2021 ESG HIGHLIGHTS
based on PMI’s Integrated Report 2021
This presentation and related discussion contain projections of future results and other forward-looking statements. Achievement of future results is subject to risks, uncertainties, and inaccurate assumptions. In the event that risks or uncertainties materialize, or underlying assumptions prove inaccurate, actual results could vary materially from those contained in such forward-looking statements. Pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, PMI is identifying important factors that, individually or in the aggregate, could cause actual results and outcomes to differ materially from those contained in any forward-looking statements made by PMI.

PMI’s business risks include: excise tax increases and discriminatory tax structures; increasing marketing and regulatory restrictions that could reduce our competitiveness, eliminate our ability to communicate with adult consumers, or ban certain of our products in certain markets or countries; health concerns relating to the use of tobacco and other nicotine-containing products and exposure to environmental tobacco smoke; litigation related to tobacco use and intellectual property; intense competition; the effects of global and individual country economic, regulatory, and political developments, natural disasters and conflicts; the continuing effects of the COVID-19 pandemic; the impact and consequences of Russia’s invasion of Ukraine; changes in adult smoker behavior; lost revenues as a result of counterfeit, contraband, and cross-border purchases; governmental investigations; unfavorable currency exchange rates and currency devaluations, and limitations on the ability to repatriate funds; adverse changes in applicable corporate tax laws; adverse changes in the cost, availability, and quality of tobacco and other agricultural products and raw materials, as well as components and materials for our electronic devices; and the integrity of its information systems and effectiveness of its data privacy policies. PMI’s future profitability may also be adversely affected should it be unsuccessful in its attempts to produce and commercialize reduced-risk products or if regulation or taxation do not differentiate between such products and cigarettes; if it is unable to successfully introduce new products, promote brand equity, enter new markets, or improve its margins through increased prices and productivity gains; if it is unable to expand its brand portfolio internally or through acquisitions and the development of strategic business relationships; or if it is unable to attract and retain the best global talent, including women or diverse candidates. Future results are also subject to the lower predictability of our reduced-risk product category’s performance.

PMI is further subject to other risks detailed from time to time in its publicly filed documents, including the Form 10-Q for the quarter ended March 31, 2022. PMI cautions that the foregoing list of important factors is not a complete discussion of all potential risks and uncertainties. PMI does not undertake to update any forward-looking statement that it may make from time to time, except in the normal course of its public disclosure obligations.

The aspirations, goals, and forward-looking plans contained in this presentation may be impacted by the February 2022 Russian invasion of Ukraine and its potential effects on our business over the mid to long term, which remain uncertain. As part of our broader plan to evaluate our published sustainability aspirations to ensure they remain ambitious, reasonable, and achievable in the context of a dynamic and evolving smoke-free industry, we will also assess and reflect the impact of the invasion. Considering the volatility and rapidly changing environment, we continue to monitor the situation closely. We will communicate any related changes within the next year. Aspirational targets and goals do not constitute financial projections, and achievement of future results is subject to risks, uncertainties, and inaccurate assumptions, as outlined above. See Integrated Report 2021 p 2-3.
ESG highlights

This ESG Highlights presentation is based on PMI’s Integrated Report 2021 and annual report on Form 10-K for the year ended December 31, 2021, as well as press releases and additional resources available at www.pmi.com.

Unless otherwise indicated, the data contained herein cover our operations worldwide for the full calendar year 2021 or reflect the status as of December 31, 2021. Where not specified, data come from PMI financials, non-financials, or estimates. Unless explicitly stated, the data and information in this presentation do not incorporate wellness and healthcare acquisitions made by PMI during 2021 of Fertin Pharma A/S, Vectura Group plc., and OtiTopic, Inc.

See PMI’s Integrated Report 2021
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PMI’s updated Statement of Purpose

Transforming for good

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

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

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

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

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

Changes to our strategy and vision prompted the revision of our Statement of Purpose to encompass our strategic efforts to venture toward becoming a wellness and healthcare company. Issued by PMI’s board, it was published in the 2022 Proxy Statement as an update to the letter to shareholders published in the 2017 Proxy Statement and the Statement of Purpose published in the 2020 Proxy Statement.

Read PMI’s Statement of Purpose
2021 highlights

**PRODUCT IMPACT**

- **21.7m**
  Total adult users of PMI’s smoke-free products, of whom 15.3m have switched and stopped smoking\(^1\)
  (2020: 18.3m; 13.0m)

- **USD 9.2bn**
  Cumulative investments behind smoke-free products since 2008\(^3\)
  (2020: 8.1bn)

- **29.1%**
  Of adjusted net revenues derived from smoke-free products, which were available for sale in 71 markets worldwide by year-end\(^2\)
  (2020: 23.8%; 64)

- **91%**
  Of total shipment volume covered by youth access prevention programs in indirect retail channels\(^4\)
  (2020: 94%)

- **Marketing and sales practices**
  New Marketing Codes deployed globally for both combusted and smoke-free (non-combusted) products, published in 2022 on PMI.com

- **Wellness and healthcare**
  Acquisitions of Fertin Pharma, OtiTopic, and Vectura have provided a foundation for progress toward our ambition to generate at least USD 1bn in annual net revenues from products in wellness and healthcare by 2025

- **86%**
  Recycling rate of IQOS devices returned to our centralized recycling hubs (weighted-average percentage of each device that is recycled)\(^5\)
  (2020: 84%)

- **46**
  Countries where our affiliates deployed cigarette butt anti-littering campaigns focusing on driving behavioral change

- **Smoke-free consumables**
  Programs deployed to take back smoke-free consumables after use by consumers in various markets, including Canada, Finland, Guatemala, Switzerland

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1 These metrics exclude PMI Duty Free and reflect the estimated number of legal age (minimum 18 years) users of PMI IQOS heat-not-burn products. In 2021, we evolved our methodologies to estimate these metrics and 2020 data was restated accordingly. For further details see Integrated Report 2022.
2 Reflects PMI Reduced-risk product and Other net revenues of USD 9.2bn as a percentage of PMI total adjusted net revenues of USD 31.7bn. Adjusted net revenues excludes USD 246m attributable to Saudi Arabia customs assessments.
3 Investments reflect research, product and commercial development, production capacity, scientific substantiation, and studies on adult smoker understanding. Figure does not include commercial deployment costs.
4 Total shipment volume includes cigarettes, heated tobacco units, other tobacco products, e-cigarettes, and snus. In 2021, we evolved our minimum requirements for effective youth access prevention (YAP) programs in indirect retail channels.
5 Including recycling (78%) and incineration with energy recovery (8%).
# 2021 highlights

## OPERATIONAL IMPACT

<table>
<thead>
<tr>
<th><strong>Social</strong></th>
<th><strong>Agricultural Labor Practices</strong></th>
<th><strong>Environment</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>39.7%</strong></td>
<td>Of management positions held by women, on track to achieve our 2022 target of 40%&lt;sup&gt;1&lt;/sup&gt; (2020: 37.7%)</td>
<td><strong>5</strong></td>
</tr>
<tr>
<td></td>
<td>Agricultural Labor Practices: Publication of a dedicated report celebrating the 10-year anniversary of PMI’s Agricultural Labor Practices (ALP) program in its tobacco supply chain</td>
<td><strong>Low-Carbon Transition Plan</strong></td>
</tr>
<tr>
<td></td>
<td><strong>100%</strong> Of tobacco purchased at no risk of deforestation of primary and protected forests (2020: 100%)</td>
<td><strong>Triple A</strong></td>
</tr>
</tbody>
</table>

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<sup>1</sup> Calculation methodology updated in 2021 to expand data scope to employees on long-term leave (over 30 calendar days). 2020 data restated accordingly. On 12 May 2022 PMI announced it had reached its global company-wide target to improve gender balance, ensuring at least 40% female representation in managerial roles by 2022. See press release.
Creating value

Resources and relationships

- 68,547 Employees, of whom 42.2% are women
- USD 566m Adjusted R&D expenditure, of which 99% dedicated to smoke-free products\(^1\)
- >291,000 tons Packed tobacco sourced
- 38 factories Of which 8 are partially or fully dedicated to the production of smoke-free products
- >250,000 Contracted tobacco farmers
- 22,000 Suppliers
- ~USD 148bn Market capitalization as of December 31, 2021

Our mission

Seek net positive impact as we accelerate the end of smoking and evolve into a broader lifestyle, consumer wellness, and healthcare company.

What we do

Transition away from a cigarette company into a world-leading smoke-free business while simultaneously exploring adjacent avenues of growth beyond tobacco.

Value created

- **21.7m** Users of PMI smoke-free products
- **1.8%** Prevalence of child labor among contracted farms supplying tobacco to PMI
- **1,770** Patents granted in IP5 jurisdictions relating to smoke-free products
- **IQOS ILUMA** Major innovation in heat-not-burn launched in 2021, with product advancements addressing consumer pain points
- **18%** Reduction of CO\(_2\) emissions along the value chain (scope 1+2+3) v 2019
- **100%** Tobacco purchased at no risk of deforestation of primary and protected forests
- **10** Smoke-free heat-not-burn and e-vapor devices commercialized
- **71** Markets where PMI smoke-free products are available for purchase, among which 43% are low- and middle-income markets
- **83%** Critical supplier spend sourced sustainably
- **29.1%** Annual adjusted net revenues from smoke-free products\(^2\)
- **USD 76.8bn** Total excise tax paid by consumers on PMI products

CAPITALS

Human Intellectual Social Natural Manufactured Financial

Note: Presentation of information in this visual is informed by the Integrated Reporting Framework of the Value Reporting Foundation. See Integrated Report 2021 for further details on data and related footnotes.

CASE STUDY: Impact of PMI’s expansion in wellness and healthcare on different forms of capital. Read more.

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\(^1\)R&D expenditure in wellness and healthcare is included in both smoke-free and total R&D expenditures. Adjusted R&D expenditure excludes asset acquisition cost related to OtiTopic, Inc. in 2021. Total reported R&D expenditure in 2021 including these items amounted to USD 617m.

\(^2\)Reflects PMI Reduced-risk product and Other net revenues of USD 9.2bn as a percentage of PMI total adjusted net revenues of USD 31.7bn. Adjusted net revenues excludes USD 246m attributable to Saudi Arabia customs assessments.
OVERVIEW

Our company
Global trends
Industry trends
Our company

Our product portfolio

PMI’s adjusted net revenues in 2021

- Combustible: 71%
- Smoke-free: 29%

PMI’s footprint in 2021

**Total adjusted net revenue by PMI region**

- European Union: 39%
- Eastern Europe: 11%
- Middle East & Africa: 11%
- South & Southeast Asia: 14%
- East Asia & Australia: 19%
- Americas (incl. the U.S.): 6%

**Proportion of adjusted net revenues from smoke-free products in each PMI region**

- European Union: 33%
- Eastern Europe: 37%
- Middle East & Africa: 4%
- South & Southeast Asia: <1%
- East Asia & Australia: 59%
- Americas (incl. the U.S.): 3%

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1 In the fourth quarter of 2021, we announced that we will be relocating our PMI corporate headquarters from New York, New York, to Stamford, Connecticut. This move is expected to be completed by the third quarter of 2022.

2 Adjusted net revenues excludes USD 246m attributable to Saudi Arabia customs assessments.
Global trends

Healthy lifestyles

Climate and nature urgency

Inequality

Erosion of trust

Technological progress

Main capitals impacted Human Intellectual Natural Manufactured Social Financial

Overview continued
Industry trends

Industry volume split 2018–2021

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combustible products</td>
<td>96%</td>
<td>93%</td>
</tr>
<tr>
<td>Smoke-free products</td>
<td>4%</td>
<td>7%</td>
</tr>
</tbody>
</table>

- Of which 2% are heated tobacco products
- Of which 4% are heated tobacco products

6.8% market share of PMI HTUs in IQOS markets

PMI HTUs #3 tobacco brand in IQOS markets

PMI total international share (in %)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total:</td>
<td>28.3</td>
<td>27.6</td>
<td>27.3</td>
</tr>
<tr>
<td>Heated tobacco units:</td>
<td>2.2</td>
<td>3.0</td>
<td>3.5</td>
</tr>
<tr>
<td>Cigarettes:</td>
<td>26.1</td>
<td>24.6</td>
<td>23.7</td>
</tr>
</tbody>
</table>

1. Reflects sales volume as percentage of the total industry sales volume for cigarettes and HTUs.
2. Reflects 68 markets where IQOS HTUs are available in key cities or nationwide at December 31, 2021. Excludes the U.S.

Note: See glossary. Data exclude China and the U.S. Source: PMI Financials or estimates.
STRATEGY

Our strategy: Transforming for good
Product transformation
External transformation
Internal transformation
Transparent reporting on progress

Business Transformation Metrics
Anchoring sustainability at the core of strategy
Sustainability materiality assessment: the right focus
Our sustainability strategy
2025 Roadmap
Our Sustainability Index
Our strategy: Transforming for good

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

**Innovating for better products**

Strong progress towards becoming a majority smoke-free company by 2025 in terms of net revenues, our strategy is to responsibly transition from a cigarette company into a world-leading smoke-free business while simultaneously exploring adjacent avenues of growth in wellness and healthcare.
External transformation

Changing the way we engage with stakeholders

Engaging with external stakeholders is critical to achieving our purpose. Our ability to successfully transform depends not solely on us—working together with different parts of society, we can create a paradigm shift where cigarettes become obsolete.

See the overview of PMI’s engagement principles
Internal transformation

We were
2015

We are
2021
Our internal value chain transformation:

**Sourcing**

**We were**
- **2015**
  - **>350,000** Tobacco farmers contracted by PMI and our suppliers in **28** countries

**We are**
- **2021**
  - **>250,000** Tobacco farmers contracted by PMI and our suppliers in **21** countries
  - **35%** Of direct supply chain spend related to smoke-free products

Transitioning from a mainly agricultural supply chain to an increasingly diversified one, including electronics sourcing.
Our internal value chain transformation:

**Operations**

We were

2015

- USD 423m
  - Adjusted R&D expenditure
- 70%
  - Of adjusted R&D expenditure related to smoke-free products

We are

2021

- USD 566m
  - Adjusted R&D expenditure
- 99%
  - Of adjusted R&D expenditure related to smoke-free products

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

- 2/48 Factories partially or fully dedicated to manufacturing smoke-free products
- 8/38 Factories partially or fully dedicated to manufacturing smoke-free products

Strategy continued
Our internal value chain transformation:

**Commercialization**

**We were**

2015

- 0.1% Of total shipment volume related to smoke-free products
- 1bn units smoke-free product shipment volume
- 881bn units combustible product shipment volume
- 1 Smoke-free electronic product commercialized

**We are**

2021

- 12.8% Of total shipment volume related to smoke-free products
- 95bn units smoke-free product shipment volume
- 650bn units combustible product shipment volume
- 7 Markets where PMI smoke-free products are available for sale
- 71 Markets where PMI smoke-free products are available for sale
- 10 Smoke-free devices and over 40 taste variants for PMI heated tobacco units
Our internal value chain transformation:

**Consumers and revenues**

**We were**

2015

- 0.2m Users of PMI smoke-free products

**We are**

2021

- 29.1% Of adjusted net revenues from smoke-free products
- 62,000 Electronic smoke-free devices refreshed or repaired
- 21.7m Users of PMI smoke-free products, of whom 15.3m are estimated to have switched and stopped smoking

Shifting revenue source from majority cigarettes to majority smoke-free products while addressing post-consumer waste
Our internal value chain transformation

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Markets where PMI smoke-free products are available for sale</td>
<td>100</td>
</tr>
<tr>
<td>Markets where PMI smoke-free products are available for sale that are low- and middle-income</td>
<td>&gt;50%</td>
</tr>
<tr>
<td>Combustible product shipment volume (bn units)</td>
<td>&lt;550</td>
</tr>
<tr>
<td>Smoke-free product shipment volume (bn units)</td>
<td>&gt;250</td>
</tr>
<tr>
<td>Smoke-free product shipment ratio (smoke-free/total)</td>
<td>&gt;30%</td>
</tr>
<tr>
<td>Net revenues from wellness and healthcare products</td>
<td>≥USD 1bn</td>
</tr>
<tr>
<td>Adjusted net revenues from smoke-free products</td>
<td>&gt;50%</td>
</tr>
<tr>
<td>Estimated number of users who have switched to PMI smoke-free products and stopped smoking</td>
<td>&gt;40m</td>
</tr>
</tbody>
</table>

Transparent reporting on progress

Business Transformation Metrics measure what matters

Reporting the pace and scale of our transition

• Business transformation is a very company-specific journey, which ESG reporting standards do not properly capture.
• In 2016 we introduced a set of bespoke key performance indicators we call Business Transformation Metrics.
• They allow our shareholders and stakeholders to assess our purpose, actions taken to achieve it, resource allocation, as well as outcomes and forward-looking goals.
• Transparent, measurable, verifiable, updated based on stakeholder feedback.
• PricewaterhouseCoopers SA (PwC) has provided limited assurance on select Business Transformation Metrics.1

1 See Assurance Report available in Integrated Report 2021 p 245

June 2022
Business Transformation Metrics

### Adjusted R&D expenditure (in millions USD)**
- 2015 baseline: 423
- 2019: 465
- 2020: 495
- 2021: 566
- 2025 Aspirations*: 571

### Adjusted R&D expenditure ratio (smoke-free/total)**
- 2015 baseline: 70%
- 2019: 98%
- 2020: 99%
- 2021: 99%
- 2025 Aspirations*: 99%

### Number of R&D positions (FTEs)**
- 2015 baseline: n/a
- 2019: 912
- 2020: 934
- 2021: 981

### Patents granted in IPS jurisdictions relating to smoke-free products (cumulative, since 2015)**
- 2015 baseline: n/a
- 2019: 740
- 2020: 1,300
- 2021: 1,770

### Number of studies completed by PMI on smoke-free products (cumulative, since 2015)
- Toxicological assessment: n/a
- 2019: 109
- 2020: 146
- 2021: 203
- 2025 Aspirations*: 210

- Clinical assessment: n/a
- 2019: 19
- 2020: 22
- 2021: 24
- 2025 Aspirations*: 26

- Perception and behavior (premarket and post-market): n/a
- 2019: (9 + 4)
- 2020: (15 + 15)
- 2021: (25 + 19)

### Supply chain direct spend expenditure ratio (smoke-free/total)**
- 2015 baseline: n/a
- 2019: 35%
- 2020: 33%
- 2021: 35%
- 2025 Aspirations*: 35%

### Cumulative investment behind smoke-free products (since 2008, in bn USD)**
- 2015 baseline: 2.4
- 2019: 7.2
- 2020: 8.1
- 2021: 9.2

### Number of factories producing smoke-free products out of total number of factories**
- 2015 baseline: 2/48
- 2019: 8/38
- 2020: 8/39
- 2021: 8/38
- 2025 Aspirations*: 8/38

### Total number of users of PMI smoke-free products (in millions)**
- 2015 baseline: 0.2
- 2019: 13.5
- 2020: 18.3
- 2021: 21.7
- 2025 Aspirations*: 24.5

### Estimated number of users who have switched to PMI smoke-free products and stopped smoking (in millions)**
- 2015 baseline: 0.1
- 2019: 9.6
- 2020: 13.0
- 2021: 15.3
- 2025 Aspirations*: >40

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Notes:

1. R&D expenditure in wellness and healthcare is included in both smoke-free and total R&D expenditures. Adjusted R&D expenditure excludes asset acquisition cost related to OrTope Ltd. in 2021. Total reported R&D expenditure in 2021 including these items amounted to USD 617m.

2. R&D positions include scientists, engineers, technicians, and support staff. Comparable data for years prior to 2018 are not available as the scope of R&D positions changed following company organizational changes.

3. IP5 jurisdictions are Europe (patents granted by the European Patent Office), China, South Korea, Japan, and the U.S.

4. Direct spend focuses on materials used in the manufacture of our products; it includes tobacco leaf, direct materials, and electronic devices and accessories.

5. Investments reflect research, product and commercial development, production capacity, scientific substantiation, and studies on adult smoker understanding. Figure does not include commercial deployment costs.

6. Data reflect the number of factories operated and owned by PMI at the end of the respective year. Number of factories fully or partially dedicated to smoke-free products includes 7 factories related to heated tobacco unit production and one factory related to e-vapor consumables production. 2021 figures exclude one factory dedicated to wellness and healthcare products owned by Fertin.

7. These metrics are excluding PMI Duty Free and reflect the estimated number of legal age (minimum 18 years) users of PMI IQOS heat-not-burn product (see glossary). In 2021, we evolved our methodology to estimate the total number of users of PMI smoke-free products, in order to better reflect the number of users for which PMI HTU represented at least a portion of their daily tobacco consumption over the past seven days. 2020 data was restated accordingly. Unavailability of sufficiently granular data did not enable us to restate figures for years prior to 2020. We also fine-tuned our methodology to estimate the number of users who have switched to PMI smoke-free products and stopped smoking, in order to reflect the conversion rate of our total user base at year-end, and restated 2020 data accordingly.
### Business Transformation Metrics continued

<table>
<thead>
<tr>
<th>Metric</th>
<th>Baseline 2015</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2025 Aspirations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year-on-year change in number of SKUs—combustible products</strong></td>
<td>n/a</td>
<td>(6)%</td>
<td>(5)%</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td><strong>Year-on-year change in number of SKUs—smoke-free products</strong></td>
<td>n/a</td>
<td>26%</td>
<td>38%</td>
<td>42%</td>
<td></td>
</tr>
<tr>
<td><strong>SKUs ratio (smoke-free/total)</strong></td>
<td>3%</td>
<td>10%</td>
<td>14%</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td><strong>Number of markets where smoke-free products are available for sale</strong></td>
<td>7</td>
<td>52</td>
<td>64</td>
<td>71</td>
<td>100</td>
</tr>
<tr>
<td><strong>Proportion of markets where smoke-free products are available for sale that are low- and middle-income markets</strong></td>
<td>33%</td>
<td>35%</td>
<td>41%</td>
<td>43%</td>
<td>&gt;50%</td>
</tr>
<tr>
<td><strong>Number of IQOS stores</strong></td>
<td>n/a</td>
<td>199</td>
<td>259</td>
<td>274</td>
<td></td>
</tr>
<tr>
<td><strong>Number of retailers that sell PMI smoke-free product consumables (in thousands)</strong></td>
<td>n/a</td>
<td>679</td>
<td>748</td>
<td>812</td>
<td></td>
</tr>
<tr>
<td><strong>Commercial (marketing) expenditure ratio (smoke-free/total)</strong></td>
<td>8%</td>
<td>71%</td>
<td>76%</td>
<td>73%</td>
<td></td>
</tr>
<tr>
<td><strong>Smoke-free product shipment volume (bn units)</strong></td>
<td>1</td>
<td>60</td>
<td>76</td>
<td>95</td>
<td>&gt;250</td>
</tr>
<tr>
<td><strong>Combustible product shipment volume (bn units)</strong></td>
<td>881</td>
<td>732</td>
<td>654</td>
<td>650</td>
<td>&lt;550</td>
</tr>
<tr>
<td><strong>Change in combustible product shipment volume (bn units) vs. 2015 baseline</strong></td>
<td>n/a</td>
<td>(17.0)%</td>
<td>(25.8)%</td>
<td>(26.3)%</td>
<td>(~40)%</td>
</tr>
<tr>
<td><strong>Smoke-free product shipment ratio (smoke-free/total)</strong></td>
<td>0.1%</td>
<td>7.6%</td>
<td>10.4%</td>
<td>12.8%</td>
<td>&gt;30%</td>
</tr>
<tr>
<td><strong>Adjusted net revenues ratio (smoke-free/total)</strong></td>
<td>0.2%</td>
<td>18.7%</td>
<td>23.8%</td>
<td>29.1%</td>
<td>&gt;50%</td>
</tr>
<tr>
<td><strong>Number of markets where adjusted net revenues from smoke-free products exceed 10% of adjusted total net revenues</strong></td>
<td>0</td>
<td>31</td>
<td>38</td>
<td>47</td>
<td></td>
</tr>
<tr>
<td><strong>Number of markets where adjusted net revenues from smoke-free products exceed 50% of adjusted total net revenues</strong></td>
<td>0</td>
<td>4</td>
<td>6</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td><strong>Annual net revenue from wellness and healthcare products (in bn USD)</strong></td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>0.1</td>
<td>≥1</td>
</tr>
</tbody>
</table>

*The 2021 metrics marked with an asterisk (*) are subject to PwC’s Assurance Report (see Integrated Report 2021 p. 245).

**Notes:**
- Smoke-free products include heated tobacco units, e-cigarettes, snus, and nicotine pouches. Total products include smoke-free products, cigarettes, and other combustible products.
- 8 SKUs stands for stock-keeping units. References to the number of SKUs are based on the latest available data and categorization of our product portfolio into SKUs, therefore minor restatements in previous years’ data is reflected. The figures exclude China and the U.S. 9 Data reflect the status by the end of respective year. 2021 data excludes Belarus and the U.S. For definition of low- and middle-income markets, see glossary. 10 Excluding PMI Duty Free. Data reflect the status by the end of respective year. 2021 data excludes Belarus and the U.S. 11 Includes flagship stores and small, large, and temporary boutiques. 12 These indicators are calculated based on millions of units. 13 Data reflect the status by the end of respective year. 2021 adjusted net revenues exclude the impact related to the Saudi Arabia customs assessments. 2021 revenues from wellness and healthcare (USD 101m) are included in both smoke-free and total adjusted net revenues. See glossary.
Anchoring sustainability at the core of strategy

Embedding sustainability in all we do

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

A robust sustainability materiality analysis allows us to identify, assess, and prioritize ESG topics on which we should focus. In line with the principle of double materiality, it consists of a fivefold approach.

Read PMI’s Sustainability Materiality Report

Our 2021 sustainability materiality assessment process:

1. Identifying ESG topics
2. Gathering stakeholder perspectives
3. Assessing outward impacts
4. Assessing inward impacts
5. Identifying our most material ESG topics
Sustainability materiality assessment: the right focus

Read PMI's Sustainability Materiality Report

Key

| E | ENVIRONMENTAL |
| S | SOCIAL |
| G | GOVERNANCE |

Our most material topics
Emerging topics

Relevance to our stakeholders

- Very high
- High
- Medium
- Low

Significance of ESG impacts on PMI

Innovation beyond nicotine
Climate
Marketing, sales, and consumer communications
Business integrity
Product health impact

Significance of PMI's impacts on society

Philanthropy
Animal welfare

Laws and regulations
Human capital development
Engagement with policymakers
Economic contribution
Materials and product eco-design
Diversity and inclusion
Water
Health and safety at work
Socioeconomic well-being of tobacco-framing communities
Biodiversity
Operational discharge
Privacy
Employee well-being
Post-consumer waste
Sustainability materiality assessment: the right focus continued

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

Read PMI’s Sustainability Materiality Report
Our sustainability strategy

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

Strategy continued
## 2025 Roadmap

**11 headline goals connected to 8 strategies.** Our roadmap outlines our key commitments and informs the route of our long-term plan.

<table>
<thead>
<tr>
<th>Priority ESG topics</th>
<th>Progress in 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product health impact</td>
<td></td>
</tr>
<tr>
<td>Product health impact; Sales, marketing, and consumer communications</td>
<td></td>
</tr>
<tr>
<td>Innovation in wellness and healthcare</td>
<td></td>
</tr>
<tr>
<td>Materials and product eco-design; post-consumer waste</td>
<td></td>
</tr>
<tr>
<td>Diversity and inclusion; human capital development</td>
<td></td>
</tr>
<tr>
<td>Socioeconomic well-being of tobacco-farming communities</td>
<td></td>
</tr>
<tr>
<td>Climate</td>
<td></td>
</tr>
<tr>
<td>Biodiversity; water</td>
<td></td>
</tr>
</tbody>
</table>

### Purposefully phase out cigarettes
- Intentionally work toward phasing out cigarettes by ensuring that smoke-free products represent at least 30% of our shipment volumes and more than half of our net revenues by 2025 while continuing to reduce our combustible shipment volume

### Maximize the benefits of smoke-free products
- Develop and commercialize science-based smoke-free alternatives to smoking, making them available in 100 markets (of which at least half in low- and middle-income markets) and continuing to increase the total number of users
- Deploy robust youth access prevention programs in indirect retail channels and ensure that sales of our products abide by our Marketing Codes

### Seek net positive impact in wellness and healthcare
- Leverage scientific and development capabilities to generate at least USD 1bn in annual net revenues from products in wellness and healthcare

### Reduce post-consumer waste
- Reduce post-consumer waste and prevent littering by implementing comprehensive programs covering all our consumables
- Follow eco-design and circularity principles for all smoke-free electronic devices

### Foster an empowered and inclusive workplace
- Nurture a more diverse culture that promotes equity and inclusion by providing access to lifelong learning to all our employees and improving gender and local representation in management globally

### Improve the quality of life of people in our supply chain
- Eradicate systemic child labor in our tobacco supply chain
- Ensure all contracted tobacco farmers make a living income, and partner with our direct suppliers to promote a living wage for their workers

### Tackle climate change
- Achieve carbon neutrality in our operations and accelerate our decarbonization toward net zero across our value chain

### Preserve nature
- Promote biodiversity, address critical water challenges, ensure no conversion of natural ecosystems, and halt deforestation in both our tobacco and pulp and paper supply chains

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**ESG Highlights** | June 2022 | Progress with challenges | On track | Progress further than anticipated
## Our Sustainability Index

Progress on our Roadmap measured by a set of key performance indicators that collectively form our Sustainability Index, which links executive compensation and ESG performance.

### Key performance indicators

<table>
<thead>
<tr>
<th>Purposefully phase out cigarettes</th>
<th>1. Smoke-free product shipment ratio (smoke-free/total)</th>
<th>2021 performance</th>
<th>2025 aspirations</th>
<th>KPI weight</th>
<th>Contribution to total Index score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2. Smoke-free product net revenue ratio (smoke-free/total)</td>
<td>12.8%</td>
<td>&gt;30%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Number of markets where PMI smoke-free products are available for sale</td>
<td>29.1%</td>
<td>&gt;50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. Proportion of markets where PMI smoke-free products are available for sale that are low- and middle-income markets</td>
<td>71</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. Total number of users of PMI’s smoke-free products (in millions)</td>
<td>43%</td>
<td>&gt;50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6. Proportion of shipment volume covered by markets with youth access prevention programs in indirect retail channels</td>
<td>21.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maximize the benefits of smoke-free products</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Seek net positive impact in wellness and healthcare</td>
<td>7. Annual net revenue from wellness and healthcare products (in bn USD)</td>
<td>91%</td>
<td>&gt;90%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>8. Proportion of shipment volume covered by markets with anti-littering programs in place for combustible cigarettes</td>
<td>n/a</td>
<td>≥80%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>9. Proportion of shipment volume covered by markets with end of life take-back programs in place for smoke-free consumables</td>
<td>43%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>10. Proportion of PMI smoke-free devices with eco-design certification</td>
<td>21.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>11. Cumulative number of smoke-free electronic devices refreshed or repaired since 2021 (in thousands)</td>
<td>91%</td>
<td>&gt;90%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce post-consumer waste</td>
<td>12. Proportion of women in senior roles</td>
<td>9 pilots</td>
<td>≥80%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product Sustainability</td>
<td>13. Proportion of PMI employees who have access to structured lifelong learning offers</td>
<td>n/a</td>
<td>70%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>14. Cumulative number of human rights impact assessments conducted since 2018, with findings addressed</td>
<td>31.1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>15. Prevalence of child labor among contracted farmers supplying tobacco to PMI</td>
<td>n/a</td>
<td>70%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>16. Proportion of contracted farmers supplying tobacco to PMI who make a living income</td>
<td>31.1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>17. Net carbon emissions in scope 1+2 (in thousands of metric tons)</td>
<td>31.1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>18. Absolute carbon emissions reduction in scope 3 v 2019 baseline (in line with science-based target)</td>
<td>31.1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tackle climate change</td>
<td>19. Proportion of tobacco purchased at no risk of deforestation of managed natural forest and no conversion of natural ecosystems</td>
<td>31.1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve the quality of life of people in our supply chain</td>
<td>10. Proportion of PMI smoke-free devices with eco-design certification</td>
<td>n/a</td>
<td>70%</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Foster an empowered and inclusive workplace</td>
<td>12. Proportion of women in senior roles</td>
<td>n/a</td>
<td>70%</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preserve nature</td>
<td>19. Proportion of tobacco purchased at no risk of deforestation of managed natural forest and no conversion of natural ecosystems</td>
<td>31.1%</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

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Read more about the mechanics of the Sustainability Index and the definitions and methods underlying its constituent KPIs in PMI’s ESG KPI Protocol.
Summary of our approach to sustainability

2 pillars of impact
- PRODUCT
- OPERATIONAL

3 types of issue
- E (Environment)
- S (Social)
- G (Governance)

8 strategies

11 goals

19 metrics to measure progress

2025 Roadmap

Sustainability Index (S) 19 KPIs
PRODUCT IMPACT

- Purposefully phase out cigarettes
- Maximize the benefits of smoke-free products
- Seek net positive impact in wellness and healthcare
- Reduce post-consumer waste
Pre-transformation (in 2015), our combustible product volume totaled 881bn units, or 99.9% of our shipment ratio, and, since then, in only seven years, it has declined by 26%. Over the same period, our smoke-free shipment increased to 95bn units, representing 12.8% of our shipment volume in 2021.

Our goal

Intentionally work toward phasing out cigarettes by ensuring that smoke-free products represent at least 30% of our shipment volumes and more than half of our net revenues by the end of 2025 while continuing to reduce our combustible shipment volume.
Purposefully phase out cigarettes

To accelerate the end of smoking, we:

• Dedicate the vast majority of our resources to commercializing our smoke-free products
• Mobilize everyone—regardless of business function—to play a crucial role in delivering on this purpose
• Actively advocate for others in the industry to follow our lead by transforming their businesses, phasing out cigarettes, and reporting transparently on progress
• Advocate for a comprehensive and risk-proportionate regulatory framework that acknowledges not all tobacco and nicotine products are the same

Progress in 2021

• Smoke-free products represented 73% of our commercial expenditure (marketing)
• Smoke-free product shipment volume 95bn units
• Combustible product shipment volume 650bn units
• Smoke-free product shipment ratio (smoke-free/total) 12.8%
• Combustibles product shipment volume down 26% v 2015

To progress on our smoke-free journey, it is essential that we maintain our competitive position in the cigarette market during the transition period, where the extensive commercial and distribution infrastructure:

• Provides an effective platform from which to launch our smoke-free products at scale
• Enables us to inform adult smokers about the benefits of switching v continued smoking
Maximize the benefits of smoke-free products

At PMI, we want to accelerate the end of smoking. To that end, we are transforming our operations and value chain to develop and commercialize science-based better alternatives to smoking and purposefully phase out cigarettes.
Maximize the benefits of smoke-free products

Addressing the impact of our products on consumers’ health is at the core of our strategy and company purpose. We deploy the following approach:

- **Science-based, less harmful alternatives to cigarette smoking**
  - Individual risk reduction

- **Responsible marketing**
  - Reaching the intended audience

- **Access to smoke-free products and cigarette phaseout**
  - Consumer switching

**Maximized benefits of smoke-free products**
- Population harm reduction
Science-based, less harmful alternatives to cigarette smoking

PMI’s scientific assessment of smoke-free products

• 99% of adjusted R&D expenditure of USD 566m went to developing and scientifically assessing smoke-free products in 2021
• USD >9bn in researching and developing better alternatives to cigarettes since 2008
• 1,770 patents granted for smoke-free technologies by the five largest intellectual property offices in the world since 2015

Growing external scientific consensus

Around 280

Independent studies published on PMI’s smoke-free products or our methods and results as of March 16, 2022.

Available on PMIscience.com

1 Includes research, product development, production capacity, scientific substantiation, and studies on adult smoker understanding.
Access to smoke-free products

Progress in 2021

- 8/38 factories dedicated partially or fully to smoke-free products
- 21.7m adults use our smoke-free products, of whom estimated 15.3m switched to these products and stopped smoking
- Smoke-free products available in 71 markets, of which 43% are low- and middle-income markets
- 274 permanent IQOS boutiques and stores worldwide
- HTUs on average priced the same as or lower than an adult smoker’s current cigarette brand for estimated 58% of smokers in the geographies where we commercialize IQOS

Lack of awareness impedes tobacco harm reduction: only 25% of adult smokers in the markets in which PMI commercializes IQOS were aware of the product’s features and benefits compared with cigarette smoking.¹

¹In 2021 we improved our market research methodology by expanding beyond specific geographic focus areas (e.g., key cities) to full national coverage of our surveys, making a year-on-year comparison impossible. Applying the previous methodology and considering the same 54 markets covered in 2020, however, the proportion has increased from 36% in 2020 to 40% in 2021.
Access to smoke-free products continued

To phase out cigarettes entirely, we are expanding our smoke-free portfolio by:
- Improving current products
- Developing new ones
- Acquiring products and technologies that meet our scientific standards

- 10 heated tobacco and e-vapor devices
- 900 smoke-free consumable stock-keeping units (SKUs)
- 23 nicotine pouch SKUs commercialized under the Shiro brand, available for sale in 15 markets

If you don’t smoke, don’t start.
If you smoke, quit.
If you don’t quit, change.
“Unsmoke” campaign
**Responsible marketing**

**Management approach**

Our commercialization activities across the world are guided both by applicable laws and by a set of core principles:

- PMI products are only for adults who smoke or use other nicotine-containing consumer products.
- We warn consumers about the health impacts of our products.
- We communicate about our products to enable adult consumers to make informed choices.
- We market our products truthfully and transparently, with claims that are accurate and not misleading.
- We design, develop, and commercialize our products in ways that are consistent with our smoke-free purpose.

**Progress in 2021**

- New Marketing Review Council composed of members of Company Management to guide implementation of Marketing Codes across the organization.
- 70,000 people participated in at least one Marketing Codes-related training session. Of these:
  - 23,000 PMI employees
  - 47,000 third-party workers
- 13 substantiated violations by PMI employees. Disciplinary actions:
  - 15% termination
  - 8% suspension
  - 15% written warning
  - 62% verbal warning or counselling
- Markets representing 91% of total shipment volume implemented youth access prevention programs in indirect retail channels

See Marketing Codes
PRODUCT IMPACT

Seek net positive impact in wellness and healthcare

We are striving to become a company that has a net positive impact on society. Therefore, we are expanding our offerings to include products that will address critical unmet needs within the health and wellness space, moving from a value proposition centered on doing less harm toward one where we contribute to society in positive ways.

≥USD 1bn

At least USD 1bn in net revenues generated from wellness and healthcare products by 2025

To demonstrate the seriousness of our endeavor and the strategic relevance of this aim, we introduced a new topic, “Innovation in wellness and healthcare,” to our 2021 materiality assessment process, following the introduction of this new aspiration, which complements our Business Transformation Metrics and 2025 Roadmap.
Seek net positive impact in wellness and healthcare

Leveraging our scientific and engineering knowledge around aerosol chemistry and physics

Best-in-class preclinical safety and inhalation models

Repurposing our device technology for inhaled therapeutics

Repurposing the tobacco plant to serve other community needs, such as the world’s first plant-derived COVID-19 vaccine

Key growth areas
1. Wellness products
2. Healthcare products

Key strategies
1. Invest in R&D
2. Expand via strategic acquisitions
3. Finance innovation in life sciences, industrial technologies, product technologies, consumer engagement technologies

Key acquisitions in 2021

ESG Highlights | June 2022
**PRODUCT IMPACT**

**Reduce post-consumer waste**

Beyond our primary focus of replacing cigarettes with less harmful alternatives—thereby reducing the negative impacts of our products on the health of our consumers—we understand the need to address the environmental impact of our products by embedding principles of circularity and eco-design, implementing effective post-consumer waste management solutions, addressing litter, and promoting responsible disposal of products at their end-of-life.

### OUR ASPIRATIONS

<table>
<thead>
<tr>
<th>Year</th>
<th>Devices</th>
<th>Consumables</th>
<th>Packaging</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td></td>
<td></td>
<td>100% recyclable inner liners by year-end&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td>2023</td>
<td>70% effective recycling rate of our IQOS devices&lt;sup&gt;2&lt;/sup&gt;</td>
<td>≥80% of shipment volumes covered by markets with anti-littering programs in place for combustible cigarettes</td>
<td>100% of packaging made with recyclable materials</td>
</tr>
<tr>
<td>2025</td>
<td>≥1m smoke-free electronic devices refreshed or repaired (cumulative since 2021)</td>
<td>≥80% of shipment volume covered by markets with end-of-life take-back programs in place for smoke-free consumables</td>
<td>95% of packaging materials coming from renewable sources</td>
</tr>
</tbody>
</table>

- **Devices**
  - 100% of smoke-free electronic devices introduced on the market as of the end of 2025 that have eco-design certification
  - 100% of PMI smoke-free product users have access to collection and recovery of devices
  - 80% effective recycling rate of our IQOS devices<sup>2</sup>

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

- **Packaging**
  - 100% of smoke-free product users have access to collection and recovery of devices
  - 95% of packaging materials coming from renewable sources
  - 15% reduction of packaging materials weight v 2018 baseline

---

<sup>1</sup> For all markets where possible in compliance with local regulatory requirements.

<sup>2</sup> Effective recycling rate is calculated based on the proportion of device sales volume covered by the CIRCLE hubs program multiplied by the recycling rate of devices at the CIRCLE hubs (weighted average).
Reduce post-consumer waste

Smoke-free electronic devices

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

Progress in 2021

• 62,000 smoke-free electronic devices refreshed or repaired in newly launched second-life device program
• 86% recycling rate of IQOS devices at the CIRCLE hubs (weighted average)

Packaging

1. Minimize materials
2. Materials from renewable resources
3. Improve recyclability

Progress in 2021

• 95% of packaging material is recyclable; 90% is renewable
• Reduced packaging carbon emissions for IQOS ILUMA:
  • No plastic shrink film or plastic window; 9-ton reduction in plastics used
  • New packaging formats 40% lighter and 20% smaller; 43 tons of fiber-based packaging reduction with equivalent product protection

Use of materials in our packaging in 2021

- Paper and board
  - Packs and bundles, inner liners, and shipping cases: 385,167 tons, 90%
- Plastic
  - Over-wrap of packs and bundles, pouches, seal inner liners, and labels: 27,793 tons, 6%
- Aluminum
  - Inner liners (including seal) and other tobacco packaging: 2,444 tons, 1%
- Other
  - Inks and composite materials used in other tobacco product packaging: 12,193 tons, 3%

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1 For the definition of refreshed or repaired devices, see glossary and PMI’s ESG KPI Protocol.
2 Recycling rate: percentage of the weight of each device that is recycled, weighted-average depending on device type and processing facility (includes 78% recycling, 8% incineration with energy recovery). 2021 data covers CIRCLE hubs in Hungary and Japan.
Reduce post-consumer waste continued

Cigarettes

1. Replace the plastic in filters with better, more sustainable alternatives
2. Behavior change for responsible disposal

Progress in 2021

- Local anti-littering campaigns in 46 countries
- On World Cleanup Day PMI affiliates mobilized 3,150 volunteers in 53 countries to collect 17 tons of litter

Smoke-free consumables

1. Take-back and recycling schemes
2. Design for circularity and waste reduction
3. Responsible disposal

Progress in 2021

With the support of external partners, we piloted context-based, impactful anti-littering programs to collect and manage post-consumer waste from our smoke-free consumables in these markets. They align with global requirements to ensure consistency and comparability but adapt to each market.

We support an industry-wide Extended Producer Responsibility scheme as launched in the European Union, provided it is managed in a cost-efficient, proportionate, and transparent way that addresses the objectives of reducing litter and changing consumer behavior.

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

We ran a survey in Lithuania to complement past studies in Greece, Italy, and Japan to measure the proportion of HTUs v cigarette butts found on the ground. In partnership with third-party experts at Cortexia, we then compared that figure with the market share of HTUs v all tobacco products. Across the 3 major cities in Lithuania, the percentage of used HTUs among tobacco products littered was 2.4-4.5x lower than their sales market share. This finding suggests that an HTU is on average 3x less likely to be littered than a cigarette butt. See glossary for definition of HTUs.

June 2022
OPERATIONAL IMPACT

- Foster an empowered and inclusive workplace
- Improve the quality of life of people in our supply chain
- Tackle climate change
- Preserve nature
OPERATIONAL IMPACT

Foster an empowered and inclusive workplace

Our employees are drivers of innovation and the ambassadors of our purpose. We aspire to provide meaningful and fair employment, opportunities to grow, and a workplace that champions well-being and inclusion.

**OUR ASPIRATIONS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Metric</th>
<th>Target</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>100% of employees earning at least a living wage</td>
<td>Maintain</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>≥30 employee Net Promoter Score</td>
<td>Maintain</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>100% global EQUAL-SALARY certification</td>
<td>Maintain</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>40% of management positions held by women</td>
<td>Maintain</td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td>100% of PMI employees covered by new parental leave principles</td>
<td>Maintain</td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td>32% of senior roles held by women</td>
<td>Maintain</td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td>70% of PMI employees with access to lifelong learning offers</td>
<td>Maintain</td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td>&gt;70% perception of psychological well-being among our employees</td>
<td>Maintain</td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td>≥60% representation of any one gender in management positions</td>
<td>Maintain</td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td>≥20% representation of local talent in executive management teams of at least 80% of our markets</td>
<td>Maintain</td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td>≥20% representation of Asian talent in senior roles globally</td>
<td>Maintain</td>
<td></td>
</tr>
</tbody>
</table>

June 2022
Foster an empowered and inclusive workplace

Progress in 2021

Employee health and safety
- 0.09 integrated total recordable incidents rate (iTRIR)
- 0.05 lost time incident rate (LTIR) for employees, contracted employees, contractors

Fair working conditions
- Independent re-certification by EQUAL-SALARY Foundation that PMI pays men and women equally for equal work everywhere the company operates

Talent attraction, retention, and employability
- 44,089 employees (64% of total workforce) recorded average employee Net Promoter Score of 35 (minimum target 30)

Diversity, inclusion, and well-being
- Women held 39.7% of managerial roles and 31.1% of senior positions¹
- New Well-being Advisory Group, including senior leaders and advocates from various functions and regions, created a global framework and integrated and data-driven roadmap of priority actions

Measuring inclusion
In 2021, we sought to capture employee sentiment on inclusion via a survey on fair treatment, integrating differences, decision-making, psychological safety, trust, belonging, and diversity. We averaged the scores to build an ‘inclusion index’ that landed at 76%. This first attempt helped us set a baseline and to design programs for every function according to their results.

76% Inclusion Index

¹For definitions of managerial roles and senior positions, see glossary and PMI’s ESG KPI Protocol.
OPERATIONAL IMPACT

Improve the quality of life of people in our supply chain

Our supply chain connects us with millions of people, from the farmers cultivating tobacco and other agricultural products to workers at the supplier companies that provide the products and services used in our products or necessary to run our business.

OUR ASPIRATIONS

- >90% of contracted tobacco farms for which labor practices and adherence to our Agricultural Labor Practices Code are systematically monitored
- 100% of contracted tobacco farmers and farmworkers having access to personal protective equipment for the application of crop protection agents and prevention of green tobacco sickness
- 100% of tobacco farmworkers are provided with safe and adequate accommodation
- Maintain

2022
- 100% of contracted tobacco farmers paying their workers at least the minimum legal wage or agricultural benchmark
- 100% of contracted farmers supplying tobacco to PMI making a living income

2025
- 100% of critical suppliers from whom PMI sources sustainably
- Zero child labor in our tobacco supply chain
- 100% of contracted tobacco farmers supplying tobacco to PMI have basic water access

2030
- 100% of contracted tobacco farmers supplying tobacco to PMI have access to basic sanitation and hygiene
- 100% of contracted farmers supplying tobacco to PMI have basic water access
- 10 highest-risk countries covered by external human rights impact assessments, with findings addressed
- Zero child labor in our tobacco supply chain
- 100% of critical suppliers from whom PMI sources sustainably

June 2022
# Improve the quality of life of people in our supply chain

## Total number of child labor prompt actions recorded in 2021, by geography

<table>
<thead>
<tr>
<th>Country</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozambique</td>
<td>610</td>
</tr>
<tr>
<td>Turkey</td>
<td>376</td>
</tr>
<tr>
<td>North Macedonia</td>
<td>69</td>
</tr>
<tr>
<td>Malawi</td>
<td>39</td>
</tr>
<tr>
<td>Pakistan</td>
<td>22</td>
</tr>
<tr>
<td>Indonesia</td>
<td>13</td>
</tr>
<tr>
<td>Other</td>
<td>46</td>
</tr>
</tbody>
</table>

## Types of prompt action recorded in 2021 relating to safe working environment issues

<table>
<thead>
<tr>
<th>Action</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harvesting or handling green tobacco</td>
<td>59%</td>
</tr>
<tr>
<td>Stringing</td>
<td>24%</td>
</tr>
<tr>
<td>Carrying heavy loads</td>
<td>13%</td>
</tr>
<tr>
<td>Working with sharp tools</td>
<td>4%</td>
</tr>
<tr>
<td>Driving a tractor or operating machinery</td>
<td>2%</td>
</tr>
<tr>
<td>Handling or applying CPA or fertilizer</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>5%</td>
</tr>
</tbody>
</table>

## Progress in 2021

- 67% of contracted tobacco farmers made a living income
- Official living income\(^1\) benchmark studies completed or ongoing in five sourcing markets (India, Malawi, Mexico, Pakistan, Philippines)
- 95% of contracted tobacco farmers paying their workers at least the minimum legal wage or agricultural benchmark
- 1.8% prevalence of child labor in PMI’s tobacco supply chain\(^2\)
- Joined Responsible Business Alliance, the electronics industry initiative for sustainable supply chains, and used its Validated Assessment Program to evaluate suppliers

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\(^1\)For details on this indicator see PMI’s ESG KPI Protocol.

\(^2\)Includes all prompt actions raised and self-declared nonconformities reported for all contracted farms monitored for child labor. For details on this indicator see PMI’s ESG KPI Protocol.
**OPERATIONAL IMPACT**

**Tackle climate change**

Climate change is among the greatest threats to society. There is broad scientific consensus about the urgency of setting more ambitious emission reduction targets to limit the rise in the global temperature to 1.5 degrees Celsius above preindustrial levels. These commitments now need to translate into concrete actions that support and are fully aligned with the Paris Climate Agreement.

<table>
<thead>
<tr>
<th>Year</th>
<th>Goal</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>Zero</td>
<td>Coal used as curing fuel for the tobacco we source</td>
</tr>
<tr>
<td>2025</td>
<td>Carbon neutral</td>
<td>Carbon neutrality in our direct operations (scope 1+2)</td>
</tr>
<tr>
<td>2025</td>
<td></td>
<td>35% reduction in absolute GHG emissions in our tobacco supply chain v 2019 baseline</td>
</tr>
<tr>
<td>2030</td>
<td>50%</td>
<td>Reduction in absolute scope 1+2 GHG emissions v 2019 baseline (SBT)</td>
</tr>
<tr>
<td>2040</td>
<td>Net zero</td>
<td>GHG emissions in our value chain (scope 1+2+3)</td>
</tr>
</tbody>
</table>
Tackle climate change

Carbon emissions along our value chain in 2021

- **UPSTREAM VALUE CHAIN** (Scope 2: 85.9%)
  - Tobacco growing: 15.8%
  - Materials and services purchased, and related activities: 54.5%
  - Transportation and distribution: 14.4%

- **OUR DIRECT OPERATIONS** (Scope 1: 7.5%)
  - Offices and warehouses: 1.3%
  - 1.9% Fuel consumption from our vehicles and aircraft
  - 5.6% Fuel consumption in our offices, factories, and warehouses

- **DOWNSTREAM VALUE CHAIN** (Scope 2: 5.1%)
  - Use of our products: 2.6%
  - Transport and distribution: 1.2%
  - Indirect emissions from the generation of purchased or acquired electricity, steam, heat, or cooling consumed by PMI: 1.6%
  - Products end-of-life: 1.3%

See PMI’s Low-Carbon Transition Plan

1Presentation of information aligns with guidance of the Greenhouse Gas Protocol. Figures are rounded.
Tackle climate change continued

Our threefold approach to decarbonization

- **REDUCE**
  - Reduce consumption and optimize efficiency

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

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

With a significant portion of our GHG emissions arising from our non-tobacco supply chain, engaging with our non-tobacco suppliers to contribute to their transition toward a net zero economy is at the heart of our approach.

PMI believes in limiting the use of carbon market approaches (offsetting) in the short term by prioritizing direct investment in our supply chain in the medium and long term (insetting).

**Progress in 2021**

- CDP Climate Change rating A for 8th consecutive year
- Place on CDP Supplier Engagement Leaderboard for engaging suppliers in tackling climate change for 5th consecutive year
- Emissions across our value chain down by 18% v 2019 baseline
  - Scope 1+2 emissions down by 33% v 2019 baseline
  - Scope 3 emissions down by 17% v 2019 baseline
- Emissions per kg of tobacco from flue-curing down by 64% v 2019
- Published a Low-Carbon Transition Plan
- 81% of factory electricity from renewable sources
- 3 additional sites certified as carbon neutral (by end of 2021, in total 5 carbon neutral factories)
- Portfolio of Climate Investments launched to standardize approach to investments in offsets and insets and invested USD 4m
Tackle climate change continued

PMI’s Low-Carbon Transition Plan

See this graphic in full detail in PMI’s Low-Carbon Transition Plan
OPERATIONAL IMPACT

Preserve nature

Natural capital is a wealth we all share and depend on. It is essential that we protect, sustainably manage, and nurture it.

OUR ASPIRATIONS

Zero
- gross deforestation of primary and protected forests associated with our tobacco supply chain
- virtually zero production waste to landfills
- net deforestation of managed natural forest and no conversion of natural ecosystems in our tobacco supply chain
- of water optimized in our tobacco-growing areas (cumulative since 2019)

100%
- of tobacco purchased without detection of residues attributable to the use of highly hazardous pesticides
- water ratio in our manufacturing facilities (water withdrawn in m³ per million cigarettes equivalent)
- of our manufacturing facilities certified to the Alliance for Water Stewardship (AWS) standard
- of our tobacco-growing areas covered by local water risk assessments (cumulative since 2018)

>70%
- of flue-cured tobacco purchased cured with renewable fuel sources (self-sufficient firewood or biomass)
- gross deforestation of primary and protected forest associated with our supply of paper and pulp-based materials

2022

- virtually zero waste to landfill

2025

- net deforestation of managed natural forest and no conversion of natural ecosystems in our tobacco supply chain
- impact on forests associated with our tobacco supply chain

2030

- ≥10m m³ of water optimized in our tobacco-growing areas (cumulative since 2019)

Zero

- of our tobacco-growing areas covered by local water risk assessments (cumulative since 2018)
- net deforestation of managed natural forest and no conversion of natural ecosystems in the paper and pulp-based products supply chain

Water and biodiversity: During 2022 we will develop and introduce new KPIs and related aspirations for these two topics.
Preserve nature

Waste reduction

Our approach
• Avoid and reduce
• Reuse and recycle
• Recover

Progress in 2021
• Waste generated down 17% v 2020
• 83% of factories achieved virtually zero waste to landfill

Forestry management

Progress in 2021
• CDP Forest rating A for 2nd consecutive year
• Revised Zero Deforestation Manifesto, including targets on tobacco and paper and pulp-based supply chain
• 100% of tobacco purchased at zero risk of deforestation of primary or protected forests
• 75% of purchased flue-cured tobacco cured with renewable fuel
• 100% of suppliers of paper and pulp-based materials committed to help achieve our 2025 and 2030 targets and undergo a compliance assessment in 2022
Biodiversity protection

Priorities for PMI to build a holistic biodiversity strategy

- Tobacco supply chain: risks of loss of ecosystem area, chemical pollution, invasive species in the cultivation process
- Nontobacco supply chain: deforestation risks linked to the sourcing of paper and pulp-based materials
- Direct operations: proximity to protected and key biodiversity areas and good environmental practices at manufacturing sites
- Downstream: preventing littering of product consumables

Water stewardship

Progress in 2021

- CDP Water rating A for 3rd consecutive year
- Tobacco supply chain
  - Improved methodology to assess water risks, taking into account the size of each tobacco growing area, instead of single geographic locations. 79% of areas had medium to high, high, or extremely high physical risk (including 32% high or extremely high)
  - 4 on-the-ground water risk assessments conducted in Argentina, Brazil, the Philippines, Turkey
  - Optimized 437,915 m³ of water in our tobacco supply chain since 2019
- Operations
  - 2.6 water ratio in manufacturing (water withdrawn in m³ per million units of cigarettes sold); water intensity down 44% v 2018

For further info see our Environmental Commitment, Responsible Sourcing Principles, Good Agricultural Practices, Zero Deforestation Manifesto, Sustainable Design Framework, Water Stewardship Policy.

1 Water intensity is measured in m³ per million cigarettes produced equivalent. In 2021 we updated our methodology to account for the conversion factor of heated tobacco units to conventional cigarettes of 5:1 and have restated historical data accordingly. For details on this indicator see PMI’s ESG KPI Protocol.
FUNDAMENTALS

- Nicotine science
- Conduct R&D responsibly and transparently
- Sustain product reliability
- Respect human rights
- Manage our supply chain sustainably
- Uphold business ethics and integrity
- Safeguard data privacy and protection
- Apply fair fiscal practices
- Prevent illicit trade
Nicotine science

While nicotine is addictive and not risk-free, combustion is the primary cause of smoking-related diseases.

Our approach

1. Analyze the risks and potential benefits of nicotine use when not in combination with combusted tobacco and share our findings
2. Actively work toward responsibly commercializing tobacco and other nicotine-containing products
3. Conduct post-market studies to understand how our products are used and by whom

Nicotine plays an important role in helping adults who would otherwise continue to smoke to transition from cigarettes to better alternatives with a nicotine profile that resembles that of a cigarette.
Nicotine science continued
Conduct R&D responsibly and transparently

R&D is focused on developing and scientifically substantiating smoke-free alternatives to cigarettes.

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

Sharing our methods and findings

452+
Published papers on smoke-free products in peer-reviewed publications since 2008
Presented findings at conferences and virtual events in the field of toxicology, aerosol engineering, respiratory drug delivery

Open Science
conference series in 2021

Sustain product reliability

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

Quality management system
• Contracted farmers and suppliers
• Factories
• Inspection by authorities and certified bodies
• Packaging, storage, and transport of finished goods to consumers

Progress in 2021
• Zero product recalls
• 1,800 product quality associates
• ~100 corporate quality professionals
• PMI quality assurance colleague on site at each key electronic manufacturing supplier of smoke-free devices

June 2022
Respect human rights

Our aspiration

Conduct human rights impact assessments in the
10 highest-risk countries by 2025
and address findings¹

Progress in 2021

• 5 human rights impact assessments conducted and findings addressed (cumulative since 2018)¹
• 600 employees began or completed human rights e-training
• Mapped and prioritized salient human rights risks for our extended electronics supply chain
• Piloted new human rights impact assessment process and toolkit to enable medium- and low-risk country affiliates to self-identify salient human rights risks in their markets and develop action plans

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

Identifying human rights risks in our electronic supply chain

The human rights saliency mapping of our electronics manufacturing services and mechanical and electrical components found:

Visibility and risk management

- Robust at tier 1 and tier 2 supply chain levels and for specific tier 3+ minerals such as cobalt and tin, tantalum, tungsten, gold
- Limited visibility of upstream plastics supply chain and subcontracted services contracted by tier 1 and tier 2 suppliers
- Potential risk areas: working hours and wage-related risks in the subcontracted services supply chain; responsible sourcing of minerals, metals, plastics

Potential opportunities

- To influence human rights performance through direct engagement and capacity-building activities and continued integration of circularity and social responsibility principles in product development
- To use our leverage to advance respect for human rights further upstream in electronics supply chain

CASE STUDY: Assessing human rights impacts in the tobacco supply chain in Turkey. Read more.
Manage our supply chain sustainably

Progress in 2021

- 83% critical supplier spend sourced sustainably
- 35% supply chain spend on smoke-free products
- Transitioned supplier due diligence program to EcoVadis for non-electronics and Responsible Business Alliance for electronics

Direct spend with highest exposure to sustainability risk

<table>
<thead>
<tr>
<th>Main risks</th>
<th>2021 Supply chain spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tobacco production across Africa, Asia, South America</td>
<td>Tobacco leaf 11%</td>
</tr>
<tr>
<td>Working conditions, child labor, climate change, access to water, socioeconomic well-being of farming communities</td>
<td>Direct materials 19%</td>
</tr>
<tr>
<td>Electronics manufacturing</td>
<td>R&amp;D expenditure 2%</td>
</tr>
<tr>
<td>Working conditions</td>
<td>Indirect materials and services 53%</td>
</tr>
<tr>
<td>Paper and pulp-based materials</td>
<td>Technical procurement 4%</td>
</tr>
<tr>
<td>Deforestation, biodiversity loss, climate change</td>
<td>Advanced procurement 1%</td>
</tr>
</tbody>
</table>

See our Responsible Sourcing Principles and corresponding Implementation Guidance.

1 Calculation methodology evolved in 2021. Sustainable sourcing is determined based on a minimum threshold score of 45/100 in EcoVadis (for suppliers of direct materials) or 125/200 in Responsible Business Alliance (for electronics suppliers); all tobacco purchased from contracted tobacco farmers under the integrated production system is considered to be sustainable.
2 The leading global service provider of online ESG supplier assessments.
3 The electronics industry initiative for sustainable supply chains.
Manage our supply chain sustainably continued

Overview of electronics supply chain

Overview of tobacco supply chain

At a glance
>29,000 tier 1 suppliers
>180 markets
USD 11.1bn supply chain spend

Principles of sustainable supply chain management

• Proactive engagement
• Risk-based approach
• Continuous improvement

• Impactful programs to tackle climate change, protect nature, promote fair working conditions

Fundamentals continued

June 2022
Uphold business ethics and integrity

Our approach

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

Progress in 2021

• Closed 891 of 929 reports of suspected compliance allegations and other concerns, of which:
  • 508 (57%) involved a compliance allegation
  • 383 (43%) did not involve a compliance allegation
• 71.3% of employees received training related to topics in the Guidebook for Success (code of conduct)\(^1\)
• Total 261,890 training sessions completed by employees and third parties\(^2\)

Substantiated violations

- Theft and fraud: 30%
- Workplace integrity: 22%
- Failure to speak up or obstructing an investigation: 14%
- Other: 34%

\(^1\)As of 2021 the calculation is based on the 55,276 employees maintained in PMI’s central HR system.
\(^2\)2021 training completion data as of March 17, 2022.
Safeguard data privacy and protection

PMI’s Global Privacy Program sets standards for data privacy and security across markets and functions. It governs collection, processing and sharing of personal data by PMI affiliates. In 2021, we provided our workforce with renewed training to assist with identifying and reacting to key cyber threats.

Complemented by:

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

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

2021 taxes

<table>
<thead>
<tr>
<th></th>
<th>Baseline 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate income tax</td>
<td>2.7</td>
</tr>
<tr>
<td>Total excise taxes on PMI products</td>
<td>76.8</td>
</tr>
<tr>
<td>• Excise taxes on PMI products reported by PMI affiliates</td>
<td>50.8</td>
</tr>
<tr>
<td>• Excise taxes reported by our importers and distributors</td>
<td>26.0</td>
</tr>
<tr>
<td>VAT and sales tax</td>
<td>9.0</td>
</tr>
</tbody>
</table>

Prevent illicit trade

Progress in 2021

• Expanded coverage of illicit trade tracking and tracing processes and technologies in 140 countries
• PMI IMPACT launched third funding round
• Since 2016 USD 48m allocated to 60 projects in 30 countries
• Launched a video series explaining illicit trade and its scale

1/10 cigarettes smoked worldwide is estimated to be illicit, causing governments to lose as much as USD 50bn in tax revenue each year.

We support and fund external organizations through our PMI IMPACT global initiative, launched in 2016. By sponsoring third-party projects aimed at addressing illegal trade, we are fostering and mobilizing a network of like-minded organizations and institutions around topics including capacity building, restorative justice and victim protection, and international cooperation.
REPORTING

Consolidated list of forward-looking aspirations
Performance in ESG ratings, rankings, indices
Performance metrics
Further resources
About PMI
Glossary and acronyms
Notes
### Consolidated list of forward-looking aspirations

<table>
<thead>
<tr>
<th>Aspiration</th>
<th>Goal</th>
<th>Timeline</th>
<th>Sustainability Strategy</th>
<th>Sustainability Index</th>
<th>Material Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of markets where smoke-free products are available for sale</td>
<td>100</td>
<td>2025</td>
<td></td>
<td>5</td>
<td>Product health impact; Sales, marketing, and consumer communications</td>
</tr>
<tr>
<td>Proportion of markets where smoke-free products are available</td>
<td>&gt;50%</td>
<td>2025</td>
<td></td>
<td>5</td>
<td>Product health impact; Sales, marketing, and consumer communications</td>
</tr>
<tr>
<td>that are low- and middle-income markets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smoke-free product shipment volume (bn units)</td>
<td>&gt;250</td>
<td>2025</td>
<td></td>
<td>5</td>
<td>Product health impact</td>
</tr>
<tr>
<td>Combustible product shipment volume (bn units)</td>
<td>&lt;550</td>
<td>2025</td>
<td></td>
<td>5</td>
<td>Product health impact</td>
</tr>
<tr>
<td>Change in combustible product shipment volume v 2015 baseline</td>
<td>~(40%)</td>
<td>2025</td>
<td></td>
<td>5</td>
<td>Product health impact</td>
</tr>
<tr>
<td>Smoke-free product shipment ratio (smoke-free/total)</td>
<td>&gt;30%</td>
<td>2025</td>
<td></td>
<td>5</td>
<td>Product health impact</td>
</tr>
<tr>
<td>Total number of users of PMI smoke-free products (in millions)</td>
<td></td>
<td>2025</td>
<td></td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Estimated number of users who have switched to PMI smoke-free products</td>
<td>&gt;40</td>
<td>2025</td>
<td></td>
<td>5</td>
<td>Product health impact; Sales, marketing, and consumer communications</td>
</tr>
<tr>
<td>and stopped smoking (in millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted net revenues ratio (smoke-free/total)</td>
<td>&gt;50%</td>
<td>2025</td>
<td></td>
<td>5</td>
<td>Product health impact</td>
</tr>
<tr>
<td>Annual net revenue from wellness and healthcare products (in bn USD)</td>
<td>≥1</td>
<td>2025</td>
<td></td>
<td>5</td>
<td>Innovation in wellness and healthcare</td>
</tr>
<tr>
<td>Proportion of shipment volume covered by markets with youth</td>
<td>&gt;90%</td>
<td>Achieved 2020*</td>
<td>5</td>
<td>5</td>
<td>Product health impact; Sales, marketing, and consumer communications</td>
</tr>
<tr>
<td>access prevention programs in place in indirect retail channels</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Business Transformation Metric**

Note: See “Performance metrics” section of Integrated Report 2021 p 232-244 for complete aspirations with accompanying footnotes.

*We achieved the goal in this and subsequent years. Going forward we aim to maintain this level of performance.*

Maximize the benefits of smoke-free products

Purposefully phase out cigarettes

Seek net positive impact in wellness and healthcare
<table>
<thead>
<tr>
<th>Aspiration</th>
<th>Goal</th>
<th>Timeline</th>
<th>Sustainability Strategy</th>
<th>Sustainability Index</th>
<th>Material Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of shipment volumes covered by markets with anti-littering program in place for combustible cigarettes</td>
<td>≥80%</td>
<td>2025</td>
<td></td>
<td></td>
<td>Materials and product eco-design; post-consumer waste</td>
</tr>
<tr>
<td>Proportion of PMI smoke-free devices with eco-design certification</td>
<td>100%</td>
<td>2025</td>
<td></td>
<td></td>
<td>Materials and product eco-design; post-consumer waste</td>
</tr>
<tr>
<td>Cumulative number of smoke-free electronic devices refreshed or repaired since 2021 (in thousands)</td>
<td>&gt;1m</td>
<td>2025</td>
<td></td>
<td></td>
<td>Materials and product eco-design; post-consumer waste</td>
</tr>
<tr>
<td>Effective recycling rate IQOS devices</td>
<td>70%</td>
<td>2023</td>
<td></td>
<td></td>
<td>Materials and product eco-design; post-consumer waste</td>
</tr>
<tr>
<td></td>
<td>80%</td>
<td>2025</td>
<td></td>
<td></td>
<td>Materials and product eco-design; post-consumer waste</td>
</tr>
<tr>
<td>Proportion of IQOS device sales volume covered by the CIRCLE program</td>
<td>100%</td>
<td>2025</td>
<td></td>
<td></td>
<td>Materials and product eco-design; post-consumer waste</td>
</tr>
<tr>
<td>Recycling rate of IQOS devices at the CIRCLE hubs (weighted average)</td>
<td>80%</td>
<td>Achieved</td>
<td>2020*</td>
<td></td>
<td>Materials and product eco-design; post-consumer waste</td>
</tr>
<tr>
<td>Proportion of shipment volume covered by markets with end of life take-back programs in place for smoke-free consumables</td>
<td>≥80%</td>
<td>2025</td>
<td></td>
<td></td>
<td>Materials and product eco-design; post-consumer waste</td>
</tr>
<tr>
<td>Proportion of packaging material that is recyclable</td>
<td>100%</td>
<td>2025</td>
<td></td>
<td></td>
<td>Materials and product eco-design; post-consumer waste</td>
</tr>
<tr>
<td>Proportion of packaging material that is renewable</td>
<td>95%</td>
<td>2025</td>
<td></td>
<td></td>
<td>Materials and product eco-design; post-consumer waste</td>
</tr>
<tr>
<td>Reduction of packaging materials used v 2018 baseline</td>
<td>15%</td>
<td>2025</td>
<td></td>
<td></td>
<td>Materials and product eco-design; post-consumer waste</td>
</tr>
</tbody>
</table>

Note: See "Performance metrics" section of Integrated Report 2021 p 232-244 for complete aspirations with accompanying footnotes.

*We achieved the goal in this and subsequent years. Going forward we aim to maintain this level of performance.
## Consolidated list of forward-looking aspirations continued

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Proportion of PMI employees who have access to structured lifelong learning offers</td>
<td>&gt;70%</td>
<td>2025</td>
<td></td>
<td></td>
<td>Diversity and inclusion; human capital development</td>
</tr>
<tr>
<td>Employee Net Promoter Score</td>
<td>≥30</td>
<td>Achieved 2020*</td>
<td></td>
<td></td>
<td>Employee well-being</td>
</tr>
<tr>
<td>Integrated total recordable incidents rate (iTRIR) per 200,000 hours worked—PMI employees, contracted employees, and contractors</td>
<td>&lt;0.3</td>
<td>Achieved 2019*</td>
<td></td>
<td></td>
<td>Health and safety at work</td>
</tr>
<tr>
<td>Collision rate within PMI’s fleet of vehicles per year (collisions per million km driven)</td>
<td>&lt;0.65</td>
<td>Achieved 2020*</td>
<td></td>
<td></td>
<td>Health and safety at work</td>
</tr>
<tr>
<td>Proportion of manufacturing facilities with ISO 45001 certification</td>
<td>100%</td>
<td>Achieved 2020*</td>
<td></td>
<td></td>
<td>Health and safety at work</td>
</tr>
<tr>
<td>Proportion of management positions held by women</td>
<td>≥40%</td>
<td>2022</td>
<td></td>
<td></td>
<td>Diversity and inclusion; human capital development</td>
</tr>
<tr>
<td>Proportion of women in senior roles</td>
<td>32%</td>
<td>2023</td>
<td></td>
<td></td>
<td>Diversity and inclusion; human capital development</td>
</tr>
<tr>
<td>Proportion of critical suppliers from whom PMI sources sustainably</td>
<td>100%</td>
<td>2025</td>
<td></td>
<td></td>
<td>Sustainable supply chain management</td>
</tr>
<tr>
<td>Proportion of tobacco purchased through direct contracts by PMI and PMI tobacco suppliers</td>
<td>&gt;90%</td>
<td>Achieved 2017*</td>
<td></td>
<td></td>
<td>Sustainable supply chain management</td>
</tr>
<tr>
<td>Cumulative number of human rights impact assessments conducted since 2018, with findings addressed</td>
<td>10 highest-risk countries</td>
<td>2025</td>
<td></td>
<td></td>
<td>Respect for human rights</td>
</tr>
</tbody>
</table>

Note: See "Performance metrics" section of Integrated Report 2021 p 232-244 for complete aspirations with accompanying footnotes.

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<tbody>
<tr>
<td>Proportion of contracted tobacco farms for which labor practices have been systematically monitored (adherence to PMI’s Agricultural Labor Practices)</td>
<td>&gt;90%</td>
<td>Achieved 2019*</td>
<td>🍈</td>
<td>🍈</td>
<td>Socioeconomic well-being of tobacco-farming communities; Labor standards</td>
</tr>
<tr>
<td>Proportion of contracted tobacco farmers supplying tobacco to PMI who make a living income</td>
<td>100%</td>
<td>2025</td>
<td>🍈</td>
<td>🍈</td>
<td>Socioeconomic well-being of tobacco-farming communities; Labor standards</td>
</tr>
<tr>
<td>Proportion of contracted tobacco farmers paying their workers at least the minimum legal wage or agricultural benchmark</td>
<td>100%</td>
<td>2022</td>
<td>🍈</td>
<td>🍈</td>
<td>Socioeconomic well-being of tobacco-farming communities; Labor standards</td>
</tr>
<tr>
<td>Prevalence of child labor in PMI’s tobacco supply chain</td>
<td>Zero</td>
<td>2025</td>
<td>🍈</td>
<td>🍈</td>
<td>Socioeconomic well-being of tobacco-farming communities; Labor standards</td>
</tr>
<tr>
<td>Proportion of contracted tobacco farmers who have access to water</td>
<td>100%</td>
<td>2025</td>
<td>🍈</td>
<td>🍈</td>
<td>Socioeconomic well-being of tobacco-farming communities; Labor standards</td>
</tr>
<tr>
<td>Proportion of contracted tobacco farmers and farmworkers having access to personal protective equipment</td>
<td>100%</td>
<td>Achieved 2020*</td>
<td>🍈</td>
<td>🍈</td>
<td>Socioeconomic well-being of tobacco-farming communities; Labor standards</td>
</tr>
<tr>
<td>Proportion of tobacco farmworkers provided with safe and adequate accommodation</td>
<td>100%</td>
<td>Achieved 2020*</td>
<td>🍈</td>
<td>🍈</td>
<td>Socioeconomic well-being of tobacco-farming communities; Labor standards</td>
</tr>
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<tbody>
<tr>
<td>Proportion of tobacco purchased at no risk of gross deforestation of primary and protected forests</td>
<td>100%</td>
<td>Achieved 2020*</td>
<td></td>
<td></td>
<td>Biodiversity</td>
</tr>
<tr>
<td>Proportion of tobacco purchased at no risk of net deforestation of managed natural forest and no conversion of natural ecosystems</td>
<td>100%</td>
<td>2025</td>
<td></td>
<td></td>
<td>Biodiversity</td>
</tr>
<tr>
<td>Proportion of flue-cured tobacco purchased that is cured with renewable fuel sources (self-sufficient firewood and biomass adoption)</td>
<td>&gt;70%</td>
<td>Achieved 2021¹</td>
<td></td>
<td></td>
<td>Biodiversity</td>
</tr>
<tr>
<td>CDP Forest rating</td>
<td>A</td>
<td>Achieved 2020*</td>
<td></td>
<td></td>
<td>Biodiversity</td>
</tr>
<tr>
<td>m³ of water optimized in our tobacco-growing areas (cumulative since 2019)</td>
<td>≥10m</td>
<td>2030</td>
<td></td>
<td></td>
<td>Water</td>
</tr>
<tr>
<td>Water ratio (water withdrawn in m³ per million units of cigarettes sold)</td>
<td>&lt;3.1</td>
<td>Achieved 2019²</td>
<td></td>
<td></td>
<td>Water</td>
</tr>
<tr>
<td>CDP Water rating</td>
<td>A</td>
<td>Achieved 2019*</td>
<td></td>
<td></td>
<td>Water</td>
</tr>
<tr>
<td>Proportion of tobacco purchased without detection of residues attributable to the use of highly hazardous pesticides (HHPs), as defined by FAO and WHO guidelines in 2016</td>
<td>100%</td>
<td>Achieved 2020³</td>
<td></td>
<td></td>
<td>Biodiversity</td>
</tr>
<tr>
<td>Proportion of tobacco purchased without detection of residues attributable to the use of WHO TOX1 group of crop protection agents</td>
<td>100%</td>
<td>Achieved 2018⁴</td>
<td></td>
<td></td>
<td>Biodiversity</td>
</tr>
<tr>
<td>Proportion of waste from PMI operations that is recycled (in metric tons)</td>
<td>85%</td>
<td>Achieved 2020*</td>
<td></td>
<td></td>
<td>Operational discharge</td>
</tr>
<tr>
<td>Waste from PMI operations to landfill (in metric tons)</td>
<td>Zero</td>
<td>2022</td>
<td></td>
<td></td>
<td>Operational discharge</td>
</tr>
<tr>
<td>Manufacturing facilities certified to ISO 14001</td>
<td>100</td>
<td>Achieved 2020*</td>
<td></td>
<td></td>
<td>Health and safety at work</td>
</tr>
</tbody>
</table>

Preserve nature

Note: See “Performance metrics” section of Integrated Report 2021 p 232-244 for complete aspirations with accompanying footnotes. During 2022 we will develop and introduce new KPIs and related aspirations on water and biodiversity.

¹We achieved this goal in this and subsequent years. Going forward we aim to maintain this level of performance.

²In 2019 and 2020 we achieved this goal with 3.9 and 3.5 respectively; in 2021 we did not achieve it with 2.6.

³We achieved this goal in 2020. The 2021 crop season data were not available at the time of the publication of PMI’s Integrated Report 2021.

⁴We achieved this goal in 2018, 2019, 2020. The 2021 crop season data were not available at the time of the publication of PMI’s Integrated Report 2021.

Going forward we aim to maintain this level of performance.

*We achieved the goal in this and subsequent years. Going forward we aim to maintain this level of performance.

Preserve nature
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</tr>
</thead>
<tbody>
<tr>
<td>Absolute reduction of CO₂e scope 1+2 v 2019 baseline</td>
<td>50%</td>
<td>2030</td>
<td></td>
<td></td>
<td>Climate</td>
</tr>
<tr>
<td>Net CO₂e scope 1+2 (metric tons)</td>
<td>Carbon neutrality</td>
<td>2025</td>
<td></td>
<td>SI</td>
<td>Climate</td>
</tr>
<tr>
<td>Proportion of electricity used and purchased that is from renewable sources</td>
<td>100%</td>
<td>2025</td>
<td></td>
<td></td>
<td>Climate</td>
</tr>
<tr>
<td>Number of carbon-neutral factories</td>
<td>All</td>
<td>2025</td>
<td></td>
<td></td>
<td>Climate</td>
</tr>
<tr>
<td>Absolute reduction of CO₂e scope 3 v 2019 baseline</td>
<td>25%</td>
<td>2025</td>
<td></td>
<td>SI</td>
<td>Climate</td>
</tr>
<tr>
<td>Absolute reduction of CO₂e scope 3 from tobacco supply chain v 2019 baseline</td>
<td>50%</td>
<td>2030</td>
<td></td>
<td></td>
<td>Climate</td>
</tr>
<tr>
<td>CO₂e intensity reduction in tobacco curing v 2019 baseline</td>
<td>75%</td>
<td>2025</td>
<td></td>
<td></td>
<td>Climate</td>
</tr>
<tr>
<td>Absolute reduction of CO₂e scope 1+2+3</td>
<td>Net zero</td>
<td>2040</td>
<td></td>
<td></td>
<td>Climate</td>
</tr>
<tr>
<td>CDP Climate Change rating</td>
<td>A</td>
<td>Achieved 2014*</td>
<td></td>
<td></td>
<td>Climate</td>
</tr>
<tr>
<td>Absolute reduction of CO₂e scope 1+2 v 2019 baseline</td>
<td>50%</td>
<td>2030</td>
<td></td>
<td></td>
<td>Climate</td>
</tr>
<tr>
<td>Net CO₂e scope 1+2 (metric tons)</td>
<td>Carbon neutrality</td>
<td>2025</td>
<td></td>
<td></td>
<td>Climate</td>
</tr>
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</table>

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## Performance in ESG ratings, rankings, indices

<table>
<thead>
<tr>
<th>Rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>S&amp;P Global Corporate Sustainability Assessment</strong></td>
<td>PMI was selected for the 2nd year in a row as a member of the Dow Jones Sustainability Index North America and improved its corporate sustainability assessment score by 9 points v 2020 (score as of January 21, 2022).</td>
</tr>
<tr>
<td><strong>Sustainalytics</strong></td>
<td>PMI maintained its “Medium ESG Risk” classification, improving its score to achieve an ESG Risk Rating of 22.9 (a Sustainalytics score of 0/100 represents the lowest ESG risk). PMI’s ESG Risk Rating places the company 3rd in the Tobacco subindustry and in the 9th percentile of the industry group in which we are assessed (Food Products). (Score as of October 6, 2021.)</td>
</tr>
<tr>
<td><strong>MSCI</strong></td>
<td>PMI maintained a rating of BBB in the MSCI ESG Rating assessment (score as of September 22, 2021).</td>
</tr>
<tr>
<td><strong>CDP Climate, Forest, Water Security</strong></td>
<td>PMI was awarded a Triple A score for the second consecutive year in recognition of its efforts to combat climate change, protect forests, and promote water security.</td>
</tr>
<tr>
<td><strong>CDP Supplier Engagement</strong></td>
<td>PMI earned a place on CDP’s Supplier Engagement Leaderboard for the 5th consecutive year.</td>
</tr>
<tr>
<td><strong>Bloomberg Gender-Equality Index</strong></td>
<td>PMI was included for the 2nd year in a row in the Bloomberg Gender-Equality Index (GEI) for its transparency in gender reporting and advancing women’s equity.</td>
</tr>
<tr>
<td><strong>S&amp;P ESG Evaluation</strong></td>
<td>PMI scored 60/100, based on its ESG Profile Score (57/100) and Preparedness Opinion (“Adequate”). The former is based on entity-specific scores and sector/region scores (score as of May 13, 2021; report available here).</td>
</tr>
<tr>
<td><strong>Tobacco Transformation Index</strong></td>
<td>PMI ranked 2nd out of 15 tobacco companies assessed, leading the industry in the “Strategy and Management” category (2020 ranking—assessment is conducted every 2 years).</td>
</tr>
<tr>
<td><strong>ISS-oekom</strong></td>
<td>“C” score, achieving industry leadership (2019 score; assessment is expected to be updated in 2022).</td>
</tr>
<tr>
<td><strong>State Street R-Factor</strong></td>
<td>Outperformer within the tobacco industry; industry average score of 57 (score as of March 1, 2022).</td>
</tr>
</tbody>
</table>

2021 score: 83/100

Member of Dow Jones Sustainability Indices

[Power by the S&P Global CSA](#)
Performance metrics

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

- Business Transformation-Linked Financing Framework
- Sustainability Materiality Report
- Low-Carbon Transition Plan
- Climate Justice in Global Supply Chains: A perspective for the private sector
- Agricultural Labor Practices 10-year Anniversary Report

More resources
- Sustainability Resources
- Subscribe to PMI’s quarterly Sustainability newsletter

Case studies
- Collaborating to improve the social conditions in Turkey’s tobacco supply chain
- Tackling the littering problem through awareness-raising and innovation in Mexico
- Leading on water stewardship in the Philippines
- Fit for the future – PMI’s lifelong learning program in Turkey
- Displacement of cigarette smoking through uptake of heated tobacco products
- Impact of PMI’s expansion in wellness and healthcare on different forms of capital
About PMI

we were
we are transforming for good
we will be

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, including heat-not-burn, vapor and oral nicotine products, which are sold in markets outside the U.S. Since 2008, PMI has invested more than USD 9 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. The U.S. Food and Drug Administration (FDA) has authorized the marketing of versions of PMI’s IQOS Platform 1 devices and consumables as Modified Risk Tobacco Products (MRTPs), finding that exposure modification orders for these products are appropriate to promote the public health. As of March 31, 2022, PMI’s smoke-free products were available for sale in 71 markets, and PMI estimates that approximately 12.7 million adults around the world, excluding Russia and Ukraine, had already switched to IQOS and stopped smoking. With a strong foundation and significant expertise in life sciences, in February 2021 PMI announced its ambition to expand into wellness and healthcare areas and deliver innovative products and solutions that aim to address unmet consumer and patient needs.

For more information, please visit www.pmi.com and www.pmiscience.com
Mr. Philip Morris opens a shop on London's Bond Street, selling tobacco and ready-made cigarettes

Philip Morris & Co., Ltd. is incorporated in New York

Marlboro, which will become the company’s most famous brand, is established and registered as a trademark

A new company is incorporated in Virginia under the name Philip Morris & Co. Ltd., Inc. and starts to manufacture cigarettes in its factory in Richmond by the end of the next decade

The entity purchases Fabriques de Tabac Réunies in Neuchâtel, Switzerland, a family business that already began to manufacture Marlboro cigarettes under license in 1957

Philip Morris International Inc. (PMI) is incorporated as an operating company of Philip Morris Companies Inc.

PMI’s Operations Center is transferred from New York to Lausanne, Switzerland.

PMI spins off from Altria Group, Inc. and becomes an independent and separate company

PMI unveils its new R&D facility in Neuchâtel, Switzerland

PMI pilots its heat-not-burn product, IQOS, in Italy and Japan

PMI announces its transformation and ambition to deliver a smoke-free future, shifting its resources toward the development and responsible marketing of scientifically substantiated smoke-free products

PMI’s Board of Directors adopts PMI’s Statement of Purpose, reaffirming the company’s commitment to deliver a smoke-free future

PMI acquires OtiTopic, Fertin Pharma, AG Snus, and Vectura; announces ambition to become majority smoke-free company in terms of revenues by 2025

PMI updates Statement of Purpose to reflect its long-term strategy beyond delivering a smoke-free future, seeking net positive impact in wellness and healthcare

PMI aims for at least USD 1bn net revenues to derive from wellness and healthcare products and less than half of net revenues from cigarettes
Glossary and acronyms

3TGs – Tin, tantalum, tungsten, and gold
Aerosol – Gaseous suspension of fine solid particles and/or liquid droplets
ALP – Agricultural Labor Practices
AWS – Alliance for Water Stewardship
CA – Cellulose acetate
Caregiver – A person who has responsibility for the care of a newborn child or newly adopted child following the child’s arrival
PMI recognizes revenue when control is transferred to the consumer, as presented on our PMI.com site (also referred to as “our web presence” or “website” or “website presence” or “web presence”) or to the party to which we ship the product
Contracted employee – We define a contractor as a person employed or working on behalf of a third-party company contracted by PMI, who remains under the direct supervision of their employer rather than PMI and are often involved in project-specific or outsourcing arrangements
E&G – Ethics & Compliance
E-liquids – A liquid solution that is used in/electronically cigarettes. E-liquids contain different levels of nicotine in a propylene glycol and/or vegetable glycerin-based solution with various flavors
Employee resource groups or ERGs – Employee-led groups that focus on particular dimensions of diversity and are intended to provide a platform for building a sense of belonging and sparking conversations
EPR – Extended Producer Responsibility
ESG – Environmental, social, and governance
E-vapor product – Electrical product that generates an aerosol by heating a nicotine or non-nicotine containing liquid, such as electronic cigarettes (or “e-cigarettes”)
FAO – Food and Agriculture Organization of the United Nations
FCTC – WHO Framework Convention on Tobacco Control
FDA – U.S. Food and Drug Administration
GAP – Good Agricultural Practices
Gender pay gap – Calculated as the percentage difference between the sum of annual base salary, bonus, and stock options.
GHG – Greenhouse gas
GPP – Global Privacy Program
Heated tobacco product or HTP – A manufactured tobacco product that delivers a nicotine-containing aerosol (aerosol), without combustion of the tobacco mixture
Heated tobacco units or HTUs – The term we use to refer to heated tobacco consumables, which for PMI include the company’s HEETS, HEETS Creations, HEETS Dimensions, HEETS Marlboro and HEETS FROM MARLBORO (defined collectively as HEETS), Marlboro Dimensions, Marlboro HeatSticks, Parliament HeatSticks and TEREA, as well as the KT&G-licensed brand, Fit and Mix (outside of South Korea)
HPCPs – The harmful or potentially harmful constituents which have been identified as likely causes of tobacco-related diseases by various public health institutions
Human rights impact assessment or HRIA – Assessments to identify human rights risks and adverse impacts
Human rights salient issues – Those human rights that stand out because they are at risk of the most severe negative impact through the company’s activities or business relationships (source: UN Guiding Principles)
Illicit trade – Domestic non-tax paid products
ILD – International Labour Organization
In-market sales or IMS – Sales to the retail channel, depending on the market and distribution model
In-setting – The act of generating a carbon credit within the corporate’s sphere of influence and retiring the unit on behalf of 1 ton of carbon that has been emitted by the corporate (source: International Carbon Reduction and Offset Alliance)
IPM – Integrated Pest Management
IPS – Integrated Production System
iQOS heat-not-burn devices – Precisely controlled heating devices into which specially designed and proprietary tobacco units are inserted and heated to generate an aerosol
ITP – Illicit trade prevention
KPIs – Key Performance Indicators
LCA – Life-cycle analysis
LCTP – Low-Carbon Transition Plan
Low- and middle-income markets or LMIMs – Markets comprising countries classified by the World Bank as low- and middle-income economies based on its Gross National Income (GNI) per capita; or where no World Bank classification exists, those with Gross National Income (GNI) per Capita below the World Bank Low Income threshold
LTR – Lost Time Incidence Rate
Management positions – The term we generally use to refer to all positions in a defined salary grade and above, regardless of their job title or function.
Managers – The term we use to refer to employees in salary grade 10 to 13
Market share for HTUs – Total sales volume for HTUs as a percentage of the total estimated sales volume for cigarettes and HTUs
MRTP – Modified Risk Tobacco Product
MVR – Monitoring, Verification, and Reporting Framework for Sustainable Leaf Curing Fuels
NCGC – Nominating and Corporate Governance Committee of PMI’s Board of Directors
Net revenues related to combustible products – The operating revenues generated from the sale of these products, including shipping and handling charges billed to customers, net of sales and promotion incentives, and excise taxes. PMI recognizes revenue when control is transferred to the customer, typically either upon shipment or delivery of goods
Net revenues related to smoke-free products – Reflect operating revenues from the sale of non-combustible products, including shipping and handling charges billed to customers, net of sales and promotion incentives, and excise taxes
NGOs – Non-governmental organizations
Non-combustible products – The term PMI uses to refer to products, excluding cigarettes and OTP. This may include heated tobacco units, heat-not-burn devices and related accessories, other nicotine-containing products, primarily e-vapor products, and products in wellness and healthcare
NRTs – Nicotine replacement therapies
Parliament
Post-heat set
Post-heat set materials (mostly in the form of finished products) flow away from the Downstream supply chain
CPA – Crop protective agent
Directors – The term we use to refer to employees in salary grade 14 to 16
Downstream supply chain – Those stages in the supply chain in which materials (mostly in the form of finished products) flow away from the organization to the customers/consumers.
E&S – Ethics & Compliance
E-liquids – A liquid solution that is used in with e-cigarettes. E-liquids contain different levels of nicotine in a propylene glycol and/or vegetable glycerin-based solution with various flavors
Employee resource groups or ERGs – Employee-led groups that focus on particular dimensions of diversity and are intended to provide a platform for building a sense of belonging and sparking conversations
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Glossary and acronyms continued

OECD – Organisation for Economic Cooperation and Development
Offsetting – The act of purchasing a carbon credit generated outside the corporate’s sphere of influence and retiring the unit on behalf of 1 ton of carbon that has been emitted by the corporate (source: International Carbon Reduction and Offset Alliance)
Other Tobacco Product or OTP – Primarily roll-your-own and make-your-own cigarettes, pipe tobacco, cigars and cigarillos, and does not include smoke-free products
P&C – People and Culture
PCI – Portfolio of Climate Investments
PMI heat-not-burn products – Include licensed KT&G heat-not-burn products
PMI Regions – We manage our business in six geographical segments and an Other category: the European Union region (EU); the Eastern Europe region (EE); the Middle East & Africa region (MEA); which includes PMI’s international duty-free business; the South & Southeast Asia region (SS&SA); the East Asia & Australia region (EA&AA); the Americas (AMCS); and Other, which includes our third quarter 2021 acquisitions of Fertin Pharma A/S, Vectura Group plc., and Oxtopic, Inc.
QMS – Quality management system
R&D – Research and development
RBA – Responsible Business Alliance
Refreshed devices – Smoke-free devices resulting from the care and maintenance refresh services (that may include unpacking, diagnostics, cleaning, firmware update, cosmetic parts replacement, battery charging, and repacking of devices) that meet the agreed quality requirements to allow for their re-use as pre-owned devices
Repaired devices – Smoke-free devices resulting from the care and maintenance repair services (that may include unpacking, diagnostics, testing, cleaning, battery charging, firmware update, cosmetic part or battery replacement, component harvesting, and repacking of devices) that meet the agreed quality requirements to allow for their re-use as pre-owned devices
RSP – Responsible Sourcing Principles
SBT – Science-based target
SBTI – Science Based Targets Initiative
SDGs – Sustainable Development Goals
Senior leaders – The term we use to refer to employees in senior leadership roles; it includes all employees in salary grade 17 and above
Senior roles – The term we generically use to refer to all positions in a defined salary grade (14) and above, regardless of their job title or function
Smoke – A visible suspension of solid particles, liquid droplets, and gases in air, emitted when a material burns
Smoke-free products, reduced risk products (RRPs), or noncombusted alternatives (NCAs) – The terms we use to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products vs continuing smoking. PMI has a range of smoke-free products in various stages of development, scientific assessment, and commercialization. PMI’s smoke-free products contain and/or generate far lower quantities of harmful and potentially harmful constituents than found in cigarette smoke.
Smoke-free product consumables – The term PMI uses to refer to heated tobacco units used with heat-not-burn products, and cartridges containing e-liquids that are used for e-vapor products and oral nicotine products including snus and nicotine pouches
SUP – Single-use plastics
TCFD – Task Force on Climate-related Financial Disclosures
TGA – Tobacco growing area
Tier 1 suppliers – Suppliers that directly supply goods, materials or services to PMI
Tier 2 suppliers – Suppliers that provide their products and services to the Tier 1 suppliers
TNFD – Taskforce on Nature-related Financial Disclosures
Tons – “Tons” equates to “metric tons” throughout this presentation
Total IQOS users – The estimated number of legal age (minimum 18 years) users of PMI heat-not-burn products, for which PMI HTUs represented at least a portion of their daily tobacco consumption over the past seven days. The estimated number of adults who have “switched to IQOS and stopped smoking” reflects:
• for markets where there are no heat-not-burn products other than PMI heat-not-burn products: daily individual consumption of PMI HTUs represents the totality of their daily tobacco consumption in the past seven days;
• for markets where PMI heat-not-burn products are among other heat-not-burn products: daily individual consumption of HTUs represents the totality of their daily tobacco consumption in the past seven days, of which at least 70% is PMI HTUs.
Note: The above IQOS user metrics reflect PMI estimates, which are based on consumer claims and sample-based statistical assessments with an average margin of error of ±5% at a 95% confidence interval in key volume markets. The accuracy and reliability of IQOS user metrics may vary based on individual market maturity and availability of information.
Total shipment volume – Includes cigarettes, OTPs, and smoke-free product consumables
TRIR – Total Recordable Incident Rate. The integrated Total Recordable Incident Rate (or TRIR) covers PMI employees, contracted employees, and contractors
UNGS – United Nations Guiding Principles on Business and Human Rights
Upstream supply chain – Those operations in which the materials flow into the organization (i.e., it mainly refers to procurement activities and inbound logistics)
VAP – Validated Assessment Program of the Responsible Business Alliance (RBA) is a leading standard for on-site compliance verification and effective, shareable audits
WASH – Water, access, sanitation, and hygiene
WBSCD – World Business Council for Sustainable Development
WHO – World Health Organization
ZDM – Zero Deforestation Manifesto

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

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

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

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

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

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

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

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

**Living Income Reference Values** represent a living income for typical families in rural (or urban) areas of low-income and middle-income countries. Reference Values provide a credible estimate of living wage or income at a country level, for rural and urban areas. They offer an insightful reference beyond the currently available indicators for many countries, which are mostly limited to poverty lines and minimum wages.

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

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


3 Reference values are built on data and knowledge gained from 40 complete Anker methodology benchmark studies. Since they are based on a statistical analysis, they have a margin of error for typical rural (or urban) areas of a country, which is generally around +/- 10% using a 95% confidence interval. Sources: Living Income Reference Values | livingincome (livingincome.com) and Anker Living Wage and Living Income Reference Values | Global Living Wage Coalition.
In this presentation, “PMI,” “we,” “us,” and “our” refers to Philip Morris International Inc. and its subsidiaries.

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

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Unless otherwise stated, references to total industry, total market, PMI shipment volume, and PMI market share performance reflect cigarettes and heated tobacco units.

References to total international market, defined as worldwide cigarette and heated tobacco unit volume excluding the U.S., total industry, total market, and market shares are PMI estimates for tax-paid products based on the latest available data from a number of internal and external sources and may, in defined instances, exclude the People’s Republic of China and/or PMI’s duty-free business.

2020 and 2021 estimates for total industry volume and market share in certain geographies reflect limitations on the availability and accuracy of industry data during pandemic-related restrictions.