJ2

Country/Area

Brazil

Name of landscape or jurisdiction area

Rio Grande do Sul

Types of partners engaged in the initiative design and implementation

National government
Subnational government
Local communities
Local producers/smallholder
International company(ies)
National/local company(ies)
Direct supplier(s)
Academics/ researchers
Workers union(s)

Type of engagement

Partner: Shared responsibility in the implementation of multiple goals
Supporter: Implement activities to support at least one goal
Funder: Provides full or partial financial support

Goals supported by engagement

Improved rate of carbon sequestration (e.g., through restoration)
Reduced emissions from land use change and/or agricultural production
Improved community resilience from climate adaptation plans or mitigation efforts
Avoided deforestation/conversion of natural ecosystems and/or decreased degradation rate
Adequate water availability and quality (e.g. Water, Sanitation and Hygiene (WASH) services)
Increased and/or maintained protected areas
Natural ecosystems conserved and/or restored
Biodiversity protected and/or restored
Ecosystem services maintained and/or enhanced
Payments for Ecosystem Services (PES) scheme in place
Decreased ecosystem degradation rate
Promotion of transparency, participation, inclusion, and coordination in landscape policy, planning, and management
Respect, protect, and fulfil human rights
Rights to land and resources recognized and protected, and related conflicts reduced
mproved business models that enable inclusion (including smallholders)
Improved capacity for community engagement in multi-stakeholder processes
Income diversification amongst producers in area
Implementation of livelihood activities/practices that reduce pressure on forests
Increased adoption of sustainable production practices (e.g., input use efficiency and water management practices)
Increased uptake of certification
Improved and/or maintained soil health
Sustainability of other natural resource-based production sectors promoted to and recognized by relevant stakeholders (e.g. mining, natural forest management and non-extractive uses)
Reliable commodity traceability and landscape monitoring/data collection system(s)

Company actions supporting approach

Co-design and develop goals, strategies and an action plan with timebound targets and milestones for the initiative

Collaborate on landscape sustainability assessments through participatory mapping

Collaborate on establishing and managing monitoring system(s) for deforestation, natural ecosystem conversion and/or degradation

Collaborate on establishing and managing monitoring system(s) for biodiversity, habitat fragmentation and/or threats to IUCN Red List species in priority areas

Help establish a transparent governance platform responsible for managing the initiative and its activities with clear roles, responsibilities and balanced decision-making

Collaborate to maintain representation from all relevant stakeholders within governance structure of initiative

Share information on supplier non-compliance, supply chain mapping and traceability with other stakeholders in the landscape/jurisdiction

Engage stakeholders on importance of conservation, restoration and/or rehabilitation

Communicate externally the business case for investing in landscapes/jurisdiction

Support communities and smallholders in gaining access to incentives (e.g. support achieving certification, group formation, getting land title, packaging access to loans, preferential sourcing etc.)

Support implementation of climate change vulnerability assessment

Promote and implement climate change adaptation and mitigation activities

Support local governments (or equivalent) to enhance landscape governance structure, and provide them with resources to develop and implement sustainable landscape policies and/or management plan(s)

Support enforcement of land-use and/or zoning plans

Collaborate on integrated watershed management and remediation activities

Capacity building for farmers, smallholders and local communities to implement good agricultural practices (including improved efficiency, crop diversification and adoption of certification)

Description of engagement

The Program for Payment for Environmental Services (PSA) in the River Basin of Arroio Andreas in Vera Cruz, RS, called "Water Guardian". It currently includes the participation of 88 local communities surrounding the river basin as key project partners, covering 91 properties and with a total of 212 ha with the goal of protecting vulnerable areas through reforestation activities around water bodies, while improving natural vegetation. Implementation of this project required engagement and partnerships with multiple key sector stakeholders, including smallholder farmers within the community, the National Tobacco Union, and Tobacco Growers Association. To ensure water-related regulations were met and to secure full benefits of the project, the Local Water Committee and Water Association, the Institute of Innovation for Rural Development (Emater), the Vera Cruz municipality, the National Water Agency, and a third-party certification body GCS were involved as project supporters. Technical support has also been critical, which has included partnerships with external environmental scientists--CS Ambiental--and local support through University of Santa Cruz do Sul. This project was initiated and managed with the support of both Philip Morris Brasil S.A.'s field technicians and sustainability specialists.

As a result of these collaborations, improvements were made in the recovery of watercourses, water quality, and natural corridors for free circulation and genetic diversity expression of flora and fauna and the improvement in the quality of life for rural producers.

The report of conformity assessment from 3rd party showed evidence that these properties meet the specific elements mentioned in Article 2 of the Brazilian Federal Decree n 10828 of 2021, meeting satisfactory needs regarding requirements for "GREEN CPR CONSERVATION ACTIVITIES AND RECOVERY OF NATIVE FORESTS AND THEIR BIOMES". The topics covered by thirty-party certification are: reduction of greenhouse gas emissions, maintenance or increase of forest carbon stock regarding the preserved area, reduction of deforestation and degradation of native vegetation, conservation of water resources and soil conservation.

Engagement start year

2018

Engagement end year

Please specify
2023

Estimated investment over the project period (currency)

192,000

Is a collective monitoring framework used to measure progress?

Yes, progress is monitored using an internally defined framework

State the achievements of your engagement so far, and how progress is monitored

In 2022, the project included 88 farmers, 91 properties, 212 protected hectares and 125 water springs. Out of all these farmers, 25% are women. Due to the number of stakeholders involved as partners and supporters of this project ranging from farmers to universities, the Water Guardian has improved Philip Morris Brasil S.A.'s (PMB) capacity for community engagement in multi-stakeholder processes, allowing for future, inclusive engagement with diverse entities.

PMB is the first company from the tobacco sector to use the Green CPR mechanism to promote payments for environmental services related to 26.7 ha of preserved native forest to 1 farmer in Rio Grande do Sul state.
The Green CPR is an instrument of payment for environmental services, established in the new Brazilian Forest Code (Law No. 12.651, of May 25, 2012, as amended) as an economic mechanism to promote environmental conservation and adoption of sustainable technologies and practices in farming and forestry productivity, to environmental impacts.
Benefits include, besides water conservation and improved water quality for WASH services, improved carbon sequestration, avoided deforestation or conversion of natural ecosystems, restoration of natural ecosystems, improved biodiversity, and overall enhancement of ecosystem services available to the farmer and surrounding

communities. Monitoring benefits, with a focus on water quality testing, is done with support from local university UNISC. The monitoring system of this project will be improved over time as methodologies are developed to assess and quantify goals such as carbon sequestration (aligning with SBTi FLAG), biodiversity, or overall social return on investment.

For social benefits, for example, for one farmer the ecosystem service payment represented ~20% of annual income from tobacco, which helps diversify income opportunities and develop new business models that protect land in its natural state. This project encouraged farmers to continue adopting sustainable production practices that go beyond the requirements of PMI´s Good Agricultural Practices program.

As a result of these benefits, we can see that this approach is positive in a wider social-environmental aspect, and we are in the process of exploring the expansion of this project. By training farmers on the benefits of restoring and conserving natural areas, PMI is promoting participation and inclusion in landscape planning and management.

F6.10c

(F6.10c) For each of your disclosed commodities, provide details of the production/consumption volumes from each of the jurisdictions/landscapes you engage in.

Indicate landscape/jurisdiction ID	Does any of your commodity production/consumption volume originate from this landscape/jurisdiction, and are you able/willing to disclose information on this volume?	Commodity	% of total production/consumption volume from this landscape/jurisdiction
LJ1	Yes, we do produce/consume from this landscape/jurisdiction, and we are able/willing to disclose volume data	Timber products	6.37
LJ2	Yes, we do produce/consume from this landscape/jurisdiction, and we are able/willing to disclose volume data	Timber products	6.37

F6.11

(F6.11) Do you participate in any other external activities and/or initiatives to promote the implementation of your forests-related policies and commitments?

Forest risk commodity

Timber products

Do you participate in activities/initiatives?

Yes

Activities

Involved in multi-partnership or stakeholder initiatives

Country/Area

Other, please specify

Global

Subnational area

Please specify

Global

Initiatives

WBCSD Forests Solutions Group

Please explain

PMI is member of WBCSD's Forest Solutions Group (FSG), a global platform to include companies operating in the forest sector. As FSG member PMI must demonstrate leadership and commitment to sustainable development through active participation to working sessions and implementing outcomes of these sessions. PMI's participation in the FSG enables first-hand application of outcomes from discussions and efforts shared by the group, which is characterized by thought leaders from companies highly committed to generate positive impact through sustainable management of forests. These outcomes contribute to strengthen PMI sustainability strategy; PMI benefits from the collaborative exchange between members (incl. some of PMI's suppliers), to validate progress and results against our forest-related commitments and environmental strategy such to ensure no conversion of natural ecosystems, and halt deforestation in both our tobacco and pulp and paper supply chains which is included in our Zero Deforestation Manifesto. In 2022, we have dedicated time and efforts to co-creating the Forest Sector Nature Positive Roadmap Phase 1 where we have provided inputs as a customer company for forest products as we are the only downstream consumer product company representative in FSG. In 2022 as a FSG member, we participated in testing the TNFD Additional guidance for Forest sector. It introduces cross-sector metrics for impacts and dependencies applicable to companies dealing with forest products. In collaboration with other member companies, we have applied proposed indicators and metrics to our supply chain assessing the state of maturity for the sector that includes producing companies and off-takers like PMI. Following the LEAP framework (Locate, Evaluate, Assess, Prepare) we provided feedback to inform conclusions on the maturity of the sector to report in alignment to the proposed metrics. The testing project has been conducive to the release of the 1st guidance documentation for forest related companies to address and disclose dependencies and risks related to Nature. We plan to further apply the TNFD Sector guidance to all relevant forest operations in our supply chain to strengthen our response to Nature

related risks and continue to contribute to the proceedings of the engagement of FSG with TNFD.

Forest risk commodity
Timber products

Do you participate in activities/initiatives?
Yes

Activities
Engaging with policymakers or governments

Country/Area
Philippines

Subnational area
Please specify
Ilocos Sur and Ilocos Norte

Initiatives

Please explain
In its Zero Deforestation Manifesto, PMI sets targets to achieve sustainability and traceability of wood fuels used in the curing of Virginia Flue-Cured tobacco (FCV) purchased. To monitor progress against those targets, PMI developed its Monitoring Framework (MF) for Sustainable Leaf Curing Fuels. The MF must be implemented by our suppliers in all flue-cured sourcing markets. Through a set of stringent indicators PMI verifies the suppliers' compliance with a third-party audit process. Concretely, Principle 2 of the MF focuses on sustainability and traceability of the wood fuel and has one specific indicator focusing on tracing and documenting all the wood fuel used for tobacco curing activities to the source. This information is provided to farmers and curing centers annually and is used by PMI to identify sources of fuel that would not meet PMI's sustainability criteria. To meet the MF standards, the sustainability and traceability criteria used must be also aligned to the ones implemented by local governmental institutions. This allows local suppliers to provide valid documentation to support their assertion of compliance, supporting conformity against the MF, and, therefore, supporting the overall achievement of PMI's environmental strategy.In the past in certain jurisdictions such alignment was not yet fully observed. In these cases, PMI and its suppliers jointly with national and local administrations defined the interface to ensure the necessary traceability mechanism is in place and to enable the sustainability criteria for compliance to be reported against the MF. In the Philippines, for example, in 2019 our suppliers engaged with the Department of Environment and Natural Resources (DENR) in the provinces growing flue-cured tobacco for PMI to review the applicable criteria for traceability and sustainability of wood fuels and align to their existing Technical Bulletin (TB). As a result, a new TB was issued by the DENR, publishing the set of criteria in line with the MF applicable to the local jurisdictions. This

publication enabled local suppliers to ensure the MF requirements are properly implemented by local farmers and wood vendors, this defined a more straightforward process to request tree plantation and harvesting permits. In 2022, all farmers and wood vendors comply with the MF and continue securing permits as imposed by the local regulation.

Forest risk commodity
Timber products

Do you participate in activities/initiatives?
Yes

Activities
Engaging with non-governmental organizations

Country/Area
Brazil

Subnational area
Please specify

Rio Grande do sul, Parana, Santa Catarina

Initiatives

Please explain
In achieving the target of 100% sustainable and traceable firewood, PMI is currently engaged in industry efforts to collaborate with NGOs and other stakeholders in areas such as reforestation, availability of sustainable firewood, among others. This approach is currently being implemented in Brazil and Philippines where all PMI tobacco suppliers come together and plan an industry strategy and collaborate with other stakeholders to achieve sustainability and traceability of fuel sources. For example, in Brazil, the implementation of the Monitoring Framework has triggered all three main tobacco suppliers to form an industry approach to manage sustainability and traceability of firewood. PMI and tobacco suppliers in Brazil have defined a roadmap to collectively update the sustainability study every 3 years from 2019 onwards with 2022 as the latest review and update that was completed. Taking an industry approach will help strengthen the efforts that help to achieve the 100% sustainability and traceability of firewood in Brazil.

F6.12

(F6.12) Is your organization supporting or implementing project(s) focused on ecosystem restoration and long-term protection?
Yes

F6.12a

(F6.12a) Provide details on your project(s), including the extent, duration, and monitoring frequency. Please specify any measured outcome(s).

Project reference

Project 1

Project type

Forest ecosystem restoration

Expected benefits of project

Compliance with regulation

Contribution to SBTi target(s)

Disaster risk reduction

Improvement of water availability and quality

Improvement to soil health

Improvement to sustainability of production practices

Net gain in biodiversity and ecosystem integrity

Restoration of natural ecosystem(s)

Securing continued supply of agricultural commodities

Is this project originating any carbon credits?

No

Description of project

Auera is a voluntary project developed by Philip Morris Brasil S.A. (PMB) in partnership with Embrapa (Brazilian Agricultural Research Corporation from Ministry of Agriculture, Livestock, and Food Supply) to manage biodiversity at farm level through practices that bring conservation benefits for the environment and to farmers through ecosystem services.

In the past vacuum in regulatory requirements disincentivized farmers to keep Permanent Protected Areas(PPAs) or Legal Reserves on their land, while encouraging the opening of new production areas to increase their revenue streams with little concern about protecting local biodiversity and natural resources.

Additionally, past agricultural management practices resulted in erosion, an influx of invasive exotic plant species and degradation of remaining areas of native vegetation, all of which caused some sort of ecological imbalance.

In response, through its Good Agricultural Practices (GAP) Program, PMI has been supporting sustainable tobacco production, with the environmental requirements of the program focusing on protecting, maintaining and promoting Biodiversity.

The Auera Project is split into 3 phases: pre-diagnostics, full diagnostics and interventions on selected farms to build up models in southern Brazil.

The pre-diagnostics phase aims at verifying the current level of sustainability in areas contracted to grow tobacco for the company. This snapshot is used to define KPIs that will be monitored and analyzed in the full diagnostics phase, detailing the interventions

required to maintain and improve balance in forest ecosystems.

Interventions focused on creating tobacco farming areas that are benchmarks in sustainability. This includes recovering degraded areas, protecting water sources, creating ecological corridors, eliminating invasive exotic species from PPAs and improve the balance of ecosystem services to help maintain local fauna and flora.

On the final phase of the process, KPIs were defined, the first set of KPIs are related to soil and water conservation, with obtaining a dataset baseline for minimum soil tillage, permanent soil cover, crop rotation and flood control.

More specifically, the first action plan was linked to promoting the sustainability of the production system of the partner properties, through conservationist management of the soil and water.

Where is the project taking place in relation to your value chain?

Project based in area with direct operations

Project based in sourcing area(s)

Start year

2019

Target year

2023

Project area to date (Hectares)

14,442

Project area in the target year (Hectares)

14,442

Country/Area

Brazil

Latitude

-29.725173

Longitude

-52.464501

Monitoring frequency

Six-monthly or more frequently

Total investment over the project period (currency)

250,000

For which of your expected benefits are you monitoring progress?

Improvement of water availability and quality

Improvement to soil health

Improvement to sustainability of production practice

Reduce/halt biodiversity loss

Please explain

Auera project implementation is monitored through periodic meetings where interim results are discussed and analyzed by the project's executive committee: Embrapa Clima Temperado, Philip Morris Brasil S.A. (PMB) and PMI's regional team. Part of the activities in this project includes a broad training program. This was first implemented in 2019 and will continue until 2023 with specific sustainability and biodiversity protection courses developed with Embrapa and conducted with PMB employees and tobacco farmers, combining awareness and technical guidelines for developing and implementing interventions on farms participating.

With the continued project deployment, specific interventions to improve the sustainable tobacco production model were continued to be assessed. It includes providing recommendations for ecosystem restoration, identification of endangered species, and removal of invasive species. Based on the baseline information gathered in 2019 during the pre-diagnostic phase, KPIs were identified: Soil Mesofauna and Macrofauna, Presence of a Permanent Protection Area, Presence honeybees, Endangered species by region, Cultivation and use of bioactive plants, and Presence of ecological corridors.

In 2022, the full diagnostic was done covering all representative tobacco growing areas where PMB operates in the south of Brazil. A monitoring system was developed to be used to conduct field monitoring and farmers' interview in order to understand the field status about soil, water, diversification, climate change impact, flora and fauna, waste and other ecosystem related topics.
As an example, the biodiversity monitoring helped to identify a baseline of species in pilot area through field cameras to quantify and identify species. The pilot implementation has shown over 160 species of birds and mammals identified in the participating properties, including classified as vulnerable, endangered, or near threatened species, which use the areas for shelter and reproduction.
Field monitoring results collected in 2022 were compared to the baseline data gathered in 2019 to measure improvements. This project also helps to provide recommendations to farmers about sustainable agricultural production practices improvement resulting to soil health improvement, water efficiency and quality, and biodiversity improvement.

F7. Verification

F7.1

(F7.1) Do you verify any forests information reported in your CDP disclosure?
Yes

F7.1a

(F7.1a) Which data points within your CDP disclosure have been verified, and which standards were used?

Disclosure module

F6. Implementation

Data points verified

To prove that firewood is renewable and traceable, we use our Monitoring Framework, to verify the sustainability attributes of how our suppliers and their farmers are managing deforestation risks. In 2022, in addition to the regular audit process, a pilot was initiated with the aim of making our Monitoring Framework available to a larger farmer base in a landscape approach. This pilot was carried out in collaboration with the World Sustainability Organization (WSO) a certification standard with the objective of developing a Friend of the Earth Standard for Sustainable Curing Fuel for tobacco.

To prove that we comply with the Zero Deforestation Manifesto target on paper and pulp-based materials used on our products, causing no significant risk of deforestation on Primary forests, we use the assurance framework that we designed and validated by a 3rd party expert coupling the paper and pulp-based origin countries with the holding of FSC or PEFC Chain of Custody certifications.

Verification standard

Our framework is an internal standard that aligns with international best practices and standards [mainly FSC and PEFC], and it is verified by a third party. It requires full chain of custody at a mill level and countries of origin for timber, pulp and fibers to be low risks according to our Risk Assessment which is based on the FSC national risk assessments and also validated by the third party.

Please explain

The proportion of tobacco we currently purchase that is cured at no risk of deforestation stands at approximately 100%. Monitoring and supplier engagement go hand in hand. To ensure fuel sources are sustainable, we support suppliers and farmers in planting trees to supply renewable firewood for tobacco curing. Suppliers report twice a year on their performance according to our Monitoring Framework, in addition a self-assessment and a third-party verification are performed annually.

Our Zero Deforestation Manifesto (ZDM) set the following target: Zero gross deforestation of primary and protected forest in the supply chain of paper and pulp-based material by 2025. Zero net deforestation of managed natural forest and no conversion of natural ecosystems in the paper and pulp-based products supply chain by 2030. For our paper and pulp-based products, we continue conducting risk assessment in 2022 that embeds the criteria of the National Risk Assessment (NRA) of the Forest Stewardship Council (FSC). We selected 17 criteria relevant to our paper and pulp-based supply chain and applied them to the list of countries from which we source. Results from this assessment are used to inform PMI's sourcing strategy and to identify those suppliers that require additional engagement to mitigate potential risks. All our business partners must comply with our Responsible Sourcing Principles (RSP) which define expectations both for our suppliers, and their suppliers. We validate the adherence to the RSP engaging with them via our Supplier Due Diligence program,

which was enhanced by our partnership with EcoVadis. On a yearly basis, we collect traceability data from our supplier base as well as valid PEFC/FSC CoC certificates.

F8. Barriers and challenges

F8.1

(F8.1) Describe the key barriers or challenges to eliminating deforestation and/or conversion of other natural ecosystems from your direct operations or from other parts of your value chain.

Forest risk commodity
Timber products

Coverage
Supply chain

Primary barrier/challenge type
Value chain complexity

Comment
The use of firewood as fuel for tobacco curing is the main area of our supply chain with forest-related risks. In some countries, the supply chain for firewood as fuel for tobacco curing can be very informal, with tier 2, tier 3 or tier 4 suppliers. For example, some farmers collect firewood themselves, or purchase it from firewood vendors, who may obtain it from various producers or intermediaries. Given the difficulties to change local market practices, achieving traceability and ensuring sustainability present challenges. As we progress with the implementation of our Monitoring Framework and its verification by a third party, we expect these challenges to be addressed in the short to medium term.

Forest risk commodity
Timber products

Coverage
Supply chain

Primary barrier/challenge type
Cost of sustainably produced/certified products

Comment
Traceability exercise down to the expected granularity level is very complex. It requires extensive resources to compile and compute data in a precise and usable way.
Also, in some cases, wood species, origins and specification sheets used are considered proprietary by suppliers and are not shared.

Market dynamics affecting supply and demand of certified wood is also a barrier. With only a few percentage points of global forests being covered by third-party certification schemes due to the high complexity of these schemes' requirements, the mark up costs linked to materials made from certified wood remain budget demanding for large corporate having high demands.

F8.2

(F8.2) Describe the main measures that would improve your organization's ability to manage its exposure to deforestation and/or conversion of other natural ecosystems.

Forest risk commodity
Timber products

Coverage
Supply chain

Main measure
Investment in monitoring tools and traceability systems

Comment
Even if forest certification is a voluntary process, the costs for small forest holders can be prohibitive. Expanding collaborative group certificates, according to credible standards such as FSC, will be essential to expand certification and increase the availability of certified materials.

In order to improve our traceability and monitoring capabilities, we are investing in technological and innovative solutions, plus continuously exploring better geospatial monitoring systems that are available and internationally recognized. Aside from that, PMI is also leveraging on the engagement of our suppliers, to enhance the collection, analysis and validation of the traceability data that would serve the purpose of better managing inherent deforestation and/or conversion of other natural ecosystems risks laying in our supply chain.

F17 Signoff

F-FI

(F-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

F17.1

(F17.1) Provide the following information for the person that has signed off (approved) your CDP forests response.

	Job Title	Corresponding job category
Row 1	Chief Executive Officer (CEO)	Chief Executive Officer (CEO)

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	I understand that my response will be shared with all requesting stakeholders	Response permission
Please select your submission options	Yes	Public

Please confirm below

I have read and accept the applicable Terms