

WATER STEWARDSHIP

Report on Water Performance of the Swiss affiliate of
Philip Morris International
Philip Morris Products SA



PHILIP MORRIS
PRODUCTS S.A.

Water scarcity, the lack of sufficient available water to meet demands, is recognized by the World Economic Forum as the largest global risk in terms of potential impact for both humanity and the environment. Growing populations, economies, water-related risks as well as climate change have provoked an increase in demand, competition and conflicts over freshwater resources, that are becoming ever more limited.

Water restrictions are currently in place in many countries around the world in response to chronic shortages or insufficiency in freshwater availability. Overexploitation, pollution and general mismanagement of the water resource are leading to an increase in stressed water environments, which, according to the United Nations Water Agency, will be housing approximately 6 billion people in the following decade. In November 2021, Philip Morris Products S.A. Neuchâtel (PMP SA) became the third site in Switzerland to be certified AWS. PMP SA is proud of its transformation journey and, although the path to build a sustainable future is still ongoing, the AWS Certification is an important steppingstone towards water stewardship in the local catchment territory.


PMP SA is currently working towards maintaining the Core Level of the AWS Certification in order to reduce water use, mitigate shared water-related challenges and manage water collaboratively and responsibly in the territory in which they operate. By maintaining the AWS Standard, PMP SA is working towards offering a credible, globally-applicable framework for other major water users and Stakeholders in the catchment, with the scope of encouraging their understanding of water use, impacts and shared water-related risks. The long-term aim is to join forces and set fundamental steppingstones for synergic and meaningful collaborations towards sustainable water management practices within the local territory in which we all live and operate.

Over the upcoming years, PMP SA aims to progressively implement, ameliorate and grow its commitment as a water steward. PMP SA scope is to raise awareness on shared water-related challenges, such as degrading surface water quality, provision of safe Water, Sanitation and Hygiene (WASH), flashfloods and baseline water stress, and actively contribute to addressing these risks with projects, actions and campaigns in collaboration with relevant Stakeholders of the local territory.

With the present Report, PMPS A is proud to publicly share and communicate their water stewardship performance, strategy and best practices implemented, as well as the results and AWS Standard Outcomes achieved.

PMP SA Commitment to water stewardship and AWS outcomes, signed by
Carlo Serpentino – Director Manufacturing & Christophe Nowacki – Manager Sustainability,
is illustrated below and available both in English and French.

English version

 <p>PHILIP MORRIS PRODUCTS S.A.</p>	<p>PMP SA FACTORY ALLIANCE FOR WATER STEWARDSHIP (AWS) COMMITMENT</p>	<p>Pag. 1/1</p>
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PMI has been implementing the **Alliance for Water Stewardship (AWS)** Standard since 2018 and has the ambitious milestone to certify all factories by 2025. Currently, 11 PMI factories had been certified AWS. Water stewardship in PMI is about reducing a Site's water footprint by acting both on-site and in local territory. By synergic collaboration with Stakeholders, joint projects to mitigate water-related risks, as well as reducing potable water consumption and promoting water recycling, PMI factories around the world are contributing to collective addressing the complex challenges facing the water resource that we all rely upon.

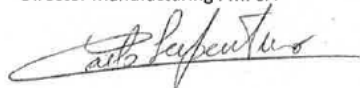
With the following document, the facility of PM PSA discloses a public commitment to *water stewardship* and its contribution to sustainable water use at site and catchment-based level. PM PSA firmly believes that following *water stewardship* principles and best practices will help build a sustainable future and positive changes to the entire territory.

PM PSA publicly commits to undertake and sustain the following best practice water steward principles:

- Endorse, sustain and uphold the **AWS principles and 5 outcomes**: good water governance, sustainable water balance, good water quality, conservation of important water-related areas and safe water, sanitation and hygiene for all
- Engage and involve stakeholders in an open and transparent way and support public authorities
- Comply with legal and regulatory requirements related to water
- Respect water-related rights, including ensuring appropriate access to safe water, sanitation and hygiene for all workers in premises under the site's control
- Implement the AWS Standard in alignment and in support to existing catchment sustainability plans
- Continually improved and adapt the site's water stewardship actions and plans in order to mitigate shared water-related risk and challenges
- Implement and disclose progress on water stewardship program(s) to achieve improvements in water stewardship results
- Maintain the organizational capacity required to successfully implement the AWS Standard, by ensuring that employees have the time and resources required to accomplish the implementation and maintenance of all AWS requirements
- Support water-related national and international treaties
- Disclose material on water-related information to water relevant authorities and other public audience in an appropriate format


Neuchâtel, 29/09/2021

Director Manufacturing PMP SA



Manager Sustainability PMP SA



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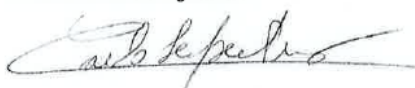
PMI met en œuvre la norme **Alliance for Water Stewardship (AWS)** depuis 2018 et a pour objectif ambitieux de certifier toutes les usines d'ici 2025. Actuellement, 11 usines de PMI sont certifiées AWS. La gestion responsable de l'eau chez PMI consiste à réduire l'empreinte hydrique d'un site en agissant à la fois sur place et sur le territoire local. Grâce à une collaboration synergique avec les parties prenantes, à des projets communs visant à atténuer les risques liés à l'eau, ainsi qu'à la réduction de la consommation d'eau potable et à la promotion du recyclage de l'eau, les usines PMI du monde entier contribuent à relever collectivement les défis complexes auxquels est confrontée la ressource en eau sur laquelle nous nous relayons tous.

Avec le document suivant, l'usine de PM PSA divulgue un engagement public envers la gestion de l'eau et sa contribution à l'utilisation durable de l'eau au niveau du site et du bassin versant. PM PSA croit fermement que le respect des principes et des meilleures pratiques de gestion de l'eau contribuera à construire un avenir durable et à apporter des changements positifs à l'ensemble du territoire.

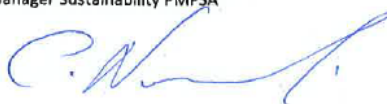
PM PSA s'engage publiquement à adopter et à maintenir les principes de bonne pratique de gestion de l'eau suivants :

- Approuver, soutenir et défendre les principes et les 5 résultats de l'AWS : bonne gouvernance de l'eau, équilibre durable de l'eau, bonne qualité de l'eau, conservation des zones importantes liées à l'eau et eau potable, assainissement et hygiène pour tous.
- Engager et impliquer les parties prenantes de manière ouverte et transparente. Soutien des autorités publiques.
- Respecter les exigences légales et réglementaires liées à l'eau.
- Respecter les droits liés à l'eau, notamment en garantissant un accès approprié à l'eau potable, à l'assainissement et à l'hygiène pour tous les travailleurs dans les locaux sous le contrôle du site.
- Mettre en œuvre la norme AWS en alignement et en soutien aux plans de durabilité existants du bassin versant.
- Améliorer et adapter en permanence les actions et les plans de gestion de l'eau du site afin d'atténuer les risques et les défis partagés.
- Mettre en œuvre et divulguer les progrès des programmes afin d'améliorer les résultats de la gestion de l'eau.
- Maintenir la capacité organisationnelle requise pour mettre en œuvre avec succès la norme AWS, en veillant à ce que les employés disposent du temps et des ressources nécessaires pour accomplir la mise en œuvre et le maintien de toutes les exigences AWS.
- Soutenir les traités nationaux et internationaux liés à l'eau.
- Divulguer les informations relatives à l'eau aux autorités compétentes et à d'autres publics dans un format approprié.

Neuchâtel, 11/10/2021
Director Manufacturing PMPSA

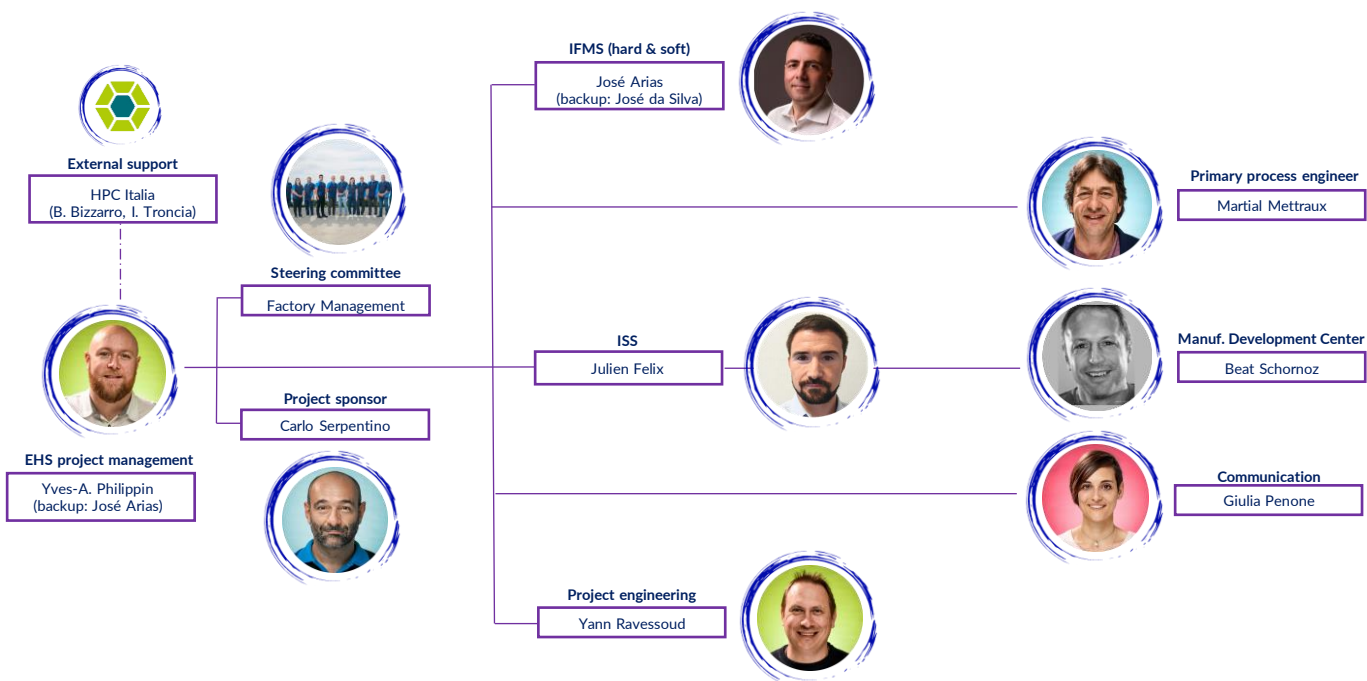


Manager Sustainability PMPSA



The PMP SA AWS Team

The AWS team members are responsible for implementing the AWS Standard criteria as well as achieving the AWS outcomes by the implementation of social, community and technological actions both on-site and in the catchment territory.



PMP SA water-related internal governance unit

PMP SA water-related internal governance unit is responsible and accountable for complying and verifying water-related prescriptions based on local water-related laws and regulations.

The various departments in PMP SA responsible for water-related governance are illustrated below, as the employees accountable for following up on water-related matters.

Carlo Serpentino is the Director Manufacturing of PMP SA.

List of Staff responsible for Water-related legal compliance for PMP SA

EHS	Main role: Legal watch for EHS topics full site
Name	Position
Christophe Nowacki	Manager Sustainability

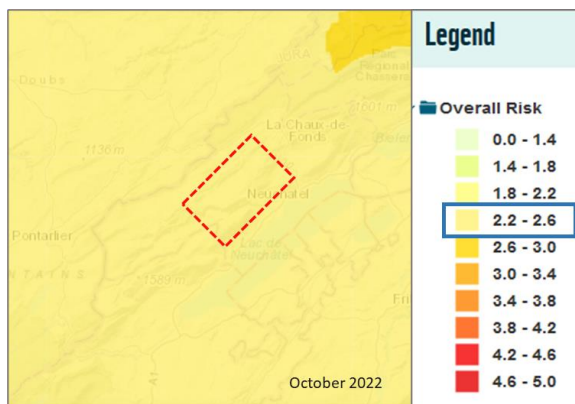
Facility Management	Main role: Maintain the infrastructure to a good state and to fulfill the legal requirements for the Production
Name	Position
Gregory Mougin	Supervisor IFMS
José Arias	IFMS Engineer, Line Lead Cell 8 IFMS
Mickeal Dos Reis	Team Leader HVAC

Workplace Experience	Main role: Maintain the infrastructure to a good state and to fulfill the legal requirements for the Neuchâtel Campus
Name	Position
Eduardo Lemos	Supervisor Infrastructure Mechanical

PMP SA Water Risk Assessment results

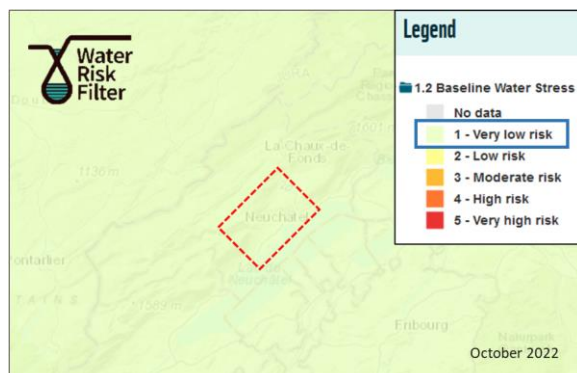
In 2022 PMP SA conducted a detailed water-risk assessment in order to identify the main water-related challenges that the factory is subjected to. The AWS water risk assessment aims to identify and better understand shared water-related risks and challenges in the local catchment context whilst complying with AWS Core Standard requirements. Global tools such as the Water Risk Filter have been utilized to identify water-risk scenarios while local data sets have been used to compare the obtained results to identify a more accurate and reliable risk classification.

The **overall water risk** is a cumulative risk which aggregates the 3 main water risk types: physical, regulatory and reputational:

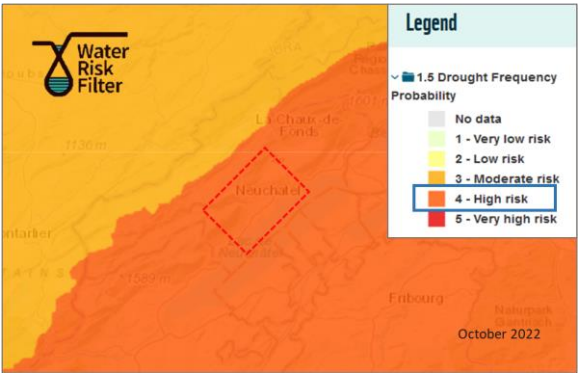


For the catchment area, the WRF highlights an overall low risk value between 2.2 – 2.6

The **baseline water stress risk** is an indicator for several water-related challenges: areas of high baseline water stress are subjected to high depletion of surface and groundwater bodies, overexploitation and competition amongst users, as well as associated impacts on water quality:

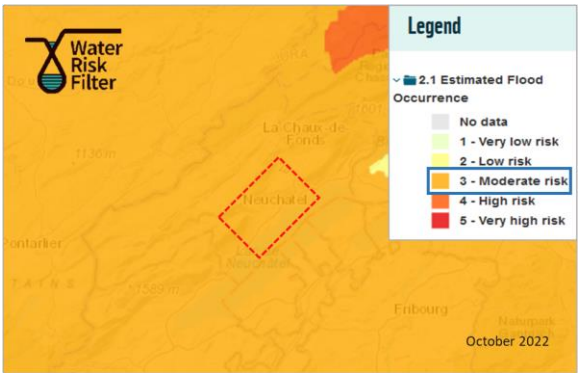


Drought conditions are events of prolonged shortage in precipitation, superficial and/or ground water supplies:



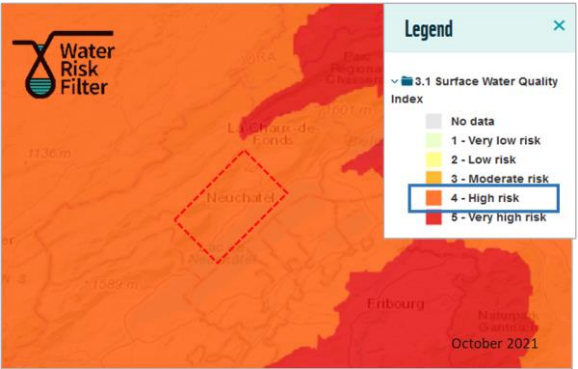
For the catchment area, the WRF highlights a high risk in drought frequency

Floods are overflow events of water that submerge land that is usually dry :



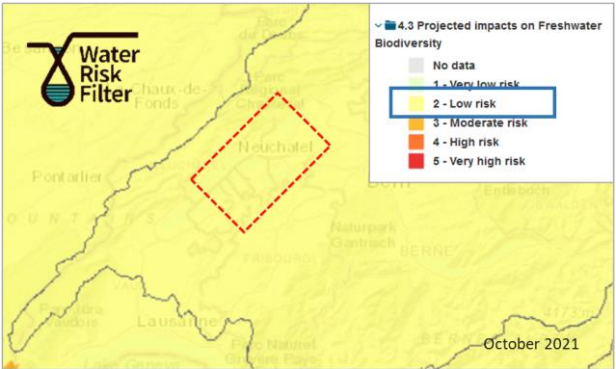
For the catchment area, the WRF highlights a moderate risk

The **surface water quality index** is a risk indicator based on a wide range of pollutants with negative effects on water security for both humans and freshwater biodiversity:



For the catchment area, the WRF highlights a high risk.

The **projected impacts on freshwater biodiversity** is based on the potential % changes in extinction rate of freshwater fish due to water availability and quality deterioration:

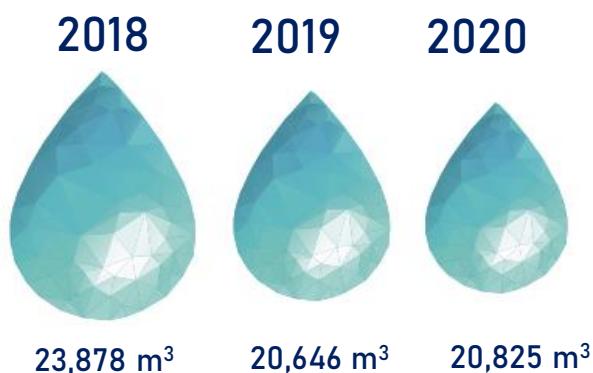


The WRF highlights a low risk within the PMPSA catchment area in terms of impact on freshwater biodiversity.

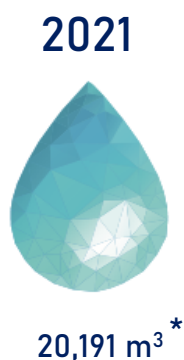
PMP SA water consumption and savings

The implementation of the AWS Standard and Outcomes in PMP SA has generated not only a long-term commitment to responsible water management, but also numerous benefits and best practices both on and off site.

The actions proposed in the frame of the AWS certification, aim specifically at: decreasing water use and water-related risks related to surface water contamination, raising awareness amongst the local community and catchment Stakeholders, and consequently impacting to a lesser extent on the territory.



PMP SA has been reducing its water consumption for sustainable management since 2018.



*data refers to PMP SA water consumption without considering projects' water consumption.

PMP SA saved the equivalent of an olympic swimming pool between 2018 and 2021.



PMP SA is implementing water saving technologies and settings to reduce potable water use but also actions to reduce surface water contamination.

PMP AS water-related projects and initiatives

Our water projects in PMP SA are focused on the 5 AWS outcomes:



GOOD WATER
GOVERNANCE



SUSTAINABLE
WATER
BALANCE



GOOD WATER
QUALITY
STATUS



IMPORTANT
WATER-RELATED
AREAS



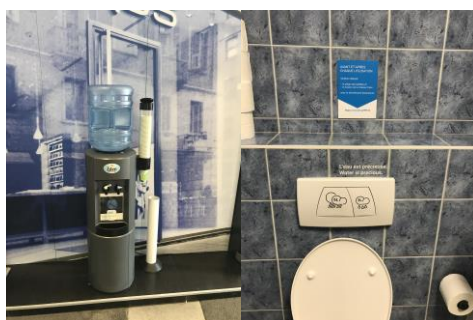
SAFE WATER,
SANITATION
AND HYGIENE
FOR ALL (WASH)

CAMPAGNE « VOULEZ-VOUS ÉCONOMISER XX LITRES D'EAU PAR AN? »

Internal awareness campaign to sensitize, engage and inform employees about what they can do – in the office and at home – to save water.



GOOD WATER
GOVERNANCE



SAFE WATER,
SANITATION
AND HYGIENE
FOR ALL (WASH)

CAMPAGNE WASH

PMP SA increased employee awareness and information disclosure on basic WASH principles. Potable water and clean bathroom structure are constantly provided on-site.

SPONSORING AT THE FÊTE DES VENDANGES

With a contribution of 48K CHF, PMP SA has been the sponsor of the local festival "Fête des vendanges", offering reusable water cups and funding an electric float for the traditional Sunday parade.



GOOD WATER
GOVERNANCE

ENGAGEMENT WITH NEW LOCAL STAKEHOLDERS

PMP SA actively contacted 7 new external stakeholders to explore the possibility of a future collaboration. The scope was also to raise awareness on AWS outcomes and best practices by reaching out to the local population and community members.



**GOOD WATER
QUALITY
STATUS**



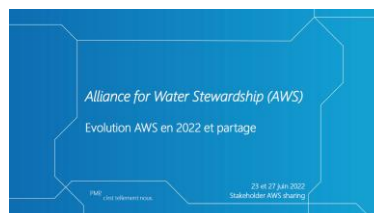
**IMPORTANT
WATER-RELATED
AREAS**

CLEAN UP EVENT IN CATCHMENT IWRA

In parallel with PMI Lausanne colleagues and together with the whole PMI Campus, PMP SA has organized a clean-up event along Lake Neuchâtel's water-front area. The scope was to actively contribute and set a good example towards the conservation and well-being of local sensitive areas.

AWS FOLLOW-UP MEETINGS

PMP SA has organized a collective Webinar with local stakeholders in order to publicly share water stewardship performance best practices and AWS Outcomes achieved. A questionnaire was provided to gather feedback and comments



**GOOD WATER
GOVERNANCE**

UTILISATION OF GREY WATERS FOR GLUE TANKS

In order to reduce potable water consumption, grey water rejects from reverse osmosis have been used to clean glue tanks before to be sent back to the supplier to be refilled.



**SUSTAINABLE
WATER
BALANCE**





We hope you enjoyed a piece of our water stewardship journey towards a more sustainable future in Switzerland!

