

Sustainability Strategy & 2024 Performance Highlights

based on PMI's Integrated Report 2024

2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
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2027
2028
2029
2030

we were

we are transforming for good
10 YEARS OF SMOKE-FREE

we will be



PHILIP MORRIS
INTERNATIONAL

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About PMI

we were

we are transforming for good

we will be

Philip Morris International (PMI) is a leading international tobacco company, actively delivering a smoke-free future and evolving its portfolio for the long term to include products outside of the tobacco and nicotine sector.

The company's current product portfolio primarily consists of cigarettes and smoke-free products. Since 2008, PMI has invested over \$14 billion to develop, scientifically substantiate and commercialize innovative smoke-free products for adults who would otherwise continue to smoke, with the goal of completely ending the sale of cigarettes. This includes the building of world-class scientific assessment capabilities, notably in the areas of pre-clinical systems toxicology, clinical and behavioral research, as well as post-market studies. In 2022, PMI acquired Swedish Match—a leader in oral nicotine delivery—creating a global smoke-free champion led by the companies' *IQOS* and *ZYN* brands.

Following a robust science-based review, the U.S. Food and Drug Administration has authorized the marketing of Swedish Match's *General* snus and *ZYN* nicotine pouches and versions of PMI's *IQOS* devices and consumables—the first-ever such authorizations in their respective categories. Versions of *IQOS* devices and consumables and *General* snus also obtained the first-ever Modified Risk Tobacco Product authorizations from the FDA. As of December 31, 2024, PMI's smoke-free products were available for sale in 95 markets, and PMI estimates that 38.6 million adults around the world use PMI's smoke-free products. The smoke-free business accounted for approximately 39% of PMI's total full-year 2024 net revenues. With a strong foundation and significant expertise in life sciences, PMI has a long-term ambition to expand into wellness and healthcare areas and aims to enhance life through the delivery of seamless health experiences.



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



Forward-looking and cautionary statements

This presentation and related materials contain projections of future results and goals and other forward-looking statements, including statements regarding expected performance; regulatory outcomes; market expectations; and business plans and strategies.

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 products’ 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, 2024. 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.



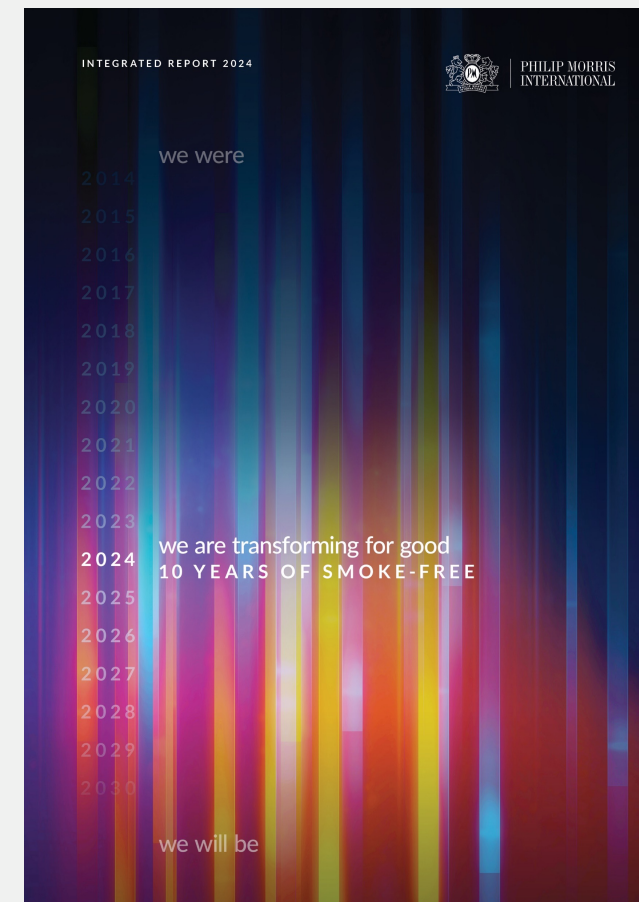
About this presentation

This Sustainability Strategy & 2024 Performance Highlights presentation is based on and should be read in conjunction with PMI's Integrated Report 2024 and Annual Report on Form 10-K for the year ended December 31, 2024, 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 2024 or reflect the status as of December 31, 2024. Where not specified, data comes from PMI financials, nonfinancials, or estimates.

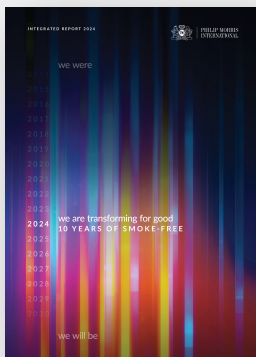
Unless explicitly stated, the data, information, and aspirations in this report do not incorporate Aspeya, the wellness and healthcare business operating under PMI's ownership. In contrast, unless explicitly stated, the data, information, and aspirations in this report do incorporate the late 2022 acquisition of Swedish Match AB.

→ [See PMI's Integrated Report 2024](#)

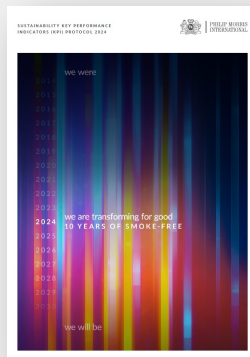


Resources

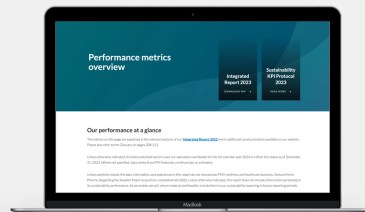
2024 Reporting



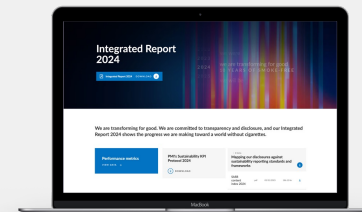
→ [Integrated Report 2024](#)



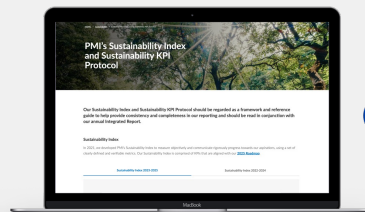
→ [Sustainability KPI Protocol 2024](#)



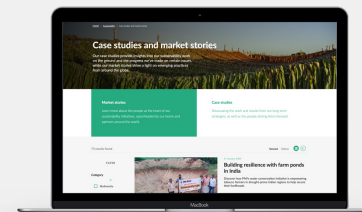
→ [Sustainability Performance Metrics](#)



→ [GRI Content Index 2024](#)
[SASB Content Index 2024](#)



→ [PMI Sustainability Index](#)



→ [Case studies and Market stories](#)

Additional sustainability disclosures



→ [Business Transformation-Linked Financing framework \(2024\)](#)



→ [Human Rights Report \(2023\)](#)



→ [TCFD Report \(2022\)](#)



→ [Biodiversity and Water \(2022\)](#)



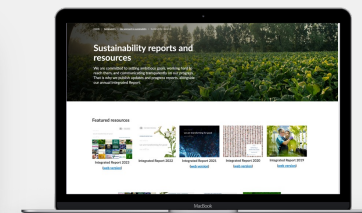
→ [Post-consumer Waste Strategy \(2022\)](#)



→ [Sustainability Materiality Report \(2021\)](#)



→ [Low-Carbon Transition Plan \(2021\)](#)



→ [Additional Sustainability Resources](#)



Overview

[Our global footprint in 2024](#)

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[PMI's Statement of Purpose](#)

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[Operating context](#)

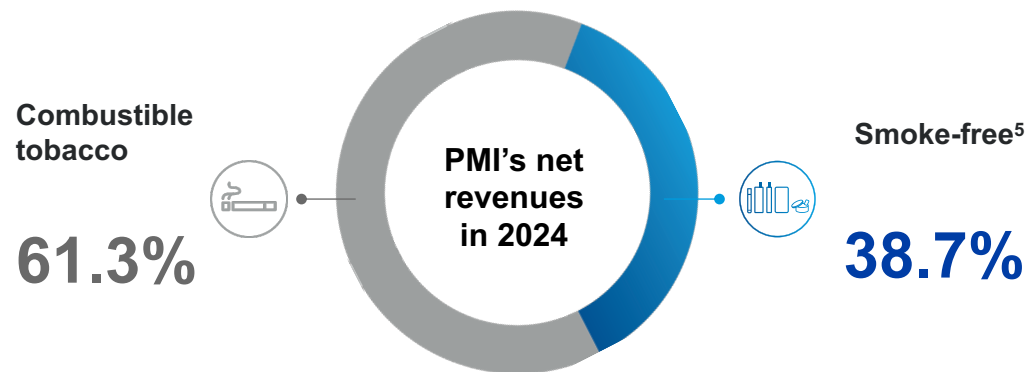
p10



Our global footprint in 2024

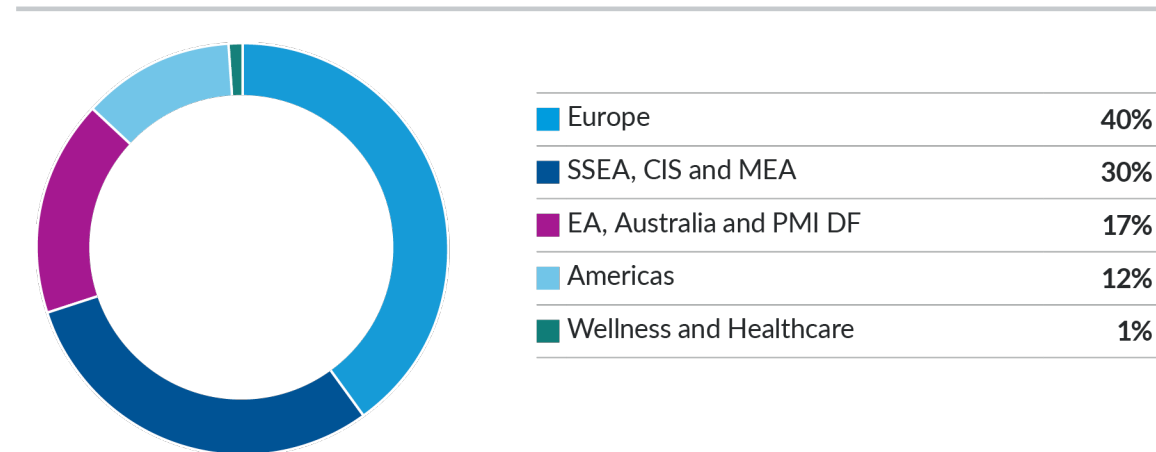
<p>~ 83,100 Employees worldwide</p>	<p>~38.6 m Users of PMI smoke-free products, including around 32.2 m IQOS users¹</p>	<p>95 Markets where PMI smoke-free products are available for sale²</p>	<p>51 PMI-owned manufacturing facilities³</p>
<p>~361,000 Contracted farmers supplying us with tobacco, located in 21 countries⁴</p>	<p>33 Third-party manufacturers of PMI consumables</p>	<p>43 Third-party operators (in Indonesia)</p>	

Our product portfolio

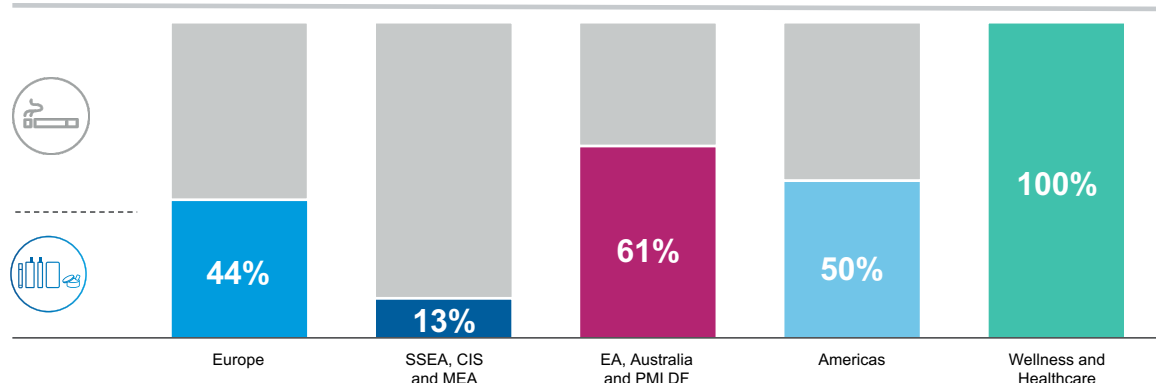


¹ Total PMI smoke-free users is defined as the sum of total IQOS users, total oral smokeless users, total e-vapor users of PMI products minus poly-users across PMI smoke-free product categories. For definitions, see [Glossary](#).
² For definition of available for sale, see [Glossary](#).
³ Data reflect the number of factories operated and owned by PMI at the end of the year.
⁴ Figure pertains to tobacco farmers whose tobacco is included in PMI packed products.
⁵ For definition of smoke-free and net revenues related to smoke-free, see [Glossary](#).

Proportion of PMI's total 2024 net revenues generated by each segment⁵



Proportion of 2024 net revenues derived from smoke-free in each segment⁵



Notes:
 As of December 2024, we managed our business in four geographical segments and a Wellness & Healthcare segment which includes the operating results of our wellness and healthcare business. See [Glossary](#).
 Following the sale of Vectura Group Ltd. on December 31, 2024, as of the first quarter of 2025 we updated our segment reporting by including the remaining Wellness & Healthcare results in the Europe segment. For more information, please access the corresponding 8-K filed with the SEC on March 25, 2025 [here](#). In addition, we renamed our "PMI Duty Free" business to "PMI Global Travel Retail" effective in the first quarter of 2025. As a result of this change, PMI's segment that includes our duty free business will be renamed East Asia, Australia & PMI Global Travel Retail ("EA, AU & PMI GTR"). As of the first quarter of 2025, our reporting will reflect these segments changes.



PMI's Statement of Purpose

Sustainability is a key component of our business strategy and long-term success. We understand sustainability as a comprehensive approach that future-proofs our organization in multiple ways. First, it strengthens our resilience by helping us anticipate and address environmental and social risks before they impact our operations. Second, it ensures we stay ahead of evolving regulatory requirements while maintaining the highest standards of transparency and accountability. Most importantly, we see sustainability as a catalyst for innovation and growth, opening new market opportunities and driving the development of products that offer solutions and create lasting value. This approach not only protects our business interests but also fulfills our broader purpose of making a positive impact on society while delivering value to our shareholders and other stakeholders alike. Through this lens, sustainability becomes both a strategic imperative and a source of competitive advantage.

André Calantzopoulos
Chairman



Read [PMI's Statement of Purpose](#)



Operating context

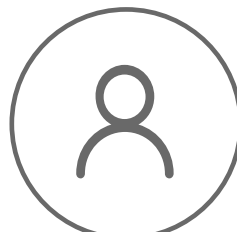
Global trends



**Health-
consciousness**



**Climate
resilience**



**Human
capital**



Trust



**Artificial
intelligence**

→ [Read more about our identified global trends on PMI.com](#)

Industry trends

- **Moderate decline in prevalence of tobacco smoking worldwide**
- **Rapid adoption of smoke-free alternatives by adult smokers where permitted**
- **Increased pace of innovation in smoke-free product categories and geographies**
- **Evolving regulation and taxation, sufficiently enforced by law**
- **Illicit nicotine products can undermine public health policies**

Strategy and governance

Value creation in 2024	p12	2025 Roadmap	p20
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Sustainability materiality assessment: the right focus	p18		
Our sustainability strategy	p19		



Value creation in 2024

Resources and relationships

~83,100
Employees, of whom
44% are women

USD 759 m
R&D expenditure, of which
99.5% dedicated to smoke-free

~309,000 tons
Of packed tobacco sourced

51 factories¹
Of which 16 are partially or
fully dedicated to the production
of smoke-free products

~361,000
Contracted tobacco farmers
>21,400
Suppliers²

~USD 187 bn
Market capitalization as
of December 31, 2024

Our mission

Accelerate the end of cigarettes by offering adults who would otherwise continue to smoke scientifically substantiated better alternatives and evolve in the longer term into a broader lifestyle, consumer wellness and healthcare company.

Our value chain transformation

To achieve this mission, all segments of our value chain—including sourcing, operations, commercialization, and consumers and revenues—are undergoing rapid transformation.

CAPITALS

- Human
- Manufactured
- Intellectual
- Social
- Natural
- Financial

Value created

75%
Of PMI employees have access to
lifelong learning program³

10
Digital training hours per employee³

4,250
Patents granted in IP5 jurisdictions
relating to smoke-free products

541
Scientific publications since 2008
sharing our methods and findings

15%
Reduction of CO₂e emissions
along the value chain (scope
1+2+3) vs. 2019

100%
Tobacco purchased at no risk of deforestation
of primary and protected forests⁴

19
Smoke-free (heat-not-burn and
e-vapor) device versions in our
portfolio commercialized

95
Markets where PMI smoke-free products are
available for sale⁵, of which 49 percent are low- and
middle-income markets⁶

~38.6 million
Estimated number of users of
PMI smoke-free products, including
~32.2 million IQOS users⁷

0.01%
Prevalence of child labor among contracted farmers
supplying tobacco to PMI,³ and 99% of contracted
farmers supplying tobacco to PMI who make a living
income³

38.7%
Annual net revenues from smoke-free⁸

USD 76 bn
In excise tax paid on all PMI products

Note: Presentation of information in this visual is informed by the Integrated Reporting Framework of the IFRS Foundation.

¹ Data reflect the number of factories operated and owned by PMI at the end of the year.

² Suppliers refer to tier 1 suppliers, for definitions see [Glossary](#).

³ See [PMI's Sustainability KPI Protocol 2024](#) for further details.

⁴ Excluding Swedish Match.

⁵ For definition of available for sale, see [Glossary](#).

⁶ Excluding PMI Global Travel Retail. World Bank report issued in 2021 is used on a comparative basis for income level classification. For definition of low- and middle-income markets, see [Glossary](#).

⁷ Total PMI smoke-free users is defined as the sum of total IQOS users, total oral smokeless users, and total e-vapor users of PMI products minus poly-users across PMI's smoke-free product categories. For definitions, see [Glossary](#).

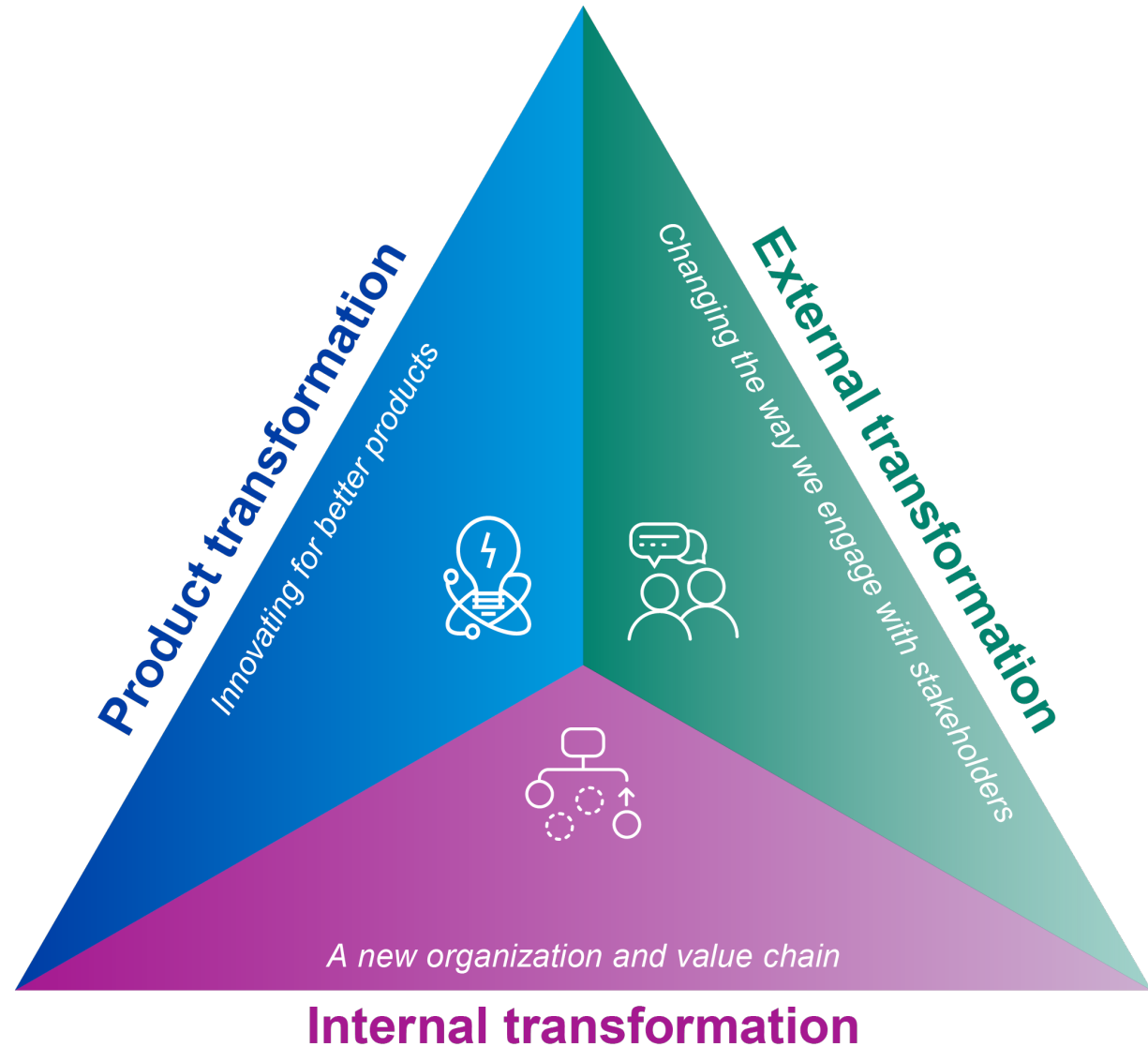
⁸ For definition of net revenues related to smoke-free, see [Glossary](#).



Transforming for good

PMI's business transformation

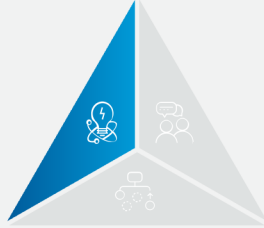
While a transformation of this magnitude and complexity is not achieved overnight, we are committed to making it happen as fast as possible.



Transforming for good continued

Product transformation

Innovating for better products

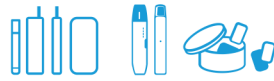


Supporting transformation



Combustible tobacco products

Growth priorities



Smoke-free products

Emerging opportunities



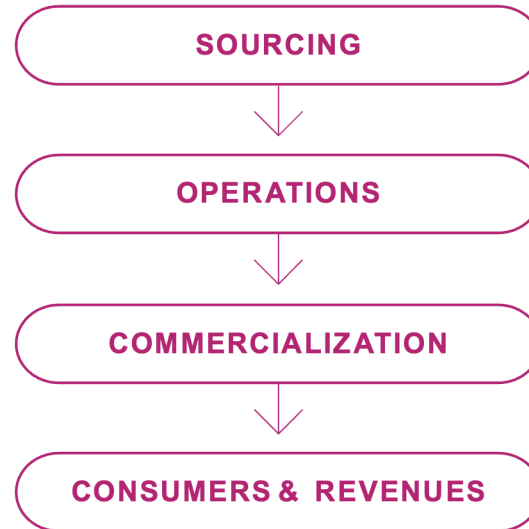
Wellness and healthcare

Internal transformation

A new organization and value chain



Value chain

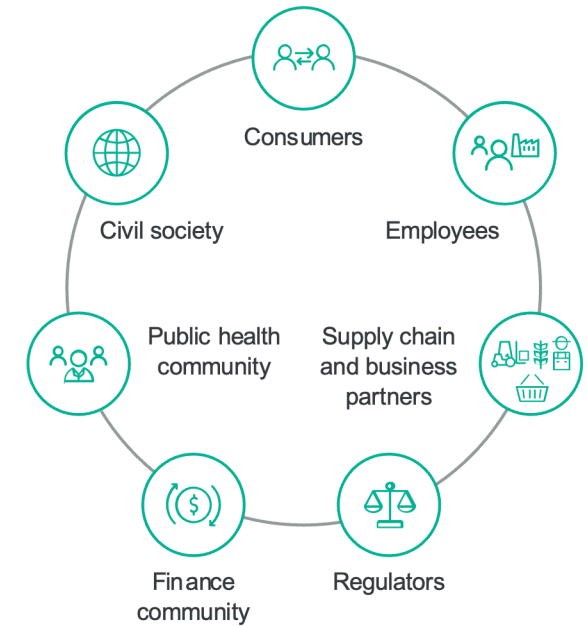


External transformation

Changing the way we engage with stakeholders



Key stakeholder groups



Business Transformation Metrics

Reporting the pace and scale of our transition

- T** Transformation
- F** Financial
- E** Environmental
- S** Social
- G** Governance

- 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 (KPIs) we call **Business Transformation Metrics**.
- They allow our shareholders and stakeholders to assess both the pace and scale of our transformation.
- Transparent, measurable, verifiable, and updated based on stakeholder feedback.
- PricewaterhouseCoopers SA (PwC) has provided independent limited assurance on select Business Transformation Metrics.¹

¹ See independent practitioner's limited assurance report available in Integrated Report 2024 , p. 195

Business Transformation Metrics

	2015 baseline	2022	2023	2024	Aspirations	
Consumers & Revenues	Total number of users of PMI smoke-free products (in millions) ^{1*}	n/a	n/a	33.3	38.6	
	Total number of IQOS users (in millions) ^{1*}	0.2	25.1	28.8	32.2	
	Estimated number of users who have switched to IQOS and stopped smoking (in millions) ^{2*}	0.1	18.1	21.1	23.0	
	Adjusted net revenues ratio (smoke-free/total) ^{3*}	0.7%	32.1%	36.4%	38.7%	>2/3 by 2030
Commercialization	Number of markets where smoke-free products are available for sale ^{4*}	7	73	84	95	100 by 2025
	Number of markets where >50% of net revenues are smoke-free*	0	17	25	23	~60 by 2030
	Number of markets where >75% of net revenues are smoke-free*	0	0	3	6	~40 by 2030
	Proportion of markets where smoke-free products are available for sale that are low- and middle-income markets ^{5*}	33%	43%	48%	49%	>50% by 2025
	Commercial (marketing) expenditure ratio (smoke-free/total)*	8%	74%	74%	78%	
	Smoke-free product shipment volume—heated tobacco units (billion units)*	0	109	125	140	
	Shipment volume—nicotine pouch (million cans)*	0	42	421	644	
Sourcing & Operations	Combustible tobacco product shipment volume (billion units) ^{6*}	877	642	633	635	
	Change in combustible tobacco product shipment volume (billion units) vs. 2015 baseline ^{6,7*}	n/a	(26.8%)	(27.9%)	(27.6%)	
	Adjusted R&D expenditure ratio (smoke-free/total)*	69.6%	98.8%	99.4%	99.5%	
	Supply chain direct spend expenditure (smoke-free/total) ⁸	n/a	43%	41%	40%	
	Number of factories producing smoke-free products out of total number of factories ^{9*}	3 out of 48	14 out of 49	16 out of 50	16 out of 51	

The 2024 metrics marked with an asterisk (*) are subject to [PwC's Limited Assurance Report](#).

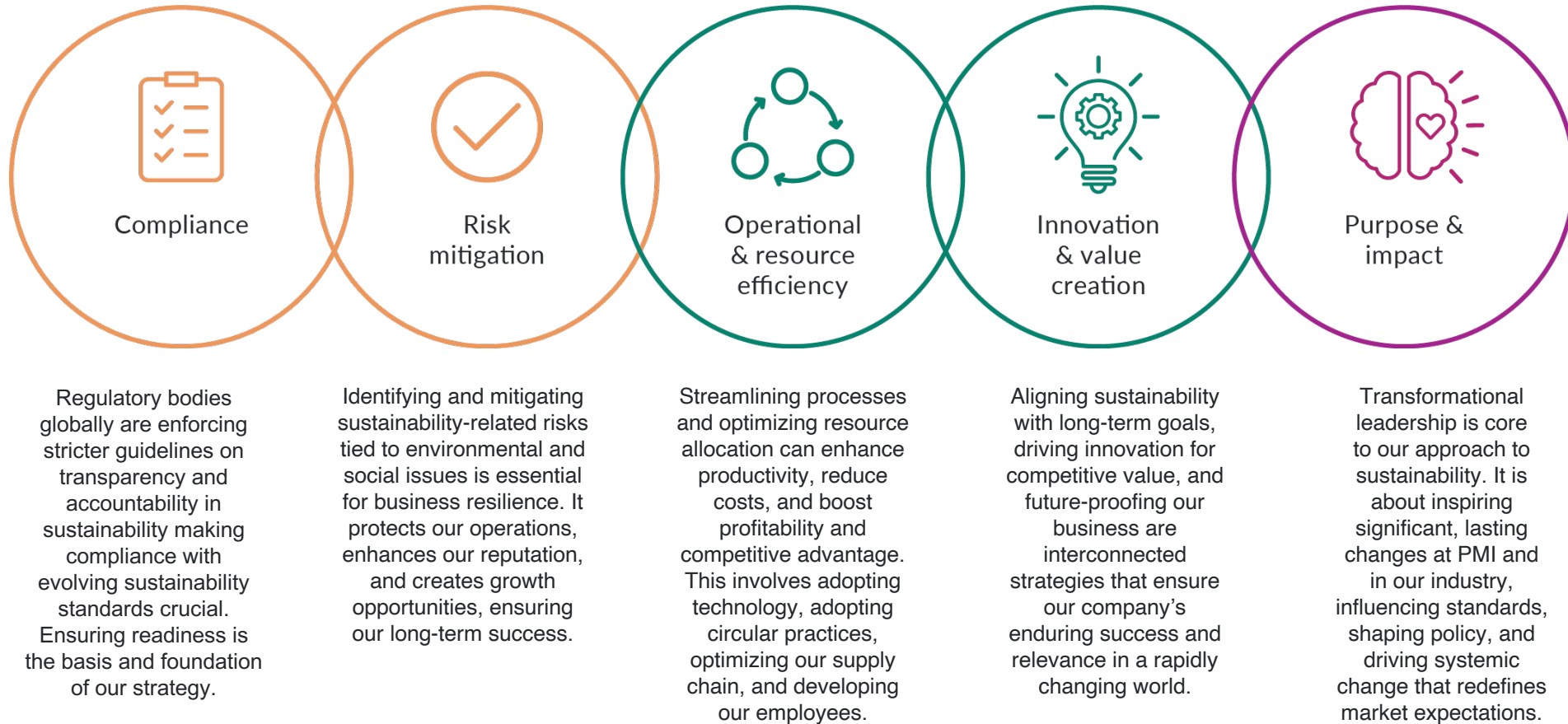
Note: Unless otherwise stated, all applicable business transformation metrics include Swedish Match related data as of November 11, 2022 (acquisition date), as well as wellness and healthcare business.

- 1 Total PMI smoke-free users is defined as the sum of total IQOS users, total oral smokeless users, and total e-vapor users of PMI products minus poly-users across PMI's smoke-free product categories. 2022 and 2023 IQOS user data was restated. For definitions, see [Glossary](#).
- 2 Previously the metric was named "Estimated number of users who have switched to PMI smoke-free products and stopped smoking (in millions)." The change pertains to name only. The methodology remains the same.
- 3 For definition of net revenues related to smoke-free, see [Glossary](#). Data excludes the impact related to termination of distribution arrangement in the Middle East in 2023.

- 4 For definition of available for sale, see [Glossary](#).
- 5 Excluding PMI Global Travel Retail. World Bank report issued in 2021 is used on a comparative basis for income level classification. For definition of low- and middle-income markets, see [Glossary](#).
- 6 Combustible tobacco products shipment volume includes cigarettes and other tobacco products expressed in cigarette equivalent units.
- 7 This indicator is calculated based on millions of units.
- 8 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 wellness and healthcare business.
- 9 Data reflect the number of factories operated and owned by PMI at the end of the respective year. "Smoke-free products factories" is defined as manufacturing facilities producing heated tobacco units and oral nicotine products. The number of factories reported is based on location, i.e., if a facility is one location, but has several physical areas (plants) the facility is counted as one.



Our approach to sustainability



Sustainability management

Our harmonized approach to designing and managing material sustainability topics is built on the following foundational elements:

Defining sustainability priorities



Governance and incentives



Policies and commitments



Setting aspirations



Performance management and strategy execution

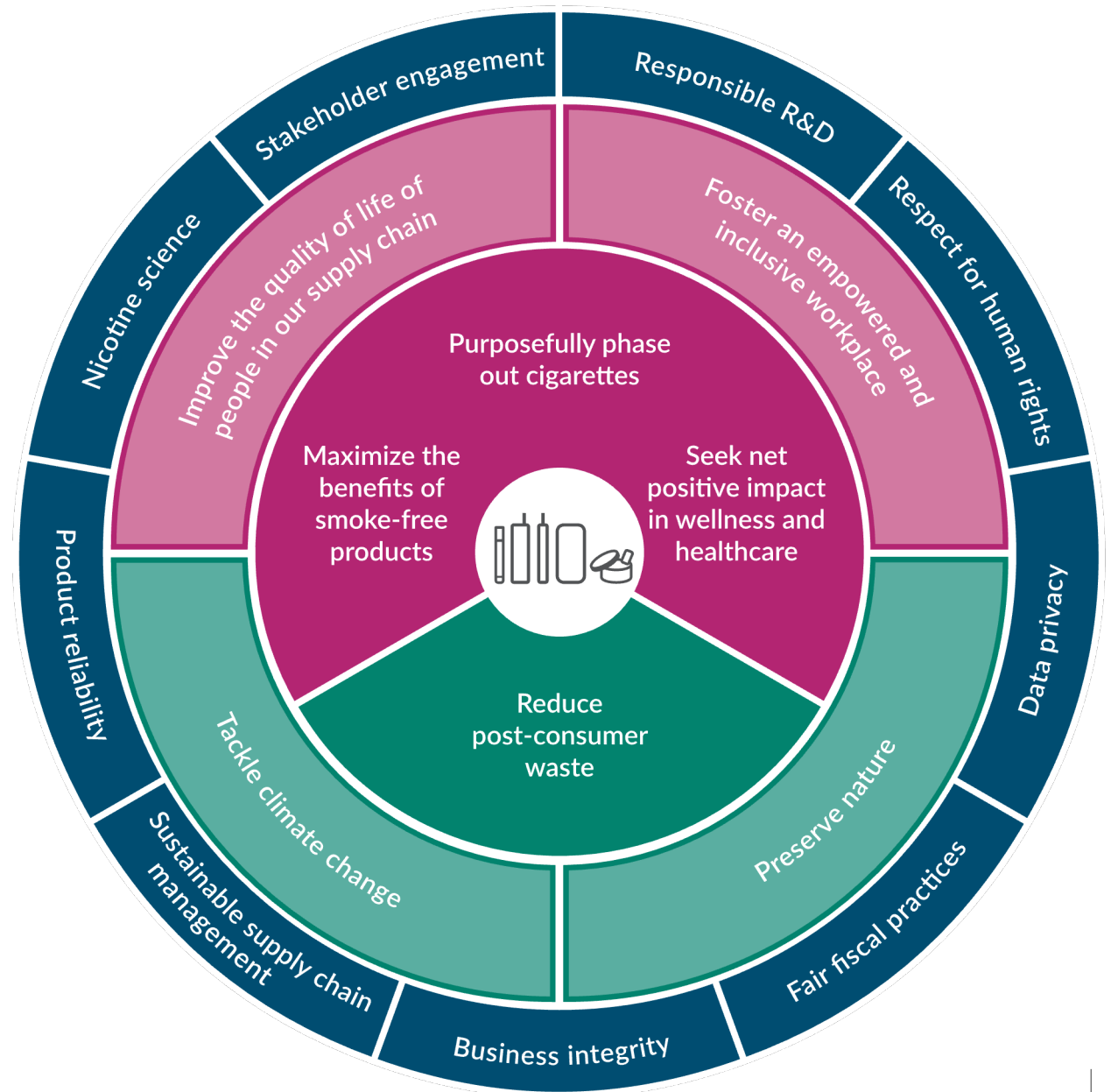


Reporting and transparency



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



2025 Roadmap

Our 2025 Roadmap outlines our key goals and informs the route of our company's long-term plan

	Goals	Priority ESG topics		
PRODUCT IMPACT	Purposefully phase out cigarettes 	1 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	
	Maximize the benefits of smoke-free products 	2 Develop and commercialize science-based smoke-free alternatives, 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	3 Deploy robust youth access prevention programs in indirect retail channels and ensure that sales of our products abide by our Marketing Codes	Product health impact; Sales, marketing, and consumer communications
		4 Lay the foundation to evolve into a broader lifestyle, consumer wellness, and healthcare company in the long term		
	Reduce post-consumer waste 	5 Reduce post-consumer waste and prevent littering by implementing comprehensive programs covering all our consumables	6 Follow eco-design and circularity principles for all smoke-free electronic devices	Materials and product eco-design; Post-consumer waste
		7 Nurture a fair and inclusive culture that promotes the continuous development of our employees		
	OPERATIONAL IMPACT	Foster an empowered and inclusive workplace 	8 Eradicate systemic child labor in our tobacco supply chain	Socioeconomic well-being of tobacco-farming communities
Improve the quality of life of people in our supply chain 		9 Ensure all contracted tobacco farmers make a living income; partner with our direct suppliers to promote a living wage for their workers		
		Tackle climate change 	10 Achieve carbon neutrality in our operations and accelerate our decarbonization toward net zero across our value chain	Climate
Preserve nature 		11 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	Biodiversity; Water	



2025 Roadmap – 2024 progress highlights



Product Impact

Purposefully phase out cigarettes



1

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

38.7% Of net revenues from smoke-free.¹

20.4% Of our total shipment volume pertained to smoke-free products. Meanwhile, combustible tobacco product shipment volume decreased by 27.6% versus 2015 baseline.²

Maximize the benefits of smoke-free products



2

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 continuing to increase the total number of adult users

95 Markets where PMI smoke-free products were available for sale.³

49% Of markets where smoke-free products are available for sale³ that are low- and middle-income markets.⁴

¹ For definition of net revenues related to smoke-free, see [Glossary](#).

² These indicators are calculated based on millions of units.

³ For definition of available for sale, see [Glossary](#).

⁴ Excluding PMI Global Travel Retail. World Bank report issued in 2021 is used on a comparative basis for income level classification. For definition of low- and middle-income markets, see [Glossary](#).





Product Impact

Maximize the benefits of smoke-free products



3

Deploy robust youth access prevention programs in indirect retail channels and ensure that sales of our products abide by our Marketing Codes

99%

Of shipment volume covered by youth access prevention programs in our indirect retail channels.¹

¹ Total shipment volume includes cigarettes, other tobacco products (OTPs), and smoke-free product consumables. See [PMI's Sustainability KPI Protocol 2024](#) for further details. Data exclude Swedish Match and wellness and healthcare business.

Seek net positive impact in wellness and healthcare



4

Lay the foundation to evolve into a broader lifestyle, consumer wellness, and healthcare company in the long term

While we focus in the short to medium term on capitalizing on our smoke-free products' growth potential, we recognize the sizeable potential of our wellness and healthcare business in the long run. In 2024, our wellness and healthcare business, Aspeya, continued its organizational build-up across its business categories while also undertaking product development and commercialization activities.



Product Impact

Reduce post-consumer waste



- 5** Reduce post-consumer waste and prevent littering by implementing comprehensive programs covering all our consumables

92% Of shipment volume covered by markets with anti-littering programs in place for combustible cigarettes.¹

21.5% Of shipment volume covered by markets with end-of-life take-back programs in place for smoke-free consumables.¹

Reduce post-consumer waste



- 6** Follow eco-design and circularity principles for all smoke-free electronic devices

In 2024, for the first time, we developed and published three pre-certified Environmental Product Declarations (EPDs) for *IQOS ILUMA i* devices, detailing their environmental impact. During the year we also implemented several eco-design requirements into select pilot projects.¹

¹ See PMI's Sustainability KPI Protocol 2024 for further details.



Operational Impact

Foster an empowered and inclusive workplace



7

Nurture a fair and inclusive culture that promotes the continuous development of our employees

75%

Of our global workforce could access structured lifelong learning offers.¹

Improve the quality of life of people in our supply chain



8

Eradicate systemic child labor in our tobacco supply chain

9

Ensure all contracted tobacco farmers make a living income; partner with our direct suppliers to promote a living wage for their workers

0.01%

Prevalence of child labor among contracted farmers supplying tobacco to PMI.¹

99%

Proportion of contracted farmers supplying tobacco to PMI who make a living income,¹ and 100% who pay their workers at least the minimum legal wage of agricultural benchmark



¹ For further details on how we measure progress on this KPI, please see [PMI's Sustainability KPI Protocol 2024](#).



Operational Impact

Tackle climate change



10 Achieve carbon neutrality in our operations and accelerate our decarbonization toward net zero across our value chain

39% Reduction in absolute scope 1+2 GHG emissions versus 2019 baseline.

15% Reduction of net CO₂e scope 1+2+3 emissions.

Preserve nature



11 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

88% Of tobacco purchased at no risk of net deforestation of managed natural forest and no conversion of natural ecosystems.¹

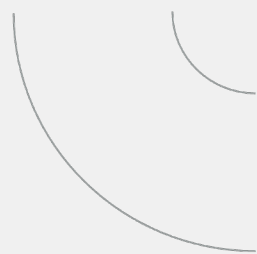
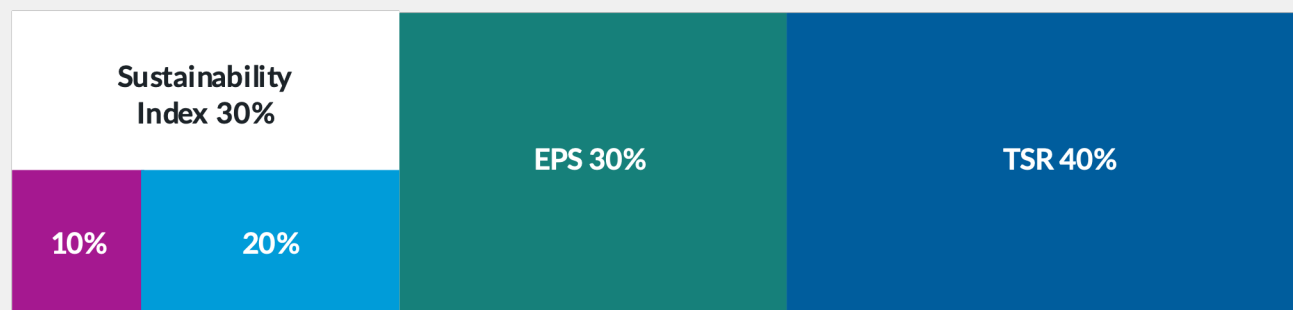
100% Of paper, board, and pulp-based products purchased at no risk of gross deforestation of primary and protected forests.¹

12.3 m Cubic meters of water optimized in our tobacco-growing areas since 2019.²

¹ For definitions, please see [PMI's Zero Deforestation Manifesto](#) and [PMI's Sustainability KPI Protocol 2024](#).
² Indicator is based on the World Resources Institute's volumetric benefit accounting methodology. For further details, see [PMI's Sustainability KPI Protocol 2024](#).

Linking sustainability performance to executive compensation

PMI's Sustainability Index enables us to measure objectively and communicate rigorously progress on our aspirations by using a set of clearly defined and verifiable metrics aligned with our 2025 Roadmap



PRODUCT
SUSTAINABILITY



OPERATIONAL
SUSTAINABILITY

[→ PMI's Sustainability Index](#)

[→ Read PMI's 2025 Proxy Statement](#)

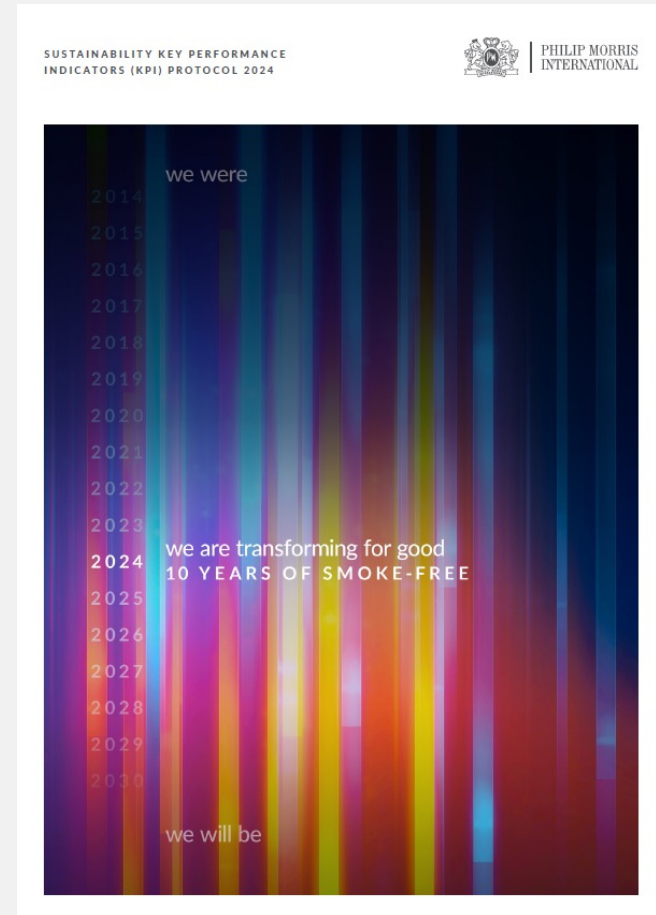
Strengthening the link between long-term executive compensation and sustainability performance, PMI's Sustainability Index is a component of our performance share unit (PSU) awards.

Accordingly, the Index is based on three-year cycles, and split into two drivers: Product Sustainability and Operational Sustainability

PMI's Sustainability Index

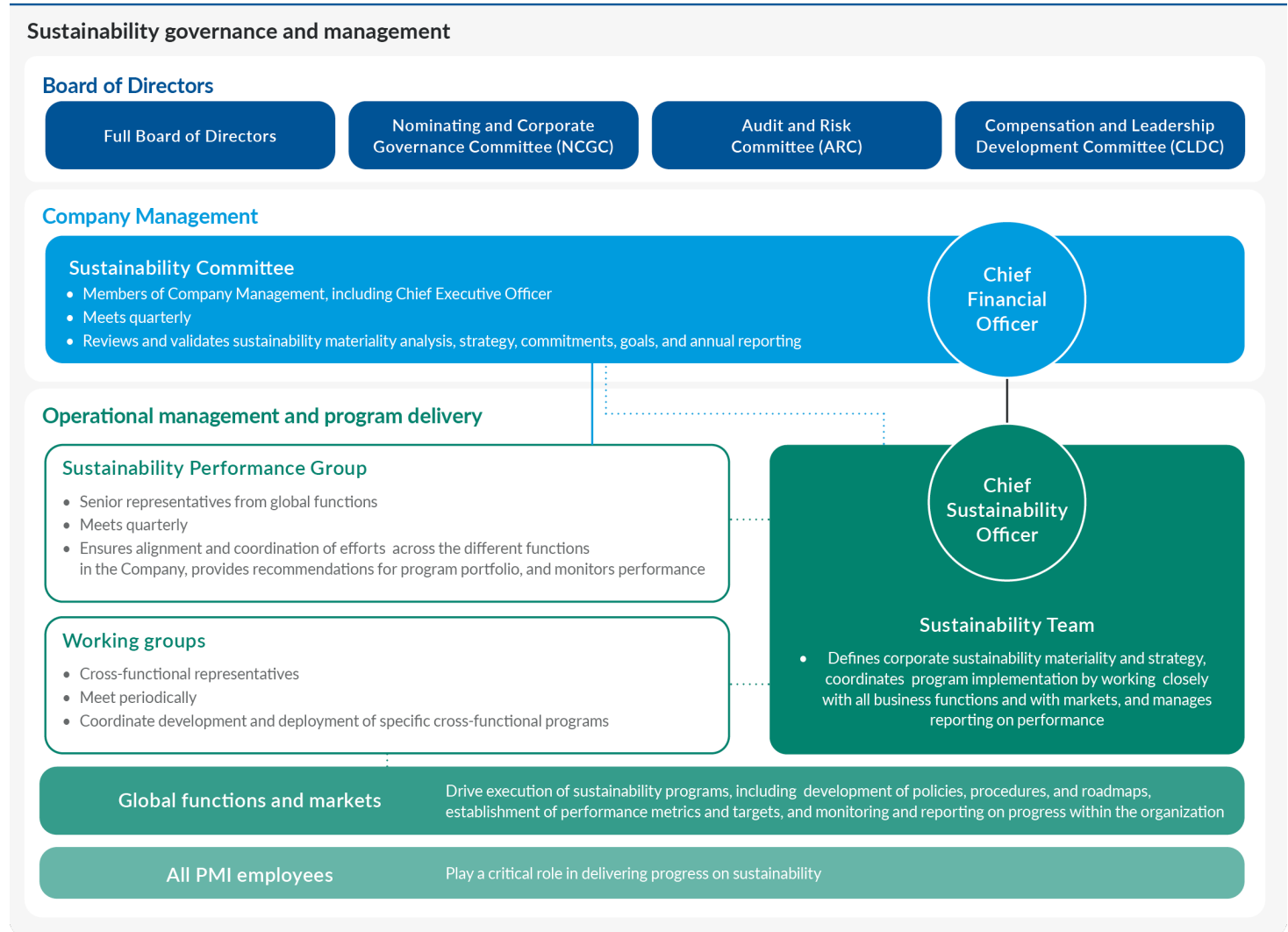
Substantive information about PMI's Sustainability Index can be found in:

- **PMI.com**: to learn more about the Sustainability Index structure-and mechanics
- **PMI's annual Proxy Statement**: for disclosure of performance achievement for vested awards.
- **PMI's annual Integrated Report**: for disclosure of the structure of the version of the Index introduced in the year on which the report is focused.
- **PMI's Sustainability KPI Protocol**: for an explanation of how we transparently define and measure progress, each Index KPI has its own standard, which includes definitions, assumptions, scope, methodology, basis for preparation.







Sustainability governance structure

Integrating sustainability into our Company relies on a formal governance and management structure with clear accountabilities at different levels of the organization





Product impact

-  Maximize the benefits of smoke-free products p30
-  Purposefully phase out cigarettes p33
-  Seek net positive impact in wellness and healthcare p35
-  Reduce post-consumer waste p36

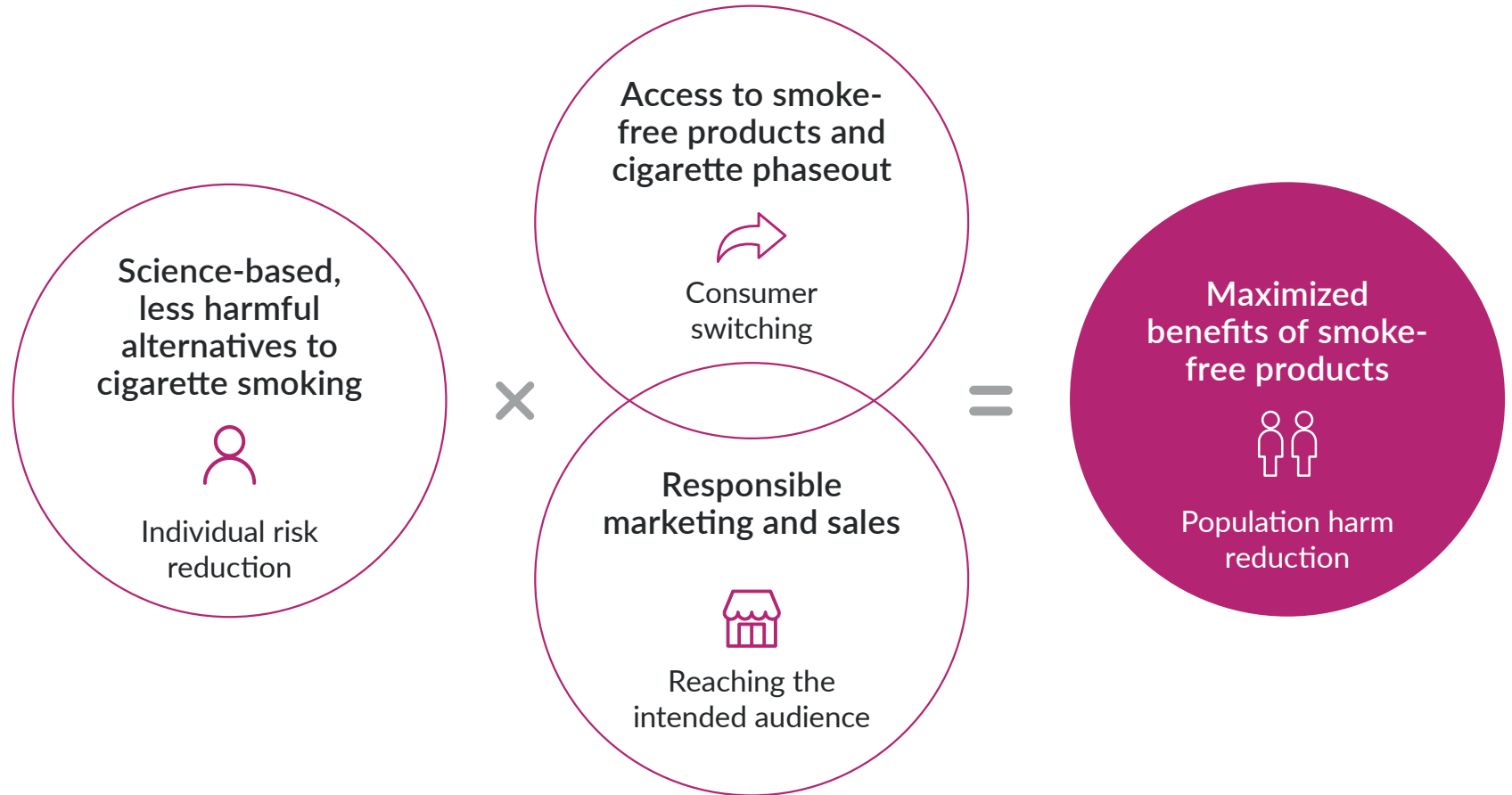




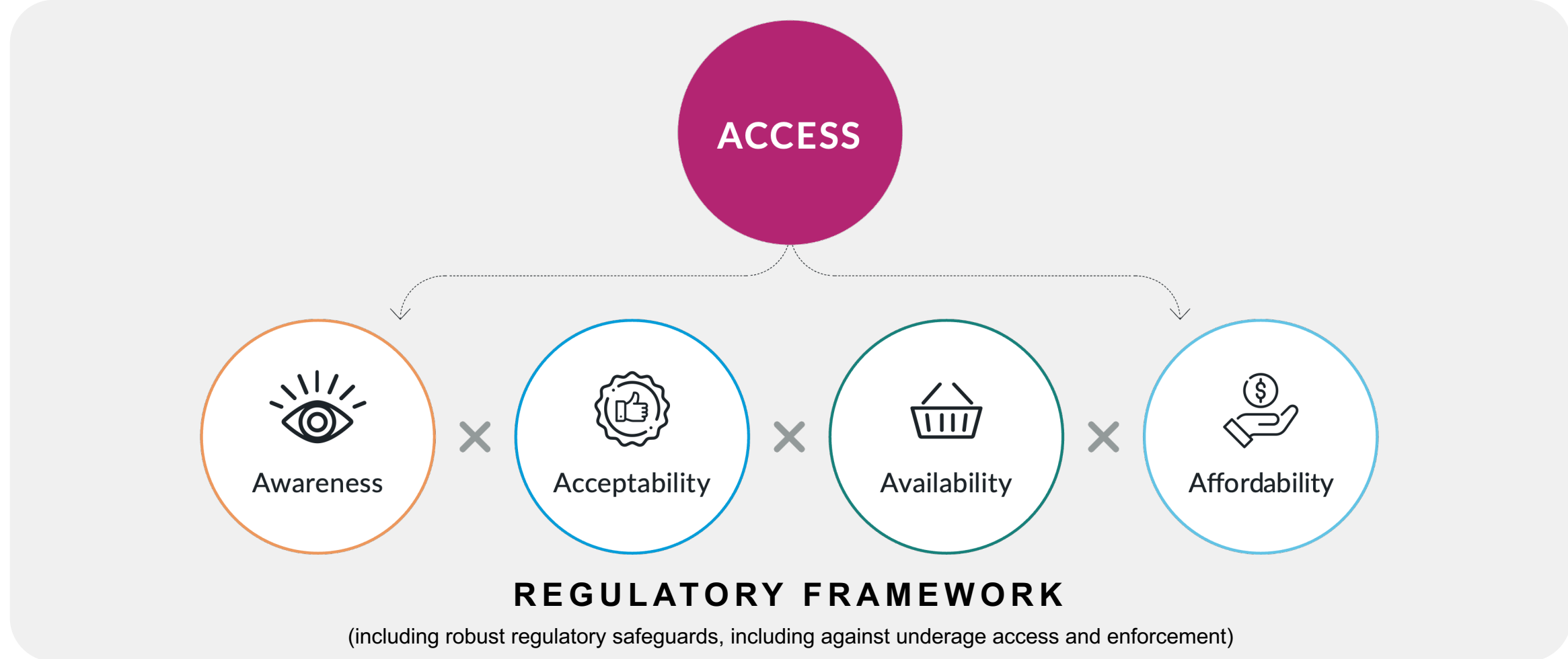
Maximize the benefits of smoke-free products



Read more in the [“Maximize the benefits of smoke-free products”](#) chapter of PMI’s [Integrated Report 2024](#)



Access to smoke-free products



Responsible marketing and sales



Our commercialization strategy incorporates responsible marketing and sales principles and practices end-to-end, starting with our own product design and development, all the way to monitoring the effectiveness of our youth access prevention measures, and to advocating for strong regulation and enforcement.

Marketing Codes

- ✓ [Code for Smoke-Free Products](#)
- ✓ [Code for Combusted Tobacco Products](#)

Note: PMI's U.S. affiliates are committed to responsible marketing practices focused on marketing our products only to 21+ adult nicotine consumers, as per our U.S. Marketing Code for Smoke-Free Products.



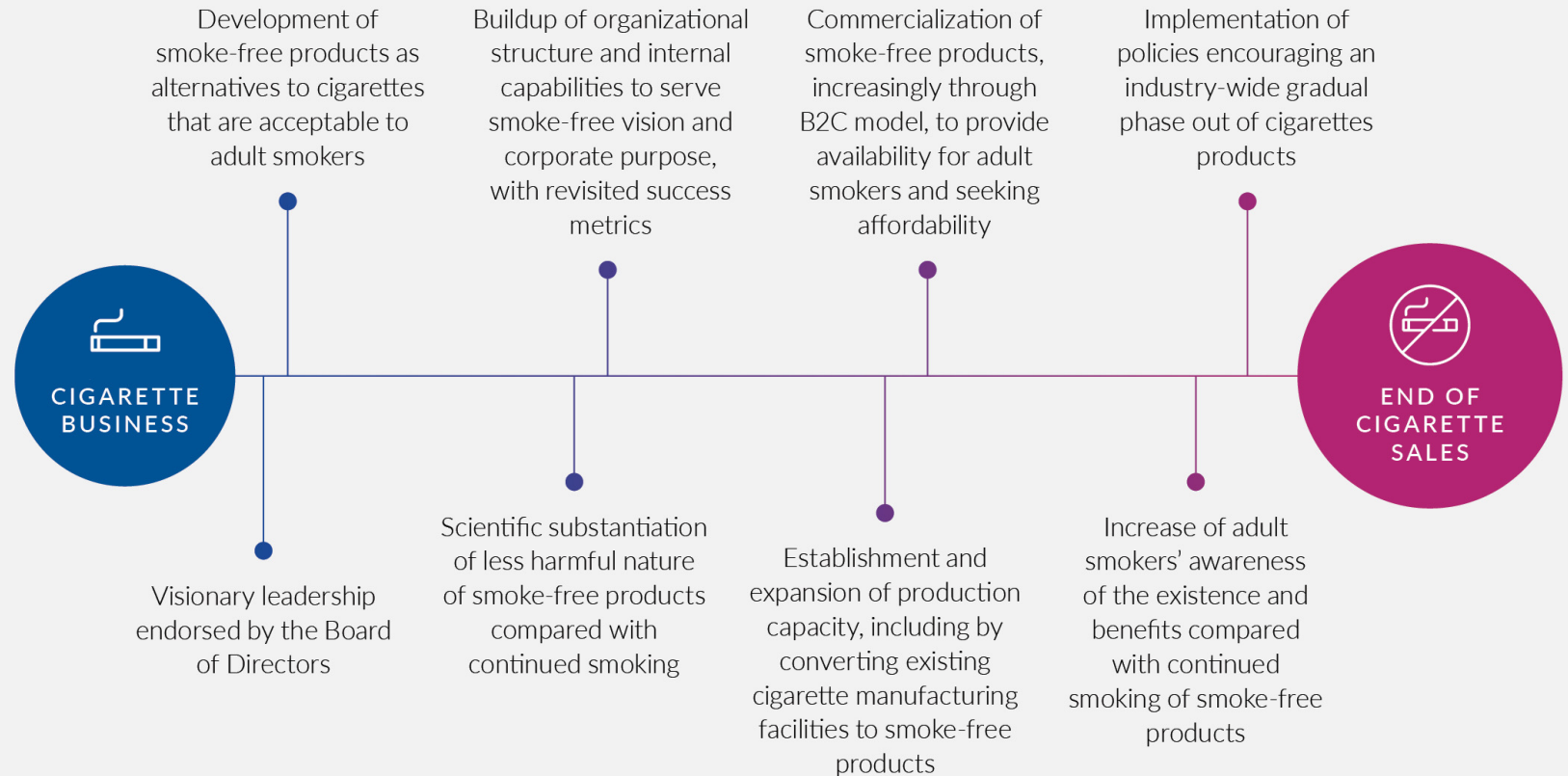


Purposefully phase out cigarettes



Read more in the [“Purposefully phase out cigarettes” chapter of PMI’s Integrated Report 2024](#)

Our road to transforming PMI for good: the need for large-scale, multistakeholder intervention to end smoking



Regulatory encouragement and support from civil society through appropriate supply and demand measures are essential to achieve the systemic change required

Stakeholder collaboration: charting a path to phase out cigarettes

- Increased investment in prevention, quitting campaigns, and cessation services
- Measures to rectify misunderstandings that prevent adult smokers to quit or, for those who would continue to smoke, switch to better alternatives
- Access to a range of smoke-free alternatives which are subject to differentiated regulation and taxation versus combustible tobacco products – coupled with robust safeguards against unintended use, in particular by underage people
- Clear product requirements as well as technical and scientific criteria to substantiate reduced-risk potential versus continued smoking
- Post-market monitoring of real-world data and surveillance to assess the actual impact of policy interventions
- Countries' smoke-free targets should be incorporated in national plans alongside clear roadmaps toward reaching the targets
- Post-phase-out support for adult smokers who will continue smoking





Seek net positive impact in wellness and healthcare

As we work to become a company that has a net positive impact on society, we believe in the importance of continuing to invest in a future that allows us to expand our offerings to products that are suited to address critical unmet consumer and patient needs within the wellness and healthcare space.

Key growth areas



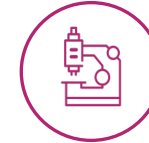
Inhaled therapeutics



Nicotine replacement therapies



Consumer health



Contract Development and Manufacturing Organization



Pharmaceutical Cannabinoids

→ Read more in the [“Seek net positive impact in wellness and healthcare”](#) chapter of PMI’s Integrated Report 2024

PM Equity Partner (PMEP)

- Launched in 2016
- USD 350 million committed since inception

→ Read more [here](#).

It invests across four main corridors:

- ✓ Wellness and healthcare
- ✓ Inhalable therapeutics
- ✓ Smoke-free products
- ✓ Impact investing



Reduce post-consumer waste



Cigarettes

1. Invest in R&D toward filters made of plastic-free alternatives
2. Encourage behavioral change through impactful anti-littering awareness programs and initiatives



Smoke-free electronic devices

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



Smoke-free consumables

1. Deploy end-of-life take-back programs
2. Design for circularity and waste reduction
3. Responsible disposal



Packaging

1. Minimize packaging materials
2. Improve packaging circularity by designing for recyclability
3. Promote use of materials made from renewable resources

→ [Read our strategy online](#)



→ Read more in the [“Reduce post-consumer waste” chapter of PMI’s Integrated Report 2024](#)



Operational impact



Foster an empowered and inclusive workplace

p38



Improve the quality of life of people in our supply chain

p39



Tackle climate change

p42



Preserve nature

p44



Foster an empowered and inclusive workplace

→ Read more in the [“Foster an empowered and inclusive workplace”](#) chapter of PMI's [Integrated Report 2024](#)

Unlocking business value through PMI DNA
We care, We are better together, We are game-changers



Providing fair employment



Developing our human capital



Promoting mental health and well-being



Protecting the health, safety, and security of our employees



Fostering a fair and inclusive culture



Improve the quality of life of people in our supply chain

Monitoring the implementation of PMI's ALP Code

- Internal monitoring by field technicians, who raise “prompt actions” and report “nonconformities”
- External assessments by the independent third-party organization Control Union (all reports available [here](#))
- External verification by specialized local expert partners

Proactively addressing risks in our broader supply chain

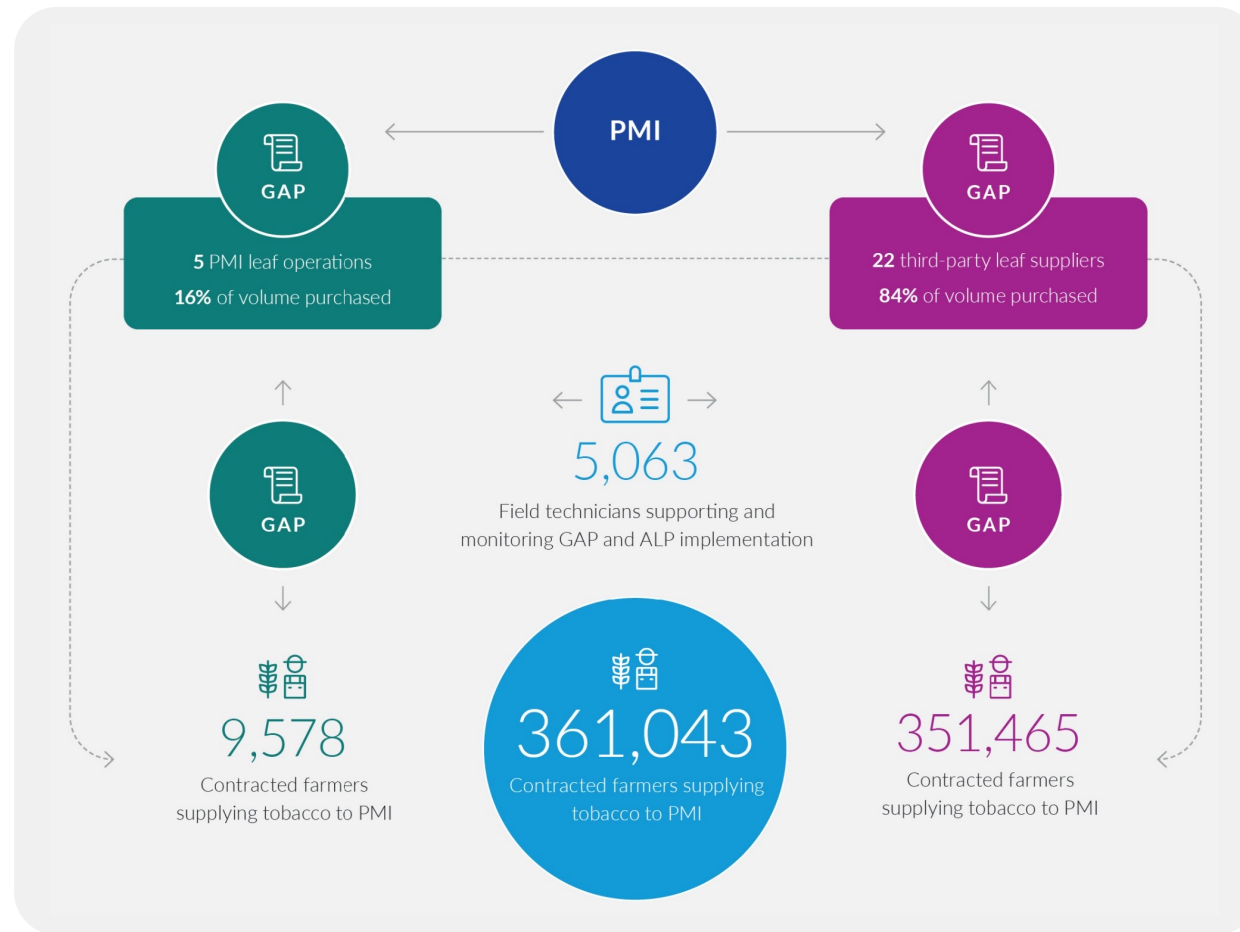
- Responsible Business Alliance audit programs for electronics supply chain such as “Validated Assessment Program” and “Customer Managed Audits”
- Focus on critical suppliers for direct materials supply chain assessed in EcoVadis
- Human rights impact assessments provide detailed insights along our value chain



→ Further reading: [Agricultural Labor Practices \(ALP\)](#), [ALP Step Change](#), [ALP 10 year Anniversary Report](#), [Good Agricultural Practices \(GAP\)](#), [Human Rights Commitment](#), [Responsible Sourcing Principles](#)

→ Read more in the [“Improve the quality of life of people in our supply chain”](#) chapter of PMI's [Integrated Report 2024](#)

Promoting fair working and living conditions in our tobacco supply chain



Contributing toward alleviating poverty in our tobacco supply chain

- ✓ Assessing income levels in tobacco sourcing markets
- ✓ Implementing targeted interventions to close the living income gap
- ✓ Improving productivity
- ✓ Supporting households in diversifying their income
- ✓ Mitigating the impact of the gradual decrease in our tobacco demand
- ✓ Empowering women in tobacco farming

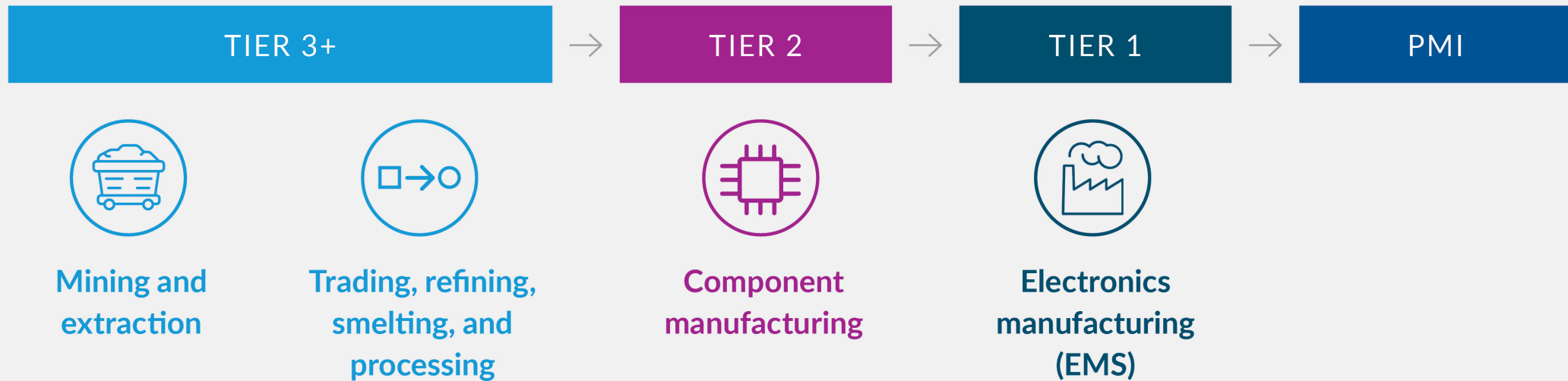
Eliminating labor abuses

- ✓ Promoting a safe working environment
- ✓ Advancing minimum wage for contracted workers
- ✓ Enhancing access to WASH among tobacco-farming communities



Promoting fair working and living conditions in our electronics supply chain

Simplified overview of our electronics supply chain



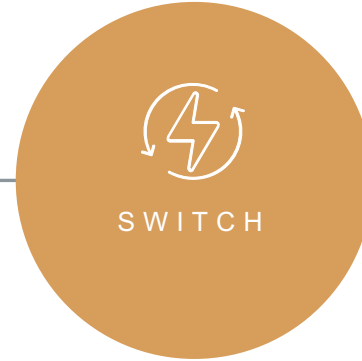


Tackle climate change

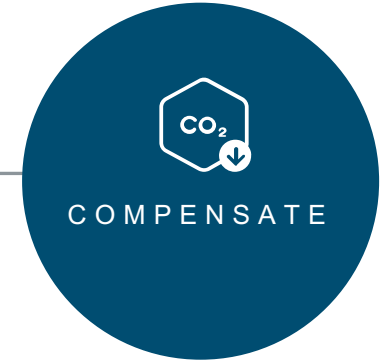
Our three-pronged approach to decarbonization



Reduce consumption and optimize efficiency

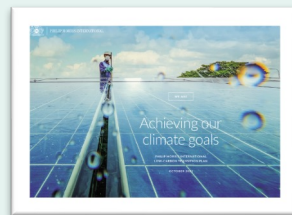


Minimize the use of fossil fuels and promote the switch to renewable energy



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

PMI's Low-Carbon Transition Plan



→ Further reading: [Low-Carbon Transition Plan \(LCTP\)](#)

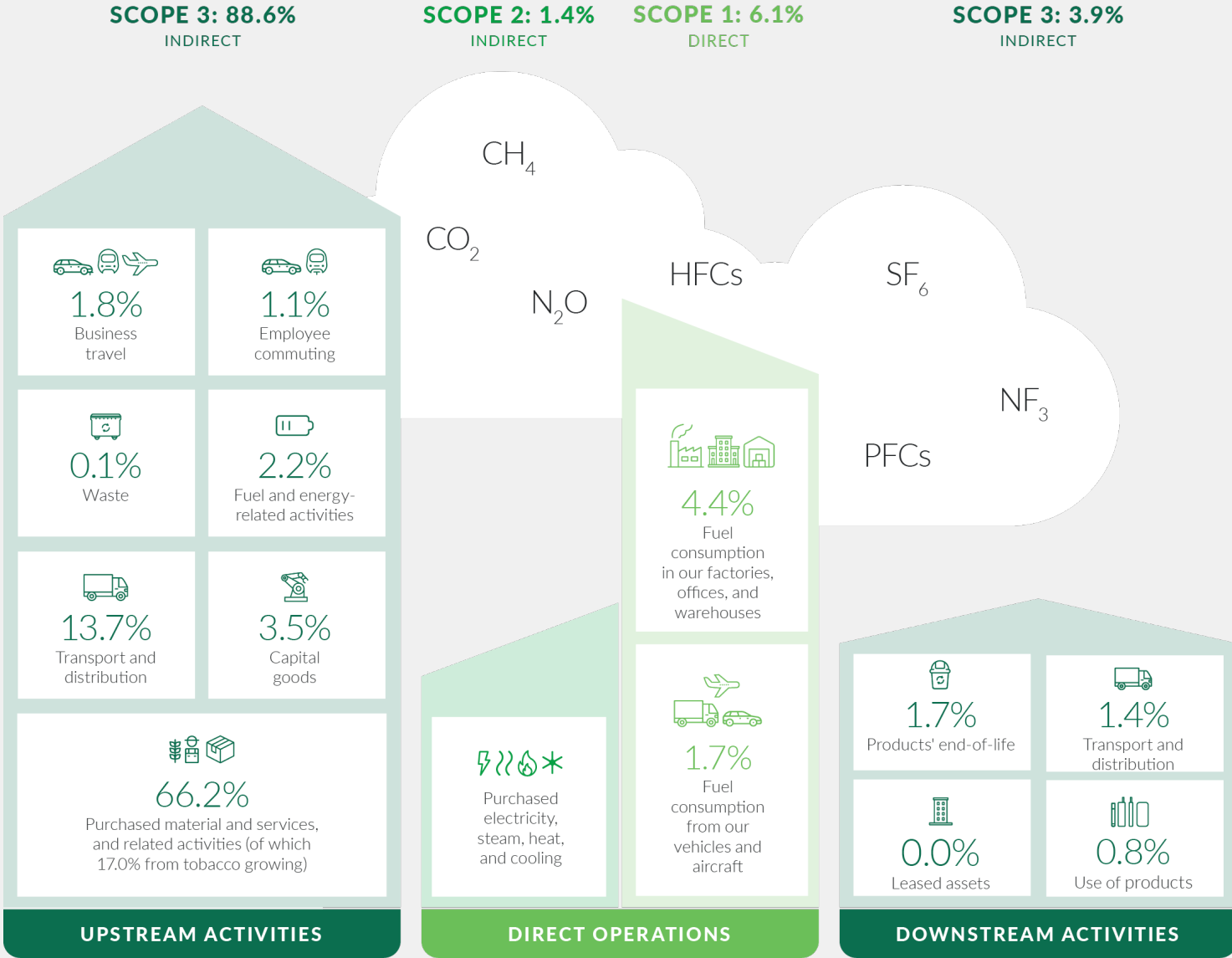
TCFD Report



→ Further reading: [Task Force on Climate-related Financial Disclosures \(TCFD\)](#)

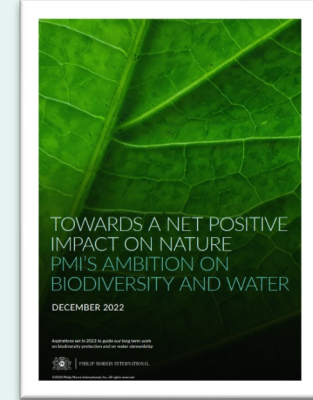
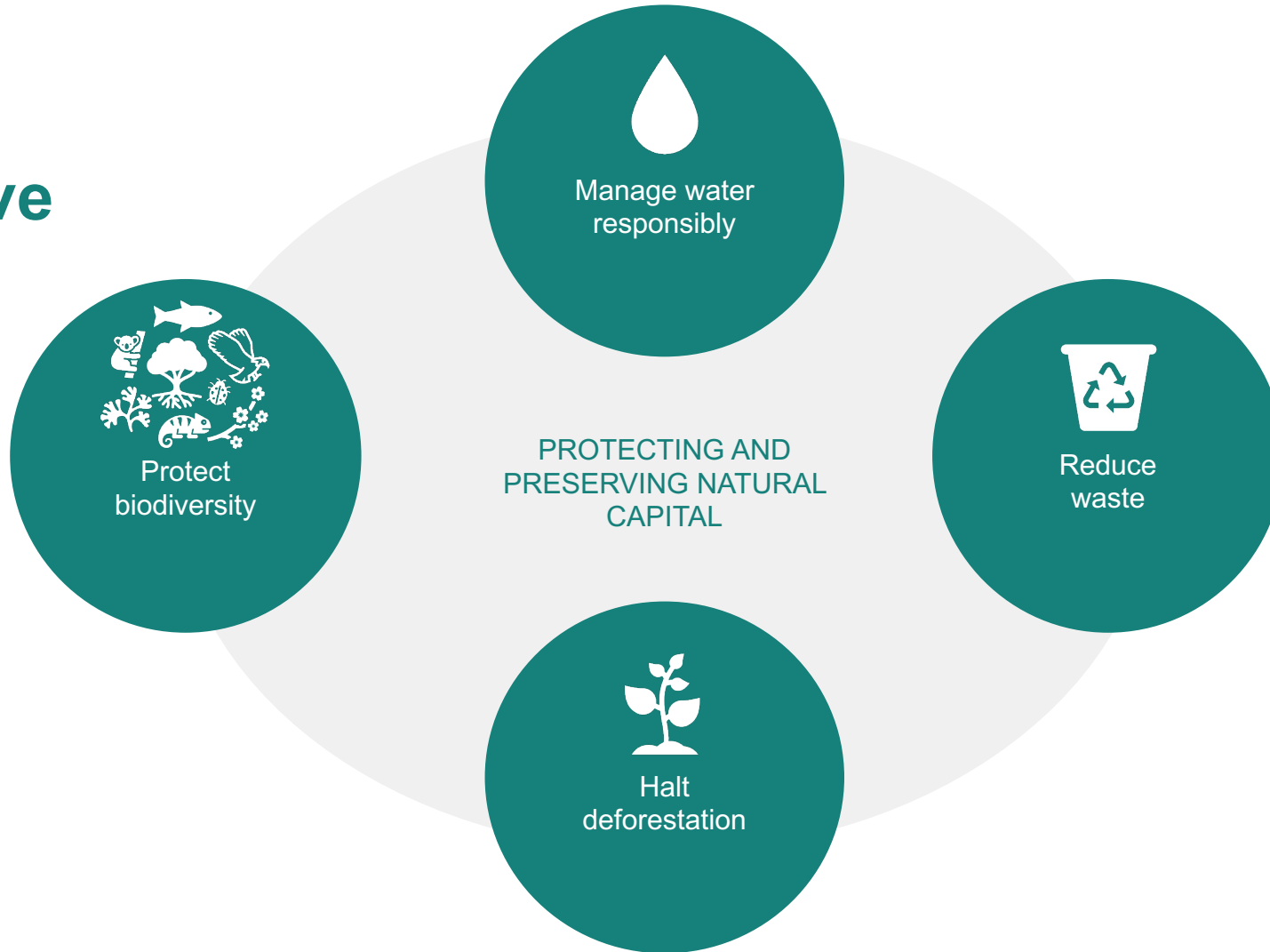
Tackle climate change continued

Carbon emissions along our value chain in 2024





Preserve nature



- Read more about our Biodiversity and Water Ambitions [here](#)
- Additional resources:
 - [Environmental Commitment](#)
 - [Responsible Sourcing Principles](#)
 - [Good Agricultural Practices](#)
 - [Zero Deforestation Manifesto](#)
 - [Water Stewardship Policy](#)



Fundamentals

[Nicotine Science](#)

p46

[Uphold business ethics and integrity](#)

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[Respect human rights](#)

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[Manage our supply chain sustainably](#)

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Nicotine science

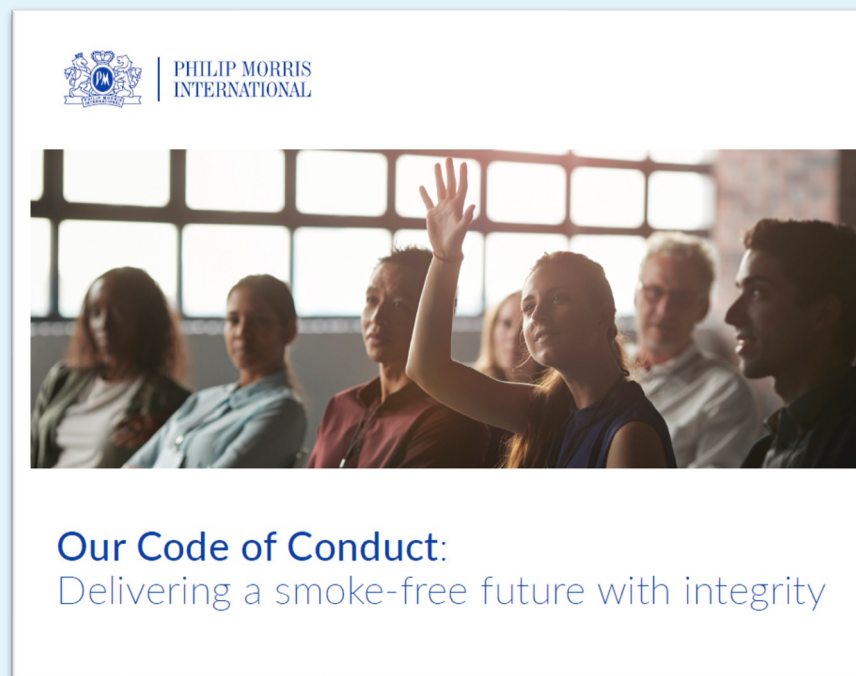
- What is nicotine?
- What is the history of nicotine use?
- Why is nicotine so often conflated with smoking?
- How harmful is nicotine?
- What are the effects of nicotine?
- How can nicotine contribute to making cigarettes obsolete?
- Could nicotine have a therapeutic application?
- Future of nicotine

→ Find the answers to these questions in [PMI's Integrated Report 2024](#)



Uphold business ethics and integrity

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

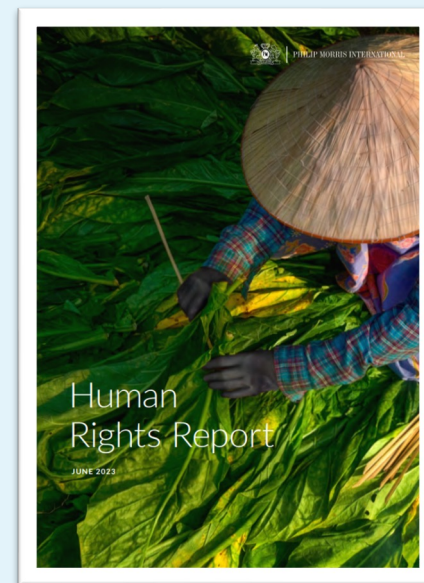
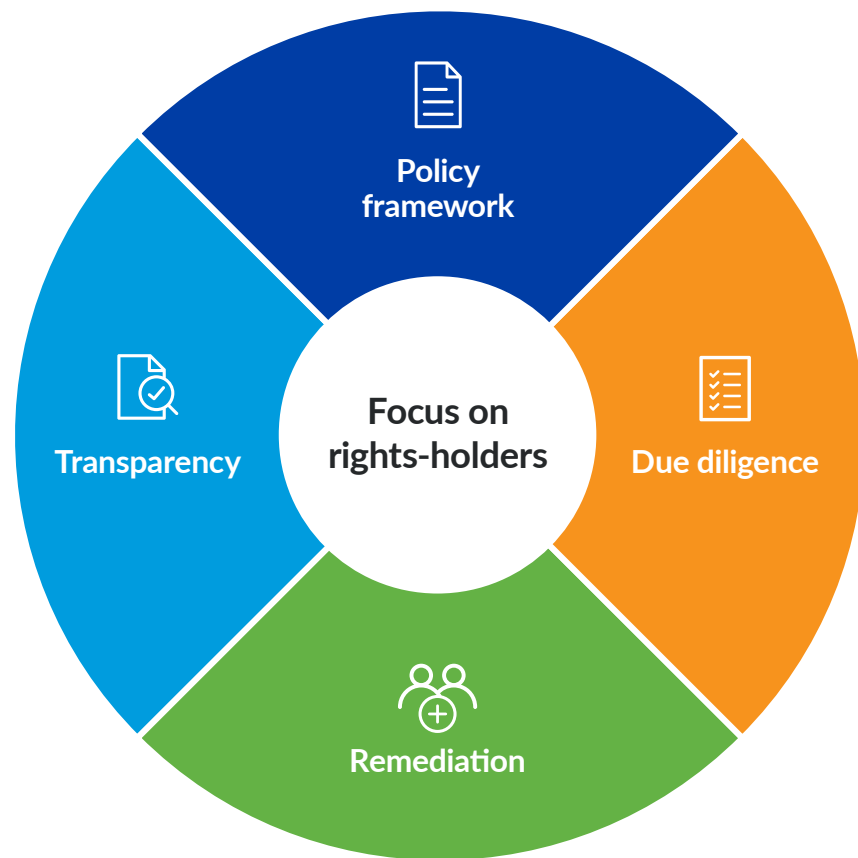


Our Code of Conduct:
Delivering a smoke-free future with integrity

→ Further reading: [Our Code of Conduct \(2023\)](#)

Respect human rights

Human rights are inherent to the dignity of human life and a prerequisite for society to prosper. As a global company, we work to uphold human rights within our organization and across our value chain.



➔ Further reading: [Human Rights Report](#)

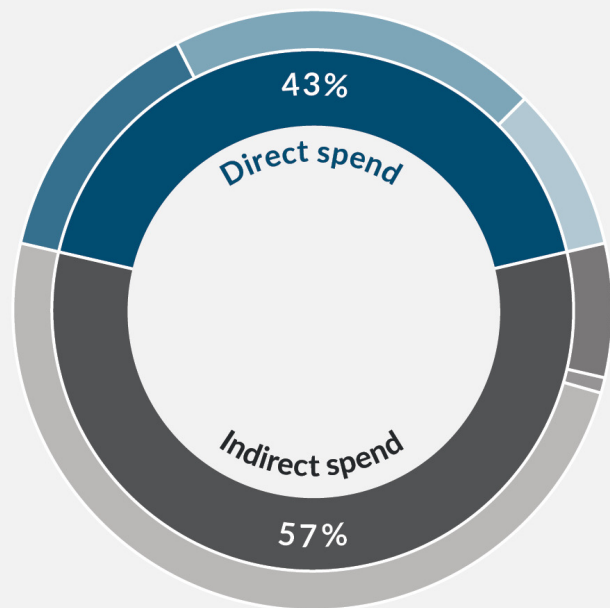


➔ Further reading: [Human Rights Commitment](#)



Manage our supply chain sustainably

2024 Supply chain spend



DIRECT SPEND	43%
Tobacco leaf	14%
Direct materials used to produce and package our products (e.g., cellulose acetate tow, paperboard, and nontobacco agricultural products, etc.)	20%
Electronic devices and accessories for smoke-free products	9%
Advanced procurement	<1%

Note: Sum not foot due to rounding.

INDIRECT SPEND	57%
Technical procurement to source the manufacturing equipment used in our factories	7%
R&D expenditure enabling us to conduct advanced research	1%
Indirect materials and services necessary to run our business, such as IT, office equipment, and consulting services	49%



- ✓ Legal compliance and business integrity principles
- ✓ Human rights principles
- ✓ Environmental principles

➔ [Responsible Sourcing Principles](#)



Reporting

[Performance in ESG ratings, rankings, and indices](#) [p51](#)

[2024 Case studies](#) [p52](#)

[2024 Market stories](#) [p53](#)

[Reconciliation of Non-GAAP measures](#) [p54](#)

[Glossary of terms and acronyms](#) [p56](#)

[Notes](#) [p60](#)



Performance in ESG ratings, rankings, and indices

		2024 score	
S&P Global Corporate Sustainability Assessment	For the fifth consecutive year in the Dow Jones Sustainability North America Composite Index with a score of 73/100 (score as of November 20, 2024; Indices effective as of December 16, 2024).	73/100	Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA
ISS ESG Corporate Rating	PMI maintained a rating of “C+” and its “Prime” status (score as of December 19, 2024).	C+	Corporate ESG Performance RATED BY ISS ESG ▶ Prime
CDP Climate, Forest, Water Security	PMI was awarded an A score for the eleventh consecutive year for climate change, an A score for the fifth consecutive year for forest, and an A- for water security.	AAA-	CDP A List 2024
CDP Supplier Engagement	In March 2024, PMI earned a place on CDP’s Supplier Engagement Leaderboard for the seventh consecutive year.	Leaderboard	CDP Supplier Engagement Leaderboard 2024
Sustainalytics	PMI maintained its “Medium ESG Risk” classification scoring 26.6 (score as of November 18, 2024).	Medium risk	
MSCI	PMI maintained a rating of BBB in the MSCI ESG Rating assessment (score as of September 24, 2024).	BBB	



2024 Case studies

China



Monitoring, verification and reporting for enhancing sustainable tobacco curing

In China, our main supply chain partners have deployed electrical energy curing barn centers. These centers utilize innovative heat pump technology to generate the thermal power required or flue-cured Virginia tobacco curing. This progress has facilitated a transition away from fossil fuels, particularly coal, during the flue-curing process.

Indonesia



Human rights impact assessment: Indonesia

Our affiliate in Indonesia has an extensive footprint with over 20,000 employees and seven manufacturing facilities across the country, as well as close to 40 upstream manufacturers and around 60,000 hand-rollers for conventional cigarettes.

Italy



Biomonitoring: using nature based solutions to measure pollution

Our manufacturing center in Italy has implemented a biodiversity monitoring program with honey bees to assess the state of nature in close proximity to the factory. The program, which began in 2022, involves monitoring conditions and health of the bee colonies; we analyze honey, wax and bee pollen to check for contaminant levels in relation to potential pollution sources.

Kazakhstan



Human rights impact assessment: Kazakhstan

In 2024, we conducted a human rights impact assessment (HRIA) in Kazakhstan covering the head and regional offices, factory as well as downstream, third-party sales, distribution, and retail.

Mozambique



Building momentum on addressing human rights impacts in our tobacco supply chain in Mozambique

In 2024 we completed a follow-up assessment from the HRIA conducted in 2020 in Mozambique. This assessment included extensive engagement with our local supplier to assess initiatives and systems in place to manage risks, as well as field visits to validate progress since the previous assessment through participatory techniques with farmers.

PMI



PMI water access impact valuation in Mozambique, Malawi and Argentina

We worked with the Valuing Impact consultancy to apply an impact valuation and Social Return On Investment (SROI) methodology to analyze our investments in WASH in three priority markets. Using an initial financial investment from PMI of USD 4 million over five years, these projects have achieved remarkable results and reached an estimated 300,000 people.

PMI



Sustainability and geospatial analysis: a recipe for informed decisions

We use internal geospatial intelligence to classify land use in relation to ecosystem integrity and the activities related to our value chain. We use indicators tailored to the needs of our implementing business functions to measure the extent of the ecosystem area that is preserved, restored, or transformed within the physical boundaries of our supply chains and operations.

2024 Market stories

Brazil



Empowering rural youth in Brazil

Bulgaria



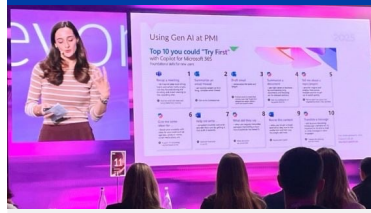
Giving smoke-free devices a second life in Bulgaria

Global



Grasping the challenge of growth for well-being

Global



The state of AI at PMI

Greece



From tobacco to stevia: a new chapter for farmers in Greece

India



Building resilience with farm pods in India

Lithuania



Taking action against littering in Lithuania

Mozambique



Stepping toward success with treadle suction pumps in Mozambique

Pakistan



The women breaking cultural barriers in Pakistan

Serbia



Serbia's Philip Morris affiliates are serious about youth access prevention

South Korea, Tunisia



Working together to reduce litter

Turkey



Turning empty miles into revenue to drive more sustainable logistics

Reconciliation of Non-GAAP measures

Schedule 1

Net Revenues by Product Category

(\$ in millions) / (Unaudited)	Years ended December 31,			
	2015	2022	2023	2024
Combustible Tobacco	26,595	21,572	22,334 ¹	23,218
Smoke-free	199	10,190	12,840	14,660
Total PMI	26,794	31,762	35,174¹	37,878

¹ 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.

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

Schedule 2

Reconciliation of Net Revenues by Product Category to Adjusted Net Revenues by Product Category

(\$ in millions) / (Unaudited)	Year ended December 31, 2023		
	Net Revenues	Special Items	Adjusted Net Revenues
Europe	8,037	—	8,037
SSEA, CIS & MEA	9,321	(80) ¹	9,401
EA, AU & PMI DF	2,676	—	2,676
Americas	2,299	—	2,299
Total Combustible Tobacco	22,334	(80)	22,414
Europe	6,194	—	6,194
SSEA, CIS & MEA	1,308	—	1,308
EA, AU & PMI DF	3,525	—	3,525
Americas	1,508	—	1,508
Total Smoke-free excl. Wellness & Healthcare	12,534	—	12,534
Wellness and Healthcare	306	—	306
Total Smoke-free	12,840	—	12,840
Europe	14,231	—	14,231
SSEA, CIS & MEA	10,629	(80) ¹	10,709
EA, AU & PMI DF	6,201	—	6,201
Americas	3,807	—	3,807
Wellness and Healthcare	306	—	306
Total PMI	35,174	(80)	35,254

¹ Related to the termination of distribution arrangement in the Middle East.
Note: Sum of product categories or regions might not foot to Total PMI due to rounding.



Reconciliation of Non-GAAP measures continued

Schedule 3

Research & Development Expenditure by Product Category

(\$ in millions) / (Unaudited)	Years ended December 31,			
	2015	2022	2023	2024
Combustible Tobacco	129	7	4	3
Smoke-free	294	634	705	755
Total PMI (Reported/Adjusted)	423	642	709	759

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

Schedule 4

Net Revenues by Product Category and Adjustments of Net Revenues for the Impact of Currency and Acquisitions

(\$ in millions) / (Unaudited)	Years ended December 31,					% Change 2024 vs. 2023			
	2024				2023				
	Net Revenues	Currency	Net Revenues excluding Currency	Acquisitions	Net Revenues excl. Currency & Acquisitions	Net Revenues	Total	Excluding Currency	Excluding Currency & Acquisitions
Combustible Tobacco	23,218	(511)	23,729	-	23,729	22,334 ¹	4.0%	6.2%	6.2%
Smoke-free	14,660	(330)	14,990	-	14,990	12,840	14.2%	16.7%	16.7%
Total PMI	37,878	(841)	38,719	-	38,719	35,174¹	7.7%	10.1%	10.1%

¹ 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.

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



Glossary of terms and acronyms

3TGs – Tin, tantalum, tungsten, and gold

Aerosol – Gaseous suspension of fine solid particles and/or liquid droplets. In the context of our smoke-free products, an aerosol is not smoke and does not contain solid particles.

ALP – Agricultural Labor Practices

ASI – Aluminum Stewardship Initiative

Available for sale – When PMI products are available for general sale in the market, through direct retail, indirect retail, or e-commerce in either one or more key cities or nationwide.

AWS – Alliance for Water Stewardship B2B – Business to business B2C – Business to consumer

CA – Cellulose acetate

Caregiver – A person who has responsibility for the care of a new-born child or newly adopted child, including the child's biological parent, the child's adoptive parent, a person having legal parental responsibility for the child such as the child's guardian, a stepparent, or a child's parent through surrogacy

Primary caregiver – The caregiver who has the primary responsibility for the care of the new-born or newly adopted child following the child's arrival

Secondary caregiver – A caregiver who is not the primary caregiver

Combustible tobacco products – The term we use to refer to cigarettes and other tobacco products that are combusted

Combustion – The process of burning a substance in oxygen, producing heat and often light

Company Management – The term we use to refer to the senior management of the company, as presented on our www.PMI.com site (also referred to as "our leadership team" or "senior management team") Contracted farmers – Tobacco farmers supplying to PMI and contracted either directly by PMI (through the company's leaf operations) or through third-party leaf suppliers

Contracted workers – We define a contracted worker (also referred to as "agency temp") as a worker who is under the direct supervision of PMI employees but employed by a temporary employment agency

Contractor – 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 his or her employer rather than PMI and is often involved in project-specific or outsourcing arrangements

COPD – Chronic obstructive pulmonary disease

CPA – Crop protective agent

Critical suppliers – Those suppliers who manufacture or sell components used in the manufacture of PMI finished products and meet a certain minimum spend threshold with whom PMI has a direct commercial relationship. This applies to the following categories: direct materials suppliers Tier 1, electronics suppliers Tier 1 & 2, as well as all contracted tobacco farmers and third-party tobacco suppliers

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-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

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") EHS – Environmental, Health, and Safety

Employee Net Promoter Score, or eNPS – A universal benchmark used across industries to calculate employee engagement calculated by disregarding neutral responses and then calculating the difference between positive and negative responses

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

ERM – Enterprise Risk Management

FAO – Food and Agriculture Organization of the United Nations

FCTC – WHO Framework Convention on Tobacco Control

FDA – U.S. Food and Drug Administration

FSC – Forest Stewardship Council

GAP – Good Agricultural Practices

Gender pay gap – Calculated as the percentage difference between the sum of annual base salary, bonus, and stock awards

GHG – Greenhouse gas

GPP – Global Privacy Program

Heated tobacco units, or HTUs – The term PMI uses to refer to heated tobacco consumables, which include our BLENDS, DELIA, HEETS, HEETS Creations (defined collectively as "HEETS"), SENTIA, TERE, TERE CRAFTED, and TERE Dimensions, as well as the KT&G-licensed brands, Fiit and Miix (outside of South Korea). HTUs also include zero tobacco heat-not-burn consumables (LEVIA).

HPHCs – 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 risks – Those human rights that stand out because they are at risk of the most severe negative impact through a company's activities or business relationships (source: UN Guiding Principles) Illicit trade – Products traded in violation of tax, customs, or other laws, such as contraband, counterfeit, non-tax paid volume produced by local manufacturers, and other illicit products

ILO – International Labour Organization

In-market sales, or IMS – Sales to trade channels, which serve legal age nicotine users. Depending on the market and distribution model, the IMS may represent an estimate. Consequently, past reported periods may be updated to ensure comparability and to incorporate the most current information

Insetting – 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) IP5 – The five largest intellectual property offices in the world

IPM – Integrated Pest Management

IPS – Integrated Production System

/QOS heat-not-burn devices – Precisely controlled heating devices into which specially designed and proprietary tobacco units are inserted and heated to generate an aerosol

KPIs – Key performance indicators

LCA – Life-cycle analysis

Low- and middle-income markets – Markets composed of countries classified by the World Bank as low- and middle-income economies based on Gross National Income (GNI) per capita; or where no World Bank classification exists, those with GNI per capita below the World Bank LMIC threshold



Glossary of terms and acronyms continued

LTIR – Lost Time Incident Rate

Managerial roles – The terms we use to refer to employees in different salary grades, regardless of their job title or function:

Junior roles – Employees in salary grade 9 or below

Managers – Employees in salary grades 10 to 13

Management positions – Employees in salary grade 10 and above

Senior roles – Employees in salary grade 14 and above

Senior leaders – Employees in senior leadership roles, including all employees in salary grade 17 and above

Market share for HTUs – The in-market sales volume for HTUs as a percentage of the total estimated industry sales volume for cigarettes and HTUs. For Japan, total estimated industry sales volume also includes cigarillos

M RTP – 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 debt – Defined as total debt, less cash and cash equivalents

Net revenues related to combustible tobacco 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. These net revenue amounts consist of the sale of our cigarettes and other tobacco products that are combusted. Other tobacco products primarily include roll-your-own and make-your-own cigarettes, pipe tobacco, cigars, and cigarillos and do not include smoke-free products

Net revenues related to smoke-free products, excluding wellness and healthcare – 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 tax, if applicable. These net revenue amounts consist of the sale of our products that are not combustible tobacco products, such as heat-not-burn, e-vapor, and oral products, as well as consumer accessories

Net revenues related to wellness and healthcare products – The 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 our wellness and healthcare business

NGOs – Non-governmental organizations

No net loss – The point at which business-related impacts on biodiversity are balanced by measures from the mitigation hierarchy, to leave no degradation on natural ecosystems at end balance

NRTs – Nicotine replacement therapies

OECD – Organisation for Economic Co-operation 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)OHS – Occupational health and safety

Other tobacco product – Primarily roll-your-own and make-your-own cigarettes, pipe tobacco, cigars and cigarillos, and does not include smoke-free products

PCI – Portfolio of Climate Investments

PMI heat-not-burn products – Include licensed KT&G heat-not-burn products

PMI segments – Following the combination and the progress in 2023 toward the integration of the Swedish Match business into PMI's existing structures, PMI updated in January 2024 its segment reporting by including the former Swedish Match segment into the four existing geographical segments. Our four geographical segments are as follows:

- Europe Region is headquartered in Lausanne, Switzerland, and covers all the European Union countries, Switzerland, the U.K., and also Ukraine, Moldova, and Southeast Europe.
- South and Southeast Asia, Commonwealth of Independent States, Middle East and Africa Region (SSEA, CIS & MEA) is headquartered in Dubai, United Arab Emirates. It covers South and Southeast Asia, the African continent, the Middle East, and Turkey, as well as Israel, Central Asia, Caucasus, and Russia.
- East Asia, Australia, and PMI Duty Free Region (EA, AU & PMI DF) is headquartered in Hong Kong, and includes the consolidation of our international duty free business with East Asia and Australia.
- Americas Region is headquartered in Stamford, Connecticut, and covers the U.S., Canada and Latin America.

Our Wellness and Healthcare (W&H) segment, which includes the operating results of our wellness and healthcare business, remained unchanged in 2024. Following the sale of Vectura Group Ltd on December 31, 2024, we will update our segment reporting by including the remaining Wellness & Healthcare results in the Europe

segment. In addition we renamed our "PMI Duty Free" business to "PMI Global Travel Retail" effective in the first quarter of 2025. As a result of this change, PMI's segment that includes our duty free business will be renamed East Asia, Australia & PMI Global Travel Retail (EA, AU & PMI GTR). As of the first quarter of 2025, our reporting will reflect these segments changes.

PMTA – Premarket Tobacco Application

Poly-users across PMI SFPs categories – Defined as the estimated number of Legal Age (minimum 18 years) users who used multiple PMI SFPs over the past seven days

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 (which 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 reuse as pre-owned devices

Repaired devices – Smoke-free devices resulting from the care and maintenance repair services (which 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 reuse as pre-owned devices

RMI – Responsible Minerals Initiative

RSP – Responsible Sourcing Principles

SBT – Science-based target

SBTi – Science Based Targets initiative

Significant suppliers – Those suppliers that are identified as having substantial risks of negative ESG impacts or significant business relevance to the company, or a combination of both, and that operate within a yearly spend range in a country with a high ESG risk score. This applies to the following categories: technical procurement, advanced procurement, electronic suppliers Tier 1 & 2, all indirect materials and services suppliers, as well as all contracted tobacco farmers and third party tobacco suppliers

Smoke – A visible suspension of solid particles, liquid droplets, and gases in air, emitted when a material burns



Glossary of terms and acronyms continued

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

Smoke-free product consumables – The term PMI uses to refer to heated tobacco units used with heat-not-burn products, e-vapor disposables, cartridges containing e-liquids that are used for e-vapor products, and oral nicotine products including snus and nicotine pouches

Smoke-free products, or SFPs – 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

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 report

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 percent are 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.

As of December 2020, PMI heat-not-burn products and HTUs include licensed KT&G heat-not-burn products and HTUs, respectively

Total PMI e-vapor users – Defined as the estimated number of Legal Age (minimum 18 years) users of e-vapor products, who consumed at least one of PMI’s e-vapor products in the past seven days

Total PMI oral smokeless users – Defined as the estimated number of Legal Age (minimum 21 years in the U.S and minimum 18 years or older depending on market regulation outside the U.S) users of oral smokeless products who consumed at least one of PMI’s oral smokeless products (nicotine pouches in the U.S., and nicotine pouches or snus outside the U.S.) over the past seven days

Total PMI SFPs users – The sum of “Total IQOS users”, “Total PMI oral smokeless users,” “Total PMI e-vapor users” of PMI products minus “Poly-users across PMI SFPs categories”

TRIR – Total Recordable Incident Rate

UNGPs – 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

Voluntary standards and frameworks

- Global Reporting Initiative (GRI)
- International Integrated Reporting Council (IIRC)
- Sustainability Accounting Standards Board (SASB)
- Task Force on Climate-related Financial Disclosures (TCFD)
- UN Global Compact (UNGC)

WASH – Water access, sanitation, and hygiene

WBCSD – World Business Council for Sustainable Development

Wellness and Healthcare products – The term we use to primarily refer to products 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

WHO – World Health Organization

YAP – Youth access prevention

ZDM – Zero Deforestation Manifesto



Glossary of terms and acronyms continued

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 personal protective equipment (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.¹

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.²

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.³ 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.

Sustainable Tobacco Supply Chain framework, or STSC – PMI's new approach focused on the full life cycle of tobacco production and targets actions toward the tobacco we purchase and use in our products.

¹ Schep LJ, Slaughter RJ, Beasley DM (September–October 2009). "Nicotinic plant poisoning." *Clinical Toxicology*.

² Adapted from the FAO/WHO (2014) International Code of Conduct on Pesticide Management.

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 | living income (living-income.com) and Anker Living Wage and Living Income Reference Values | Global Living Wage Coalition.



Notes

In this presentation, “PMI,” “we,” “us,” and “our” refer 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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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 forward-looking and cautionary statements on page 206 of this report.

This presentation should be read in conjunction with [PMI’s Sustainability KPI Protocol 2024](#).

