



Business Transformation- Linked Financing Framework

NOVEMBER 2024



PHILIP MORRIS INTERNATIONAL

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About this Framework

Building on [PMI's 2021 Business Transformation-Linked Financing Framework](#), we are now issuing an updated version that aligns with our current sustainability strategy and focuses on KPIs and related aspirations that extend beyond 2025.

The selected KPIs are consistent with the outcome of PMI's latest sustainability materiality assessment (performed in 2021 and confirmed in 2023). They respond to the core of our sustainability strategy, are measurable, ambitious, periodically reported upon, and assessed independently by our external auditors.

As in 2021, this Framework also seeks alignment with the five core components of the Sustainability-Linked Bond Principles published by the International Capital Market Association (ICMA) in June 2024 and the Sustainability-Linked Loan Principles published by the Loan Market Association (LMA) in February 2023.

About Philip Morris International

Since 2008, PMI has invested over \$12.5 billion to develop, scientifically substantiate and commercialize innovative smoke-free products¹ for adults who would otherwise continue to smoke, with the goal of completely ending the sale of cigarettes. This investment includes the building of world-class scientific assessment capabilities, notably in the areas of pre-clinical systems toxicology, clinical and behavioral research, as well as post-market studies.

In 2022, PMI acquired Swedish Match – a leader in oral nicotine delivery – creating a global smoke-free combination led by the companies' IQOS and ZYN brands. The U.S. Food and Drug Administration has authorized versions of PMI's IQOS devices and consumables and Swedish Match's *General* snus as modified risk tobacco products. Renewal applications for these IQOS products are pending before the FDA.² As of September 30, 2024, PMI's smoke-free products were available for sale in 92 markets, and PMI estimates that 36.5 million³ adults around the world use PMI's smoke-free products. The smoke-free business⁴ accounted for approximately 38% of PMI's total first-nine months 2024 net revenues.

→ For more information, please visit www.pmi.com and www.pmiscience.com

¹ Smoke-free products is the term we use to refer to all of our products that provide nicotine without combusting tobacco, such as heat-not-burn, e-vapor, and oral smokeless, and that therefore generate far lower levels of harmful chemicals. As such, these products have the potential to present less risk of harm versus continued smoking.

² In the United States, an established regulatory framework for assessing "Modified Risk Tobacco Products" ("MRTP") and "New Tobacco Products" exists under the jurisdiction of the U.S. Food and Drug Administration ("FDA").

³ As of June 30, 2024

⁴ Smoke-free business is the term PMI uses to refer to all of its smoke-free products. Smoke-free business also includes wellness and healthcare products, as well as consumer accessories, such as lighters and matches.



Transforming our business

In 2016, we were the first company to announce its smoke-free vision and commitment to phasing out cigarettes, encouraging adults who would otherwise continue to smoke to switch completely to better alternatives.

Combustible tobacco products currently represent the largest share of the global tobacco and nicotine business, with cigarettes remaining the dominant tobacco product used by nicotine consumers worldwide. Even with the decline in smoking prevalence, efforts to curb the habit of smoking have been outstripped by population growth.⁵ Reports show that in 2022 an estimated 1 billion people worldwide continued to smoke.⁶

PMI aims to completely replace cigarettes as soon as possible with smoke-free products that are scientifically substantiated to be less harmful than smoking, while in the longer run laying the foundation of a strong business in the areas of broader lifestyle, consumer wellness, and healthcare. Our company's purpose is clearly articulated in [PMI's statement of Purpose](#), a declaration issued by our Board of Directors.

To achieve our purpose, we are radically transforming our business. Our strategy is to responsibly transition from a cigarette company into a world-leading smoke-free company while simultaneously exploring adjacent avenues of growth in wellness and healthcare.

Our North Star is to create a net positive impact that benefits our company and employees, shareholders, consumers, and society.

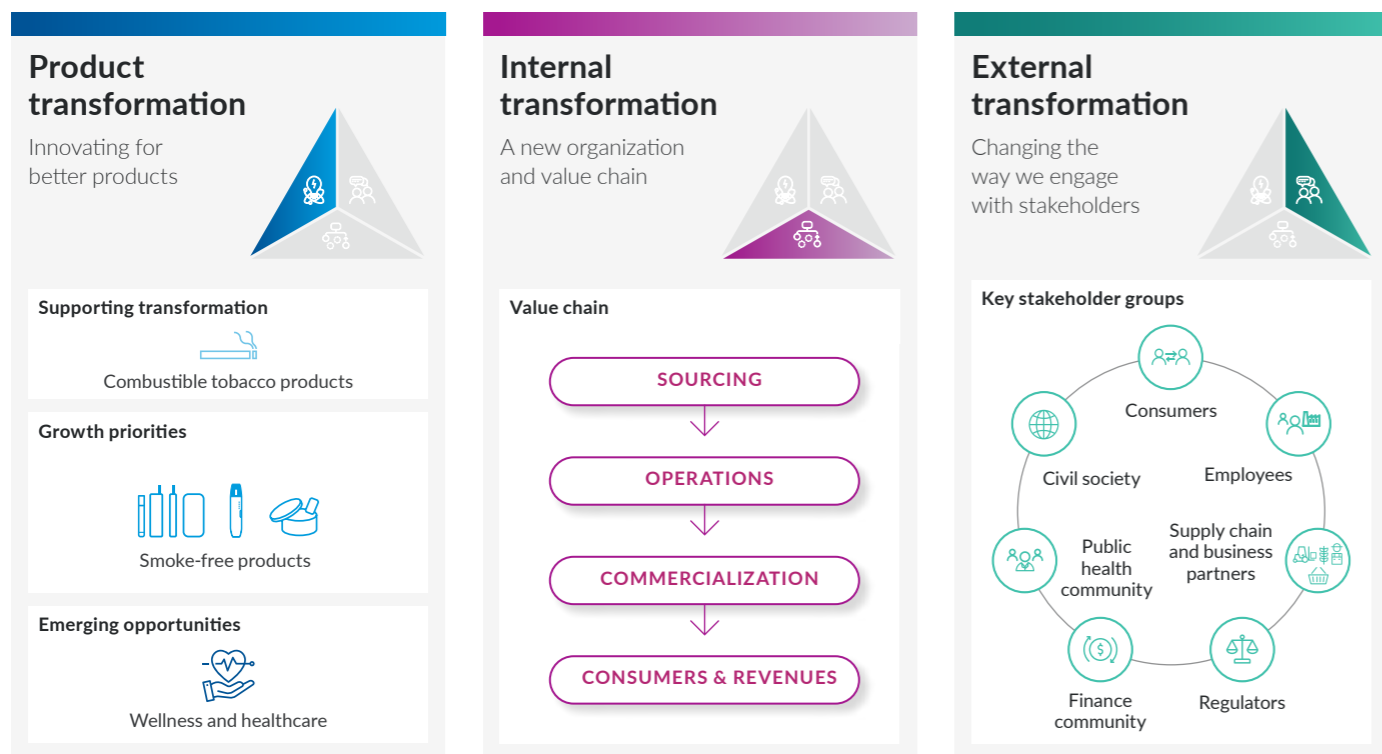
Transforming our company is not simply about substituting one product with another. It requires changing our entire value chain, as well as the way in which we engage with society. This has required a holistic review and overhaul of our entire business model and value proposition, which brings challenges and opportunities to all aspects of our business.

Maximizing the benefits of smoke-free products

The health impact of cigarette smoking is the most significant negative externality of our business that we aim to address. Lessening this impact is the most valuable societal contribution we can make and is the cornerstone of PMI's purpose and business strategy. Focusing our resources on innovating and developing solutions that can contribute to solving some of society's most pressing challenges represents an opportunity for growth and our strongest competitive advantage.

People who do not smoke should not start. Those who do smoke should quit. And those adult smokers who otherwise would not quit smoking should switch to one of the better alternatives now available.

⁵ The Lancet, *The Global Burden of Tobacco*, 27 May 2021.
⁶ WHO *Global Report on Trends in Prevalence of Tobacco Use 2000-2030*, 16 January 2024.



We research, develop, and commercialize nicotine-containing products that are scientifically substantiated to be less harmful than cigarettes, and then seek to ensure that those adults who would otherwise continue to smoke have broad access to these products to expedite the decline of smoking prevalence.

Developing science-based alternatives to smoking

The primary cause of smoking-related disease is not nicotine but the inhalation of harmful and potentially harmful constituents, the vast majority of which are emitted as a result of burning (combusting) tobacco. We have therefore developed, and continue to refine, a portfolio of smoke-free products. None of these products involve combustion, and therefore all of them expose the human body to significantly lower levels of toxicants, compared with cigarette smoking. Although addictive and not risk-free, this makes them a better choice for adults than continued smoking.

The reduced risk potential of these products is scientifically substantiated by employing a research program inspired by long-held practices of the pharmaceutical industry and in line with the 2012 draft guidance from the U.S. Food and Drug Administration for Modified Risk Tobacco Product applications. Our assessment program covers a wide range of areas, pre- and post-market. It encompasses product development, laboratory clinical research, perceptions and behavior, and monitoring the in-market use of the smoke-free products we commercialize.

A growing number of organizations and institutions have initiated or completed studies on our smoke-free products or on the methodologies and results supporting them.

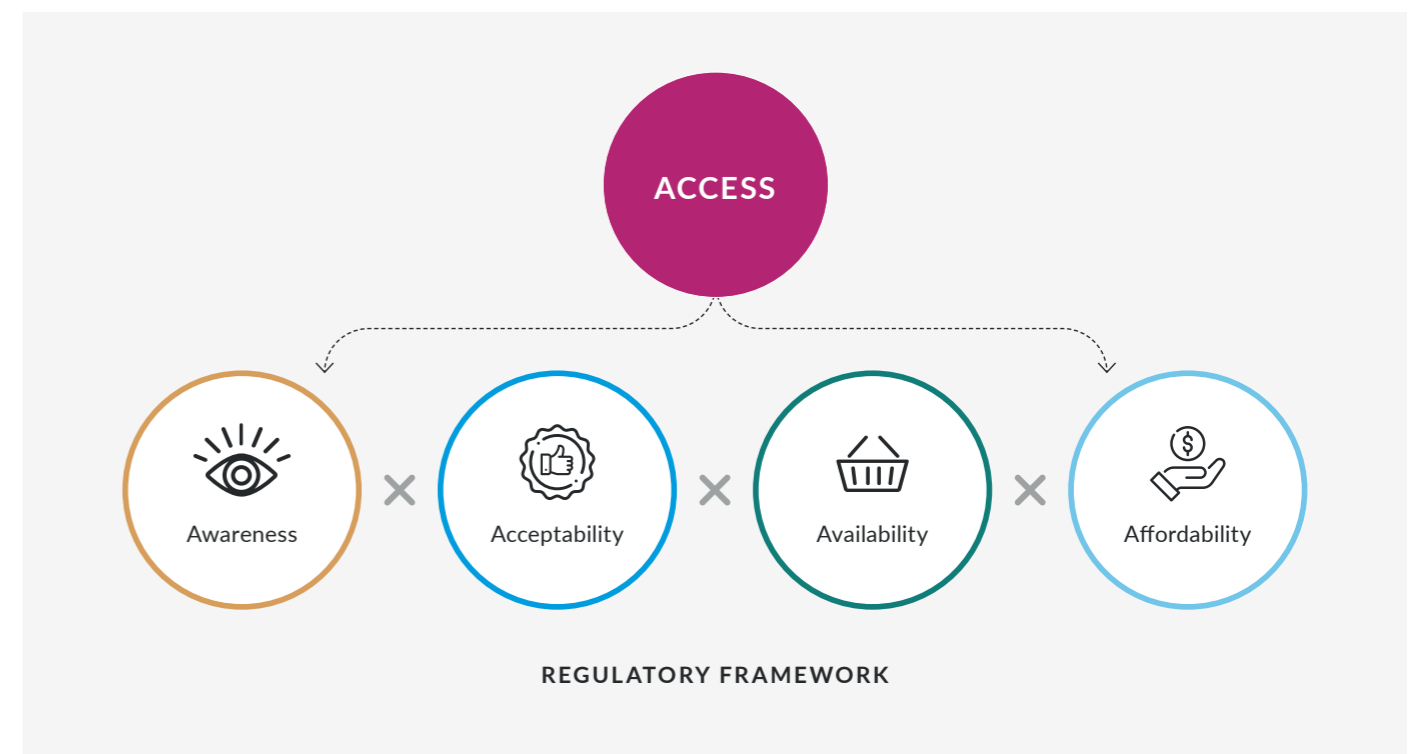
These include public health institutions in several countries that have used their findings to inform policies and regulations, as shown [here](#). The number of independent studies on heated tobacco products published each year—many of them on PMI's heat-not-burn products—has significantly increased over the past years, as shown on www.pmiscience.com.

Broadening access to smoke-free products

The introduction of smoke-free products in the marketplace has the potential to reduce the individual risk of smoking-related disease versus continued smoking and benefit public health. However, that potential can only be realized if adults who would otherwise continue to smoke switch to these better products. While adhering to our strict Marketing Codes, we work relentlessly to broaden access for adult smokers to smoke-free products. By "access," we mean:

- **Awareness:** Adult smokers are conscious that smoke-free products exist and understand the benefits of switching to them (relative to continued cigarette use).
- **Acceptability:** Adult smokers who would otherwise continue to smoke consider smoke-free products an adequate and viable alternative to cigarettes.
- **Availability:** Smoke-free products are conveniently attainable and available for purchase by adult smokers.
- **Affordability:** The cost of smoke-free products is reasonable to enable adult smokers to acquire them and facilitate switching.

An essential element of optimal access is a regulatory framework that allows smoke-free products to be sold in a particular market, permits engagement with adults who smoke to increase their understanding, and facilitates smoke-free portfolio expansion to improve acceptability and affordability.



As of Q2 2024, we estimate that 36.5 million adults were using our smoke-free products.⁷ This includes an estimated 30.8 million adults worldwide who were using our IQOS heated tobacco products, of whom approximately 22.1 million had fully switched and stopped smoking.

Marketing and selling our products responsibly

We deploy responsible marketing and sales practices to propel our smoke-free vision while guarding against the risk of use by unintended audiences, such as youth access to our products.

Our Marketing Codes comprise one [Code for Non-Combusted Alternatives](#) and one [Code for Combusted Tobacco Products](#).

We deploy mandatory training sessions related to the Marketing Codes for employees and third parties involved in commercialization activities, and we have infrastructure in place to monitor compliance – involving a market self-assessment program, investigations of potential incidents by our Compliance function, internal audits, as well as the inclusion of strict minimum contractual requirements in our agreements with third-party retailers who sell tobacco and nicotine products.

Moreover, we have developed a comprehensive approach to guard against youth access to our products. Our approach consists of measures ensuring that potential buyers are age-verified across all access channels; marketing communications do not contain images of youth-oriented celebrities or models who are (or appear to be) under 25 years old; and advertising, marketing, and sales materials are only placed in locations where at least 75 percent of the audience is reasonably estimated to be of legal age.⁸ We are also committed to using flavors responsibly and evaluate all new flavored product variants to minimize the risk of adverse consequences— including appealing to youth and other unintended audiences. Moreover, we deploy youth access prevention programs for indirect retail, where a significant portion of our products are sold. By the end of 2023, markets representing 98 percent of our total shipment volume were implementing such programs, which supplement our Marketing Codes requirements.

Results of our pre-market assessment studies show very low intention to use our smoke-free products among adult former users of tobacco or nicotine-containing products (between 1.3% and 3.3% in the six studies across seven markets we conducted in 2023, involving more than 9,500 adults) and adults who had never used tobacco or nicotine-containing products (between 0.7% and 2.7% across the six studies). Our post-market studies allow us to measure the extent to which adult smokers switch to our smoke-free products and monitor whether never and former smokers use our smoke-free products. The data from recent post-market studies conducted in Asia and Europe show that more than 96% of IQOS users were already using tobacco products when they switched to IQOS.

Purposefully phasing out cigarettes

Our intention is not only to develop, scientifically substantiate, and responsibly commercialize smoke-free products to offer a better alternative to adult smokers, but also to make sure these products ultimately, and as soon as possible, replace cigarettes completely.

We do not believe it is enough to simply offer more choice to consumers. Rather, we are seeking to persuade adult smokers to switch to the better alternatives now available and put cigarettes behind them.

To achieve this objective, we are dedicating the vast majority of our resources to commercializing our smoke-free products and are committed to market all our products responsibly, guided by our marketing and sales policies and practices.

Our efforts have led to a continued rapid increase in the proportion of our total adjusted net revenues represented by our smoke-free business, reaching 36.4 percent in 2023— thus accounting for over one-third of our total business in less than a decade since beginning our transformation. Moreover, as of the end of 2023, adjusted net revenues from smoke-free products represented over 50 percent of total adjusted net revenues in 25 of the 84 markets where we commercialized them (2022: 17), and over 75 percent of the adjusted net revenues in three of these markets.

Our transformation also translates to a shift in the composition of our total shipment volumes. In 2023, we shipped a total of 145 billion units of smoke-free products (2022: 116) and a total of 633 billion units of combustible tobacco products (2022: 642). Otherwise put, the proportion of smoke-free products in our total shipment volume grew to 18.6 percent in 2023, versus 15.3 percent in 2022. Importantly, our combustible tobacco product shipment volume has decreased by 27.9 percent versus a 2015 baseline.

We also recognize that PMI alone cannot achieve a smoke-free future. Such systemic change requires a collaborative, multistakeholder approach. In particular, we encourage policymakers for scientifically substantiated smoke-free products to replace cigarettes as quickly as possible for those who continue to use nicotine. We are also actively advocating for others in the industry to follow our lead by transforming their businesses, phasing out cigarettes, and reporting transparently on their progress.

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

⁷ Figures are based on IQOS user panels and PMI Market Research. Estimated user numbers for oral nicotine and e-vapor are approximate, with further methodology details included in the [PMI 2024 Q2 Results Glossary](#).
⁸ Minimum 21 years in the U.S. and minimum 18 years or older outside the U.S. depending on market regulation.

Anchoring sustainability at the core of our strategy

Sustainability stands at the core of PMI's transformation. It spurs innovation, better positions the company for long-term success, and helps to address specific challenges stemming from our transition.

We can only achieve our purpose by embedding sustainability in every aspect of our business.

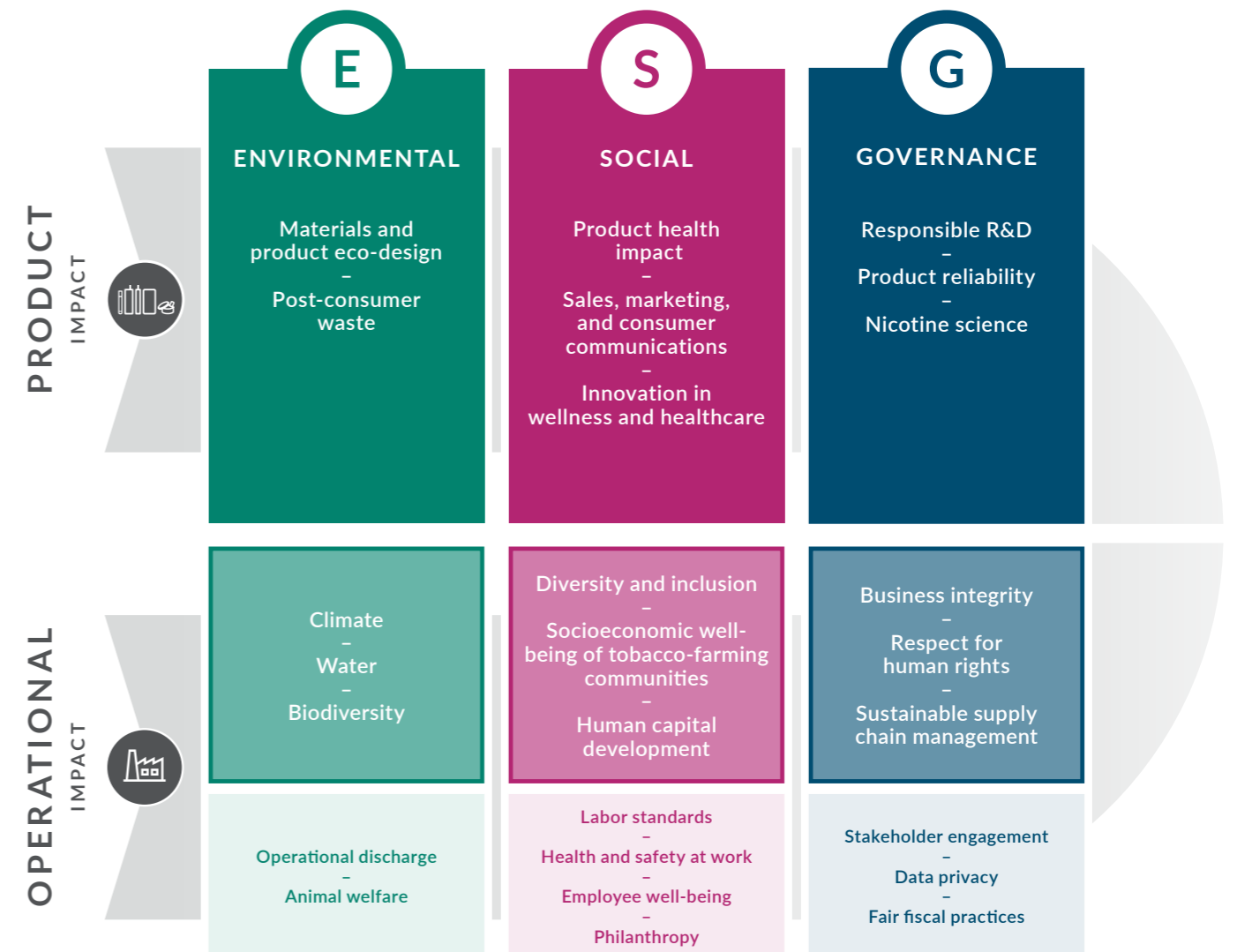
Sustainability is more than just a means to minimize negative externalities and mitigate risks while maximizing operational efficiency and resource optimization. We see it as a fundamental opportunity for innovation, growth, and purpose-led, impact-driven, long-term value creation.

Sustainability materiality and strategy

We believe that a sustainability materiality⁹ assessment helps to ensure that our strategy, work, and reporting cover the right topics in the right way.

Our [2021 sustainability materiality assessment](#) helped identify those topics that we should focus on. In line with the principles of double materiality, it consisted of a five-pronged approach that included evaluating both outward and inward impacts and considering stakeholder expectations:

1. Identifying all potentially relevant sustainability topics and compiling them in a list of topics
2. Collecting the perspectives of our stakeholders through in-depth interviews and a quantitative survey
3. Evaluating PMI's outward impact on society and the planet at various stages of our value chain
4. Evaluating the potential inward impacts of sustainability topics on our company's performance
5. Identifying our most material sustainability topics



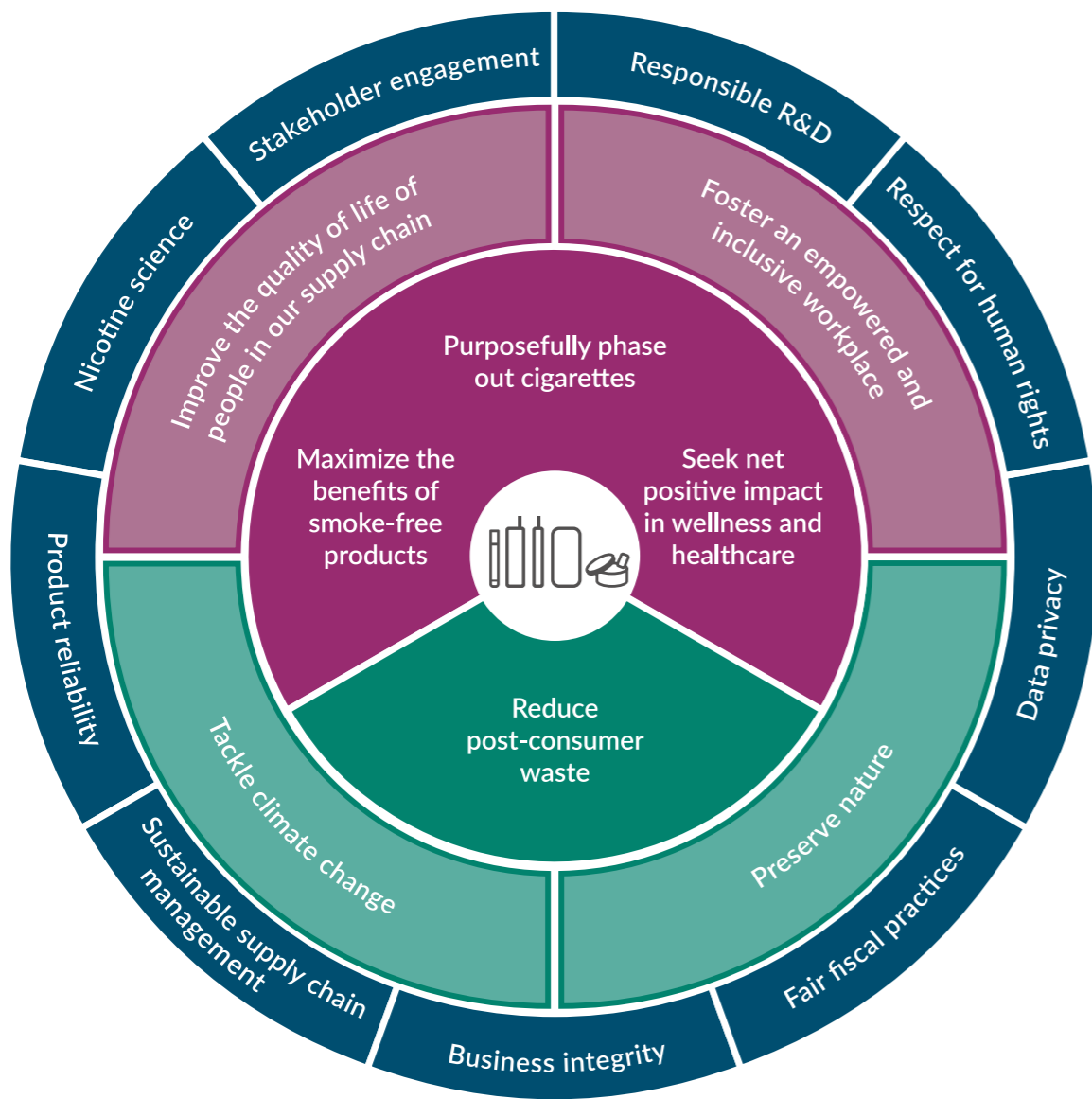
⁹ In this Framework, "materiality," "material," and similar terms, when used in the context of sustainability and governance topics, are defined in the referenced sustainability standards, and are not meant to correspond to the concept of materiality under the U.S. securities laws and/or disclosures required by the U.S. Securities and Exchange Commission.

During 2023, we conducted a refresh of our assessment, accounting for two meaningful developments: our change in footprint (driven both by the acquisition of Swedish Match and by our announcement to gain the full rights to commercialize IQOS in the U.S.) and recent regulatory developments – especially those focused on mandatory nonfinancial disclosures. Besides minor calibration, this internal review confirmed the outcomes of the 2021 assessment and did not result in changes to our priority sustainability topics.

The result of this assessment is a structured ESG framework (depicted below) that showcases those topics we focus and prioritize our resources on. This framework recognizes two distinct forms of issues: those that relate

to our products (what we produce), which are part of the “Product Impact” pillar, and those related to our business operations (how we produce), which are part of the “Operational Impact” pillar. We classify each issue based on its environmental, social, or governance-related nature.

Consistent with the outcomes of our sustainability materiality assessment, we developed eight strategies targeting our most pressing areas of impact. These strategies center primarily on addressing the social impacts of our products, but also address the environmental impact of our products, as well as the environmental and social impacts across our value chain. Maximizing the benefits of smoke-free products and purposefully phasing out cigarettes stand at the center of our efforts.



2025 Roadmap

PMI's 2025 Roadmap outlines our key goals and informs the route of our company's long-term plan. Running to the end of 2025, it comprises 11 headline goals, each connected to our eight strategies, which aim to address the priority topics identified by our sustainability materiality assessment.

Our Roadmap offers straightforward direction to our stakeholders by clearly outlining the social and environmental impacts we aim to achieve with our strategies in relation to both our products and our operations.

We believe business can and must help to achieve the UN Sustainable Development Goals (“SDGs”) adopted in 2015. Accordingly, we have explicitly linked each of our eight strategies to the SDG(s) to which it aligns and can contribute toward achieving.

	Goals	Priority ESG topics	Primary SDG
PRODUCT IMPACT	1 Purposefully phase out cigarettes Intentionally work toward phasing out cigarettes by ensuring that we become a substantially smoke-free company by net revenues by 2030 and continue to reduce our combustible shipment volume	Product health impact	3 GOOD HEALTH AND WELL-BEING
	2 Maximize the benefits of smoke-free products Develop and commercialize science-based smoke-free alternatives, making them available in 100 markets (of which at least half are low- and middle-income markets) and continue to increase the total number of users	Product health impact; Sales, marketing, and consumer communications	3 GOOD HEALTH AND WELL-BEING
	3 Seek net positive impact in wellness and healthcare Deploy robust youth access prevention programs in indirect retail channels and ensure that sales of our products abide by our Marketing Codes	Innovation in wellness and healthcare	3 GOOD HEALTH AND WELL-BEING, 8 DECENT WORK AND ECONOMIC GROWTH
	4 Reduce post-consumer waste Lay the foundation to evolve into a broader lifestyle, consumer wellness, and healthcare company in the long term	Materials and product eco-design; Post-consumer waste	3 GOOD HEALTH AND WELL-BEING, 8 DECENT WORK AND ECONOMIC GROWTH, 17 PARTNERSHIPS FOR THE GOALS
	5 Foster an empowered and inclusive workplace Reduce post-consumer waste and prevent littering by implementing comprehensive programs covering all our consumables		8 DECENT WORK AND ECONOMIC GROWTH, 17 PARTNERSHIPS FOR THE GOALS
	6 Improve the quality of life of people in our supply chain Follow eco-design and circularity principles for all smoke-free electronic devices		
OPERATIONAL IMPACT	7 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	Diversity and inclusion; Human capital development	4 QUALITY EDUCATION, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES
	8 Improve the quality of life of people in our supply chain Eradicate systemic child labor in our tobacco supply chain	Socioeconomic well-being of tobacco-farming communities	1 NO POVERTY, 8 DECENT WORK AND ECONOMIC GROWTH
	9 Tackle climate change Ensure all contracted tobacco farmers make a living income; partner with our direct suppliers to promote a living wage for their workers	Climate	13 CLIMATE ACTION, 15 LIFE ON LAND
	10 Preserve nature Achieve carbon neutrality in our operations and accelerate our decarbonization toward net zero across our value chain	Biodiversity; Water	6 CLEAN WATER AND SANITATION, 15 LIFE ON LAND
	11 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		

Business transformation metrics

To make our progress toward achieving our purpose of becoming a smoke-free business both measurable and verifiable, we developed our Business Transformation Metrics, a bespoke set of financial and nonfinancial key performance indicators ("KPIs").

These metrics showcase how we are allocating resources away from our legacy business as we advance toward a future in which we will no longer base our success on making or selling cigarettes.

By transparently reporting periodically on these KPIs—sharing both year-on-year and cumulative progress—we enable external scrutiny and allow our stakeholders to assess the pace and scale of our transformation.

	2015 baseline	2021	2022	2023	
Consumers & Revenues	Total number of users of PMI smoke-free products (in millions) ^{1*}	0.2	21.7	24.9	28.6
	Estimated number of users who have switched to PMI smoke-free products and stopped smoking (in millions) ^{1*}	0.1	15.3	17.8	20.8
	Adjusted net revenues ratio (smoke-free/total) ^{2*}	0.7%	29.5%	32.1%	36.4%
Commercialization	Number of markets where smoke-free products are available for sale ^{3*}	7	71	73	84
	Number of markets where adjusted net revenues from smoke-free products exceed 50% of adjusted total net revenues*	0	10	17	25
	Number of markets where adjusted net revenues from smoke-free products exceed 75% of adjusted total net revenues*	0	0	0	3
	Proportion of markets where smoke-free products are available for sale that are low- and middle-income markets ^{4*}	17%	42%	42%	47%
	Commercial (marketing) expenditure ratio (smoke-free/total)*	8%	73%	74%	74%
	Smoke-free product shipment volume – heated tobacco units (billion units) ^{5*}	0	95	109	125
	Shipment volume – nicotine pouch (million cans)*	0	1	42	421
	Combustible tobacco product shipment volume (billion units) ^{5*}	877	645	642	633
Sourcing & Operations	Change in combustible tobacco product shipment volume (billion units) vs. 2015 baseline ^{5*}	n/a	(26.4)%	(26.8)%	(27.9)%
	Adjusted R&D expenditure ratio (smoke-free/total) ^{6*}	70%	99%	99%	99%
	Supply chain direct spend expenditure (smoke-free/total) ⁷	n/a	35%	43%	41%
	Number of factories producing smoke-free products out of total number of factories ^{8*}	3 out of 48	9 out of 39	14 out of 49	16 out of 50

* The 2023 metrics marked with an asterisk (*) are subject to PwC's Limited Assurance Report, available on the [2023 Integrated Report](#), pp. 203-205.

Notes: Unless otherwise stated, all applicable Business Transformation Metrics include Swedish Match related data as of November 11, 2022 (acquisition date), as well as Vectura Fertin Pharma.

- Figures pertain to total IQOS users. See [2023 Integrated Report Glossary](#).
- For definition of net revenues related to our smoke-free business, please refer to the Selection of KPIs section of this document. Data excludes the impact related to termination of distribution arrangement in the Middle East in 2023 and the impact related to the Saudi Arabia customs assessments in 2021.
- For definition of available for sale, see [2023 Integrated Report Glossary](#).
- Excluding PMI Duty Free. World Bank report issued in 2023 is used on a comparative basis for income level classification. For definition of low- and middle-income markets, see [2023 Integrated Report Glossary](#).
- These indicators are calculated based on millions of units. For definition of heated tobacco units and combustible tobacco products, see [2023 Integrated Report Glossary](#). Combustible tobacco products shipment volume includes cigarettes and other tobacco products expressed in cigarette equivalent units.

- 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 617 million.
- Direct spend focuses on materials used in the manufacture of our products; it includes tobacco leaf, direct materials, and electronic devices and accessories. Data excludes Swedish Match and Vectura Fertin Pharma.
- Data reflects the number of factories operated and owned by PMI at the end of the respective year. As of 2023 "Smoke-free products factories" is defined as manufacturing facilities producing heated tobacco units and oral nicotine products. Additionally, in 2023, PMI evolved its approach to report the number of factories based on location instead of based on plant. If a facility is one location, but has several physical areas (plants) the facility is counted as one. To provide comparability, 2022 data has been restated on the same basis.

Business transformation aspirations

Aspirations linked to our Business Transformation Metrics give us a clear roadmap. Early in our transformation journey, we set ambitious 2025 aspirations that grounded our purpose and gave direction to both our organization and external stakeholders as we ventured into what was then uncharted territory. Our commitment to champion a smoke-free future remains unwavering. However, nearly eight years since announcing our smoke-free vision, and with more data and a better understanding of the business environment, it was prudent to pause and revisit our aspirations as we look toward the next horizon: 2030.

Our refreshed business transformation-related aspirations are as follows:



>2/3

We aim to be a substantially smoke-free business, with smoke-free related net revenues representing over two-thirds of our total annual net revenues globally by 2030



~60

We aspire for around 60 of our markets to have smoke-free related net revenues making up over 50 percent of their total net revenues. Of these markets, we aim for around 40 to derive more than 75 percent of their net revenues from smoke-free products and around 20 to derive between 50 and 75 percent of their net revenues from smoke-free products by 2030



100

We remain committed to expanding the geographic availability of PMI's smoke-free products to 100 markets, of which at least half are targeted to be low- and middle-income markets by the end of 2025

PMI's Business Transformation-Linked Financing Framework

PMI's purpose is driven by its commitment to transform for good, which guides its long-term strategy and resource allocation.

By being clear and consistent about our purpose, we have successfully adapted to the changing needs and preferences of our consumers and stakeholders.

Understanding sustainability as an opportunity for innovation and growth has allowed us to create products that are actively accelerating the decline of cigarette smoking, beyond what traditional tobacco control measures can achieve alone. But to phase out cigarettes completely, this is not enough: policy and regulation can complete this change or perpetuate the status quo. A smoke-free future is attainable, and the benefits it can bring to the people who would otherwise continue to smoke, and hence to global public health, are enormous.

Our goal is to make cigarettes obsolete by effecting system-level change. Significant advances in our sustainability agenda have fortified this resolve. At PMI, sustainability is not just a part of our corporate strategy; it is at the core of our business transformation. Notably, our efforts contribute to mitigating climate change, protecting nature, and fostering inclusive growth that benefits our workforce and our supply chain. These endeavors are parallel to our smoke-free objectives — both demand transformative solutions that transcend individual actions.

We remain eager and fully committed to making cigarettes obsolete. However, PMI will not succeed on its own. We can maximize this opportunity by achieving a consensus that smoke-free alternatives, when subject to proper government oversight and regulation, are part of a sound tobacco policy. We stand ready to engage with any country that wishes to regulate in the interest of public health, banning cigarettes and allowing adult smokers, who would otherwise continue smoking, to access better, less harmful alternatives.

Let our commitment be clear: delivering a smoke-free future and excelling in our sustainability aspirations are not just ethically sound decisions; they are the bedrock of our strategy and the key to our shared success. We hope to spark a dialogue with those who can help to accelerate the pace of change.

To strengthen our commitment and further highlight to stakeholders the seriousness of our smoke-free ambitions, in August 2021, we published our first Business Transformation-Linked Financing Framework ("2021 BTLFF") with the intention of associating our most material sustainability priorities with our financing. Building on the broad engagement and strong support from financial stakeholders, in September 2021, we structured our first business transformation-

linked financing instrument; a \$2.5 billion Revolving Credit Facility ("RCF"). The RCF has been directly linked to PMI's performance under two KPIs, as defined in the 2021 BTLFF, with respective targets spanning until 2025.

As we advance on the path of business transformation, we are also updating our long-term aspirations. By 2030 we aim to be a substantially smoke-free company with our smoke-free business accounting for over two-thirds of PMI's total net revenues. In this regard, we believe that a business transformation-linked financing framework not only helps to reinforce our commitment to reinvent our company but will also allow investors and lenders to further engage with and support our industry-leading transformation as we work to accelerate the end of smoking and use our strong capabilities to develop products that go beyond nicotine and have a net positive impact on society.

Leveraging on our 2030 aspirations, we are issuing a new Business Transformation-Linked Financing Framework ("Framework").

As with the 2021 BTLFF, we intend to complement our transformation with business transformation-linked financing instruments, which may include private placements, loans and any other relevant business transformation-linked financing instruments (collectively the "Business Transformation-Linked Instruments").

The Framework is based on the five core components of the Sustainability-Linked Bond Principles published by the International Capital Market Association ("ICMA")¹⁰ in June 2024, and also takes into account the Sustainability-Linked Loan Principles, as published by the Loan Market Association ("LMA")¹¹ in February 2023:

- Selection of Key Performance Indicators (KPIs)
- Calibration of Sustainability Performance Targets ("SPTs")
- Characteristics of Sustainability-Linked Financing
- Reporting
- Verification

Selection of Key Performance Indicators (KPIs)

We deploy a three-pronged approach to address the social impacts of our products:

1. Maximize the benefits of smoke-free products: Research, develop, and commercialize nicotine-containing products that are scientifically substantiated to be less harmful than cigarettes, and then seek to ensure that those adults who would otherwise continue to smoke have broad access to these products to expedite the decline of smoking prevalence.

2. Purposefully phase out cigarettes: Work to make cigarettes obsolete, with the aim that smoke-free products ultimately replace cigarettes for those who continue to use nicotine.
3. Seek net positive impact in wellness and healthcare: With a longer horizon in mind, we are exploring adjacent opportunities for growth in wellness and healthcare, leveraging the capabilities we have accrued and developed while transforming our business.

This is the most important contribution we can make to public health and the cornerstone of PMI's purpose and business strategy.

KPIs

The selection of KPIs for the Framework is consistent with the above-mentioned approach, in that they directly measure and respond to the focus of our sustainability strategy and our most material topic: addressing the health impact of our products. Our business transformation responds to that need and our Business Transformation Metrics transparently report progress towards that goal.

The chosen KPIs are directly linked to two of PMI's most ambitious and strategic Business Transformation Metrics:

- **KPI 1:** PMI's adjusted net revenues ratio (smoke-free/total), measuring the scale of our business transformation in regularly reported financial terms and reflecting the publicly announced benchmark by which we aim to become a substantially smoke-free company.
- **KPI 2:** Number of markets where adjusted net revenues from smoke-free products exceed 50% of total adjusted net revenues for each relevant market, measuring the access provided to adult smokers around the world in combination with the degree of global product penetration among adult smokers who switch to better alternatives rather than continued smoking. This serves as a key indicator of our commitment to drive the obsolescence of cigarettes as fast as possible in as many markets as possible.

The selected KPIs not only allow our stakeholders to assess both the pace and the scale of our progress towards our target, but also reflect our continuous aspiration to have a significant and positive impact for adult smokers switching to smoke-free products. As part of our Business Transformation Metrics, these KPIs are measured methodically and reported on periodically. They are also assessed independently by our external auditors and included in their limited assurance report.

The above two KPIs are key elements for demonstrating our progress towards a smoke-free future and showcase our leading position versus the other global industry players, both in actual performance as well as ambitions for 2030 and beyond. These KPIs serve as an integral part of our broader 2030 aspirations included in our [2023 Integrated Report](#), as well as verifiable and regularly reported metrics that provide external stakeholders visibility on how we achieve our goals.

Since the initial launch of IQOS in late 2014, we have delivered strong growth in our smoke-free product portfolio. We intend to accelerate this growth to become a substantially smoke-free company within the next six years and to drive the end of cigarette smoking as fast as possible.

Definition and methodology for KPIs measurement

1. PMI's adjusted net revenues ratio (smoke-free/total) means smoke-free business adjusted net revenues as a % of PMI total adjusted net revenues, in accordance with terms defined below:

- "PMI total adjusted net revenues" means operating revenues from the sale of all PMI products, including shipping and handling charges billed to customers, net of sales and promotion incentives, and excise taxes, if applicable, and as adjusted by management¹².
- "Smoke-free business adjusted net revenues" refer to: (a) operating revenues generated from the sale of smoke-free products, including shipping and handling charges billed to customers, net of sales and promotion incentives, and excise taxes, if applicable (these net revenue amounts consist of the sale of PMI's products that are not combustible tobacco products, such as heat-not-burn, e-vapor, and oral products, as well as consumer accessories); and (b) operating revenues generated from the sale of products primarily associated with inhaled therapeutics, and oral and intra-oral delivery systems that are included in the operating results of PMI's Wellness and Healthcare business; and as adjusted by management¹².
- "Smoke-free business" is the term PMI uses to refer to all of its smoke-free products. Smoke-free business also includes wellness and healthcare products, as well as consumer accessories, such as lighters and matches
- "Smoke-free products" is the term PMI uses to refer to all of its products that provide nicotine without combusting tobacco, such as heat-not-burn, e-vapor, and oral smokeless, and that therefore generate far lower levels of harmful chemicals. As such, these products have the potential to present less risk of harm versus continued smoking.

PMI's net revenues are reported in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") at the time and such principles are applied on a consistent basis.

2. Number of markets where adjusted net revenues from the smoke-free products exceed 50% of total adjusted net revenues for each relevant market.¹³

General terms, definitions and adjustments may be updated and/or included from time to time, and will be part of the relevant disclosures, as applicable.

¹⁰ Sustainability-Linked Bond Principles

¹¹ Sustainability-Linked Loan Principles

¹² May exclude the impact of certain items and reflects management's views on underlying performance and business trends, thereby improving the comparability of PMI's business performance between reporting periods.

¹³ "Market" refers to the taxonomy used in our reporting and aligned with PMI's financial reporting system. For the purposes of reporting shipments and financial results, multiple small countries may be grouped into one market (e.g., market France includes countries France and Monaco, and market Switzerland includes countries Switzerland and Liechtenstein), or one country may be split into multiple markets (e.g., country Spain is reflected as markets: Spain Mainland, Canary Islands, and Ceuta & Melilla).

Calibration of Sustainability Performance Targets (SPTs)

Sustainability Performance Target 1

Increase PMI's full-year 2030 adjusted net revenues ratio (smoke-free/total) to more than 2/3, from the 2023 baseline of 36.4%.

Sustainability Performance Target 2

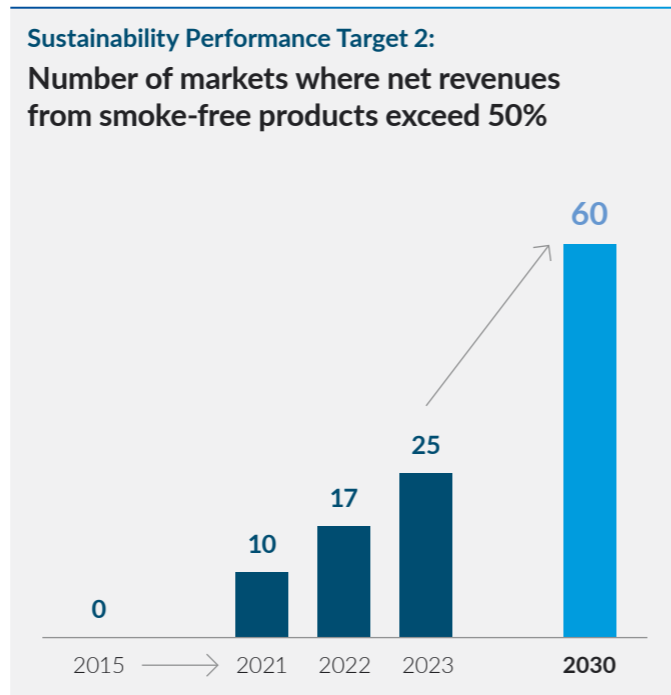
Increase the number of markets where adjusted net revenues from smoke-free products exceed 50% of total adjusted net revenues for each relevant market to 60, from the 2023 baseline of 25.

Target observation date for Sustainability Performance Targets

December 31, 2030

Historical values and targets

These ambitious SPTs reflect our determination to become a substantially smoke-free company within the next six years and significantly increase the access of our smoke-free products to a greater number of adult smokers across a broad range of markets with a meaningful local smoke-free product penetration. The SPTs further demonstrate our commitment to deliver on our purpose and drive the end of cigarette smoking as fast as possible, with the ultimate objective to significantly improve public health.



Benchmarking vs. global industry peers

PMI's Statement of Purpose reaffirms our company's commitment to deliver a smoke-free future and lays out our unique business model and value proposition: To relentlessly focus our resources to replace cigarettes with better alternatives.

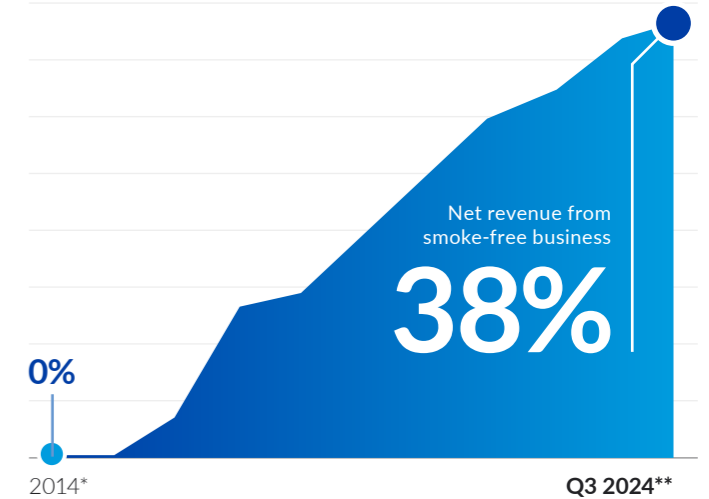
We are pleased to witness the recent positive shift as our peers are increasingly investing behind and commercializing smoke-free alternatives to cigarettes. We strive to remain the industry leader with respect to: our unique value proposition; our commitment to, pace of and scale of our transformation; the magnitude of our resource allocations and the quality of disclosure and the ambitiousness of our long-term aspirations.

PMI's forward-looking ambitions are currently unmatched within the industry. Our aspiration to generate over 2/3 of total adjusted net revenues from the smoke-free business by 2030 is well ahead of the 50% by 2035 goal publicly disclosed by the next comparable industry player.

Our commitment to our purpose is also clearly reflected by our impressive results and impact. In Q3 2024, the net revenues from our smoke-free business accounted for around 38% of total net revenues in the quarter – a level significantly above similar metrics reported by our peers in their latest financial disclosures.

While the smoke-free net revenue actual results and future aspiration attest to the scale of PMI's transformation, they are further complemented by the measure of global smoke-free product penetration, as evidenced by our second selected KPI. In 2023, we reached the level of 25 markets where PMI's adjusted net revenues from the smoke-free products exceeded 50% of total adjusted net revenues (i.e. predominantly smoke-free markets). This favorably compares with the 11 markets reported for the same period by our next comparable peer.

Smoke-free business net revenues % (smoke-free/total)



*Smoke-free business net revenues as of Q3 2014 (smoke-free/total).
 **Smoke-free business net revenues as of Q3 2024 (smoke-free/total).

Important note: The information should be read in conjunction with the Philip Morris International Inc. earnings release dated October 22, 2024.

Factors that support the achievement of the SPTs

- Substantial R&D program directed almost exclusively (99% of expenditure) to the smoke-free business
- Significant and sustained investments in manufacturing, commercial (~3/4 of total expenditure) and human capabilities, as well as the infrastructure needed to bring smoke-free alternatives to market
- Statement of Purpose issued and signed by our Board of Directors, underlining our commitment to a smoke-free future
- Executive compensation linked to sustainability performance through PMI's Sustainability Index
- Sustainability strategy underpinned by robust sustainability materiality assessment
- Full suite of Business Transformation Metrics and sustainability aspirations as part of our roadmap, including the two KPIs selected for this Framework, which our company is working towards through our core business and sustainability programs.

For factors that might put at risk the achievement of the SPTs, please kindly refer to the Disclaimer section of this document.

Characteristics of the Business Transformation-Linked Financing

The proceeds of PMI's Business Transformation-Linked Instruments will be used for purposes specified in the respective instruments.

PMI's Business Transformation-Linked Instruments will include a feature that may result in a step-up margin, margin adjustment or premium/discount amount, as applicable, subject to the achievement of the applicable SPT(s). The relevant KPI(s), SPT(s), step-up margin amount, margin adjustment amount, premium/discount amount and the mechanism for payment of the premium/discount and beneficiaries, as applicable, will be specified in the relevant documentation for the specific transaction (e.g., credit agreement in the case of business transformation-linked loans).

Such documents may also include, as appropriate, any fallback mechanisms in case the relevant SPT(s) cannot be calculated, and language to take into consideration potential exceptional or extreme events, including drastic changes in the regulatory environment, that could substantially impact the calculation of the selected KPI(s), the restatement of the selected SPT(s), and/or pro forma adjustments of baselines or selected KPI(s) scope. Where relevant, PMI may exclude potential exceptional or extreme events that could substantially impact the calculation of the selected KPI(s) and SPT(s) in the documentation of the relevant Business Transformation-Linked Instrument.

If, for any reason, the performance level against an SPT cannot be calculated or observed in a satisfactory manner (non-satisfactory manner to be understood as a verification assurance certificate provided by the independent auditor not being in a position to provide such verification assurance certificate), the step-up margin, margin adjustment or premium/discount amount, as noted above, may be applicable. Under no circumstances would this trigger an event of default under any Business Transformation-Linked Instrument.

Verification

Post-issuance

Annually, and in any case for any date/period relevant for assessing the relevant SPT(s) performance leading to a potential step-up margin, margin adjustment or a premium/discount amount, until after the SPT(s) trigger event of a Business Transformation-Linked Instrument has been reached, PMI will seek independent and limited assurance external verification of the performance level against the relevant SPT(s) for the stated KPI(s) by a qualified external reviewer with relevant expertise.

Amendments to this Framework

PMI may review this Framework from time to time, including in the context of updated versions of the relevant principles as and when they are released, with the goal of adhering to best practices in the market. PMI may also review this Framework in case of material changes in the perimeter, methodology, and in particular KPIs and/or the SPTs calibration. Such review may result in this Framework being updated and amended. The updated framework, if any, will be published on PMI's website and will replace this Framework.

Please kindly note that this Framework does not replace the 2021 BTLFF and specifically in the context of our previously structured Business Transformation-Linked RCF and the KPIs that are referenced therein.

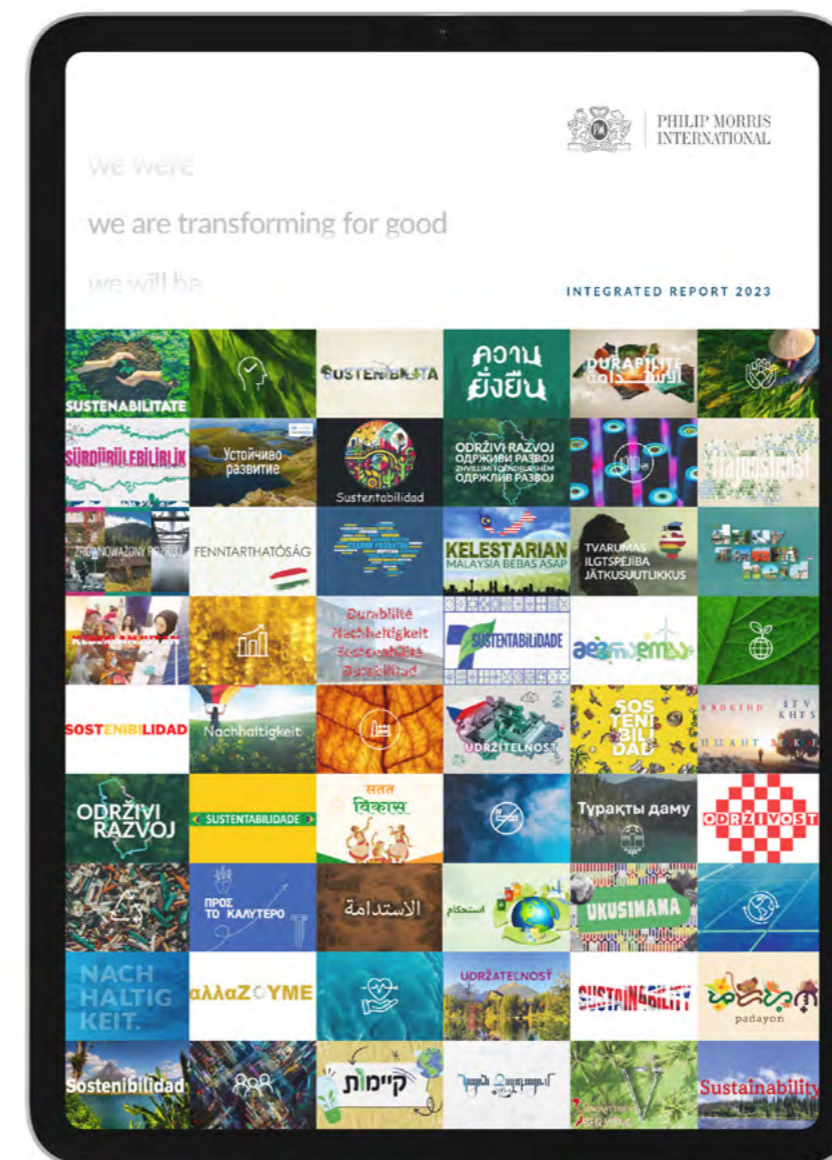
Reporting

PMI will publish a report at least annually, and in any case for any date/period relevant for assessing the trigger of the relevant SPT(s) performance leading to a potential step-up margin, margin adjustment or premium/discount amount, including:

1. Up-to-date information on the performance of each selected KPI, including the baseline where relevant;
2. A verification assurance report (limited assurance) relative to each KPI value against each SPT; and
3. Any additional relevant information to enable the monitoring of progress of the KPI.

Information may also include, when feasible and possible:

1. Qualitative or quantitative explanation of the contribution of the main factors behind the evolution of the performance on an annual basis;
2. Illustration of the positive sustainability impacts of the performance improvement; and/or
3. Any re-assessments of KPIs and/or restatement of SPTs and/or pro-forma adjustments of baselines or KPI scope, if relevant.



Disclaimer

The information and opinions contained in this Framework are provided as of the date of this Framework and are subject to change without notice. Neither PMI nor any of its subsidiaries assumes any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. This Framework represents current PMI policy and intent, is subject to change and is not intended to, nor can it be relied on, to create legal relations, rights or obligations. This Framework is intended to provide non-exhaustive, general information. This Framework may contain or incorporate by reference public information not separately reviewed, approved or endorsed by PMI and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by PMI as to the fairness, accuracy, reasonableness or completeness of such information.

This Framework and related materials contain projections of future results and goals and other forward-looking statements, including statements regarding expected financial or operational performance; capital allocation plans; investment strategies; regulatory outcomes; market expectations; sustainability plans and projections; business plans, strategies, and dividends. 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 and/or nicotine use and intellectual property; intense competition; the effects of global and individual country economic, regulatory and political developments, natural disasters and conflicts; the impact and consequences of Russia's invasion of Ukraine; changes in adult smoker behavior; the impact of natural disasters and pandemics on PMI's business; lost revenues as a result of counterfeiting, 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 introduce, commercialize, and grow smoke-free 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; if it is unable to attract and retain the best global talent, including women or diverse candidates; or if it is unable to successfully integrate and realize the expected benefits from recent transactions and acquisitions. Future results are also subject to the lower predictability of our smoke-free business' performance.

PMI is further subject to other risks detailed from time to time in its publicly filed documents, including PMI's Annual Report on Form 10-K for the fourth quarter and year ended December 31, 2023, PMI's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2024, June 30, 2024, and September 30, 2024 and subsequent securities filings. 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.

No representation is made as to the suitability of any Business Transformation-Linked Instruments to fulfill sustainability criteria required by prospective investors.

This Framework does not create any legally enforceable obligations against PMI or any of its subsidiaries; any such legally enforceable obligations relating to any Business Transformation-Linked Instruments are limited to those expressly set forth in the legal documentation governing each such Business Transformation-Linked Instrument. Therefore, unless expressly set forth in such legal documentation, PMI's or its subsidiaries' failure to adhere or comply with any terms of this Framework, including, without limitation, failure to achieve any sustainability targets or goals set forth herein, will not constitute an event of default or breach of contractual obligations under the terms and conditions of any such Business Transformation-Linked Instruments. Factors that may affect PMI's ability to achieve any sustainability goals or targets set forth herein include (but are not limited to) market, political and economic conditions, changes in government policy (whether with a continuity of the government or on a change in the composition of the government), changes in laws, rules or regulations, and other challenges. This Framework does not constitute a recommendation regarding any securities of PMI or its subsidiaries. This Framework is not, does not contain and may not be deemed to constitute an offer to sell or a solicitation of any offer to buy any securities issued by PMI or any of its subsidiaries. In particular, neither this document nor any other related material may be distributed or published in any jurisdiction in which it is unlawful to do so, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession such documents may come must inform themselves about, and observe any applicable restrictions on distribution.

In this Framework and in related communications the term "materiality," "material," and similar terms, when used in the context of sustainability and governance topics, are defined in the referenced sustainability standards, and are not meant to correspond to the concept of materiality under the U.S. securities laws and/or disclosures required by the U.S. Securities and Exchange Commission. While future events discussed in this Framework may be significant, any significance should not be read as necessarily rising to the level of materiality of the disclosures required under U.S. federal securities laws.

Notes

In this Framework, "PMI," "we," "us," and "our" refer to Philip Morris International Inc. and its subsidiaries.

This Framework contains references and links to websites operated by third parties. These references are provided as a convenience to you and as an additional avenue of access to the information contained in those sources; they should not be viewed as an endorsement by us of the content of these references and linked sites or opinions of their authors. Unless otherwise stated, all references to IQOS are to our IQOS heat-not-burn devices and consumables.

Trademarks and service marks in this report are the registered property of, or licensed by, the subsidiaries of Philip Morris International Inc., and are italicized or shown in their logo form.

This Framework reflects PMI's current views and estimates based on the data and information available at the time of publication. Changes in circumstances or new information may have occurred since the report's publication, which could impact the accuracy of certain details. This Framework includes metrics that are subject to measurement uncertainties due to inherent limitations in the nature and methods for data collection and measurement. The precision of different collection and measurement techniques may also vary. This Framework includes data or information obtained from external sources or third parties.

Aspirations, targets, and goals do not constitute financial projections, and achievement of future results is subject to risks, uncertainties, and inaccurate assumptions, as outlined in our Disclaimer statements contained herein.

Reconciliation of Non-GAAP Measures

Schedule 1 Net Revenues by Product Category

(\$ in millions) / (Unaudited)	Years ended December 31,			
	2015	2021	2022	2023
Combustible Tobacco	26,595	22,067 ¹	21,572	22,334 ²
Smoke-free incl. Wellness and Healthcare	199	9,338	10,190	12,840
Total PMI	26,794	31,405¹	31,762	35,174²

- ¹ Includes a reduction in net revenues of \$246 million related to the Saudi Arabia customs assessment. Excluding this impact total PMI adjusted net revenues are \$31,651 million and for combustible tobacco \$22,313 million.
² Includes a reduction in net revenues of \$80 million related to the termination of distribution arrangement in the Middle East. Excluding this impact total PMI adjusted net revenues are \$35,254 million and for combustible tobacco \$22,414 million.

Schedule 2 Research & Development Expenditure by Product Category

(\$ in millions) / (Unaudited)	Years ended December 31,			
	2015	2021	2022	2023
Combustible Tobacco	129	7	7	4
Smoke-free incl. Wellness and Healthcare	294	609 ¹	634	705
Total PMI	423	617¹	642	709

- ¹ Includes asset acquisition cost of \$51 million related to OtTopic Inc. in August 2021. Excluding this impact total PMI adjusted R&D expenditures are \$566 million and for smoke-free incl. W&H \$558 million.

Note: Sum of product categories might not foot to Total PMI due to roundings.



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