



we were

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we are transforming for good  
10 YEARS OF SMOKE-FREE

we will be

# About PMI

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](http://www.pmi.com) and [www.pmiscience.com](http://www.pmiscience.com)

### About this report at a glance feature box

We are pleased to present PMI's Integrated Report 2024, which aims to provide an objective description of our business model, strategy, performance, and prospects in relation to our priority economic, environmental, social, and governance topics. Contents of this report are shaped by a formal sustainability materiality assessment.

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 PMI's wellness and healthcare business. Aspeya.<sup>1</sup> Regarding the Swedish Match acquisition, completed late 2022, unless otherwise indicated, this report includes information pertaining to its sustainability performance.

<sup>1</sup> In accordance with Danish law, Fertin Pharma, a subsidiary of Aspeya, has issued its ESG & Sustainability Report 2024, which content exclusively covers Fertin Pharma own operations and does not cover PMI or other PMI's subsidiaries sustainability performance.

This report is accompanied by a set of publications that will be available for download on PMI.com or will be issued shortly after this report publication:

- [Reporting indices](#) mapping content of this report against the Universal Standards of the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB)
- [Performance metrics](#) available in one place for download
- [Sustainability Strategy and 2024 Performance Highlights](#) and [Top 10 Takeaways](#) summarizing the content of this report
- [Case studies and market stories](#) shedding light on specific sustainability initiatives and on the work of our markets around the world
- [Sustainability KPI Protocol 2024](#), providing details on calculation methods, definitions, and the scope of key sustainability performance indicators included in PMI's Sustainability Index
- [PMI's Task Force on Climate-related Financial Disclosures \(TCFD\) Report 2022](#)
- [PMI Sustainability Materiality Report 2021](#) and [Overview of PMI sustainability materiality assessment 2024 process](#)

➔ [Read more about this report here](#)

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## 2024 highlights

### PRODUCT IMPACT

SOCIAL

38.6 m

Estimated users of PMI smoke-free products, including 32.2 m IQOS users (2023: 33.3 m and 28.8 m)<sup>1</sup>

38.7%

Of adjusted net revenues derived from smoke-free (2023: 36.4%)<sup>2</sup>

95

Markets where PMI smoke-free products are available for sale,<sup>3</sup> of which 49% in low- and middle-income markets<sup>4</sup> (2023: 84, 48%)

6

Markets where more than 75% of annual net revenues are smoke-free (2023: 3)

USD 14.0 bn

Cumulative investment behind smoke-free products since 2008 (2023: USD 12.5 bn)<sup>5</sup>

99%

Of total shipment volume covered by youth access prevention programs in indirect retail channels (2023: 98%)<sup>6</sup>

ENVIRONMENT

867,000

Cumulative number of smoke-free electronic devices refreshed or repaired since 2021 (2023: 320,000)<sup>7</sup>

92%

Of shipment volume covered by markets with anti-littering programs in place for combustible cigarettes (2023: 76%)<sup>7</sup>

First

Pre-certified Environmental Product Declarations (EPD) published on IQOS ILUMA i series of devices

### OPERATIONAL IMPACT

SOCIAL

99%

Of contracted farmers supplying tobacco to PMI who make a living income (2023: 96%)<sup>8</sup>

10

Human rights impact assessments conducted since 2018 in highest-risk countries (2023: 8)<sup>7</sup>

0.01%

Prevalence of child labor among contracted farmers supplying tobacco to PMI (2023: 0.1%)<sup>7</sup>

ENVIRONMENT

61%

Of our manufacturing facilities certified as carbon neutral (2023: 43%)

A A A-

A score from CDP for Climate and Forests, and A- for Water Security

100%

Of paper, board, and pulp-based supplies purchased at no risk of gross deforestation of primary and protected forests (2023: 95%)<sup>7</sup>

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. 2023 IQOS user data was restated. For definitions, see [Glossary](#).  
 2 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.  
 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](#).  
 5 Investments reflect research, product and commercial development, production capacity, scientific substantiation, and studies on adult smoker understanding. Figures do not include Swedish Match and wellness and healthcare business.  
 6 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 excludes Swedish Match and wellness and healthcare business.  
 7 See [PMI's Sustainability KPI Protocol 2024](#) for further details.  
 8 Excludes China, Switzerland, and India (flue-cured) due to restrictions on farmer income data, and Thailand and Tanzania since the living income benchmark is still under development. See [PMI's Sustainability KPI Protocol 2024](#) for further details on methodology.

## PMI's Statement of Purpose

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. The Statement of Purpose also recognizes those stakeholders most critical to long-term value creation and sustainability.

### About PMI's Statement of Purpose

On March 24, 2022, PMI published its [2022 Proxy Statement](#), which contained a Letter from the Board of Directors that corresponds to PMI's Statement of Purpose. The groundwork for the Statement of Purpose was laid in the [2017 Proxy Statement](#) in a letter to shareholders from the Board of Directors announcing for the first time our company's smoke-free vision. It was reaffirmed in the [2020 Proxy Statement](#).

### Excerpts from PMI's Statement of Purpose:

**"In 2016, with the full support of the Board of Directors, PMI announced its new purpose of delivering a smoke-free future. Since then, PMI has fully aligned its employees with this purpose and swiftly shifted its organizational focus and resources to smoke-free alternatives. PMI is essentially disrupting its traditional business from the inside out and is leading the industry in this unprecedented transformation."**

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

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

**"To make its progress both measurable and verifiable, PMI developed a set of bespoke key performance indicators called Business Transformation Metrics. This set of metrics allow stakeholders to assess both the pace and the scale of its transformation and showcase how it is allocating resources away from its traditional cigarette business, aiming to base success on a future where it no longer makes or sells cigarettes."**

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

We understand sustainability as a comprehensive approach that future-proofs our organization in multiple ways. Sustainability is a key component of our business strategy and long-term success. 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



## Message from our Chief Executive Officer

This year marked two significant milestones: the 10th anniversary of both IQOS and ZYN. From its inception as a scientifically substantiated concept, IQOS has been an established global category leader, while ZYN has achieved remarkable success across all 50 U.S. states and is expanding internationally.

As I reflect on 2024, our achievements fill me with profound optimism about our business progress. Through the dedicated efforts of our employees, we have not only sustained our momentum but accelerated it, achieving some goals that only a few years ago seemed too ambitious to accomplish.

I'm pleased to report substantial progress in advancing the sustainability of our business, which is inextricably linked to our business transformation. Our drive toward a smoke-free future and our commitment to sustainability are deeply integrated. Both reflect our purpose to create long-term value while addressing our products' impacts on society and the environment.

Progress on our smoke-free vision continues to gain unprecedented momentum. Our efforts to expand access to smoke-free products, where permitted, have allowed us to reach an estimated 38.6 million adult users, with the products available in 95 markets by year-end. This demonstrates our commitment to transformation and reaffirms the great potential of our smoke-free products to eradicate smoking, should we be able to commercialize smoke-free products in currently restricted markets.



There are a number of reasons to believe that many of the current external barriers are temporary in nature, considering the growing scientific consensus supporting harm reduction approaches, the increasing number of countries recognizing the public health potential of smoke-free products, our demonstrated success in markets where regulatory frameworks are supportive, and a clear pathway to accelerated transformation once current barriers subside.

Our greatest strength lies in our people, whose talent and innovative spirit drive our smoke-free vision. In 2024, we launched the PMI DNA principles, built on three core values: We Care; We are Better Together; and We are Game Changers. These principles, crafted by our employees and for our employees, have become a guiding light for our company.

To catalyze progress and ensure company-wide alignment, we link our sustainability performance to executive compensation. We completed the first Performance Share Units (PSU) cycle of our 2022–24 Sustainability Index, which represents 30 percent of our performance-based long-term equity award. The Index had a total score of 89 percent, including a 76 percent score for product sustainability ("what" we produce).

The purpose of our Business Transformation Metrics (especially those included in the Index) is to measure and incentivize management's commitment to transformation. Importantly, the number of adult smoke-free product users surpassed the expectations we had set for ourselves in 2022. That said, much like other companies pursuing radical transformations that require significant change, our organization operates within larger systems that can constrain the pace of progress despite our best efforts. While external factors beyond the company's control have delayed the achievement of certain numeric targets, our employees have proven unwavering in their commitment and have acted to advance our purpose.

We are firmly committed and are taking decisive actions to prevent access by underage people to our products, and we have continued to expand the scope of our youth access prevention programs. We also made significant strides in our environmental initiatives, notably becoming the first company to publish an Environmental Product Declaration in the smoke-free category for IQOS ILUMA i versions, demonstrating our leadership in embedding eco-design principles into our product development.

The overall score of the Index was bolstered by particularly strong performance in operational sustainability ("how" we operate), at 115 percent. We made significant strides in our decarbonization journey, with 22 of our manufacturing facilities achieving carbon neutrality certification (up from 18 in 2023). However, reducing scope 3 emissions continued to be challenging, mainly due to external factors beyond our

immediate control. After over a decade of implementation of our Agricultural Labor Practices program, we are proud that child labor in our tobacco supply chain is no longer a systemic issue. We also made strides in promoting a living income for farmers who supply tobacco to us. We also achieved our target of 10 human rights impact assessments ahead of time, conducting two new assessments in Indonesia and Kazakhstan.

While I am proud of our achievements, especially of the broader recognition of tobacco harm reduction as a complementary approach to reducing smoking rates, challenges remain. Some countries continue to pursue policies and introduce regulations that are not informed by facts or science, but rather by ideology. As a consequence, the absurdity of a more harmful product (cigarettes) being legal and less harmful alternatives to smoking being banned still remains in many countries.

Other challenges that remain top of mind include expanding access to our smoke-free products by improving availability, awareness, acceptability, and affordability. We are also seeking to build more sustainable supply chains, maximize end-of-life device take-back, reduce post-consumer waste, while navigating complex and rapidly evolving regulatory environments with agility. Readiness and preparedness to respond requires continued innovation and persistence from us all. It is my firm belief that these challenges should be understood as opportunities—catalysts for positive change and the potential to showcase true leadership.

Our business imperative remains clear: we are committed to driving long-term value creation by doing what's right for business, society, and the environment. We believe that business excellence and positive societal impact are not just compatible—they are inseparable elements of our success. We continue to make significant strides toward our aspiration to become substantially smoke-free by 2030, supported by the exceptional quality and dedication of our global team.

This integrated report serves as both a testament to our progress and an invitation to engage in dialogue that will shape our future. To our employees, thank you for your unwavering dedication. To our stakeholders, thank you for your continued trust and engagement. Together, we are not just transforming our company, we are leading an industry-wide transformation—helping to create a better, more sustainable future for all.

**Jacek Olczak**  
Chief Executive Officer

## Our global footprint

### 2024 overview by PMI segment

	Europe	SSEA, CIS and MEA	EA, Australia and PMI DF	Americas	Wellness & Healthcare
Proportion of PMI's total net revenues generated by each segment	40%	30%	17%	12%	1%
Proportion of net revenues derived from smoke-free in each segment	44%	13%	61%	50%	100%
Proportion of global workforce by segment	33%	45%	5%	15%	2%
Number of PMI-owned manufacturing facilities in each segment	22	15	2	11	1

Notes:  
 Figures in the above table are rounded.  
 For definition of smoke-free, see [Glossary](#).  
 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.

**~83,100**

Employees worldwide

**~38.6 m**

Users of PMI smoke-free products, including around 32.2 m IQOS users<sup>1</sup>

**95**

Markets where PMI smoke-free products are available for sale<sup>2</sup>

**51**

PMI-owned manufacturing facilities<sup>3</sup>

**33**

Third-party manufacturers of PMI consumables

**43**

Third-party operators (in Indonesia)

**~361,000**

Contracted farmers supplying us with tobacco, located in 21 countries<sup>4</sup>

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.

### Our product portfolio



#### Smoke-free<sup>1</sup>

Our smoke-free product portfolio is composed of multiple categories that do not require combustion to be consumed, including heat-not-burn, e-vapor, and oral products (such as snus and nicotine pouches). Our two leading smoke-free products are commercialized under the IQOS and ZYN brands. IQOS is a heat-not-burn product that uses electronics to heat tobacco or a nontobacco substrate in a controlled manner to generate an aerosol. ZYN is an oral nicotine pouch product that does not contain tobacco leaf. Our e-vapor products, VEEV ONE and VEEV NOW, generate an aerosol by heating a nicotine-containing e-liquid formulation. We are also present in other oral tobacco product categories, including moist snuff categories.

#### Combustible tobacco

We seek to maintain our competitive position in the cigarette market while we transition away from combustible tobacco products. This provides us with better access to trade partners and adult smokers, which enhances our ability to switch adults who would otherwise continue smoking to smoke-free alternatives. Remaining competitive in the cigarette market also helps us finance the necessary R&D, manufacturing, and commercialization investments for our smoke-free portfolio. Moreover, it paves the way for the rest of the industry to follow our lead. Our cigarette brands are sold in approximately 170 markets, in many of which they hold the number one or number two market share position. Our portfolio includes a wide range of premium, mid-price, and lower-price brands, including *Marlboro*, *L&M*, *Chesterfield*, *Philip Morris*, and *Parliament*.

1 Smoke-free refers to PMI smoke-free business. For definition, please see [Glossary](#).

## Message from our Chief Financial Officer

As Chief Financial Officer, I am committed to providing a comprehensive view of our company's performance that encompasses both financial and nonfinancial dimensions. This integrated perspective is particularly crucial as we navigate the complexities of our business transformation while maintaining our unwavering commitment to a smoke-free future.

In 2024, our smoke-free business accounted for approximately 39 percent of PMI's total full-year 2024 net revenues, with an acceleration in organic growth to around 17 percent. This is a significant achievement in our decade-long transformation journey.

During the year, our cigarette business demonstrated stable performance. This occurred in a context where the global cigarette industry primarily grew in markets without smoke-free alternatives, such as Brazil, India, and Turkey, while it generally declined in other markets where these options are available.

Notably, while the progress in our smoke-free revenue ratio may appear modest year-on-year, it was impacted by the resilience of our cigarette business, influenced by the absence of smoke-free alternatives in certain markets and the impact of inflation-driven pricing adjustments.

The path to transformation is rarely linear, and our experience this year reinforces a crucial truth: achieving a smoke-free future requires a collective effort that extends beyond our company's direct control. Despite allocating our R&D investments almost entirely toward smoke-free products for the past four years, continuously expanding our market presence, and strengthening our scientific foundations, regulatory headwinds in certain markets continue to present obstacles. When regulations favor conventional cigarettes over less harmful alternatives, they effectively slow the pace of positive change that could benefit public health.

Nevertheless, we remain resolute in executing what is within our control. Our organization-wide incentive structures continue to reward progress toward transformation. Our commercial investments prioritize smoke-free alternatives, and our market expansion strategies focus on broadening access to these better choices. The cigarette category's resilience presents an ongoing challenge but make no mistake—our ultimate goal remains unchanged: to create a smoke-free world where cigarettes become obsolete.

From a financial perspective, we are encouraged by investors' recognition of our strategic direction. Our approach clearly differentiates us through our unwavering commitment and demonstrated success in providing widespread access to smoke-free products. In 2024, we issued an updated business transformation-linked financing framework, complementing the initial framework issued in 2021 and leveraging our 2030 business transformation aspirations. We believe that these frameworks not only help to reinforce our commitment to reinvent our company, but also allow investors and lenders to further engage with and support our industry-leading transformation.

Our sustainability leadership continued to earn recognition from key external stakeholders. We have maintained a position on CDP's Climate A List for the past 11 years and I'm particularly proud that we ranked first in Forbes' 2024 Net Zero Leaders ranking, advancing from seventh place last year. The Wall Street Journal named us among the Top 10 best managed companies, jumping from 32nd place last year, where our rise came from the strong increase in our scores for both innovation and sustainability. For the fifth consecutive year, the World Business Council for Sustainable Development ranked our Integrated Report as a top performer, affirming our commitment to transparency and comprehensive nonfinancial reporting.

The tension between our current reality and our aspirational future is one we acknowledge openly. We continue to compete in the cigarette market while simultaneously working to transform it. This duality is not a contradiction but rather a necessary phase in our journey. The access to the retail trade and adult smokers provided by our cigarette business is a critical enabler in establishing and growing smoke-free products. Moreover, the operating cash flows from our conventional business remain essential for funding the innovations and infrastructure needed to accelerate our smoke-free transformation.

Over the past decade, our employees have demonstrated extraordinary commitment to transformation, delivering record share price performance and sustainability leadership recognized as best-in-class in our industry. These achievements reflect the dedication of thousands of employees who have embraced and driven our smoke-free vision. Looking ahead, we see significant opportunities to advance our purpose, even as we navigate near-term challenges. Our financial strength, combined with our clear strategic focus and sustainability commitment, positions us well to continue investing in the future we envision. We remain confident that our integrated approach—linking financial success with positive societal impact—is the right path forward.

The road to transformation requires patience, persistence, and partnership. While we cannot control all variables that influence our progress, we can and will continue to demonstrate our commitment through concrete actions, transparent reporting, and an unwavering focus on our smoke-free vision. Our financial strategy, sustainability commitment, and business objectives remain perfectly aligned toward this goal.

I invite you to explore this integrated report for a deeper understanding of how we are managing both the challenges and opportunities of our transformation. Together with our stakeholders, we continue working toward a future where our success is measured not just in financial terms, but also in our contribution to positive change in society.



**Emmanuel Babeau**  
Chief Financial Officer



# Operating context

## Market trends

### Overview of the global nicotine industry

Products within the global tobacco and nicotine industry fall into three main categories: combustible tobacco products, smoke-free products, and therapeutic cigarette replacements (often known as nicotine replacement therapies or NRTs).

Combustible tobacco products (e.g., cigarettes, fine-cut tobacco, pipe tobacco, cigars, and cigarillos) burn tobacco to deliver nicotine.

Smoke-free products deliver nicotine without combustion. The category includes inhalable products (including heat-not-burn and e-vapor products) and oral products (such as snus or nicotine pouches). As they do not combust, these products expose their users to significantly lower levels of toxicants, compared with cigarette smoking.

Therapeutic cigarette replacements, which include nicotine gum and patches, among other forms, aim to help smokers quit smoking. These products deliver nicotine and usually require a pharmaceutical approval process to be followed; in some countries, their use requires prescriptions from medical professionals.

### Overview of our main smoke-free products

#### Inhaled products

##### TOBACCO CONTAINING

##### Heat-not-burn products



Heat-not-burn products, also known as heated tobacco products, electronically heat tobacco or a nicotine-containing substrate just enough to release a nicotine-containing aerosol without burning.

Heated tobacco units used with heat-not-burn products contain a tobacco plug (made from tobacco leaves that are ground and reconstituted into tobacco sheets that are then crimped).

##### NONTOBACCO CONTAINING

##### Heat-not-burn products



Heated nontobacco units used with heat-not-burn products contain a substrate infused with nicotine, made up mostly of cellulose-based ingredients that act as a neutral carrier.

##### E-vapor products



E-vapor products are battery-powered devices, commonly known as e-cigarettes, that vaporize a liquid solution containing nicotine and flavors to create an inhalable aerosol. E-vapor products can be single-use disposables or reusable products with either replaceable (closed-pod system) or refillable cartridges (open-pod system).

#### Oral products

##### TOBACCO CONTAINING

##### Snus



Snus contains moist powdered tobacco that is wrapped in a cellulose pouch.

##### NONTOBACCO CONTAINING

##### Nicotine pouches



The nicotine pouch, made from organic cellulose, holds the nicotine-containing substrate made of:

- nicotine;
- a filler, made of cellulose white powder, gum, and a hydrophilic solvent;
- flavor; and
- a pH buffer (often sodium carbonate or bicarbonate).

### Nicotine science

Nicotine is present in many of our products, including combustible tobacco products and smoke-free products that provide nicotine without combustion.

- 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 this section](#) of the report.

### Prevalence of tobacco smoking worldwide

Combustible tobacco products currently represent the largest share of the global tobacco and nicotine industry, with cigarettes remaining the dominant tobacco product used by nicotine consumers worldwide.

Even with the decline in smoking prevalence, efforts to curb smoking have been outstripped by population growth.<sup>1</sup> Reports show that in 2022 an estimated 1 billion people worldwide continued to smoke.<sup>2</sup>

While the World Health Organization's (WHO) reports no longer offer projections related to smoking prevalence, it estimates that the total number of tobacco users by 2030 will be approximately 1.2 billion.<sup>2</sup>

We believe that, with the right policies and regulation, by 2030 less harmful alternatives can represent a larger share of this 1.2 billion—and thus contribute to a further decrease in smoking prevalence.

### Growth of smoke-free alternatives

In recent years, the development, commercialization, and subsequent adoption by adult consumers of various smoke-free products have led to rapid category growth. Within the nicotine industry, smoke-free products have begun to replace combustible tobacco products.

<sup>1</sup> The Lancet, [The Global Burden of Tobacco](#), 27 May 2021.  
<sup>2</sup> WHO Global Report on Trends in Prevalence of Tobacco Use 2000-2030, 16 January 2024.

In particular, the heat-not-burn segment volume grew in the international market (which excludes China and the U.S.) at a compound annual growth rate (CAGR) of 15 percent over the past three years, driven both by increased adoption in the initial launch markets and geographic expansion. This is the largest smoke-free category by both retail value and volume in the international market.

### Competition

As in other consumer goods sectors, manufacturers in the tobacco and nicotine industry compete primarily on product quality, brand recognition, brand loyalty, taste, R&D, innovation, packaging, customer service, marketing, advertising, retail price, and, increasingly, adult smoker willingness to convert to their brands of smoke-free products.

### Global shares of market 2024, including cigarettes and heated tobacco units

	2024
China National Tobacco Corporation	~33%
Philip Morris International	~14.5%
British American Tobacco	~11%
Japan Tobacco	~9%
Imperial Brands	~3%
Altria Group	~1%
Other	~29%

Note: Global market includes China and the U.S. Sum may not foot due to rounding. Source: PMI financials or estimates.

### Smoke-free products

There is increasing competition in smoke-free products, with more tobacco manufacturers shifting their resources toward developing, acquiring, and commercializing these products.

Despite advances in science and technology that present the opportunity to phase out combustible tobacco products, the business strategy of most international cigarette manufacturers appears to be focused on continuing to grow cigarette sales while expanding their portfolios to also include smoke-free alternatives.

**In 2016, we were the first company to [announce its smoke-free vision and a commitment to phase out cigarettes, encouraging adults who would otherwise continue to smoke to switch completely to better alternatives. Importantly, we established Business Transformation Metrics to report progress on our transformation in a transparent manner.](#)**

We remain optimistic that the growing interest in the smoke-free category can allow us to continue advancing our transformation and also lead the industry to adopt a similar strategy, thereby accelerating the end of smoking.

Note: For an overview of PMI smoke-free products characteristics, please visit [PMIscience.com](#).

### Combustible cigarettes

The global combustible cigarette sector includes four large international manufacturers—British American Tobacco, Imperial Brands, Japan Tobacco, and PMI—along with two major manufacturers focused primarily on their respective domestic markets: China National Tobacco Corporation in China and Altria Group, Inc. in the U.S. (Altria is the parent company of Philip Morris USA, which operates exclusively in the U.S. and is not affiliated with Philip Morris International).

#### Our perspective

At PMI, we are working toward a future where the success of our business is no longer based on making or selling cigarettes, the most harmful form of nicotine consumption. In stark contrast to those of our competitors, PMI's value proposition is not to expand its portfolio of both combustible and smoke-free products to offer more choice to consumers. Rather, our goal is to lead an industry-wide transformation wherein cigarettes are phased out completely.

Our strategy is centered on researching and developing better products than cigarettes, promoting broad access to them among adults who would otherwise continue to smoke, and working to ensure these products replace cigarettes and make smoking obsolete as soon as possible. To achieve this, we are actively shifting and reallocating resources, setting ambitious goals connected to this strategy, and transparently reporting on our progress.

We aspire for less than one-third of our total net revenues to derive from combustible tobacco product sales by 2030. As of year-end 2024, PMI smoke-free business represented 38.7 percent of our total net revenues and 20.4 percent of our total shipment volume.

### PMI total international share of market (in %)

	2024	2023	2022
Cigarettes	23.5%	23.7%	23.6%
Heated tobacco units	5.2%	4.7%	4.1%
Total	28.7%	28.3%	27.7%

Note: International market excludes China and the U.S., reflects cigarettes and HTUs, and includes cigarillos in Japan. Sum of share of market by product categories might not foot to total due to rounding.  
Source: PMI financials or estimates.

## Regulation and taxation

The harms associated with smoking have led policymakers, legislators, and regulators to impose rigorous restrictions on the manufacturing, marketing, sales, and consumption of cigarettes, including high excise taxes, minimum age requirements, and public smoking bans. Additional restrictions and mandates apply to packaging design and health warnings, ingredients and flavors, advertising, promotion, and other forms of sponsorship.

Much of the regulation that shapes the tobacco industry's operating environment is influenced by the WHO's Framework Convention on Tobacco Control (FCTC). The FCTC has established a global agenda to reduce the prevalence of tobacco use and nonsmokers' exposure to tobacco smoke.

A growing number of countries start to introduce differentiated regulations and taxation where the strictest regulations apply to the most harmful products (combusted tobacco products), while regulations for less harmful alternatives (smoke-free products) are designed to encourage adult smokers to switch.

#### Our perspective

PMI supports a comprehensive approach to the regulation of all tobacco- and nicotine-containing products. In addition to discouraging initiation and promoting cessation, commonsense regulation should encourage adults who smoke and would not otherwise quit to switch completely to scientifically substantiated smoke-free alternatives, which are a better choice than continued smoking. We advocate for a comprehensive and risk-proportionate regulatory and fiscal framework that recognizes that not all tobacco- and nicotine-containing products are the same. Regulation and taxation should subject the most harmful products to the most restrictive measures while encouraging those adults who would otherwise continue to smoke to switch to the less harmful alternatives now available.

At the same time, increasing the acceptability of smoke-free products for adult smokers must be balanced against the objective of minimizing use by unintended audiences, in particular underage people. Any regulation needs to account for this. Therefore, we support putting in place a comprehensive set of safeguards against unintended use and robust post-market monitoring of real-world data to assess the actual impact of policy interventions, and to allow targeted and timely policy adjustments. Such an approach would significantly accelerate the phasing out of combustible tobacco products and promote public health.

The fast proliferation in this space is increasing the risk of noncompliant products entering the market or irresponsible and noncompliant ways of marketing them, so particular and immediate focus should be placed by authorities to ensure enforcement of laws and regulations.

## Illicit trade prevention

The increasingly interconnected and digitized global economy provides more opportunities to criminal networks engaged in illicit activities such as the sale of counterfeit products, wildlife smuggling, narcotics, human trafficking, and excise fraud. Illicit trade provides a cheap and unregulated supply of nicotine products. It undermines public health policies across the world, hampers efforts to reduce smoking prevalence, damages legitimate businesses, stimulates organized crime, fuels corruption, and reduces government tax revenue. We generally estimate that, excluding China and the U.S., illicit trade in cigarettes alone may account for as much as 14 percent of global consumption; this includes counterfeit, contraband, and the persistent problem of "illicit whites," which are cigarettes legally manufactured in one jurisdiction for the sole purpose of being exported and illegally sold in another jurisdiction where they have no legitimate market.<sup>1</sup>

Many countries have initiated or are considering actions to prevent the illicit trade of tobacco products. In 2012, the parties to the FCTC adopted the Protocol to Eliminate Illicit Trade in Tobacco Products, which includes supply chain control measures, such as the implementation of tracking and tracing technologies, and effective controls on manufacturing and transactions in tobacco and tobacco products in Free Zones (i.e., special customs areas that benefit from distinct treatment including tax and duty exemption). The protocol came into force in September 2018, and parties to it have started implementing its measures via national legislation.

With the growing demand from consumers for smoke-free alternatives, new opportunities for illicit traders arise, thereby causing massive challenges to legitimate operators in the whole supply chain while hindering youth access prevention objectives. As regulation plays a key role in shaping a marketplace, various prohibitions and excessive restrictions imposed on smoke-free products are driving some online and offline marketplaces into the hands of illicit operators. With illicit trade, consumers are exposed to unregulated, scientifically unsubstantiated, illicit smoke-free products that are unlikely to meet our product quality standards. Further, the emergence of illicit smoke-free products may have the additional effect of negatively impacting the reputation of smoke-free products with consumers, regulators, and other stakeholders, resulting in excessive regulations if not bans in some countries. Banning or excessively restricting access to smoke-free products will result in legal age smokers either turning to illicit smoke-free products or continuing to smoke cigarettes (the only legally available nicotine product in some countries). There are countries around the world which "on paper" ban smoke-free products, yet millions of users consume non-compliant or illicit smoke-free products, with no control over these products reaching underage buyers through illegitimate trade channels, including online. Policy makers, law enforcement agencies and the private sector must rapidly partner to address this fast-growing issue, which only benefits organized crime groups.

<sup>1</sup> U.S. Department of State, *The Global Illicit Trade in Tobacco: A Threat to National Security*, 2015.

#### Our perspective

To prevent the smuggling and counterfeiting of our products, we focus on securing our supply chain with advanced tracking and tracing technologies and on leveraging state-of-the-art security feature technology and innovation to protect our products. These internal efforts are coupled with strong cross-sectoral collaboration. Illicit trade is seen by criminal organizations as a high-profit, low-risk crime and we believe that needs to be tackled by public-private coalitions able and willing to drive change.

At PMI, we collaborate with law enforcement and other government authorities worldwide to counter illicit trade. To this end, we invest in global programs and promote the implementation and enforcement of effective regulations, such as the WHO's FCTC Protocol to Eliminate Illicit Trade in Tobacco Products. Public-private partnerships and impactful regulatory frameworks are fundamental to progress.

Read more about our approach and actions on [PMI.com](https://www.pmi.com).

## Stakeholder engagement

PMI regards stakeholder engagement as fundamental to the creation of shared and sustainable value. Actively seeking open dialogue with our stakeholders allows us to understand their expectations and the impacts our business generates, and to respond in a proactive manner that is proportionate to our ability to manage such impacts effectively. However, we recognize PMI functions as part of a broader societal framework, where many of these impacts represent shared challenges. Through our engagements and advocacy efforts we seek to achieve change on a broader scale beyond what we can achieve alone. Our stakeholder engagement activities are guided by transparency, integrity, and respect, and governed by our [Code of Conduct](#) and its accompanying Policies, summarized in this [overview of our engagement principles](#).

➔ [Read more about our stakeholder engagement on PMI.com](#)

## Global trends

We operate on a global scale in a fast-paced world. Our long-term success requires us to monitor, anticipate, and respond to the challenges and opportunities shaping our reality today and in the future. Global trends intersect with our strategies and initiatives and inform how we interact with the external environment.

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



# Strategy

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# Value creation

## Resources and relationships

**Human**  
Our success depends on developing the skills, knowledge, and experience of our approximately 83,100 employees worldwide, of whom 44 percent are women. Our employees represent more than 130 nationalities.

**Intellectual**  
Innovation underpins our business transformation. In 2024, we invested USD 759 million in R&D, of which almost all (99.5 percent) was dedicated to smoke-free. Innovation also guides process improvements, from sourcing to manufacturing, logistics, and sales.

**Natural**  
In 2024, we sourced around 309,000 tons of packed tobacco, a material integral to our products. Other raw materials and natural resources we used in our business include paper and pulp-based products, metals, water, and energy. We seek to source these materials sustainably and use them efficiently.

**Manufactured**  
Our facilities—such as our R&D centers, 51 factories,<sup>1</sup> 43 consumer call centers, and 303 IQOS stores<sup>2</sup>—and nearly 22,700 fleet vehicles allow us to develop, manufacture, deliver, and commercialize a multi-category smoke-free product portfolio to meet the demands of our consumers.

**Social**  
Building stakeholder trust is essential. In addition to our shareholders, we develop and sustain relationships with a network of over 21,400 suppliers,<sup>3</sup> 361,000 contracted farmers from whom we source tobacco, around 130 million consumers of our cigarette brands, and approximately 38.6 million users of our smoke-free products (including approximately 32.2 million IQOS users).<sup>4</sup> Our relationships also extend to the retailers of our products, the communities in which we operate, regulators and other government officials, nongovernmental organizations (NGOs), and the multistakeholder initiatives in which we participate.

**Financial**  
Our business activities require financial capital, which we strive to allocate efficiently to optimize value and drive sustainable growth. This capital is provided by our equity and debt holders, as well as by the cash flow generated by our operations. Our company's market capitalization as of December 31, 2024, was approximately USD 187 billion, and PMI's net debt was USD 41.5 billion. At that time, PMI's long-term credit was rated A2 by Moody's, A- by Standard & Poor's and A by Fitch.

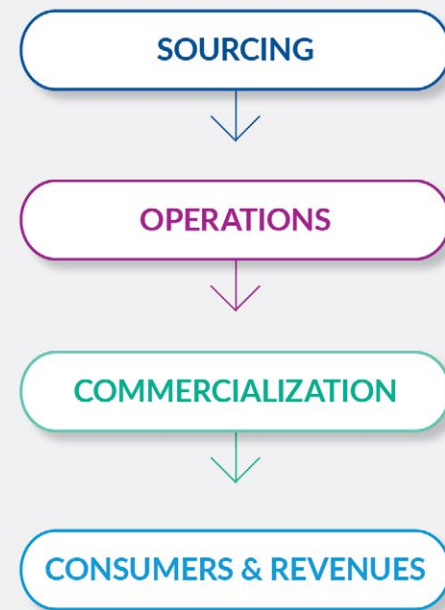
## Key activities

### 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. Learn more by viewing our expanded value chain transformation infographic on [PMI.com](https://www.pmi.com).



## Value created in 2024

**Human**

- Provided lifelong learning program to 75 percent of PMI employees across the organization and an average of 10 digital training<sup>5</sup> hours per employee
- Heightened employees' sense of belonging and ability to connect with colleagues based on shared characteristics or life experiences by facilitating employee resource groups in partnership with external subject matter experts
- Our employee Inclusion Index reached 88 percent

**Intellectual**

- Developed and published for the first time pre-certified Environmental Product Declarations for the category, pertaining to the *IQOS ILUMA i* series of smoke-free devices
- Reached around 4,250 patents that relate to smoke-free products granted in IP5 jurisdictions
- Published 541 scientific publications since 2008 to share our methods and findings
- Completed 314 toxicological assessment studies, 32 clinical assessment studies, and 76 perception and behavior studies on smoke-free products since 2015
- Invested a cumulative USD 14.0 billion to develop, scientifically substantiate, and commercialize smoke-free products since 2008<sup>6</sup>

**Natural**

- Reduced total value chain absolute CO<sub>2</sub>e emissions (scope 1+2+3) by 15 percent and direct operations absolute CO<sub>2</sub>e emissions (scope 1+2) by 39 percent versus 2019
- Purchased 88 percent of tobacco at no risk of deforestation of managed natural forest and no conversion of natural ecosystems<sup>5,7</sup>, and maintained 100 percent of tobacco purchased at no risk of deforestation of primary and protected forests<sup>7</sup>
- Covered 92 percent of shipment volume by markets with anti-littering programs in place for combustible cigarettes<sup>5</sup>
- Covered 21.5 percent of shipment volume by markets with end-of-life take-back programs in place for smoke-free consumables<sup>8</sup>
- Optimized 12.3 million cubic meters of water in our tobacco supply chain since 2019<sup>5</sup>
- Achieved 87 percent recycling rate of IQOS devices in the context of our CIRCLE program (weighted-average percentage of each device that is recycled)<sup>9</sup>
- Refreshed or repaired a cumulative 867,000 smoke-free electronic devices since 2021<sup>5</sup>

**Manufactured**

- Expanded our portfolio to commercialize 19 smoke-free (heat-not-burn and e-vapor) device versions and 117 taste variants for PMI heated tobacco units to meet the needs and preferences of adult smokers
- Extended the number of markets in which PMI smoke-free products are available for sale to 95, of which 46 are in low and middle-income markets<sup>10</sup>

**Social**

- Reached around 38.6 million users of our smoke-free products, including approximately 32.2 million IQOS users, of whom an estimated 23 million have switched to IQOS and stopped smoking<sup>4</sup>
- Maintained high proportion of shipment volume—99 percent—covered by youth access prevention programs in our indirect retail channels<sup>5</sup>
- Continued to monitor and reduce prevalence of child labor among contracted farmers supplying tobacco to PMI, achieving 0.01 percent in 2024,<sup>5</sup> and resolving 100 percent of identified cases
- Fostered a living income among contracted farmers supplying tobacco to PMI (achieving 99 percent)<sup>5</sup> and a minimum wage for tobacco farmworkers (achieving 100 percent)
- Completed 10 human rights impact assessments since 2018, as well as ongoing monitoring and implementation of action plans<sup>5</sup>

**Financial**

- Derived 38.7 percent of our annual net revenues from smoke-free out of total net revenues of USD 37.9 billion<sup>11</sup>
- Achieved a 20.4 percent smoke-free product shipment ratio
- Reported USD 3.0 billion in corporate income taxes
- USD 76 billion in excise tax paid on PMI products
- Increased annualized dividend rate to USD 5.40 per share; 17 consecutive years with a dividend increase since becoming a public company in 2008

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 Excluding Russia, including only boutique stores.

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

4 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](#).

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

6 Investments reflect research, product and commercial development, production capacity, scientific substantiation, and studies on adult smoker understanding. Figures do not include Swedish Match and wellness and healthcare business.

7 Excluding Swedish Match.

8 Shipment volume includes heated tobacco units, e-vapor cartridges, and disposable vaping devices. See [PMI's Sustainability KPI Protocol 2024](#) for further details.

9 Recycling rate is the percentage of the weight of material being recycled at all validated facilities, excluding thermal recycling, i.e., energy recovery by incineration. Reporting in 2024 includes CIRCLE hubs (Hungary and Japan) and validated local recycling vendors that started recycling activities. Excluding incineration with energy recovery (8%).

10 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](#).

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

# Transforming for good

## Our business transformation

We strive to become a company that has a net positive impact on society.

This ambition starts with researching, developing, and commercializing less harmful alternatives to cigarettes for those adults who otherwise would continue to smoke, ultimately allowing us to phase out cigarettes and become an entirely smoke-free business. In the longer term, we intend to consider avenues beyond smoke-free products and continue to explore the potential expansion of our offerings to include products that fill critical unmet needs within the wellness and healthcare space.

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 business 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.

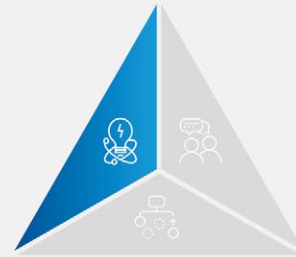
Transforming our company is not simply about substituting one product for another. It requires changing our entire value chain, as well as the way in which we engage with society. This has required a holistic review and overhaul of our entire business model and value proposition, which brings challenges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

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. Simultaneously managing the impacts of two value chains—the one we are moving away from (our cigarette portfolio) and the one we are moving toward (our smoke-free portfolio)—while also managing the impacts of the transition itself makes our strategy even more complex.

While a transformation of this magnitude and complexity cannot be achieved overnight, we are committed to making it happen as quickly as possible.

### Product transformation

Innovating for better products



Our product lines are the most visible aspect of our transformation. Over the past decade and a half, we have harnessed scientific and technological advances to develop alternatives to cigarettes that are scientifically substantiated to be a better choice for adult smokers than continued smoking. To achieve a smoke-free future, we work relentlessly to phase out cigarettes by replacing them with these less harmful alternatives as quickly as possible. We are increasing access for adult smokers by improving and expanding our portfolio of smoke-free products to meet their varying needs and preferences.

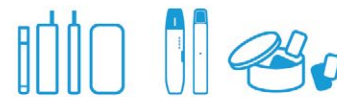
With an eye on the longer term, we are taking concrete steps to build the foundations for our wellness and healthcare business.

#### Supporting transformation



Combustible tobacco products

#### Growth priorities



Smoke-free products

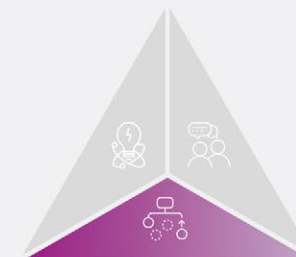
#### Emerging opportunities



Wellness and healthcare

### Internal transformation

A new organization and value chain



Since announcing our smoke-free vision, we have undergone a meaningful reorganization, which unfolds as we progress on our transformation journey.

Internally, we continue to invest in our employees to upskill their knowledge and build the capabilities they need to contribute fully to our business transition. Simultaneously, we are recruiting top talent and acquiring new capabilities. We are also incorporating new ways of working as we become an increasingly digitalized, project-based organization focused on consumer-centricity, agility, and data-driven decision-making.

Beyond our own operations, we are transforming every step of our value chain to serve our company purpose. We recognize the challenges these changes pose and are actively helping those impacted (in our direct and indirect operations) to best manage the transition.

#### Value chain

##### SOURCING

Transitioning to an increasingly diversified supply chain, including electronics sourcing



##### OPERATIONS

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



##### COMMERCIALIZATION

Moving from B2B to an increasingly consumer-centric model to commercialize smoke-free products



##### CONSUMERS & REVENUES

Shifting revenue source from majority cigarettes to majority smoke-free products while addressing post-consumer waste



[Read more about our value chain transformation](#)

### External transformation

Changing how we engage with stakeholders



Engaging with external stakeholders is critical to achieving our purpose. Our ability to successfully transform requires that we work with multiple segments of society to create a paradigm shift in which cigarettes become obsolete. This is particularly important as external circumstances and the actions of others can impact our ability to progress, and we must remain agile and adaptable in addressing these challenges to advance our transformation and foster a positive societal impact.

Continuous engagement also allows us to build a shared understanding of contingency issues, proactively respond to concerns, identify potential areas of compromise, and find solutions that are good for our stakeholders, and for our business and long-term success.

#### Key stakeholder groups



[Read more about our stakeholder engagement](#)

## Message from our Chief Sustainability Officer

As I reflect on our journey in 2024, I am humbled by and proud of the progress we have made. Many might view the pairing of tobacco and sustainability as paradoxical, yet this perceived contradiction is precisely what makes our actions impactful and our story so compelling. Sustainability for us is an opportunity to transform our industry from within, proving that positive change can emerge from unexpected places. By combining deep expertise, talent, and dedication we are demonstrating how a company can evolve to create lasting positive impact for consumers, society, and the planet.

The increasing complexity of sustainability challenges requires dedicated people working together to achieve systems change. The launch of PMI DNA this year has further energized our journey, resonating deeply with our strategy and ways of working—where passionate teams are empowered to challenge conventional thinking and drive meaningful impact. Our company's transformation transcends how and what we do; it defines who we are becoming. Indeed, sustainability is the heart of our business strategy.

In 2024, we continued strengthening this commitment through concrete actions. We completed a comprehensive sustainability materiality assessment, following the principles of double materiality, aligned with the EU Corporate Sustainability Reporting Directive (CSRD). Its outcome has informed our first CSRD statement to be issued by our Czech affiliate shortly after the publication of this Integrated Report, setting a strong precedent for our company's broader application of the directive.



Built on the learnings of the exercise we completed in 2021, this recent assessment provided us with deeper insights into our understanding of those sustainability-related impacts, risks, and opportunities that are material for our company. While some information about this new sustainability materiality assessment can be found in this report, we plan to provide our stakeholders more details about its process and outcome in the course of 2025, as well as in our next Report.

Our approach to nonfinancial reporting and performance management continues to become more sophisticated. During 2024, working closely with our risk functions, we strengthened our nonfinancial data governance, quality, and controls. New technologies and automation are helping us enhance our capability to collect and verify data with increased accuracy and efficiency, helping to ensure that information collected and reported is precise and consistent. Moving forward, we expect this work will allow us to continue reducing the effort required for reporting, lowering costs and facilitating compliance to meet regulatory and external assurance requirements.

In an environment where many companies are scaling back their sustainability goals, we understand the importance of setting ambitious yet realistic targets, relevant to our business transformation. The strong governance and processes we have put in place to carefully balance aspiration with achievability ensure that our goals are both meaningful and within our sphere of influence, accounting for external factors beyond our direct control. Our commitment to this is exemplified by our Sustainability Index, which we developed in 2021 and introduced in 2022. This groundbreaking instrument not only accelerated learnings associated with measuring performance, but also instilled necessary discipline in target-setting. The Index has proven instrumental in ensuring our ambitions are balanced and metrics are objective, clear, and verifiable, serving as a stepping stone toward building an increasingly robust approach to sustainability.

This year, we introduced our third Sustainability Index, linked to PMI's 2024–26 performance shared unit (PSU) cycle. We continued to refine the structure of the Index in a way that accurately reflects our business priorities. Still consistent with the outcome of our 2021 sustainability materiality assessment, changes introduced reflect the transition from our 2025 Roadmap to longer-term 2030 aspirations, emphasizing a more strategic approach that will focus on fewer, more impactful indicators aligned with our evolving business priorities. We have also retired, introduced, and refined several existing KPIs with more targeted indicators to reflect program maturity.

At the core of our company's purpose lies the commitment to drive systemic change—a trait that is deeply intertwined with the essence of sustainability. We recognize that this is an inherently complex endeavor, as it requires the collaborative effort of multiple stakeholders. Yet we remain determined to be a catalyst for positive change, by focusing on those areas within our control and influence, where we can make a tangible impact and also contribute to a broader transformation that is not dependent on us alone.

We welcome all forms of engagement and see each constructive challenge and thoughtful skepticism as an opportunity to inform our work and to demonstrate our commitment through action. Our stakeholders' diverse perspectives help us identify blind spots and ultimately ensure we never forget that our actions today will shape the world of tomorrow. Looking into the future, we are excited to start planning beyond 2025: we will leverage the insights gained from our recently completed sustainability materiality assessment to shape our new strategy, ensuring that our pursuit of business success and our commitment to driving positive change remain inseparable.

**Jennifer Motles**  
Chief Sustainability Officer

# Business Transformation Metrics

We recognize that business transformation is a company-specific journey, which sustainability reporting standards and frameworks fail to adequately capture. To address this, we developed our Business Transformation Metrics, a bespoke set of financial and nonfinancial key performance indicators (KPIs).

These KPIs make our progress toward achieving our purpose of becoming a smoke-free business both measurable and verifiable. In doing so, they focus on the core of our sustainability strategy, consistent with the outcome of our sustainability materiality assessment.

They also 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.

For all our Business Transformation Metrics, we aim to report our historical performance, ensuring a consistent scope and calculation methodology. In 2024, 15 out of 16 Business Transformation Metrics were subject to external assurance by our independent auditor, PwC, confirming that our transformation is both measurable and verifiable (read PwC's limited assurance report [here](#)).

Building on PMI's 2021 Business Transformation-Linked Financing Framework, we issued in 2024 an updated version that aligns with our current sustainability strategy and focuses on business transformation metrics and related aspirations that extend beyond 2025. The document is available [here](#).



## Business transformation aspirations

Aspirations linked to our Business Transformation Metrics give us a clear roadmap. Our aspirations reflect our priority in the short to medium term to capitalize on our smoke-free products' growth potential, including in the U.S.



>2/3

By 2030, 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.



~60

By 2030, we aspire for around 60 of our markets to have smoke-free 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 and around 20 to derive between 50 and 75 percent of their net revenues from smoke-free.



100

By the end of 2025, 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.

Business Transformation Metrics		2015 Baseline	2022	2023	2024	Aspirations
Consumers & Revenues	Total number of users of PMI smoke-free products (in millions) <sup>1*</sup>	n/a	n/a	33.3	38.6	
	Total number of IQOS users (in millions) <sup>1*</sup>	0.2	25.1	28.8	32.2	
	Estimated number of users who have switched to IQOS and stopped smoking (in millions) <sup>2*</sup>	0.1	18.1	21.1	23.0	
	Adjusted net revenues ratio (smoke-free/total) <sup>3*</sup>	0.7%	32.1%	36.4%	38.7%	>2/3 by 2030
Commercialization	Number of markets where smoke-free products are available for sale <sup>4*</sup>	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 <sup>5*</sup>	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) <sup>6*</sup>	877	642	633	635	
	Change in combustible tobacco product shipment volume (billion units) vs. 2015 baseline <sup>6,7*</sup>	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) <sup>8</sup>	n/a	43%	41%	40%	
Number of factories producing smoke-free products out of total number of factories <sup>9*</sup>	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.

- 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](#).
- 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.
- 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.

- For definition of available for sale, see [Glossary](#).
- 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](#).
- Combustible tobacco products shipment volume includes cigarettes and other tobacco products expressed in cigarette equivalent units.
- This indicator is calculated based on millions of units.
- 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.
- 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.

PMI operates within a complex system that can both enable and constrain our transformation. While our organization holds significant capabilities and reach, it functions as part of a larger system of intertwined markets, supply chains, and regulations that influence the pace of transformation. Our performance in 2024 is a testament to our unwavering commitment to transforming our company for good. We excelled in areas within our control—such as innovation, operational transformation, and market readiness. However, uncontrollable factors like regulatory barriers and geopolitical disruptions undeniably impacted our progress. Despite these external barriers, the dedication and strategic execution of our teams worldwide have positioned us strongly to continue making progress on our journey towards achieving one of the most ambitious corporate transformations in modern business history.

Jacek Olczak  
Chief Executive Officer



# Anchoring sustainability at the core of our strategy

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.

Our approach is guided by the outcomes of our 2021 full-fledged sustainability materiality assessment (read more [here](#)). An internal review in 2023 upheld the 2021 assessment results without changing our priority sustainability-related topics.

The result of this assessment is a structured 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.

Building on our framework, and to properly address these priority issues, we developed eight strategies (discussed on the next page) targeting our most pressing areas of impact. To accompany those strategies, we established 11 goals, which form the basis of our 2025 Roadmap.

## Renewing our sustainability materiality assessment in 2024

In 2024, we conducted a new sustainability materiality assessment, the outcome of which will inform our work to revamp our strategy beyond the 2025 horizon. We provide an overview of our assessment process on [PMI.com](https://www.pmi.com). We will provide further details on our approach and the assessment outcomes during 2025 and in our next report.

# Our sustainability strategy

Consistent with the outcomes of our 2021 and 2023 (refresh) sustainability materiality assessments, addressing the social impacts of our products stands at the core of our corporate and sustainability strategy.

The health impact of cigarette smoking is the most significant negative externality 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.

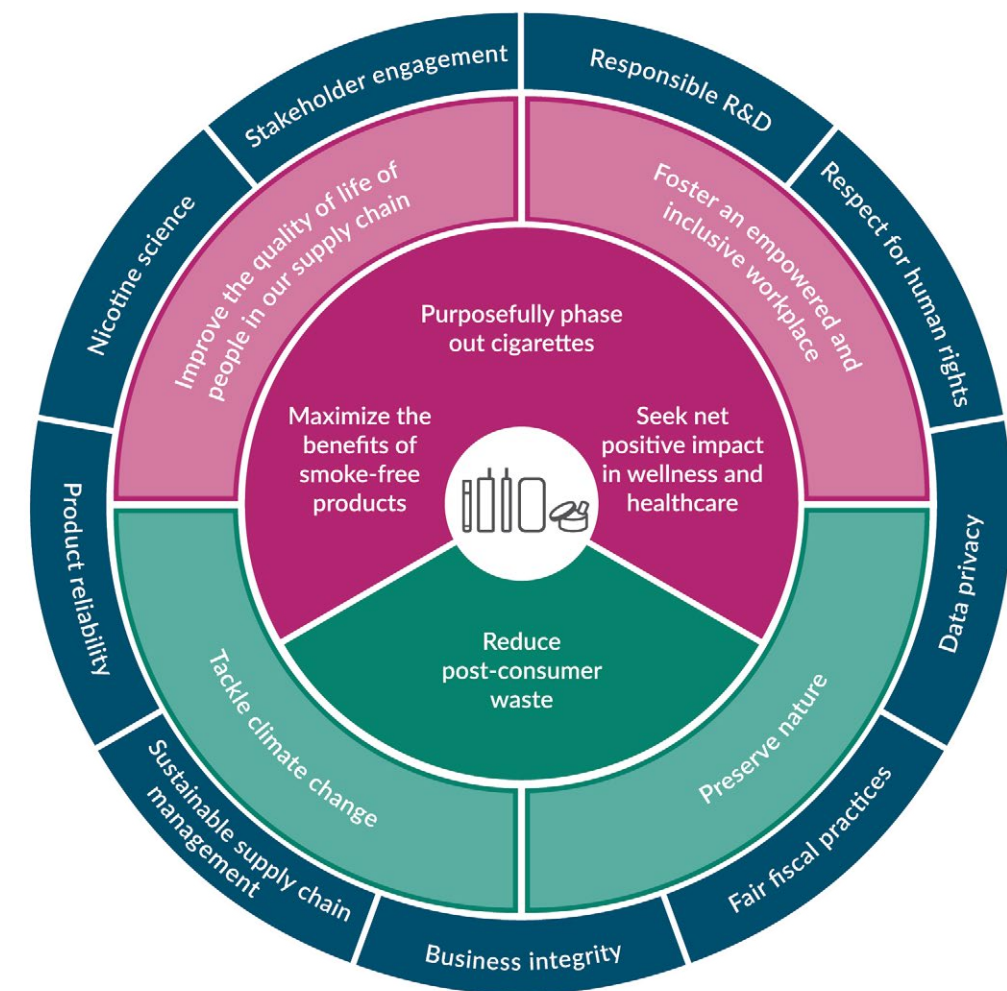
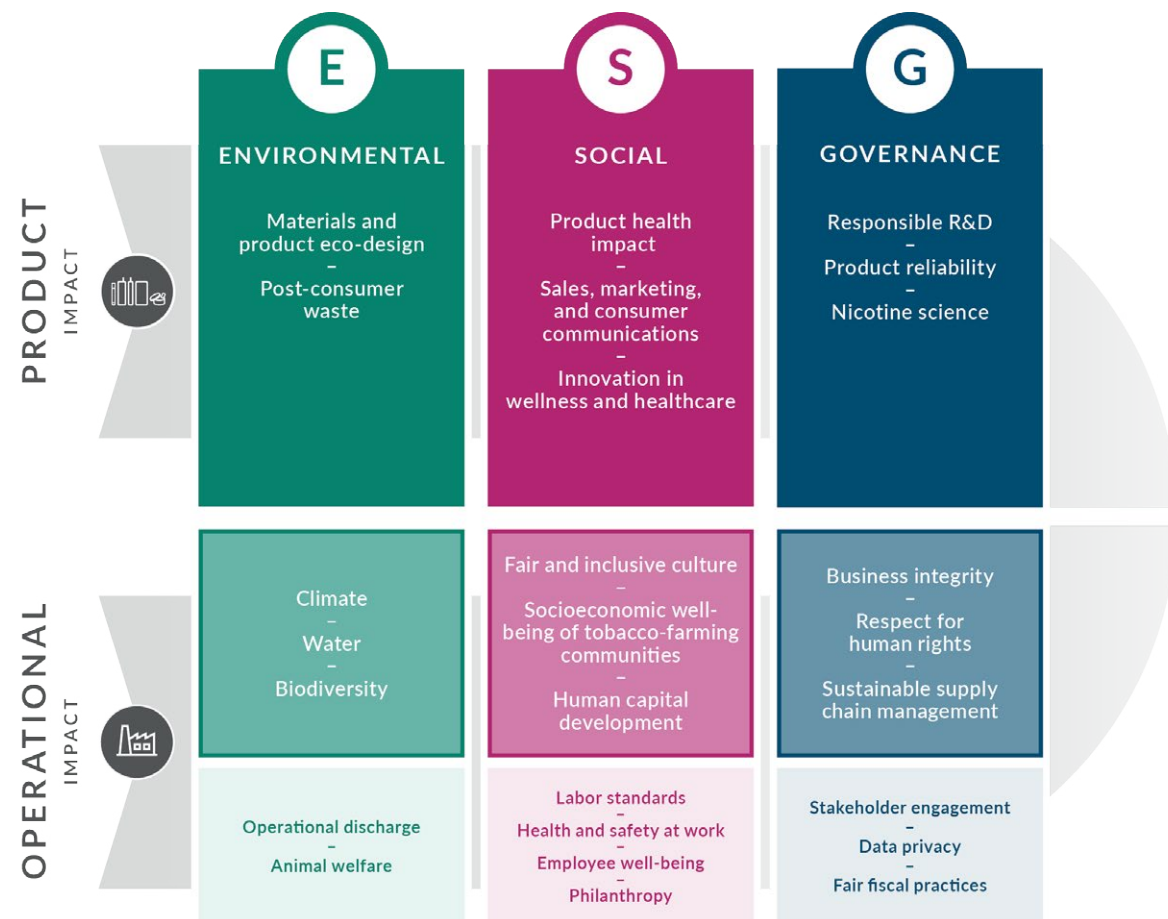
We deploy a three-pronged approach to address the social impacts of our products:

**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, driving their obsolescence.

**3. Seek net positive impact in wellness and healthcare:** While the core of our mission and potential positive impact remains on switching smokers to less harmful forms of nicotine consumption, with a longer horizon in mind, we are exploring adjacent opportunities for growth in wellness and healthcare, developing new technologies that can complement and help us leverage the assets and capabilities we have accrued and developed while transforming our business.

Our holistic strategy also addresses other sustainability topics deemed material for our company, related to our products and business operations, including the environmental and social impacts across our value chain. To address this broad range of considerations, our three-pronged approach to addressing the social impact of our products is complemented with five other impact-driven strategies. Altogether, these eight strategies are equally divided between those that focus on the impacts of our products and those that focus on the impacts of our business operations. Last but not least, all-encompassing governance-related topics set the basis of our success.



# Our 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 sustainability topics identified by our 2021 sustainability materiality assessment.

You can learn more about this mapping exercise in our [2021 Sustainability Materiality Report](#).

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.

Specific performance metrics (all available [at the end of this report](#)) allow us to measure the progress we are making toward achieving our aspirations and evaluate the effectiveness of our programs. We provide on this page a summary of our performance in 2024, which we further detail in the respective sections of this report.

## PMI Sustainability Index

PMI's Sustainability Index directly connects our 2025 Roadmap to specific KPIs and aspirations, allowing us to link sustainability performance to performance-based long-term executive compensation (read more [here](#)).

	Goals	Performance summary	Priority sustainability topics	
<b>PRODUCT IMPACT</b>	<b>1 Purposefully phase out cigarettes</b>	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	Our smoke-free business net revenues reached almost USD 14.7 billion in 2024, and represented 38.7 percent of our total annual net revenues. <sup>1</sup> While our combustible cigarette business showed resilient performance in 2024, our commitment to drive their end is unwavering and our combustible tobacco product shipment volume decreased by 27.6 percent <sup>2</sup> versus 2015.	<b>Product health impact</b>
	<b>2 Maximize the benefits of smoke-free products</b>	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 continue to increase the total number of users	By the end of 2024, our smoke-free products were available for sale in 95 markets, <sup>3</sup> of which 49 percent were low- and middle-income markets. <sup>4</sup> We estimate that approximately 38.6 million adults worldwide were using our smoke-free products. <sup>5</sup>	<b>Product health impact; Sales, marketing, and consumer communications</b>
	<b>3 Seek net positive impact in wellness and healthcare</b>	3 Deploy robust youth access prevention programs in indirect retail channels and ensure that sales of our products abide by our Marketing Codes	During 2024, we covered the vast majority (99 percent) of our shipment volume with youth access prevention programs in our indirect retail channels. Additionally, we began performing external monitoring over these programs in three key and high-risk markets.	<b>Innovation in wellness and healthcare</b>
	<b>4 Reduce post-consumer waste</b>	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.	<b>Materials and product eco-design; Post-consumer waste</b>
	<b>5 Reduce post-consumer waste</b>	5 Reduce post-consumer waste and prevent littering by implementing comprehensive programs covering all our consumables	We significantly expanded anti-littering programs for cigarette butts to cover 92 percent of shipment volumes in 2024. End-of-life take-back programs for smoke-free consumables covered 21.5 percent of shipment volumes by year-end, progressing slower than expected in high-volume markets. <sup>6</sup>	
	<b>6 Follow eco-design and circularity principles for all smoke-free electronic devices</b>	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.	
<b>OPERATIONAL IMPACT</b>	<b>7 Foster an empowered and inclusive workplace</b>	7 Nurture a fair and inclusive culture that promotes the continuous development of our employees	In 2024, 33.8 percent of senior roles were held by women and we continued to harness the variety of nationalities in our workforce to drive our success. In addition we sustained our efforts to offer learning and development opportunities: by the end of 2024, 75 percent of our global workforce had access to structured lifelong learning offers.	<b>Fair and inclusive culture; Human capital development</b>
	<b>8 Improve the quality of life of people in our supply chain</b>	8 Eradicate systemic child labor in our tobacco supply chain	In 2024, child labor prevalence affected 0.01 percent of our purchased tobacco and, while we broadly eradicated systemic child labor issues in the farms we contract with, we remain committed to eradicating isolated cases. <sup>7</sup>	<b>Socioeconomic well-being of tobacco farming communities</b>
	<b>9 Improve the quality of life of people in our supply chain</b>	9 Ensure all contracted tobacco farmers make a living income; partner with our direct suppliers to promote a living wage for their workers	In 2024, we increased the proportion of contracted farmers supplying tobacco to PMI who made a living income (reaching 99 percent versus 96 percent in 2023), thanks to better data collection and farmer income modeling, the application of a household dependency model, and the expansion of initiatives to improve farmer income levels.	
	<b>10 Tackle climate change</b>	10 Achieve carbon neutrality in our operations and accelerate our decarbonization toward net zero across our value chain	In 2024, our CO <sub>2</sub> e scope 1+2 emissions decreased by 39 percent versus our 2019 baseline and our net CO <sub>2</sub> e scope 1+2+3 emissions decreased by 15 percent within the same time frame.	<b>Climate</b>
	<b>11 Preserve nature</b>	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	In 2024, we achieved 88 percent of tobacco purchased at no risk of net deforestation of managed natural forest and no conversion of natural ecosystems, and 100 percent of paper, board, and pulp-based supplies purchased at no risk of gross deforestation of primary and protected forests. <sup>8</sup> Our water stewardship initiatives have contributed to optimizing a total of 12.3 million cubic meters of water in our tobacco-growing areas since 2019. <sup>9</sup>	<b>Biodiversity; Water</b>

1 For definition of net revenues related to smoke-free, see [Glossary](#).  
 2 This indicator is calculated based on millions of units. For definition of combustible tobacco products, see [Glossary](#).

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](#).  
 5 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](#).  
 6 Shipment volume includes heated tobacco units, e-vapor cartridges, and disposable vaping devices. See [PMI's Sustainability KPI Protocol 2024](#) for further details.

7 For further details on how we calculate the prevalence of child labor in PMI's tobacco supply chain please see [PMI's Sustainability KPI Protocol 2024](#).  
 8 For definitions, please see [PMI's Zero Deforestation Manifesto](#) and [PMI's Sustainability KPI Protocol 2024](#).  
 9 Indicator is based on the World Resources Institute's volumetric benefit accounting methodology. For further details, see [PMI's Sustainability KPI Protocol 2024](#).

# Governance and management

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# Our Board of Directors and Company Management

PMI's governance structure is designed to ensure we act with integrity and hold ourselves and our business to the highest ethical standards. Integrating sustainability into our company relies on a formal structure with clear accountabilities at different levels of the organization.

## Our Board of Directors

The primary responsibility of the Board of Directors is to support the long-term success of our company. The Board establishes broad corporate policies, sets strategic direction, and oversees Company Management—the individuals responsible for PMI's day-to-day operations.

The Board has established various standing committees to assist with the performance of its responsibilities and has adopted corporate governance guidelines that—together with the company's charter, bylaws, Board committee charters, PMI's Code of Conduct, and related-person transactions policy—serve as the governance framework for the company. Each of these documents is available on [PMI.com](https://www.pmi.com).

[PMI's 2025 Proxy Statement](#) contains detailed information on our Board and committee structure, the independence of its members, and the responsibilities and meeting frequency of each committee.

### Sustainability responsibilities: Board of Directors

While the Nominating and Corporate Governance Committee (NCGC) oversees the company's sustainability strategies and performance, several other committees are tasked with oversight responsibility for specific sustainability topics. For instance, the Audit and Risk Committee (ARC) reviews with management and internal and independent auditors any sustainability information to be included in the company's financial reporting framework and the internal controls and procedures related to sustainability disclosures. The Compensation and Leadership Development Committee (CLDC) is responsible for executive compensation matters, which consists of, among others, evaluating the company's performance in relation to the PMI Sustainability Index. PMI's Chief Sustainability Officer updates the CLDC, the NCGC, the ARC, and the full Board of Directors at least once per year on sustainability-related matters, including progress in priority areas and an overview of key initiatives.

## Our Company Management

PMI's Company Management primarily consists of our Chief Executive Officer, his direct reports leading our different business functions and regions, and other senior management, such as the Vice President of Treasury and Corporate Finance and the Vice President & Controller.

Our Company Management, which totals 26 employees as of March 14, 2025, of whom five are women, includes the 11 employees who are executive officers under Section 16 of the Securities Exchange Act of 1934. A biography of each member of our Company Management can be found on [PMI.com](https://www.pmi.com).

### Sustainability responsibilities: Company Management

Anchoring our sustainability priorities with executive responsibilities and accountabilities helps embed our strategy into our daily operations.

Members of Company Management are responsible for driving progress and delivering on our sustainability aspirations within their respective areas of responsibility. We have included feature boxes for each of our eight strategies in dedicated chapters of this report to highlight reporting lines for specific topics.

Composed of members of Company Management, including our Chief Executive Officer, PMI's Sustainability Committee meets at least four times per year. In 2024, quarterly Sustainability Committee meetings focused on, among other topics, the review of the company's performance of the 2022–24 and 2023–25 Sustainability Indices and the introduction of the 2024–26 Sustainability Index, public sustainability disclosures, methodology and outcomes of PMI's 2024 sustainability materiality assessment results, reporting strategy including compliance with nonfinancial disclosure regulations, performance of the company in ESG ratings, sustainability performance on material topics, integration of Swedish Match progress, and progress of key sustainability initiatives.

## Sustainability governance and management in 2024

### Board of Directors

Full Board of Directors

Nominating and Corporate Governance Committee (NCGC)

Audit and Risk Committee (ARC)

Compensation and Leadership Development Committee (CLDC)

### Company Management

#### Sustainability Committee

- Members of Company Management, including Chief Executive Officer
- Meets quarterly
- Reviews and validates sustainability materiality analysis, strategy, commitments, goals, and annual reporting

Chief Financial Officer

### Operational management and program delivery

#### Sustainability Performance Group

- Senior representatives from global functions
- Meets quarterly
- Ensures alignment and coordination of efforts across the different functions in the Company, provides recommendations for program portfolio, and monitors performance

#### Working groups

- Cross-functional representatives
- Meet periodically
- Coordinate development and deployment of specific cross-functional programs

Chief Sustainability Officer

#### Sustainability Team

- Defines corporate sustainability materiality and strategy, coordinates program implementation by working closely with all business functions and with markets, and manages reporting on performance

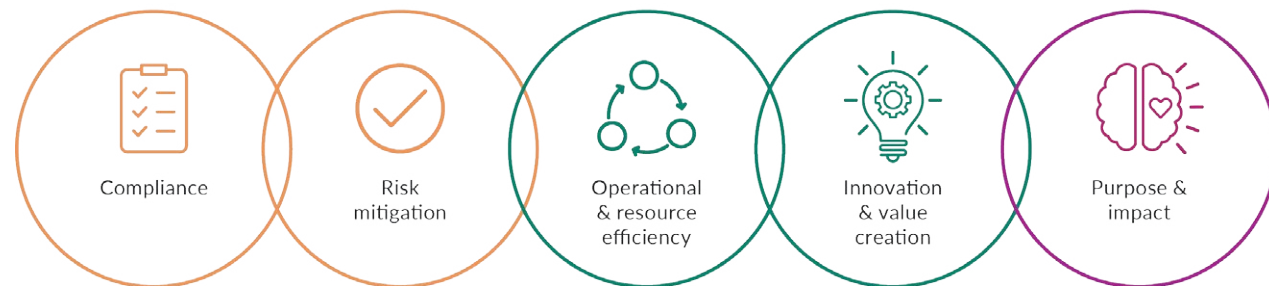
#### Global functions and markets

Drive execution of sustainability programs, including development of policies, procedures, and roadmaps, establishment of performance metrics and targets, and monitoring and reporting on progress within the organization

#### All PMI employees

Play a critical role in delivering progress on sustainability

## Our approach to sustainability



**Compliance**  
Regulatory bodies globally are enforcing stricter guidelines on transparency and accountability in sustainability making compliance with evolving sustainability standards crucial. Ensuring readiness is the basis and foundation of our strategy.

**Risk mitigation**  
Identifying and mitigating sustainability-related risks tied to environmental and social issues is essential for business resilience. It protects our operations, enhances our reputation, and creates growth opportunities, ensuring our long-term success.

**Operational & resource efficiency**  
Streamlining processes and optimizing resource allocation can enhance productivity, reduce costs, and boost profitability and competitive advantage. This involves adopting technology, adopting circular practices, optimizing our supply chain, and developing our employees.

**Innovation & value creation**  
Aligning sustainability with long-term goals, driving innovation for competitive value, and future-proofing our business are interconnected strategies that ensure our company's enduring success and relevance in a rapidly changing world.

**Purpose & impact**  
Transformational leadership is core to our approach to sustainability. It is about inspiring significant, lasting changes at PMI and in our industry, influencing standards, shaping policy, and driving systemic change that redefines market expectations.

### Defining sustainability priorities

Our approach to sustainability is anchored in a comprehensive materiality assessment that serves as a strategic business tool for identifying our sustainability priorities. This robust process, implemented since 2016, enables us to make informed decisions that drive business value while meeting stakeholder expectations. Since 2021, our adoption of "double materiality" has strengthened our ability to evaluate sustainability matters through both impact and financial lenses, helping us identify opportunities for growth and differentiation while managing potential risks. Each iteration has enhanced our strategic capabilities, and in 2024, we further strengthened our approach by integrating regulatory requirements, notably the EU Corporate Sustainability Reporting Directive (CSRD), while leveraging our Enterprise Risk Management program to evaluate the financial implications of sustainability matters in a systematic fashion. Read more [here](#).

The outcome of our sustainability materiality assessment serves as a strategic blueprint that informs our business strategy, ensuring sustainability as an outcome is aligned with long-term value creation. While focusing primarily on topics material to future-proof our business success, we also consider multiple stakeholders, including ESG rating agencies. Our analysis of material topics reflect both their outward impact and their strategic business implications, from risk exposure to market opportunities, ensuring our sustainability priorities directly support our business objectives and competitive advantage.

### Governance and incentives

We embed sustainability as a core driver of business value through a strategic governance framework that ensures accountability and execution at every organizational level.

Our Chief Sustainability Officer (CSO), reporting to the Chief Financial Officer, spearheads the integration of sustainability into our corporate strategy, regularly briefing the Sustainability Committee and Board of Directors on progress and strategic implications. To drive this integration, our Sustainability Index, linked to 30 percent of our performance-based long-term equity award, incentivizes management to consider multiple forms of capital—financial, natural, intellectual, social, and human—when developing programs, ensuring comprehensive value creation and risk management.

Through a cross-functional Sustainability Performance Group, our CSO orchestrates collaboration across departments to capture emerging opportunities and manage risks. The Sustainability Team drives strategic planning through sustainability materiality assessments, develops implementation roadmaps, and ensures cohesive execution across business units and markets. Program-specific working groups coordinate initiatives to maximize business impact and operational efficiency. At regional and market levels, dedicated sustainability coordinators ensure strategic alignment while adapting initiatives to local business contexts and tracking performance against key metrics.

### Policies and commitments

Our strategic approach to value creation is guided by a comprehensive framework of sustainability commitments and policies that inform decision-making and risk management across our organization. These policies, covering critical business areas from environmental stewardship and supply chain resilience to human rights protection, serve as guardrails for sustainable business practices and are available on [PMI.com](#). This framework complements and reinforces PMI's [Code of Conduct](#), which establishes rigorous standards for ethical business conduct, supported by additional internal policies and guidelines. Together, these instruments enable us to build trust with stakeholders while protecting and enhancing our business value across multiple dimensions.

### Setting aspirations

Our business strategy integrates sustainability through carefully calibrated targets and aspirations outlined in our [2025 Roadmap](#). These strategic priorities emerge from a rigorous process that synthesizes results from our sustainability materiality assessments, emerging global trends, regulatory requirements, and stakeholder expectations, enabling us to identify both risks and opportunities that impact long-term value creation.

Rather than viewing sustainability merely through a compliance or risk management lens, we leverage it as a catalyst for operational excellence, innovation, and competitive advantage. Our approach embeds sustainability considerations into core business operations, enhancing organizational resilience while driving efficiency and stakeholder value. This strategic integration recognizes the systemic nature of sustainability challenges and their interconnections with business success. Through robust governance mechanisms and processes, we ensure our aspirations and targets strike the right balance between ambition and achievability, acknowledging that while not all factors are within our direct control, we can meaningfully drive progress within our sphere of influence.

### Performance management and strategy execution

Our strategic sustainability objectives are realized through initiatives and programs that drive measurable progress toward our aspirations. These activities are strategically integrated across business functions, ensuring sustainability becomes embedded in our operations and DNA rather than existing as standalone efforts.

While executing our strategy internally, we amplify our impact through multistakeholder initiatives, partnerships, and industry collaborations that can accelerate systemic change. To ensure accountability and drive continuous improvement, we maintain a robust performance measurement framework with clearly defined KPIs that are tracked and reported both internally and externally.

Our comprehensive suite of [sustainability metrics](#), aligned with our aspirations, provides transparent insight into our progress and is also available for download on [PMI.com](#).

### Connectivity and trade-offs

Our strategy acknowledges the interconnected nature of sustainability challenges, requiring a deep understanding of their dependencies across our value chain. We prioritize solutions with synergistic benefits but recognize the need for informed choices on resource allocation and timing. Results from our sustainability materiality assessment guide these strategic decisions, helping us focus our efforts on areas where we can generate the most significant impact and business value. Through this lens, we make deliberate choices between immediate action on critical priorities and longer-term transformational initiatives, acknowledging that not all challenges can be addressed simultaneously. These trade-offs are managed through our established governance and decision-making framework that considers both business imperatives and stakeholder interests. We maintain transparency about these choices and their rationale, ensuring our approach remains both credible and accountable while maximizing sustainable value creation.

### Reporting and transparency

Our comprehensive reporting approach transforms sustainability data into meaningful insights that demonstrate value creation across multiple capitals. Through our annual Integrated Report and supplementary disclosures—including detailed performance metrics, case studies, and topic-specific analyses available online—we provide stakeholders with a clear view of how sustainability drives business success. This transparency enables informed decision-making and strengthens stakeholder trust. You can explore our approach [here](#) and access our full suite of sustainability resources [here](#).

As the sustainability disclosure landscape evolves toward mandatory reporting frameworks, we embrace these developments as opportunities to enhance our strategic communication and decision-making processes. PMI actively supports the harmonization of sustainability reporting standards, recognizing their role in building market confidence and enabling meaningful performance comparison. Our Sustainability Team collaborates closely with finance, legal, and risk functions to ensure our reporting not only meets current requirements but anticipates future expectations.

# Sustainability Index

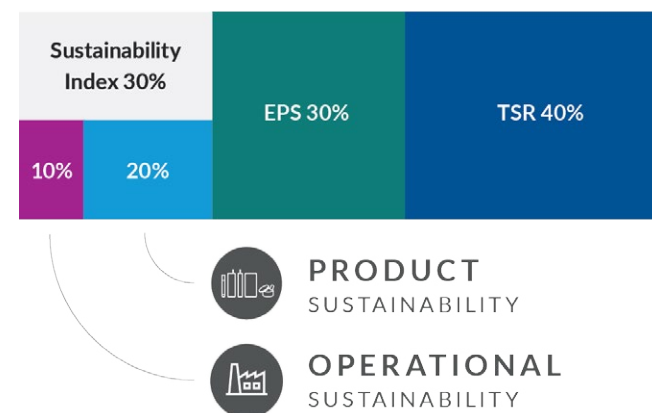
In 2021, we developed PMI's Sustainability Index to measure objectively and communicate rigorously progress toward our aspirations, using a set of clearly defined and verifiable metrics. Since 2022, our Sustainability Index also represents 30 percent of our performance-based long-term equity award.

## Linking our sustainability performance to long-term executive compensation

To better align with shareholder and other stakeholder expectations, the Compensation and Leadership Development Committee of PMI's Board of Directors explicitly decided to link our long-term executive compensation and sustainability performance. For that purpose, our Sustainability Index (the Index) is linked to 30 percent of our performance share unit (PSU) award—with a 3-year performance cycle.

The first time the Sustainability Index was linked to our PSU was for the 2022–24 performance cycle. In 2023, we introduced a new Index, which is linked to the 2023–25 PSU cycle (details of this Index can be found in the [Integrated Report 2023](#) and [online](#)).

While these two indices are consistent in their structure, governance, and mechanics, as well as guided by the same principles (informed by the outcomes of our 2021 sustainability materiality assessment) they reflect a different time horizon, as well as evolving challenges and priorities.



## Sustainability Index mechanics

Each Sustainability Index is built on carefully selected key performance indicators (KPIs) that track our progress toward Board-approved targets. At the start of each PSU cycle, our Board of Directors approves KPIs in the Index, their weight, and target ranges for each KPI. The weights are strategically aligned with our sustainability materiality assessment, ensuring that each KPI's contribution to the overall Index reflects its relative importance to our sustainability strategy.

## Final score of PMI's 2022–24 Sustainability Index

The year 2024 marked the completion of the performance cycle for the Sustainability Index 2022–24, which achieved a performance rating of 76 percent for Product Sustainability and 115 percent for Operational Sustainability. The Sustainability Index total score for the 2022–24 cycle was 89 percent. Further details about this Index performance and scoring are available in [PMI's Proxy Statement 2025](#) and on [PMI.com](#).

## Additional information about PMI's Sustainability Index

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

- [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 a transparent explanation of how we define and measure progress, each Index KPI has its own standard, which includes definitions, assumptions, scope, methodology, and basis for preparation.
- [PMI.com](#): to learn more about the Sustainability Index structure, governance, and mechanics including scoring.

## Introducing PMI Sustainability Index 2024–26

The Sustainability Index linked to the 2024–26 PSU cycle maintains continuity with its predecessor, the 2023–25 Index, reflecting priorities resulting from our 2021 sustainability materiality assessment. However, we have made strategic adjustments to account for evolving timelines. Additionally, the integration of Swedish Match is now reflected across all Index KPIs except for "Proportion of priority forest area in PMI tobacco and paper and pulp-based product supply chain with zero deforestation." To maintain the Index's structural integrity, we have redistributed the weights of the removed (and not replaced) KPIs within the Product Sustainability category, preserving the overall distribution of 20 percent for Product Sustainability and 10 percent for Operational Sustainability.

	Key performance indicators	KPI weight
PRODUCT IMPACT	<b>Purposefully phase out cigarettes</b>	1 Adjusted net revenues ratio (smoke-free/total)
	<b>Maximize the benefits of smoke-free products</b>	2 Proportion of markets where smoke-free products are available for sale that are low- and middle-income markets
		3 Number of markets where adjusted net revenues from smoke-free products exceed 50% of adjusted total net revenues
		4 Proportion of shipment volume covered by markets with youth access prevention programs in place in indirect retail channels
		5 Proportion of shipment volumes covered by markets with anti-littering programs in place for combustible cigarettes
	<b>Reduce post-consumer waste</b>	6 Proportion of shipment volume covered by markets with end-of-life take-back programs in place for smoke-free consumables
		7 Cumulative number of smoke-free electronic devices refreshed or repaired since 2021 (in thousands)
<b>Product Sustainability performance</b>		100%
OPERATIONAL IMPACT	<b>Foster an empowered and inclusive workplace</b>	8 Proportion of women in senior roles
		9 Average number of digital training hours per employee
	<b>Improve the quality of life of people in our supply chain</b>	10 Cumulative number of human rights impact assessments conducted since 2018, with findings addressed
		11 Prevalence of child labor among contracted farmers supplying tobacco to PMI
		12 Proportion of the most economically vulnerable farmers benefit from interventions that drive a measured increase in income
	<b>Tackle climate change</b>	13 CO <sub>2</sub> e scope 3 FLAG absolute reduction versus 2019 baseline (in-line with science-based target)
		14 Proportion of priority forest area in PMI tobacco and paper & pulp-based product supply chain with zero deforestation <sup>1</sup>
<b>Preserve nature</b>	15 Volume of water optimized in our tobacco-growing areas (mio m <sup>3</sup> – cumulative since 2019)	
<b>Operational Sustainability performance</b>		100%
<b>PMI Sustainability Index total</b>		100%

For definitions of the KPIs please refer to [PMI's Sustainability KPI Protocol 2024](#).

Note: The Sustainability Index reflects KPIs approved by the Compensation and Leadership Development Committee of PMI's Board of Directors on a yearly basis, and is not intended to reflect, among others, the current forward-looking goals or aspirations of the company.

<sup>1</sup> Excluding Swedish Match.

## Risk management

Our business operates in a complex, volatile and regulated environment with a rapidly evolving global landscape where stakeholder expectations are constantly increasing. In response to such expectations, we run a robust Enterprise Risk Management (ERM) program to manage current and future risks that may impact our ability to achieve our business objectives. This program enables us to effectively manage uncertainties while enhancing the company's resilience and protecting its value. Within this context, sustainability-related risks and opportunities are considered as part of our risk management practices.

### Risk governance

We have in place a specific governance structure to support our risk management practices and to develop the necessary culture and risk awareness across the company. Our formal risk governance structure and its underlying supporting governance mechanisms are the foundation of the company's approach toward risk management.

As part of our risk management practices, we have a Corporate Risk Governance Committee (CRGC) made up of senior executive officers, including the Chief Executive Officer, Chief Financial Officer, General Counsel, Senior Vice President, Operations, Senior VP Research & Development, Chief Digital & Information Officer, Vice President & Controller, Chief Risk Assurance Officer, Chief Information Security Officer, Chief Compliance Officer, and Corporate Secretary. The CRGC periodically reviews enterprise risk management reports for each key risk area and, where required, makes decisions to ensure risks are appropriately managed. It oversees, challenges, and monitors the integrity, scope, and design of the ERM program.

Ownership of each principal risk is assigned to a member of senior management, and oversight of the management of each risk is assigned to a specific committee of our Board or the full Board. Principal risks are those risks that may compromise the achievement of the company's strategic ambitions and objectives or may have a critical impact on the company's operations. Throughout the year, risk owners regularly update the Board and its committees on the evolution of principal risks and significant emerging risks.

### Risk management

The roles that the various governance bodies fulfill as part of the company's approach toward enterprise risk management are mentioned below.

Business functions identify, assess, and respond to current and emerging risks at a functional, category, regional and/or market level in scope of each individual's job roles and responsibilities. In addition, they define and own the related responses (e.g., mitigation actions) to the identified risks at a functional, category, regional and/or market level.

The ERM function implements the ERM program consistently across PMI and shares risk reports on a regular basis with the Board, Audit & Risk Committee (ARC), Senior Management Team (SMT), Corporate Risk Governance Committee (CRGC), and Regional Risk Governance Committees (RRGCs), and facilitates specific risk management practices in relation to the company's principal risks. As part of Risk & Assurance (R&A), the ERM discipline reports to the Chief Risk Assurance Officer, who reports functionally to the ARC.

Specialist Risk functions provide input and deep subject matter expertise, and facilitate specific risk management practices within subject matter risk domains (e.g., Internal Controls, Information Security, Data Privacy, Quality, etc.) in alignment with the ERM program. They contribute to the risk reporting efforts led by the ERM function by ensuring the completeness, accuracy, and timeliness of reporting risk insights related to their subject matter domain(s).

Beyond the above listed functions, the company's independent Audit/Assurance discipline as part of the R&A function, reports to the Chief Risk Assurance Officer as well, and is responsible for providing an independent and objective opinion on the effectiveness of implemented risk responses and various subject matters.

Taking a holistic approach, all these functions collaborate to continuously identify, assess, and respond to evolving risks which are prioritized based on four dimensions: likelihood, impact, velocity, and interdependency with other risks.

As required by the U.S. Securities and Exchange Commission and the applicable laws and regulations, all of PMI's material risk factors are disclosed in 10-K and 10-Q submissions to the U.S. Securities and Exchange Commission. Our latest submissions are available on [PMI.com](https://www.pmi.com).

### Risk management for sustainability

Given the significance of our sustainability practices in achieving our strategic ambitions, we have adapted our risk management framework to address uncertainties related to our sustainability agenda. As such, we proactively manage sustainability risks and opportunities to safeguard our long-term enterprise value, ensure access to sustainable financing, and meet the expectations of our shareholders and other stakeholders.

Our specific sustainability-related risk management practices are organized around the following key activities:

#### 1. Strategic risk management

The company's strategic risk management program, as orchestrated by the ERM function, targets, among others, risks impacting our ability to achieve the objectives outlined in our sustainability agenda. At a corporate level, ownership of sustainability-related strategic risks is assigned to the Chief Financial Officer, who appointed the Chief Sustainability Officer to manage sustainability-related risk response efforts. Beyond the umbrella sustainability strategic risk category, we have embedded our company's most material sustainability matters within other principal risks. Our strategic risk management efforts involve strategic risk working groups composed of subject matter experts. These groups regularly identify, (re)assess, and define responses to key risk drivers and factors that have the potential to impact our ability to meet growing stakeholder and shareholder expectations. We continuously monitor and adopt sustainable practices to respond to the dynamic evolving regulatory landscape surrounding our sustainability agenda.

#### 2. Sustainability materiality assessment

Building on our 2021 sustainability materiality assessment that already embedded the concept of "double materiality," the ERM function strongly collaborated with the Sustainability Team to perform PMI's 2024 sustainability materiality assessment (read more [here](#)). This enabled us to assess the financial (inward) materiality of sustainability matters holistically and helped ensure an aligned and consistent view between the outward impact assessment and the inward financial risk and opportunity assessment. It enabled us to align our assessment methodology with regulatory standards.

#### 3. Specialized sustainability risk assessments

Sustainability risks can be multi-faceted and vary in nature. To comprehensively address them, the company performs specialized risk assessments on particular topics, for example related to human rights impact assessments (HRIAs), climate change-related risks and opportunities (CCRO), or nature and biodiversity risks and opportunities (as per the Taskforce on Climate-Related Financial Disclosures (TCFD) and Taskforce on Nature-related Financial Disclosures (TNFD) guidance, respectively).

These assessments are designed to delve into the unique aspects and intricacies of specific sustainability matters. By performing these specialized assessments, we can pinpoint and address the nuances of the underlying identified sustainability-related risks, ensuring that risk management responses are tailored to the distinctive characteristics of each concern.





We progressively integrate the risks and insights identified by these specialized risk assessments into our broader enterprise-wide risk management practices. Moreover, we build synergies by aligning terminology, processes, methodologies, and capabilities across functions to strengthen integration.

#### 4. Risk management of sustainability performance

We put specific risk management practices in place to identify, assess, and respond to risks in relation to PMI's Sustainability Index, used to measure our progress against our sustainability agenda. As a priority, we developed a comprehensive approach to manage risks and opportunities that could impact the achievement of our performance targets within the Sustainability Index. Our quarterly forecasting process, which measures the progress against our defined performance targets, is enhanced by incorporating specific risk management activities to identify and assess potential risks that could hinder our ability to achieve our targets. Our priority is to ensure robust governance surrounding the Sustainability Index is in place. We regularly monitor performance and adjust our efforts as necessary, by implementing cross-functional risk responses. Our independent internal audit function has examined and evaluated the various Sustainability Index processes and data, serving as the foundation for our CSRD-related disclosures, ensuring reliable sustainability reporting.



# Product impact

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 Seek net positive impact in wellness and healthcare p71
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## Our aspirations



Notes: Aspirations referring to smoke-free electronic devices exclude disposable products and non-PMI-designed devices.

<sup>1</sup> Excludes disposable products and non-PMI-designed devices. Collected devices are considered covered by the CIRCLE program if they are either processed at our centralized CIRCLE hubs or by validated local recycling partners.



PRODUCT IMPACT

# Maximize the benefits of smoke-free products

At PMI, we are accelerating the end of smoking by working to make cigarettes obsolete. To that end, we are transforming our operations and value chain to develop, assess, and commercialize smoke-free products that are scientifically substantiated to be a better alternative to continued smoking.

INWARD IMPACT

## The business case

Through our early and sustained investment in R&D and consequent leadership in technology and innovation, we have built a powerful position and competitive advantage in scientifically substantiated smoke-free products that can help accelerate the decline of cigarette smoking. By allocating the majority of our resources to the research, development, and commercialization of these better alternatives to continued cigarette smoking, we are accelerating our progress toward becoming a smoke-free company and, in doing so, we are building legitimacy and stakeholder trust. Moreover, pioneering smoke-free alternatives to cigarettes allows us to grow our overall market share in the nicotine space, increasing our current and future revenue base as we seek to encourage all adult smokers (including the estimated 130 million adult smokers of our cigarette brands, as well as the hundreds of millions of adult smokers who buy competitor brands) who would otherwise continue to smoke to switch to better alternatives. Our smoke-free product consumables drive higher net revenues per unit than cigarettes, with the accretive product contribution per unit already helping to generate returns on our significant investments in developing the smoke-free category.

It is critical for us that the marketing and sale of our products does not interfere with cessation efforts but does encourage switching to better alternatives among those adults who do not quit. Importantly, we also aim to ensure that we do not encourage initiation of nicotine use and that we do not target or have strong appeal to underage people and other unintended audiences. Disregarding these principles could significantly undermine our credibility, harm our reputation, and even trigger regulation that could hinder our ability to engage responsibly with adult consumers or enter certain markets, thereby impeding us from achieving our purpose.

OUTWARD IMPACT

## The right thing to do

The best choice a person can make is to never start smoking. For those who do smoke, their best course of action is to quit. However, many do not. Those adults who would otherwise continue to smoke should have access to nicotine-containing products that represent a better alternative than continued smoking.

Scientific and technological innovation have made such alternatives available today. The vast majority of harmful compounds found in cigarette smoke and associated with smoking-related diseases are generated by combustion. Nicotine-containing products that are scientifically substantiated not to involve combustion (smoke-free products), such as e-vapor, oral nicotine, and heat-not-burn products, while addictive and not risk-free, are likely to present a much better alternative than continued smoking.

For adults who would otherwise continue to smoke, these smoke-free products represent a significant opportunity, as switching to these products has the potential to reduce the risk of developing smoking-related diseases versus continued cigarette use.

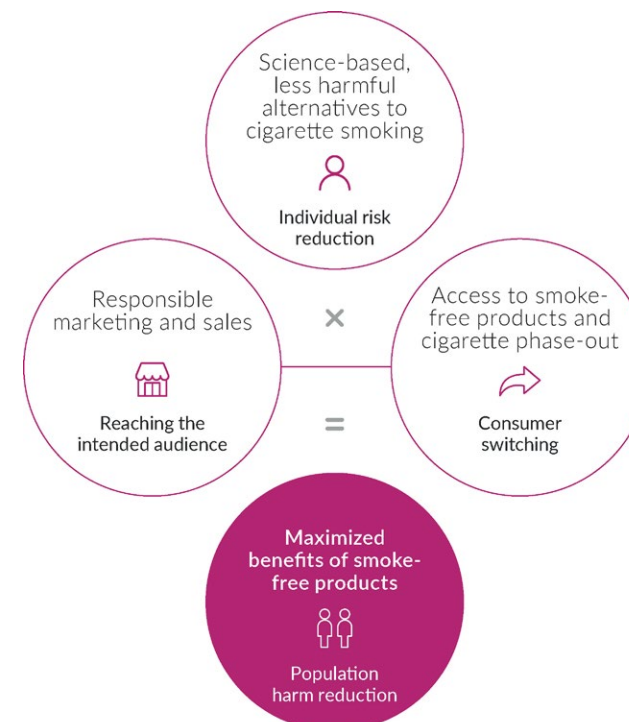
Seizing this opportunity to achieve a public health benefit depends not only on the scientifically substantiated risk-reduction profile of these smoke-free products but also on adult smokers successfully switching to them and stopping cigarette use completely. It is therefore critical that all adult smokers are made aware of and have access to smoke-free products, understand their benefits versus continued smoking, find them acceptable, and can afford to buy them.

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	Broadening access to smoke-free products	48
	Marketing and selling our products responsibly	56

## Management approach

To maximize the benefits of our smoke-free products to individual smokers and the population as a whole, we deploy a threefold approach.

Firstly, we focus on researching and developing less harmful alternatives to continued cigarette smoking for the benefit of those adults who would otherwise continue to smoke. It is vital that the health risk profile of these smoke-free products be thoroughly assessed and scientifically substantiated. Our research program is inspired by long-held practices of the pharmaceutical industry and is in line with the 2012 draft guidance from the U.S. Food and Drug Administration (FDA) for Modified Risk Tobacco Product (MRTP) applications. We follow scientific standards, including Good Laboratory Practices (GLP) and Good Clinical Practices (GCP). 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.



**PMI's policies and standards**

- [PMI Science: Our Standards](#)
- [Marketing Code for Non-Combusted Alternatives](#)
- [Marketing Code for Combusted Tobacco Products](#)

Secondly, we work to ensure that adult smokers have access to and successfully switch to smoke-free products, which can help accelerate the decline in smoking prevalence. 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 acceptable and viable alternative to cigarettes.
- **Availability:** Smoke-free products are conveniently available for purchase by adult smokers.
- **Affordability:** The cost of smoke-free products is reasonable to enable smokers to acquire them and facilitate switching.

Thirdly, we deploy responsible marketing and sales practices to propel our smoke-free vision while guarding against the risk of use of our products by unintended audiences, such as those below the legal age. Our commercialization activities across the world are guided by applicable laws and a set of core principles (read more [here](#)).

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 for adult smokers who would otherwise continue to smoke or adult nicotine products users.

**Management**

Developing, improving, and assessing smoke-free products is a cross-functional responsibility jointly headed by our Chief Life Sciences Officer, Senior Vice President, Research & Development, and President of Smoke-Free Products Category & Chief Consumer Officer, all members of PMI's Company Management.

Our President of Smoke-Free Products Category & Chief Consumer Officer oversees PMI's smoke-free products growth trajectory, fostering consumer centricity and leveraging the strengths of our markets and regions. His team works hand in hand with our markets, led by our company's regional presidents, to support the responsible expansion of smoke-free products worldwide and ensure the deployment of all smoke-free product marketing and sales activities is in accordance with applicable laws and PMI's Marketing Codes.

Maximize the benefits of smoke-free products

Purposefully phase out cigarettes

Seek net positive impact in wellness and healthcare

Reduce post-consumer waste

# Progress in 2024

## Highlights

- 2024 marked the tenth anniversaries of our two flagship smoke-free brands: *IQOS* and *ZYN*, which have both become global leaders in the smoke-free product category.
- We grew our estimated user base by 5.3 million people in 2024, to reach approximately 38.6 million total legal-age users as of December 31. This includes an estimated 32.2 million *IQOS* users, 5.7 million oral users and 1 million e-vapor users.<sup>1</sup>
- We increased the availability of our smoke-free products: as of year-end, they were available for sale in 95 markets worldwide. As of the end of 2024, our smoke-free products were available in 46 low- and middle-income markets, which represent 49 percent of the markets where we commercialized them globally.
- We launched the latest generation of our heat-not-burn products—*IQOS ILUMA i*—to improve user experience, continuing to boost acceptability of the heat-not-burn category. We expanded our portfolio to commercialize 19 smoke-free (heat-not-burn and e-vapor) device versions and 117 taste variants for PMI heated tobacco units to bolster acceptability and meet the needs and preferences of adult smokers.
- While aiming to broaden access to smoke-free products, we remain steadfast in our commitment to guard against unintended use. During 2024, we piloted age-verification mystery shopper programs to monitor the effectiveness of our youth access prevention efforts in direct retail across four markets.
- Most of our shipment volume continues to be sold through indirect retail channels, which are extensively covered by our youth access prevention programs. This year, we enhanced our efforts by introducing an additional layer of scrutiny through external verification, starting in late 2024.

<sup>1</sup> Total smoke-free product users are net of estimated poly-users across categories. See [Glossary](#) for further details.

## Challenges

- Certain markets enforce regulations that oppose tobacco harm reduction principles, including bans on smoke-free products, while still allowing the sale of cigarettes. This hinders our ability to commercialize smoke-free products in these geographies and importantly deprives adult smokers of the possibility to access these better alternatives to continued smoking, while leaving the most harmful products as the only available option—resulting in the perpetuation of combustible cigarette consumption.
- Certain competitors' activities in the smoke-free product category, including the commercialization of products with unsubstantiated claims and youth-appealing characteristics, combined with the absence of effective regulatory frameworks and inconsistent enforcement, undermines both category integrity and harm reduction efforts. This regulatory uncertainty, particularly regarding youth access prevention and product standards, enables practices that could subject the entire category to increased scrutiny and restrictions.
- Disease-specific and epidemiological data are necessary to quantify the risk reduction potential of smoke-free products, which is important to inform regulatory policy. However, these studies require large populations of users with long-term follow-up, meaning that conclusive quantifiable evidence will not be available for years or even decades. In the meantime retrospective studies using medical and insurance records can provide evidence in the shorter-term, but these are difficult to conduct and require linking to product use data, which is not readily available.
- Ideological and political factors often influence what should be an objective scientific environment. This poses challenges in sharing relevant evidence that could help advance the scientific understanding of tobacco harm reduction, particularly regarding the relative risks of smoke-free products compared with continued smoking, even when such research is supported by robust industry-funded studies.

## Developing science-based alternatives to cigarettes

Since 2008, PMI has invested over USD 14 billion in research, product development, scientific assessment, and manufacturing capacity to advance tobacco harm reduction and maximize the benefits that smoke-free products can bring to public health.

For the fourth consecutive year, almost the totality of our R&D expenditure (99.5 percent in 2024) continued to be allocated towards our smoke-free business. Between 2015 and year-end 2024, our R&D work and its associated innovations resulted in around 4,250 patents granted for smoke-free technologies by the world's five largest intellectual property offices (IP5).

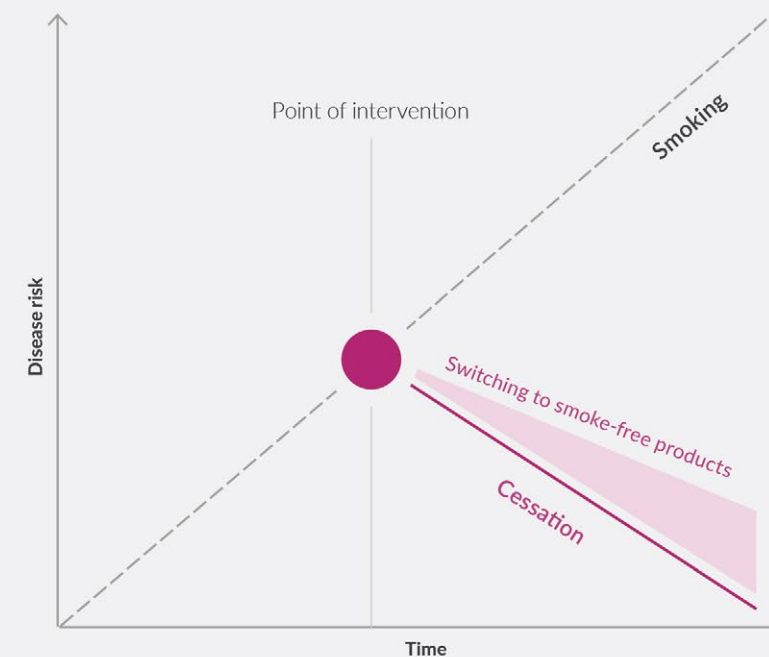
By definition, none of our smoke-free products involve combustion. The totality of the scientific evidence available to date indicates harm reduction, which means that by avoiding combustion these products expose their users to significantly lower levels of toxicants, compared with cigarette smoking. Although addictive and not risk-free, this makes them a better choice for adults than smoking.

## Harm reduction potential of inhalable smoke-free products: heat-not-burn technology

Our strategy is to demonstrate the impact of switching from cigarettes to *IQOS* on the development of smoking-related diseases as well as to show direct clinical benefit on the health of smokers with a smoking-related disease who switch to *IQOS*, including symptoms, function, mortality, and healthcare utilization, such as hospitalization. The primary diseases we are studying are chronic obstructive pulmonary disease (COPD), where beneficial changes from switching from cigarettes to *IQOS* could be rapid for some respiratory symptoms and functions, and in cardiovascular disease, such as heart attack and stroke, where the beneficial clinical effects could start to be seen after approximately three years.

The data currently available on our *IQOS* tobacco heating system range from aerosol chemistry to non-clinical and clinical and behavioral studies. The totality of the evidence demonstrates that *IQOS* is a better alternative to cigarettes. This evidence resulted in the U.S. FDA determining that the marketing of the 2.4 and 3.0 versions of *IQOS*, which relied on a heating technology using a blade, in the U.S. with reduced exposure information would be appropriate to promote public health. In addition to the original blade version of *IQOS*, a newer version of *IQOS* using induction heating technology has been available outside the U.S. since 2022. While most of the studies referenced above were conducted with the blade version of *IQOS*, additional research showed comparability between the blade and induction technologies and therefore data from the studies conducted with the blade version of *IQOS* remain valid and applicable to the newer, induction-based version.

Conceptual depiction of the cumulated risk of smoking and the effect of cessation over time



Note that the straight lines used in this figure are for illustration purposes only as the accumulation of disease risk and the reduction upon cessation and switching to a smoke-free product follow different trajectories for specific disease.

In 2024, we completed a cross-sectional clinical study comparing biomarkers of potential harm in current smokers, smokers who had switched to IQOS for at least two years, and former smokers who had quit at least two years prior.<sup>1</sup> This study showed significant favorable differences in all of the primary biomarkers of potential harm associated with the development of smoking-related diseases in IQOS users versus current smokers. It also revealed that these differences were similar to those observed in smokers who had quit.

Studies evaluating the impact of heated tobacco products' use have demonstrated less harmful effects compared with continued cigarette smoking. To start to quantify the risk reduction potential of heated tobacco products, it is necessary to determine whether the reported improvements in short-term outcomes translate into improvements in long-term health outcomes, such as reduced risk of disease development, progression, and related morbidity. With this aim, at the end of 2024, we launched two retrospective real-world evidence studies in Japan where IQOS has been in the market for 10 years and there is a large population of adults using the product.

It is important to recognize that real-world-evidence studies are challenging to conduct as health data needs to be linked to product use data. In addition, high data quality must be ensured for all outcomes we want to evaluate, for example mortality status.

### Our scientific research

We conduct rigorous scientific studies to substantiate the harm reduction potential of our smoke-free products compared with continued cigarette use.

Our scientific assessment is built on a collaborative approach and expertise in multiple fields, such as chemistry, biology, clinical, behavioral, and real world data. Since 2015, we have completed a total of 314 toxicological assessment studies, 32 clinical assessment studies, and 76 perception and behavior premarket and post-market (surveillance) studies on smoke-free products.

Read more [here](#).



### Harm reduction potential of oral smoke-free products: snus and nicotine pouches

Similar to heat-not-burn products, oral tobacco products do not combust tobacco, so they inherently expose the body to lower levels of toxicants (harmful and potentially harmful constituents, or HPHCs) and, as they are not inhaled, they do not expose the lungs directly to any toxicants.

A study published in 2023 screened oral tobacco and oral nicotine products for 36 compounds identified as relevant HPHCs for these products.<sup>2</sup> Only four of these compounds (excluding nicotine) were measurable in ZYN nicotine pouches in very low levels compared with cigarettes, and 15 were measurable in snus. ZYN showed no measurable presence of polycyclic aromatic hydrocarbons or nitrosamines. This is similar to oral nicotine replacement therapies (including gum and lozenges). Snus showed no measurable presence of polycyclic aromatic hydrocarbons, which are known carcinogens, and only low levels of nitrosamines (NNN and NNK) compared with cigarettes. These nitrosamines are two tobacco-specific carcinogens.

Moreover, real-world and epidemiological data for snus in Sweden provides evidence of population-level harm reduction. It is important to note that between 1980 and 2023, use of oral nicotine products in Sweden increased, while smoking prevalence fell from about 35 percent of the adult male population to about 6 percent.<sup>3</sup> This period also saw a reduction in ischemic heart disease and lung cancer in Swedish men.<sup>4</sup>

In 2024, the U.S. FDA renewed the risk modification order originally granted in 2019 for eight *General Snus* products from Swedish Match, concluding that to do so is "appropriate to promote [the] public health." This allows for the continued use of the modified risk claim: "Using *General Snus* instead of cigarettes puts you at lower risk of mouth cancer, heart disease, lung cancer, stroke, emphysema, and chronic bronchitis." The FDA's decision was supported by 330 scientific studies, including epidemiological research from Sweden. As with the previous order the renewal also requires post-market surveillance to determine the impact of these products on perception, behavior, and health, as well as monitoring youth awareness and use of the product.

- <https://www.pmlscience.com/en/news-events/news/cross-sectional-clinical-study-biomarkers-iqos/>
- Back et al. BMC Chemistry (2023) 17:9. <https://doi.org/10.1186/s13065-023-00918-1>
- Incidence data: Swedish National Board of Health and Welfare Statistical Database (Accessed 5/2023); prevalence data: 1980-1998 - Henningfield J, Fagerstrom K Tobacco Control 2001;10:253-257
- 2004-2022 - National Public Health Survey/Living Habits/Tobacco and Nicotine (Accessed 6/2023)

The U.S. FDA has also conducted a thorough review of the data provided on our scientific assessments of ZYN, including HPHC science, toxicological assessments, and how ZYN is used by consumers in both clinical and non-clinical settings. Following review of the data, the FDA granted PMTA authorization for all ZYN nicotine pouch products currently marketed by Swedish Match in the U.S., making it the first and only authorized pouch brand in the U.S., finding that they met the "appropriate for the protection of public health" standard. This standard considers the risks and benefits of products to the population as a whole. In their decision, the "FDA found that the applicant showed these nicotine pouch products have the potential to provide a benefit to adults who smoke cigarettes and/or use other smokeless tobacco products that is sufficient to outweigh the risks of the products, including to youth."<sup>1</sup>

### Harm reduction potential of inhalable smoke-free products: e-vapor

Available science has recognized that e-cigarettes are lower in risk than cigarettes and can help move people away from smoking. In 2024, the Royal College of Physicians conducted a review on e-cigarettes<sup>2</sup> and their use in the context of harm reduction. The study concluded that there was clear evidence that e-cigarettes cause less harm than continued smoking, and that they can and should be promoted as an effective means of quitting smoking. In addition, the study acknowledged the novel nature of the product and recommends the need for a standardization across assessments for e-cigarettes as well as a continued need for large longitudinal cohort studies across usage categories.

We conducted a five-day clinical switching study in the U.K. that compared four groups in confinement: a group of smokers who continued smoking, two groups of smokers who switched to our reusable pod system e-vapor product with either tobacco or menthol flavor, and a group who stopped using any nicotine containing product.<sup>3</sup> Results at day five showed reduced exposure to HPHCs in the participants who had switched to e-vapor compared with those who had continued smoking for the duration of the study. Moreover, the reduced exposure among participants who had switched to e-vapor was comparable with the reduced exposure among participants who stopped using any nicotine containing product for the duration of the study.

- <https://www.fda.gov/news-events/press-announcements/fda-authorizes-marketing-20-zyn-nicotine-pouch-products-after-extensive-scientific-review>
- [https://www.rcp.ac.uk/media/t5akldci/e-cigarettes-and-harm-reduction\\_executive-summary\\_0\\_0.pdf](https://www.rcp.ac.uk/media/t5akldci/e-cigarettes-and-harm-reduction_executive-summary_0_0.pdf)
- <https://clinicaltrials.gov/study/NCT05487456?term=philip%20morris&rank=10#study-overview>

### Growing scientific consensus

We welcome and encourage independent research and verification of our products, methods, and results. Over the past several years, a growing number of organizations and institutions have conducted studies on our smoke-free products, on scientific methodologies, or results. These include public health institutions from different countries that have used their findings for policymaking 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 [PMLscience.com](#).

### Our perspective

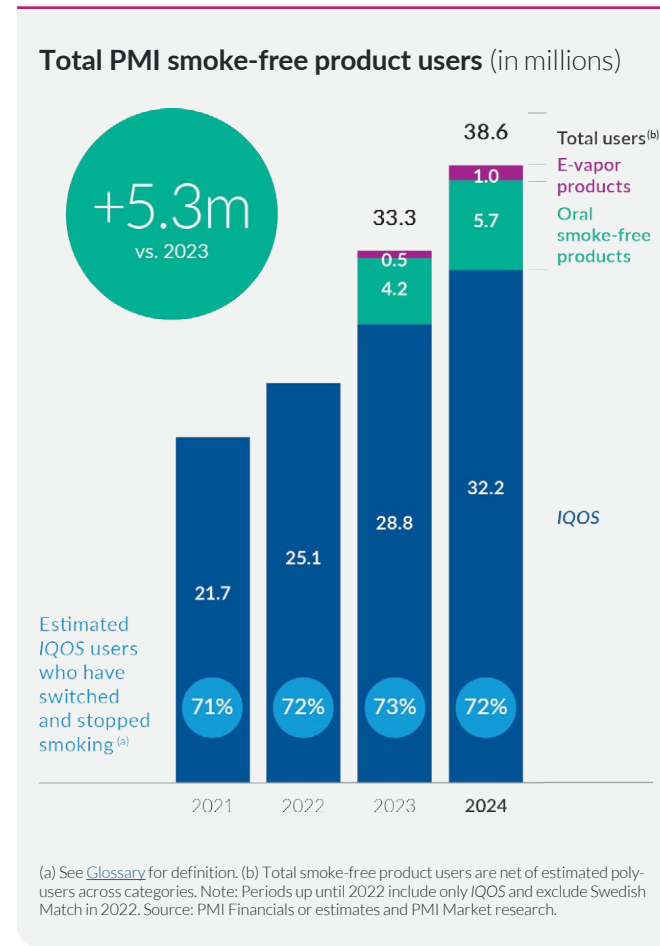
Overall, independent studies confirm important elements of our research results. However, it is true that some third-party research studies have overstated, taken out of context, or simply reached different conclusions regarding the risks of non-combustible products that are not supported by the underlying data. It is important to understand that this is due to methodological differences—e.g., using complete cessation as the main comparator, rather than comparing with continued smoking. To avoid this, there is a need for open debate to drive for consensus on language, terminology, and definitions so that research can be compared and contrasted and we can progress in scientific understanding. When legitimate scientific findings are prevented from being published or when scientific debate is stifled, it hinders the progress of science and public health. It is essential to foster an environment where scientific research and open discourse are encouraged to ensure continuous improvements in public health.



## 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 alternatives. While adhering to strict Marketing Codes, we work relentlessly to enhance consumer awareness and the acceptability, availability, and affordability of our smoke-free alternatives to cigarettes. As of the end of 2024, we estimate that approximately 38.6 million adults were using our smoke-free products.<sup>1</sup>

2024 marked the tenth anniversaries of our two flagship smoke-free brands: IQOS and ZYN. Over the past decade, IQOS has grown to become the global leader in smoke-free products. In 2024, we estimate that some 32.2 million adults worldwide were using our IQOS tobacco heating system, of whom an estimated 23 million had fully switched and stopped smoking. Meanwhile, ZYN has become the number one U.S. smoke-free brand, with growing global demand driving its expansion into markets such as Pakistan and the U.K. These achievements underscore our commitment to a smoke-free future and the strength of our multi-category strategy and portfolio.



### INCREASING AWARENESS

Adults who would otherwise continue to smoke should understand the risks and benefits of switching to better alternatives. They also should know that smoke-free products are not risk-free and contain nicotine, which is addictive. The best choice a smoker can make is to quit tobacco and nicotine altogether.

As of the end of 2024, we estimate that around 23 percent of the adult smokers in the markets in which PMI commercializes IQOS were aware of the product's features and benefits compared with continued cigarette use.<sup>2</sup> This figure has remained stable with respect to 2023, despite the awareness being significantly higher in our top 20 selling markets (reaching 75 percent in 2024). Indeed, the lack of information about—and awareness of—smoke-free products continues to present a significant hurdle to achieving population-level tobacco harm reduction.

The regulatory environment is key to driving consumer awareness and encouraging adult smokers who would otherwise continue to smoke to switch to better alternatives.

We seek to improve awareness of the smoke-free product category among adult smokers, enhance understanding of key concepts underpinning it—such as the role of combustion, nicotine, and tar, and the potential for harm reduction—and address widespread misconceptions.

#### Reaching out to smokers via cigarette packaging

Where permitted and in markets where PMI smoke-free products are available, we seek to engage with adult smokers via our cigarette packaging to drive smoke-free products and brand awareness and support their conversion to better alternatives.

We do this using several online platforms available in more than 60 markets as of year-end 2024. Adults who purchase our cigarettes can learn more about smoke-free products through a QR code or weblink typically featured on the cigarette pack itself or on an insert.

These platforms have proven effective, with over 40 percent of adult smokers who have accessed showing interest in more information or trying smoke-free products. In 2024, in line with our multi-category approach, we expanded this program to include information about all PMI smoke-free products available in the market, and not just heat-not-burn options.

#### Communication at the point of sale and other retail locations

We also leverage offline communication to engage with adult smokers, including those who smoke our competitors' brands, raising their awareness about our portfolio of smoke-free products and the benefits of switching to them. For example, we place visible communication materials not only in our direct retail points of sale, but also in indirect retail and other venues frequented mostly by adults, such as hotels, restaurants, and cafes.

In 2024, we registered around 30 million adult consumer visits to our direct (online and offline) retail locations, and we estimate that visits to indirect retail locations are significantly higher. We believe that point of sale materials play a key role in increasing the awareness of our smoke-free products and their potential benefits compared with continued smoking.

Our retail employees play a crucial role in raising awareness of the full range of our product portfolio. Our direct retail universe leverages trained staff who can engage appropriately with adult smokers and apprise them of the benefits of smoke-free alternatives compared with continued smoking. In addition, we also educate our key accounts and general trades selling partners through face-to-face and digital training sessions.

#### Digital communication

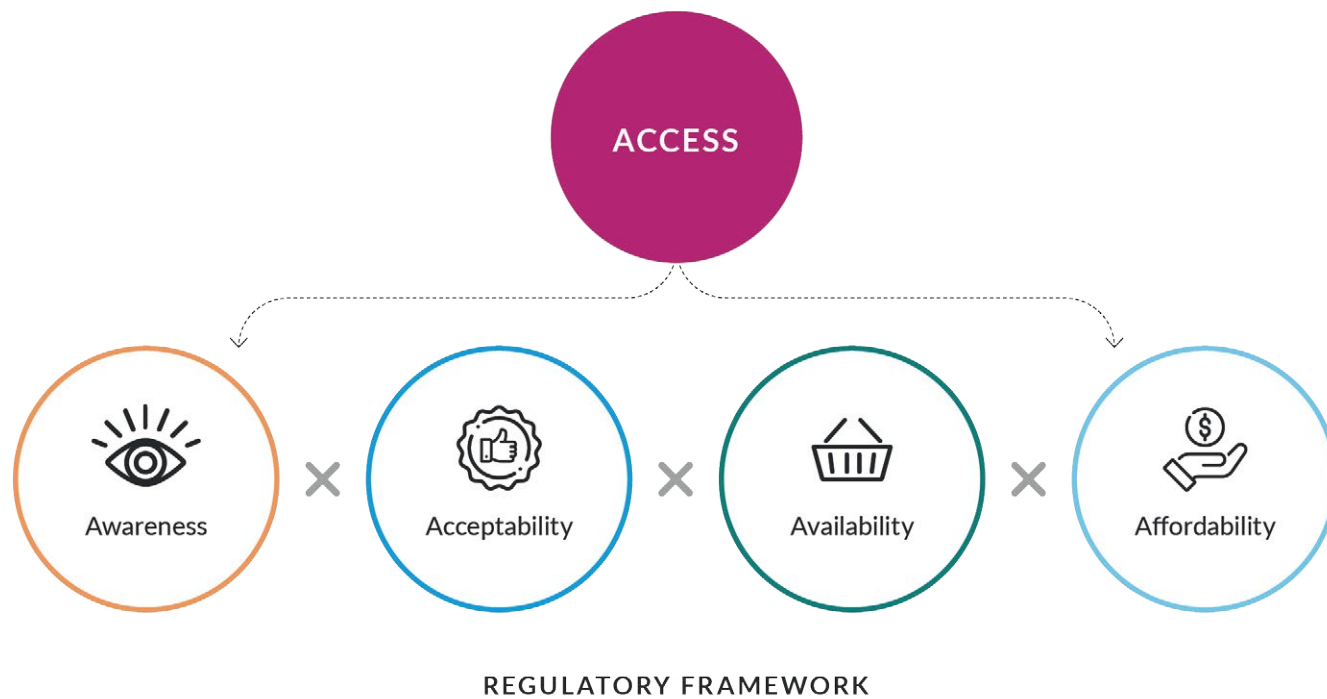
Our online presence also drives awareness among legal-age consumers. Our primary channel of online communications are our age-gated, product dedicated websites, which contain a listing of scientifically substantiated smoke-free product statements to enable adult smokers to better understand the benefits of our smoke-free products compared with cigarettes.

Where allowed, we also engage with our consumers via customer care and support initiatives. These activities leverage inbound/outbound phone calls, emails, SMS, and messaging applications. Where permitted, we complement this engagement via PMI-owned social media accounts which are dedicated to legal-age nicotine users. Finally, search engine optimization (SEO) ensures that we provide legal-age nicotine users accurate and useful information about our smoke-free products in a responsible manner.

#### Smoke-free products consumer engagement

Our consumer programs, deployed across various markets where our smoke-free products are available, also seek to increase awareness. For example, the refer-a-friend program allows current adult consumers to introduce our smoke-free products to an adult friend who smokes or uses nicotine products and share their firsthand experience of the benefits of a smoke-free journey. Our consumer relationship management (CRM) system ensures our user base is always up to date with relevant information about our smoke-free transformation, while respecting their privacy.

<sup>1</sup> 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](#).  
<sup>2</sup> Excludes Russia, Albania, Bahrain, and Kuwait.





## STRIVING FOR HIGH PRODUCT ACCEPTABILITY

Consumer acceptance is critical. Even the lowest-risk product would not confer any benefit to individual and public health if adult smokers did not switch to it.

We conduct post-market studies to understand how our smoke-free products are used, helping us evaluate their acceptance among adult users (read more [here](#)).

We consider conversion a critical indicator of whether our smoke-free products meet consumer expectations. The conversion rate is the percentage of adults who switch to our less harmful products and successfully stop smoking cigarettes versus the total number of adult users.<sup>1</sup> In 2024, the global average conversion rate for our leading heat-not-burn product, IQOS, was approximately 72 percent.

Acceptability is grounded in the right portfolio offering, and supported by a seamless, consumer-centric, and superior consumer experience deployed by our go-to market infrastructure and our broad set of consumer programs and services.

### Expanding our smoke-free portfolio

We understand it is not realistic for any one product to meet the individual preferences of all adult smokers. We offer a broad variety of experiences, technologies, tastes, and price options to suit the wide-ranging preferences and needs of adult smokers. In 2024, we continued to expand our smoke-free portfolio, with in total 19 smoke-free (heat-not-burn and e-vapor) device versions available for sale by year-end.

### Heat-not-burn

Our portfolio of heat-not-burn products is based on three heating technologies: induction (for the IQOS ILUMA series), blade (for IQOS 3), and resistive external heating (for BONDS by IQOS). The induction technology used in the IQOS ILUMA series is particularly innovative, as it eliminates the need for regular cleaning, providing a smoother, more convenient usage that resulted in higher consumer satisfaction than its blade-based predecessor.

In 2024, we expanded our flagship IQOS ILUMA portfolio by introducing IQOS ILUMA i to address specific consumer pain points.

### Oral nicotine

Our oral nicotine products, mainly comprised of nicotine pouches and snus, do not require a device and do not produce vapor or smoke, making their use convenient. Nicotine pouches are made primarily of nicotine and flavors, while snus contains smokeless tobacco.

Within this category, our flagship product ZYN has delivered rapid acceleration of our smoke-free business, with U.S. sales volumes growing by over 50 percent per year since our acquisition of Swedish Match in 2022. At the end of 2024, ZYN represented 65.9 percent of the U.S. nicotine pouch market.<sup>2</sup>

The international expansion of nicotine pouches remains a key medium-term opportunity. Expanding our presence in the oral smokeless category will further increase the acceptability of our smoke-free value proposition. It also aligns with changing consumer trends and our strategy to help bring an end to cigarettes globally.

### E-vapor

Our e-vapor portfolio comprises both a vape pod system (VEEV ONE) and a disposable e-vapor device (VEEV NOW). Our reusable VEEV ONE product is based on ceramic heating technology, providing consistent vapor delivery. It is a closed pod system that comes with pre-filled e-liquid in the form of cartridges. Disposable products serve as an introduction to this category for adults who might otherwise continue smoking, since they are seen as more convenient and demand less commitment than reusable e-vapor devices, which need charging, cleaning, and refilling. Although they play a role in shifting adult smokers away from cigarettes, it is understood that they are not the most sustainable solution for users or the environment in the long run. The flavor and pricing strategy of VEEV ONE is intended to encourage adult consumers to transition from single-use products to reusable options, as compared with VEEV NOW.

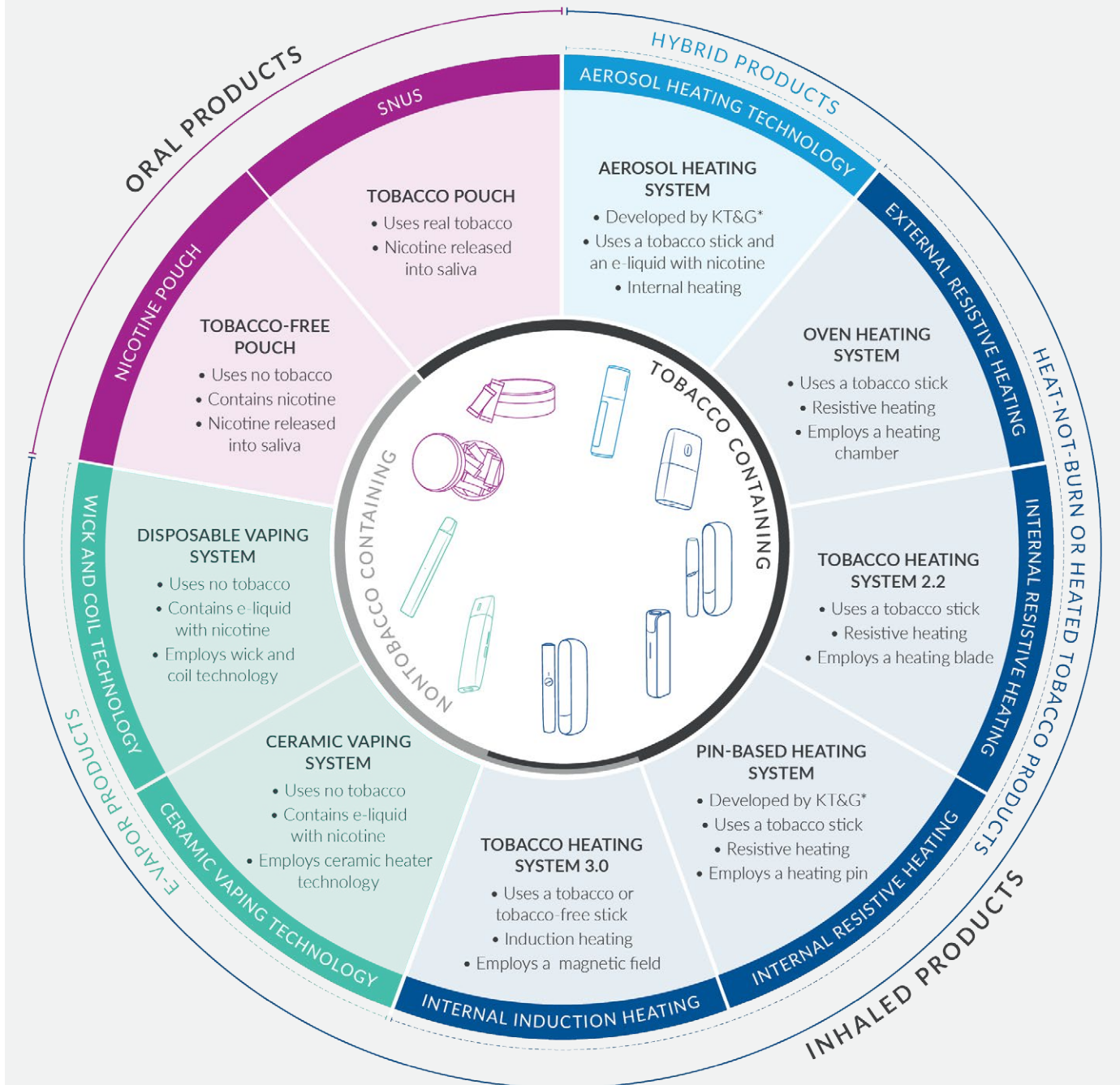
In Europe, which accounted for over 80 percent of our e-vapor product volumes in 2024, reusable products continued to gain share from disposables. Indeed, disposable products constituted approximately 40 percent of our e-vapor product volume in the region in 2023, but this figure declined to around 10 percent in 2024. This reduction was primarily due to a substantial increase in the adoption of reusable closed-tank products, coupled with an overall decline in the volume of disposables. We lead the reusable e-vapor product category with VEEV ONE in several markets, including Czech Republic, Italy, and Romania.

### The role of flavors in smoke-free product acceptability

An obstacle to conversion for adult smokers is the difference in taste between the cigarette brands they prefer and smoke-free products. That is why the responsible use of flavors is a critical factor in helping adults (who would otherwise continue to smoke) to fully switch. We review our flavor offerings in a manner that guards against use by unintended audiences, including underage people (read more about youth access prevention [here](#)) but that helps more adult smokers switch.

<sup>1</sup> Considering that individual consumption of PMI heated tobacco units represents the totality of their daily tobacco consumption in the past seven days or, for markets where there are also competitors' heated tobacco products, at least 70 percent of their daily individual consumption is with PMI heated tobacco products. See [Glossary](#).  
<sup>2</sup> Based on a 13-week period.

## The technologies behind our smoke-free products



The products depicted are subject to ongoing development and therefore visuals are illustrative and do not necessarily represent the latest stages of product development.

\*KT&G is the leading tobacco and nicotine company in South Korea.

Maximize the benefits of smoke-free products

Purposefully phase out cigarettes

Seek net positive impact in wellness and healthcare

Reduce post-consumer waste

Currently, *TEREA*, used with *IQOS ILUMA*, delivers a superior tobacco experience, among others with eight classic tobacco variants. We continue to explore ways to enhance our tobacco flavor experience, including an expansion of capsule heated tobacco units where regulation allows. This solution offers to consumers the possibility to decide when to experience the flavor by breaking a capsule contained inside the consumables filter. We also launched *TEREA CRAFTED* variants in Japan during the year, following commercialization in Switzerland in 2023. *TEREA CRAFTED* consist of a collection of tobacco flavors mixed with botanicals, such as rosemary, star anise, and clove. While reinforcing our leadership in tobacco taste, we are also investing in novel consumables for our heat-not-burn products that go beyond tobacco to increase acceptability among adult smokers. For example, we commercialize *LEVIA*, our innovative consumable product line that contains nicotine but does not contain tobacco leaf. Instead of tobacco, the core of the *LEVIA* stick is made up mostly from cellulose-based ingredients that are carefully processed, to which flavors and nicotine are added. When heated by *IQOS ILUMA* devices, it creates a nicotine-containing aerosol. By year-end 2024, we offered in total 117 taste variants for PMI heated tobacco and nontobacco units.

Within our oral category, menthol and mint-type flavors continue to lead the *ZYN* portfolio. In the U.S., which represented 90 percent of our nicotine pouch volume in 2024, menthol and mint-type flavors represented over 60 percent of volumes, and unflavored variants represented around 17 percent.

Finally, within the e-vapor category, we continued to expand our flavor offer. Our portfolio is now composed of a total of 44 flavors across *VEEV ONE* and *VEEV NOW*, and we are continuously expanding our offer to cater for adult consumer preferences.

**The role of nicotine in smoke-free product acceptability**

Public health institutions, individuals and organizations have noted the important role nicotine can play in helping adult smokers transition away from cigarettes. Nicotine is one of several factors, along with taste, sensory experience, nicotine-delivery profile, and ritual characteristics, that adult smokers are looking for in alternative products. Learn more about nicotine science [here](#).

**Consumer journey: supporting adult smokers to fully switch to smoke-free products**

In addition to a satisfying range of products, it is essential that we have the right infrastructure in place to support adult smokers along every step of their journey away from cigarettes. Our suite of consumer programs and post-purchase digital engagement, guided by our Marketing Code, facilitates the adoption and the acceptability of our products.

We use various engagement actions to help adult smokers switch to our smoke-free products. For instance, where allowed, we offer guided trials and lending programs for heat-not-burn products. We also support consumers in the first 90 days of their smoke-free journey with onboarding programs that provide product information and available flavors. Additionally, we emphasize scientifically backed benefits of switching to smoke-free alternatives over continued smoking.

We consider Channel Net Promoter Scores (NPS) to be strong indicators that the commercial engine we have built creates high satisfaction among our consumers. This indicator asks our consumer their level of satisfaction after a purchase in one of our channels. We are pleased to report that in 2024 we have improved Channel NPS in 70 percent of our markets, a very good performance which confirms that our efforts on consumer experience are paying off.

**The role of regulation**

Our ability to make our smoke-free products available for sale to adult smokers depends on several factors—importantly, some beyond our control—that dictate our capacity to scale and legally commercialize our products in certain countries. Some regulatory environments limit our ability to provide access. They hinder our ability to raise **awareness** or contest the **availability** of smoke-free products, making it challenging or sometimes even impossible to enter a market due to outright bans on their sale. Excessively restrictive regulations may also limit our ability to offer adult smokers **acceptable** alternatives, for example in cases of complete bans of smoke-free products with characterizing flavors.

Our position is clear—all tobacco and nicotine containing products should be regulated. However, regulation should reflect different risk profiles of products. The strictest regulations should apply to the most harmful products (combusted tobacco products), while regulations for less harmful non-combustible alternatives to smoking should be designed in a way to encourage adult smokers to switch, while safeguards against unintended consequences, such as access by underage people, must be put in place and strictly enforced.

We see an encouraging trend of recognizing tobacco harm reduction as a more effective way to regulate cigarettes and other nicotine containing products. Evidence indicates that countries with a high uptake of smoke-free alternatives reduce smoking prevalence faster than countries with lower uptake and more restrictive policies applied to smoke-free products. We will persist in advocating for balanced, risk-proportionate regulations and the necessary safeguards, leveraging existing evidence that highlights the significant role smoke-free products play in accelerating the decline of smoking.



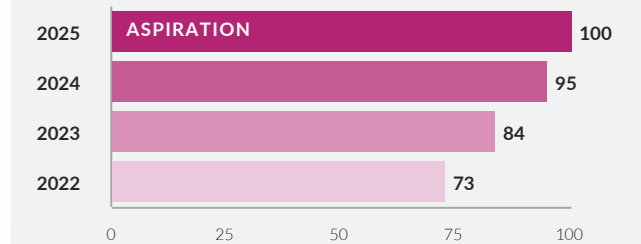
**EXPANDING PRODUCT AVAILABILITY**

To achieve our vision for a smoke-free future, we are working to ensure better alternatives are available and reaching as many adult smokers as possible.

**Making our smoke-free products available in an increasing number of markets**

As of year-end 2024, our smoke-free products were available for sale in 95 markets, either in key cities or nationwide (2023: 84). We aspire to make them available in at least 100 markets by 2025.

**Number of markets where PMI smoke-free products are available for sale**



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

In 2024, we continued to expand the availability of our smoke-free products, most notably our flagship heat-not-burn product, *IQOS ILUMA*. By year-end, *IQOS ILUMA* was available in 70 markets (2023: 51), while our e-vapor products, including *VEEV ONE* and *VEEV NOW*, were commercialized in 40 markets (2023: 26), and our main oral products (nicotine pouches and snus) were commercialized in 37 markets.

Beyond external factors, such as the regulatory landscape, the rate at which we can roll out smoke-free products globally depends on certain internal constraints. Notably, we must evaluate the products' commercial viability based on the size and capacity of our local organizations across the approximately 170 markets in which our cigarette products are present and prioritize internal resources accordingly.

**Our perspective**

Consistent with our support for a comprehensive approach to the regulation of all tobacco- and nicotine-containing products, we advocate for a comprehensive and risk-proportionate regulatory framework that puts in place safeguards against unintended use and robust post-market monitoring of real-world data to assess the actual impact of policy interventions. Further, and in relation to flavors used in smoke-free products, we advocate for regulations on flavors that we believe are predominantly appealing to adult smokers and can help them switch to smoke-free products (such as tobacco, menthol, and mint). The use of any additional flavors should undergo stringent scrutiny to guard against unintended use (in particular among underage people, absent fully enforced controls on underage sales) and in any event be strictly regulated. In addition to regulating flavors, we support and advocate for regulations that restrict product presentation and marketing, including the product itself and its flavor descriptors, from featuring any elements or characteristics that may particularly appeal to underage people.

Making our products available is also contingent on our ability to manufacture smoke-free products at scale. This requires significant investment in our production capacity, including building new factories or converting existing cigarette factories to manufacture smoke-free products instead. As of the end of 2024, including Aspeya's operations, 16 of our 51 factories worldwide were either partially or fully dedicated to the manufacture of our heated tobacco units or oral nicotine products (2023: 16 out of 50).

#### Increasing availability within each market

When entering new markets, we typically start by launching in a primary city, move on to smaller cities, and eventually extend to the entire region or country. Growth in key cities is crucial as it helps us understand market dynamics and consumer preferences, facilitating smoother expansion.

We seek to increase availability within markets by leveraging a variety of channels, including:

- Direct retail channels, such as brand retail locations (e.g., IQOS stores) and e-commerce websites (where permitted). As of the end of 2024, there were over 1,400 direct retail touchpoints (including 303 permanent PMI-managed IQOS boutiques and 172 temporary touchpoints) worldwide and e-commerce sites for our smoke-free products in 57 markets (2023: >1,300; 286; 120, 58).
- Indirect retail channels, such as tobacconists, convenience stores, gas stations, consumer electronics or vape stores, and online channels. Some of these retailers only sell smoke-free consumables while others allow consumers to purchase smoke-free devices. Others—called “IQOS partners”—offer consumers a wide range of services and experiences, including product trials for existing adult nicotine users. As of the end of 2024, there were around 5,700 IQOS partners worldwide and 960,000 points of sale at which our smoke-free product consumables were sold (2023: around 3,900; over 900,000).



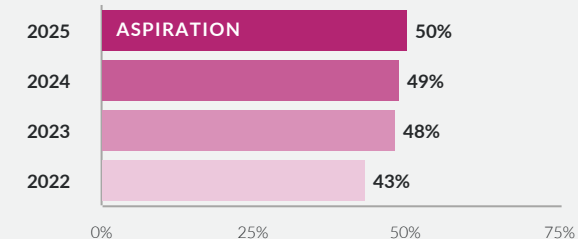
## ADDRESSING PRODUCT AFFORDABILITY

Access also means that all adult smokers should have the possibility to afford better alternatives to cigarettes, should they want to. Price should not be a barrier to achieving a smoke-free future. Our purpose can only be achieved if all adult smokers who don't quit tobacco and nicotine altogether can afford to switch to better alternatives.

This means deploying inclusive solutions to meet the needs of different population segments while accounting for the economics of smoke-free products—which are significantly different from those of cigarettes.

We have progressed on our 2025 aspiration to have low- and middle-income markets represent at least half of the markets where we commercialize our smoke-free products. As of the end of 2024, our smoke-free products were available in 46 low- and middle-income markets, or 49 percent of the markets where we commercialized them globally (2023: 40; 48 percent).

### Proportion of markets where PMI smoke-free products are available for sale that are low- and middle-income markets



Note: 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](#).

#### Device affordability

Some of our smoke-free products—such as our heat-not-burn and e-vapor products—require the use of electronic devices together with consumables. These devices rely on innovative technologies and incur significant development and production costs to ensure they meet our science-based harm reduction objectives.

In order to lessen the economic challenges that some adult smokers may encounter while transitioning, we utilize several approaches across some markets, such as:

- **A range of price points:** Our diversified portfolio offers a variety of price points to facilitate access by adult consumers regardless of their income. Beyond IQOS, we aim to broaden our legal-age smoker reach with a lower-priced heat-not-burn portfolio, currently consisting of BONDS by IQOS, available in a few selected low- and middle-income markets, and lil SOLID Ez, commercialized in 33 markets.
- **Lending and money-back guarantee:** We allow adult consumers to try the product for a defined period instead of paying the full price upfront. In some markets, we also provide a money-back guarantee, promising to refund the buyer's purchase price if the consumer is not satisfied with the product within a specified period. Further, we apply the general refunding policies in line with applicable jurisdictions.
- **Payment in installments:** We offer the possibility to pay in installments and buy-now-pay-later solutions to our consumers. These options were available in 16 of our markets by year-end 2024, and we are continuously expanding the offering to additional markets.
- **Trade-in:** To further minimize barriers to purchase, consumers can exchange their current device for a newer version and benefit from a discount.
- **Second life:** We remarket used products that have been collected and refreshed or repaired according to stringent standards (read more [here](#)).
- **Extended life:** We continuously work to enhance device longevity, which lowers the average annual cost for the adult user while also reducing the devices' environmental footprint. Further, our boutiques, flagship stores, and trade partners make available an extended set of free support services, such as professional cleaning of devices, airflow checks, and firmware upgrades to maintain the product in good condition, thus extending its lifespan. Read more [here](#).

#### Affordability of smoke-free consumables

Our smoke-free consumables are of three types: those that can be used without a device (e.g., nicotine pouches or snus), those that require a device (e.g., heated tobacco units or e-liquid cartridges), and those that are all-in-one (e.g., our disposable e-vapor product). Several factors contribute to their price and, therefore, their affordability.

The recommended price of our consumables is determined by costs related to R&D, production, compliance, and commercialization, as well as excise tax regimes in the countries where they are sold.

Looking at our most broadly available smoke-free product, IQOS, overall costs of the heated tobacco units are, on average, notably higher than those of cigarettes, due to additional R&D, manufacturing, and commercialization costs as well as costs for devices. However, a key factor driving tobacco and nicotine product retail prices is the excise tax. Taxing products according to their risk profile is a strong demand measure that can contribute to behavioral change and encourage adult smokers to switch to less harmful alternatives. Accordingly, excise taxes on cigarettes generally tend to (and should) be much higher than those on smoke-free products.

The combined effect of manufacturer costs and tax differences is such that the price at which the consumer buys heated tobacco units is typically below that of premium cigarettes—or can even be at the low end of cigarette pricing. As of the end of 2024, we estimate that our heated tobacco units are, on average, priced the same as or lower than an adult smoker's current cigarette brand for 63 percent of smokers in the geographies where we commercialize IQOS. This compares with 68 percent in 2023, with the decrease mainly driven by the full launch of IQOS in Indonesia where much of the cigarette market is in the tax-advantaged low-price segment.

To enhance affordability and broaden access among adult smokers to smoke-free consumables, we introduced DELIA (marketed as SENTIA in Japan), developed with a focus on providing essential taste at a more budget-friendly price point. By the end of 2024, this product had been launched in 14 markets.

## Marketing and selling our products responsibly

Our marketing and sales policies and practices reflect our commitment to market all our products responsibly. This means increasing adult consumers' awareness and understanding of our smoke-free product portfolio while guarding against the risk of access by unintended audiences.

Our Marketing Codes embody PMI's commitment to ethical behavior and lay the groundwork for responsible product development, design, marketing, consumer engagement, and sales practices. They comprise one [Code for Non-Combusted Alternatives](#) and one [Code for Combusted Tobacco Products](#). Internal implementation guidelines accompany these codes. We also have a U.S.-specific Marketing Code for Smoke-Free Products in place.

We seek to deploy industry-leading, responsible marketing and sales practices to ensure our products reach the right audience of adult consumers and we guard against unintended access, which is essential to achieving our smoke-free vision. By demonstrating our ability to responsibly provide access to smoke-free alternatives to cigarettes, instead of radical regulatory measures prohibiting them, we enable regulators to focus on ensuring they implement and enforce regulation that is appropriate in allowing adult consumers to have access to better alternatives. The voluntary implementation of strict measures and controls to prevent unintended consequences of our products is not only the right thing to do but is also essential for our long-term business stability. 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.



### Product development

#### Design and packaging

We design our products for adult consumers. We carefully review the features—such as shape, size, labeling, and colors—of all our devices, consumables, and packaging before commercialization. We do this to ensure they clearly align with our purpose: they are intended for legal-age consumers and they do not particularly appeal to unintended audiences, like underage people. Likewise, labeling and designs chosen for consumables do not include words or sentences that can be particularly appealing to underage people.

#### On-device age-verification technology

On-device access restriction through age-verification technology could serve as an additional measure of security in our youth access prevention framework. While consumers have welcomed our efforts to equip our devices with technology to guard against use by underage people, many have also indicated that their overall user experience deteriorated. They explained that the need to unlock the device was impractical, making it a barrier to purchase and importantly putting at risk our ability to successfully switch adult smokers away from cigarettes. While we take this feedback seriously and continue to invest in R&D to that purpose, regulation here will be key to widespread adoption and implementation of age-verification technology on devices.

#### Assessment of flavors

By design, smoke-free products do not burn tobacco and, therefore, provide a different sensory experience from cigarettes. Read more about the role of flavors [here](#).

PMI is committed to using flavors responsibly and to ensure this, it has a central governance process through which all new flavors and labeling of variants are evaluated and approved for use.

In addition, flavor propositions are assessed premarket to minimize the risk of adverse consequences, including potential appeal to underage people and other unintended audiences. This assessment considers, among other things, the flavor dimension of the product, how the product will be labeled and marketed, and the regulatory and commercial environment where it will be sold.

We name our flavored product variants responsibly and in accordance with existing regulations. For combustible products, we give no indication to consumers about the flavor direction beyond tobacco, menthol or kretek, and if we go beyond with the names of some of our smoke-free products, we remain factual and avoid names that could be of particular appeal to unintended audiences.

### Pre- and post-market research: ensuring that our marketing and commercialization practices reach the intended audience

Our market research and scientific studies demonstrate that smoke-free products serve primarily as a better alternative for adult smokers who would otherwise continue smoking. As part of our governance process, we conducted comprehensive premarket assessment studies with flavored heat-not-burn and e-vapor products in 2023 and 2024 across seven markets, involving over 10,200 adults. We found consistently low interest among unintended audiences: adult former nicotine users showed minimal intention to use our products (0.0–6.7 percent), with even lower rates among those adults who had never used tobacco or nicotine products (0.0–2.9 percent). Similarly, among young legal-age adults (18–24 years) who had never used tobacco or nicotine products, intention to use remained very low (0.7–3.3 percent).

We also conduct extensive post-market studies that serve two key purposes: confirming our premarket perception and behavior assessments and monitoring use patterns among adult smokers and (re-)initiation among never and former smokers.

The results from post-market studies conducted across three markets in Asia and Europe between 2023 and 2024, which sampled in each country between 3,000 and 7,000 adults from the general population and 1,000 IQOS users annually, strongly confirm our heat-not-burn products are reaching their intended audience: over 96 percent of adult users were previously either smoking or consuming nicotine-containing products.

Importantly, our premarket perception and behavioral assessment studies, validated by subsequent post-market research, demonstrate that adult consumers accurately understand IQOS's risk profile—recognizing it as a reduced-risk but not risk-free alternative to cigarettes.

Our post-market studies also cover other smoke-free product categories. However, the current low prevalence of PMI products beyond heat-not-burn in these markets does not yet enable us to provide reliable and comparable estimates. We are committed to continue monitoring the use of our smoke-free products after commercialization, ensuring they reach the intended audience.

### Brand building, marketing and communications

Even when local laws in the markets where we operate do not require it, the global youth access prevention requirements in our Marketing Codes apply everywhere and to all our commercial activities. These stringent standards, combined with our responsible approach to marketing (regarding channels and content), guard against the likelihood that our products and related consumer communications will reach or appeal to underage people.

#### Marketing communications

PMI's Marketing Codes require that our creative materials, for instance, do not contain images of youth-oriented celebrities or of models who are or appear to be under 25 years of age as a minimum, with some of our markets adopting even more stringent restrictions locally. They also guard against product placement. We place our advertising, marketing, and sales materials in locations where at least 75 percent of the audience is reasonably estimated to be above legal age or at least 18 years old in markets without a minimum legal age. In some markets, a higher standard may however apply.

### Digital content creators

As part of our commitment to continuous improvement, in 2024 we continued to pilot a controlled initiative with digital content creators in selected international markets to further assess the responsible use of this channel. Creators are individuals who produce content related to our products, such as technical reviews, product unboxings, or personal conversion journey narratives, and are required to be at least 35 years old. Additionally, all published content is age-gated, ensuring that it is accessible only to legal-age users, and we only engage with digital content creators whose general audience is minimum 75 percent adult.

### Preventing youth access in our retail universe

Besides implementing responsible principles for design and access to our marketing, we have developed a holistic and comprehensive approach to guard against underage access to our products. Our controls are implemented across our products, communications channels, and commercial touchpoints. The measures used to age-verify consumers vary by retail channel and market. They primarily consist of ensuring that, when attempting to purchase our products, potential buyers are age-verified across direct and indirect retail channels: PMI-managed boutiques, PMI e-commerce platforms, third-party retailers, and online marketplaces. Only those of legal age—or at least 18 years old in markets without a higher minimum legal age—are permitted to buy our products.

#### Youth access prevention in indirect retail: engaging with our trade partners

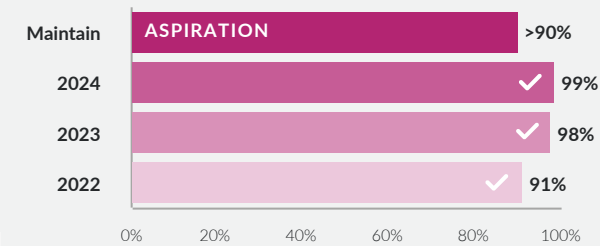
All our cigarettes and around 95 percent of our smoke-free consumables are sold in indirect channels. This creates a challenge in ensuring youth access prevention, as the vast majority of our products are sold via retail that we do not own and thus do not control.

In the indirect retail channels where we have direct engagement, we require the inclusion of strict minimal contractual requirements in our agreements with third-party retailers who sell tobacco and other nicotine products, requiring them to ensure the products are being sold to age-verified consumers prior to sale, as mandated by our Marketing Codes. This is complemented by active engagement seeking to ensure they understand why they should not sell nicotine-containing products to underage people.

We aim to continuously improve our youth access prevention program in indirect retail by strengthening its governance, deployment, and monitoring—in addition to local regulation and enforcement requirements, where existing. In 2024, we revised and detailed our internal guidance on types of proof of performance, controls, and documentation.

By the end of 2024, markets representing 99 percent of our total shipment volume had implemented youth access prevention (YAP) programs, which complement our Marketing Codes requirements.

### Proportion of shipment volume covered by markets with youth access prevention programs in indirect retail channels



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

#### Youth access prevention in direct retail: efforts in our owned channels, in-person, and online

At our brick-and-mortar branded retail outlets, any consumer who wishes to purchase our products must be age-verified by a trained salesperson. When selling our products online, we implement age-verification methods based on what is available and viable to implement in the market. These may include:

- Asking consumers to upload a copy of their ID.
- Requesting certain personal data from consumers (e.g., name, surname, phone number), and using that data to identify them and to verify that they are of legal age via reliable third-party databases (such as ones operated by a financial institution or government agency).
- Using our contact center agents to age-verify a consumer face-to-face via a virtual video call.
- We also progressed with the implementation of an innovative facial analysis age verification tool which has been tested across multiple industries and proven a reliable means of verifying that an individual is an adult. This technology operates by scanning the consumer's face and flagging anyone who appears to be below the legal age for purchase for further ID check, only allowing sale if the person is above the legal age. The tool was operational in around 15 markets by year-end 2024, up from the 5 we tested in 2023.

- Where the technology is not available, or when a person cannot be age-verified using any of the above-mentioned methods, we apply, when possible, alternatives like face-to-face age verification by couriers on delivery or at collection pickup points.

In general, we made significant progress in implementing online age-verification technologies during the year, increasing from 32 markets in 2023 to 37 markets in 2024. Further, we deployed additional measures in many of these markets where one technology was already in place, aiming to maintain a consistent consumer experience while strengthening YAP.

#### Monitoring and remediation

We have a solid infrastructure in place to monitor compliance with our Marketing Codes and to provide clarity to our organization regarding its implementation.

#### Self-assessments

As per the requirement of our Marketing Codes, we conduct an annual self-assessment program to evaluate compliance at market level. Our 2024 exercise allowed us to confirm the level of compliance with the requirements in scope for this year, including the completion rate of activities related to youth access prevention in indirect retail.

#### Internal monitoring

Our Compliance function investigates potential incidents of noncompliance with applicable laws, regulations, the PMI Code of Conduct, and PMI Policies, including PMI's Marketing Codes. In 2024, there were 25 substantiated allegations of violations of our Marketing Codes (2023: 28). In response to these violations, PMI took disciplinary action against the involved individuals, which in some cases resulted in termination of employment.

In addition, internal audits in 2024 found that issues related to compliance with the Marketing Codes for PMI's Combusted Tobacco Products and Non-Combusted Alternatives were insignificant in nature, and issues were mainly procedural. The internal audit team also conducted market and global function audits that sought to assess whether the appropriate processes and controls were in place to ensure compliance with PMI's Marketing Codes.

Processes and controls were reviewed in different markets and global functions, and auditors conducted field visits to certain points of sale to assess the steps taken to implement and to comply with our Marketing Codes. No significant issues related to underage access were identified in the locations visited based on the internal audits performed. Audits vary case by case depending on various factors, but generally include field visits, testing of the age verification process, and inspecting programs that have been deployed such as marketing and communications.

#### External monitoring

##### Verifying implementation of youth access prevention programs in indirect retail

In late 2024, external monitoring of the indirect retail YAP program was conducted in three key and high-risk markets.<sup>1</sup> We engaged an external auditor to help us check and verify our assessment of the program's deployment results and compliance with the program's key requirements. The assessment confirmed that the deployment of the program in these three markets met the program's key requirements relating to the program's three pillars: trade communication, trade education, and placement of YAP point-of-sale material.

Audits were also conducted to assess compliance by retailers with their contractual obligations; those were generally implemented in accordance with the codes' requirements and we are not aware of any breach that would have required the termination of an existing contractual relationship.

<sup>1</sup> For details, please see [PMI's Sustainability KPI Protocol 2024](#).

### Assessing the effectiveness of youth access prevention programs in direct retail

Mystery shopper programs—in which legal-age adults attempt to buy our product and then report back to us on whether they were age-verified—remain an effective way to monitor effectiveness of our YAP measures.

In 2024, we completed the first phase of our global mystery shopping program, covering direct retail and online orders. The program was designed based on available industry best-practices and deployed with the support of an external monitoring partner. For the first phase, we selected four markets using key parameters such as smoking prevalence among youth, smoke-free product volumes, and available categories in the market. We are currently assessing the learnings from these markets and will use the insights to maximize the effectiveness of our control system, continue to improve it, and reinforce it across our markets.

### Employee and third-party training

All PMI employees involved in our commercialization activities, and third parties we engage and who are involved in such activities (including agencies, promotional staff, and call center agents, among others), must follow the Marketing Codes and are trained on them at least every two years. Around 64,000 people have participated in at least one Marketing Codes-related training session in the past two years. Of this total, approximately 28,000 were PMI employees and around 36,000 were third-party workers.

### Industry standards and regulations

We are aware that our competitors' behavior may not always align with our internal policies and practices. For this reason, we actively advocate for the strict enforcement of minimum-age laws and appropriate penalties for those who provide access to these products to underage people. We believe governments play a crucial role in setting industry-wide standards that maintain the integrity of public health, and prevent and punish irresponsible behavior. The right regulation, coupled with strong enforcement, plays a fundamental role in youth access prevention, ensuring that only legal-age adults are able to purchase our products.

## PMI U.S. is on a mission to improve public health

Consistent with our vision to make PMI a global leader in the smoke-free category, we are committed to providing access to smoke-free products to the estimated 45 million Americans 21+ who regularly consume nicotine products, including around 30 million adults who smoke cigarettes, the most harmful form of nicotine consumption. We aim to offer a range of innovative products to help these adults transition away from combustible cigarettes and other traditional tobacco products.

Our smoke-free presence in the U.S. market demonstrates our commitment to promote public health, innovation, and sustainability. Our expansion into the U.S. adds to the concrete steps we are taking toward our long-term vision and values where PMI builds a business model that excludes cigarette sales.

As of the end of 2024, PMI's U.S. affiliates comprised over 2,500 employees across the country. This past year, we announced major investments expanding the ZYN nicotine pouch manufacturing facility in Owensboro, Kentucky, as well as constructing a new ZYN manufacturing facility in Aurora, Colorado. These projects represent approximately USD 750 million in investment. We are specifically strengthening our manufacturing capital through advanced production capabilities and automated systems at both facilities, while simultaneously growing our human capital by creating nearly 1,000 new direct jobs. For example, the expansion in Owensboro will increase our workforce there by around 40 percent. These investments in manufacturing and human capital demonstrate how we build long-term value: our enhanced production capabilities enable innovation and efficiency, while our expanded workforce brings diverse skills and expertise to drive future growth.

Manufactured and sold in the U.S., Swedish Match's flagship ZYN product is the leading oral nicotine product among U.S. adult nicotine consumers and is the market leader in the growing nicotine pouch category. In the last quarter of 2024, ZYN became the top smoke-free brand and the fourth largest nicotine brand overall.<sup>1</sup> U.S. shipment volumes of ZYN grew approximately 51 percent to 581 million cans. Importantly, we maintain an unwavering commitment to market our products exclusively to adults 21+. In January 2025, the U.S. Food and Drug Administration (FDA) authorized all ZYN nicotine pouches currently marketed in the U.S. by Swedish Match N.A., deeming these products appropriate to protect the public health.<sup>2</sup> ZYN is the first and only FDA-authorized nicotine pouch to date.

<sup>1</sup> Based on Circana LLC retail sales value.

<sup>2</sup> [FDA Authorizes Marketing of 20 ZYN Nicotine Pouch Products after Extensive Scientific Review | FDA](#)

In addition to ZYN, it is important for us to present a range of smoke-free alternatives to meet different adult nicotine consumer preferences to maximize the number of people we can help switch from cigarettes. PMI affiliates previously received FDA-authorizations, including Modified Risk Tobacco Product (MRTP) authorizations, for Swedish Match's *General Snus* and the bladed versions of the *IQOS* heated tobacco system, and will begin making its *IQOS 3* version available to adult consumers in U.S. test markets in 2025. These efforts will build upon the learnings of the consumer engagement pilots we began in 2024, with the launch of the "Be the First" campaign in Austin, Texas. The focus of the pilot, which is still underway, is on building awareness through category education through legal-age consumer engagement. Learnings will also be applicable to commercialize the *IQOS ILUMA* induction system, which is awaiting FDA authorization in the U.S.

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. In 2024, PMI U.S. affiliates consolidated two strong legacy underage prevention programs to create a single, tailored program that is leading edge for the industry. We do not use social media influencers or digital content creators in the U.S. All people portrayed in product advertising are 35+. The digital platforms we own are age-gated and restricted to current nicotine consumers of legal age. To support retailers, our U.S. affiliates serve as an Advisory Council member for *We Card*, championing comprehensive training for retail employees, alongside in-store signage emphatically underscoring the minimum age of 21 for purchasing nicotine products. We are also a founding board member and investor in *TruAge*®, a free retail technology that gives stores a more accurate way to detect fake IDs and restrict underage access.

The 2024 National Youth Tobacco Survey (NYTS) data showed an overall decline in current youth use of tobacco products, with youth smoking measured at the lowest rate in its history, and nicotine pouch use also remaining relatively low. While NYTS and other surveys reflect tremendous progress in the U.S., retailers, manufacturers, regulators, policy makers, and social media platforms must maintain focus on access prevention to make sure nicotine products are only accessible to adults aged 21+.

# Looking ahead

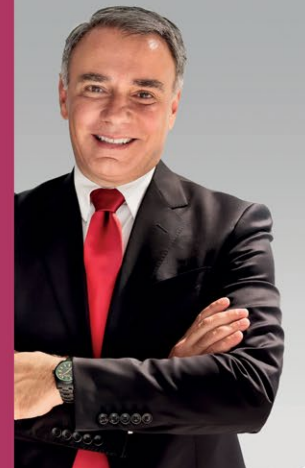
We continue to consistently broaden our scientific understanding of our smoke-free products with innovative scientific approaches and study designs across various scientific disciplines with the aim to demonstrate that our smoke-free products positively impact public health. In 2024, we significantly advanced our scientific strategy aiming to show direct (clinical) benefit for smokers who switch completely to smoke-free products, including potential improvement in disease-related symptoms, function, mortality, and healthcare utilization, such as hospitalization. For example, we have initiated retrospective real-world evidence studies focusing on the impact of switching to smoke-free products on cardiovascular disease and chronic obstructive pulmonary disease. The relevance of the study is highlighted by the fact that some smoke-free products have been on the market for over 10 years, providing a unique opportunity to observe their impact compared with continued smoking, quitting, or never using any tobacco or nicotine products. Furthermore, and with the availability and increasing use of smoke-free products among adult consumers, there is also an increasing need to understand the health effects of nicotine detached from smoking. Historically, many of the human studies with nicotine were done in the context of cigarettes, and therefore the negative health effects of smoking have been conflated with nicotine. But many in the public health community understand and accept that nicotine is not the primary cause of the health harm associated with cigarette smoking. Nicotine is addictive and not risk free, but it is not intoxicating or physically impairing. We aim to do our part to increase scientific understanding of the health effects of nicotine in isolation and separate from cigarettes.

**Badrul Chowdhury**  
Chief Life Sciences Officer



Looking ahead, awareness will continue to play an even more crucial role in accelerating adult smokers conversion to smoke-free products. While many adult smokers know these alternatives exist, they often lack understanding of the benefits compared with continued cigarette use and are often skeptical about these benefits. This skepticism persists partly due to regulatory restrictions in many markets that limit our ability to communicate directly, and in a factual manner, with consumers about smoke-free products. We carefully target our outreach to adult consumers while guarding against access by non-smokers and underage people. Throughout 2025, our awareness strategy will focus on two tracks: engaging with underserved audiences in markets where awareness is already high, while developing infrastructure and organizational capability in (more restricted) markets with lower awareness. We'll apply successful approaches and best practices from other markets where appropriate, such as proven awareness campaigns, expanding retail presence in rural areas, increasing B2C field force, and strengthening our brands. Additionally, we are exploring new ways to engage adult consumers both online and in-person, creating more relevant messages that resonate with their needs, and developing programs that truly engage adult smokers in the journey to switch to smoke-free alternatives.

**Massimo Andolina**  
President, Europe Region



Our responsible marketing practices are not limited to controls and remediation plans, but are embedded in our entire commercialization strategy, starting from product design, marketing and communication, and brand building. We remain committed to implementing measures to prevent underage access and use of our smoke-free products, and to evaluate the effectiveness of our efforts. More specifically, in our online channels, we plan to continue expanding our suite of age-verification methods. Meanwhile, in our offline channels, we expect to scale up the age verification mystery shopper programs we piloted in 2024 to ensure a representative coverage of volumes and geographies. Our pilot confirmed that investment in monitoring to maximize effective implementation of our policies is a key component of ensuring our youth access prevention programs are effective, so we will work on scaling our efforts to incorporate it as a mandatory part of our commercialization strategy in our owned channels. We also plan to continue partnering with external auditors to help us verify our implementation of these programs in indirect retail.

**Stefano Volpetti**  
President, Smoke-Free Products Category & Chief Consumer Officer



Affordability is crucial in increasing access to smoke-free products. To better serve the diverse needs of over half a billion smokers globally, particularly in developing economies, we are expanding our range of noncombustible alternatives to cigarettes. Our regional focus helps us better understand local preferences and improve product accessibility and distribution. By adapting our products and programs to various market conditions, including offering more cost-effective smoke-free options for adult smokers, we can better address the health impacts of our combustible products. At the end of 2024, we commercialized smoke-free products in 46 low- and middle-income markets worldwide. Our goal is to ensure that LMICs represent at least 50 percent of the markets where we sell smoke-free products globally.

**Frederic de Wilde**  
President, South and Southeast Asia, Commonwealth of Independent States, Middle East and Africa Region



The journey to a smoke-free future starts by offering current nicotine consumers innovations that deliver the satisfaction they expect while also being better alternatives to continued smoking and traditional oral tobacco products. In the U.S., Swedish Match's flagship product ZYN has been on the market more than 10 years and has more recently seen significant increase in demand as more adult nicotine consumers find it a better alternative to cigarette smoking. Because nicotine consumer preferences differ, we want to offer a portfolio of products to meet a broader range of expectations, maximizing access to smoke-free alternatives. That is why we are working to introduce IQOS so that the U.S. adult nicotine consumers soon will have access to FDA-authorized alternatives from PMI companies in three different formats (heated tobacco, oral snus, and nicotine pouches). We remain committed to responsible marketing practices that permit access to products and information only to those aged 21+ and will continue working with key stakeholders to leverage age-restricted technologies to help ensure that.

**Stacey Kennedy**  
President, Americas Region & CEO of PMI's U.S. Business



Accelerating the transition away from cigarettes among adult consumers who would otherwise continue to smoke is our top priority. From our experience in many markets across Asia, like Japan, Korea and Malaysia, where adult consumers are recognized as early adopters of new technologies, and have access to smoke-free products, we see increasing acceptance of better alternatives, enabling conversion at scale. Innovations like IQOS ILUMA i, with its superior induction heating technology, paired with an evolved range of TERE and SENTIA consumables that address a wide range of consumer taste preferences and price categories, are driving higher conversion to heat-not-burn products. By anticipating adult consumer needs, focusing on innovation and acceptability across our multi-category portfolio, we can further accelerate the decline of smoking.

**Vassilis Gkatzelis**  
President, East Asia, Australia, and PMI Duty Free Region







PRODUCT IMPACT

# Purposefully phase 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 to also make sure that these products ultimately, and as soon as possible, render cigarettes obsolete.

INWARD IMPACT

### The business case

Despite being well on our way to delivering a smoke-free future, we still have some distance to travel, as our combustible tobacco product business continues to represent the greater part of our revenues. The operating cash flows generated by cigarettes serve an essential role: supporting ongoing investments to drive our transformation by growing our smoke-free business.

Staying competitive in the cigarette category during this interim period provides the infrastructure needed to support our smoke-free growth, allowing us to create a future where cigarettes no longer exist. In many places, it remains the only way we can engage and connect with adult smokers to raise awareness of smoke-free products and explain why they are a better option than continued smoking and through our relationships with distributors and retailers from the combustible business we are able to maximize the availability of smoke-free products to adult smokers. By exiting the cigarette sector and thus yielding market share to competitors, we are unlikely to offer them compelling reasons to pursue our smoke-free direction. The fact that we continue to compete in the shrinking combustible tobacco product category should not be confused with it being our long-term objective. Our purpose is clear: our smoke-free business is our primary growth focus, as these are the products required to drive our transformation and, crucially, to render cigarettes obsolete.

Smoke-free products offer the prospect of higher and more sustainable returns than cigarettes, as reflected in the premium observed in our equity valuation multiples relative to the majority of our cigarette-focused peers. The business case is clear, with compelling financial incentives for us to transform as fast as possible.

OUTWARD IMPACT

### The right thing to do

Even though selling off our cigarette business would make our company achieve its smoke-free ambition faster, it would not resolve the cigarette problem. Worse, it would risk exacerbating the issue as a new owner would more likely be focused on maximizing cigarette consumption.

Our aim is not only to make our company smoke-free, but also to make cigarettes obsolete. To achieve this, we will continue to responsibly sell cigarettes, taking a consistent, disciplined, and steadfast approach to one day completely leaving them behind.

While perhaps contradictory in the eyes of some stakeholders, this is a necessary trade-off that is vital to driving a successful industry transition for the benefit of public health. It requires a holistic approach, to consider the broader impact of decisions and recognize that short-term sacrifices can lead to long-term benefits for society as a whole.

We are convinced that impactful and systemic change can best be achieved by transforming from the inside out, engaging constructively with different parts of society, and ultimately influencing our entire industry to follow our lead and adopt business models that also seek to completely replace cigarettes with smoke-free products for those who continue to use nicotine.

## Approach and progress

Our priority is to address the health impacts associated with smoking by offering smoke-free, science-based alternatives that are a better choice than cigarettes for those adults who would otherwise continue to smoke. However, 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 these better alternatives and put cigarettes behind them.

To achieve this objective, we are dedicating the vast majority of our resources to commercializing our smoke-free products (see our [Business Transformation Metrics](#)) and are committed to market all our products responsibly, guided by our marketing and sales policies and practices (read more [here](#)).

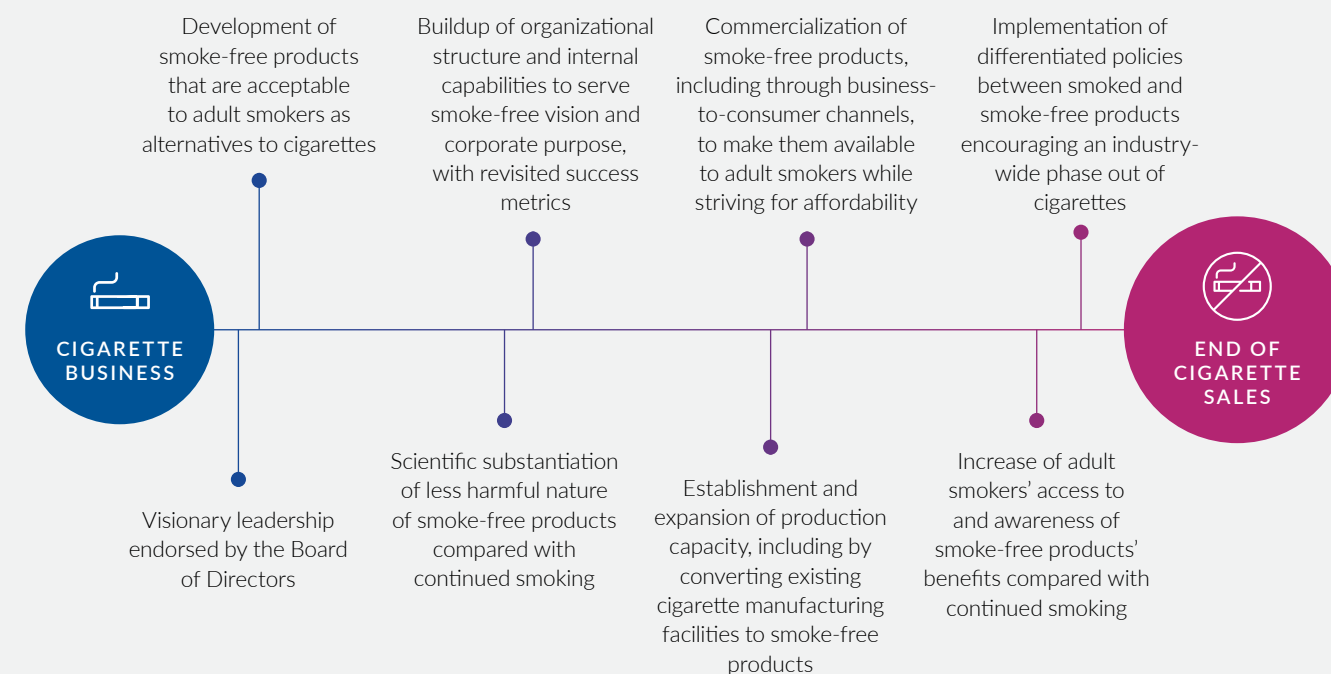
We acknowledge that PMI's transition to a smoke-free future requires more than independent action—specifically, that PMI discontinuing cigarette sales would not make cigarettes obsolete, as consumers would simply obtain them elsewhere.

This complex transformation demands collaboration across multiple stakeholders. We particularly urge policymakers to support evidence-based smoke-free alternatives that can serve as viable cigarette replacements for adults who would otherwise continue using nicotine products.

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 by adopting our Business Transformation Metrics.

In pursuing our vision of a smoke-free future, we are eager to see supply and demand measures introduced that drive large-scale consumer switching as quickly as possible. We are confident that the right mix of government leadership and commercial initiative can dramatically accelerate efforts to reduce smoking. We believe that, with the right regulatory encouragement and support from civil society, cigarette sales can end within 10 years in many countries (see our [Statement of Purpose](#)).

### 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

Maximize the benefits of smoke-free products

Purposefully phase out cigarettes

Seek net positive impact in wellness and healthcare

Reduce post-consumer waste

## Stakeholder collaboration: charting a path to phase out cigarettes

A clear and collaborative roadmap, endorsed by political, regulatory, and public health stakeholders, and supported by civil society and businesses, provides the best opportunity to promote healthier communities, phase out cigarettes, and eradicate smoking. Such a roadmap should consist of a set of supply and demand measures that can help make cigarettes obsolete:

- **Increased investment in prevention, quitting campaigns, and cessation services**, with a particular focus on populations that are more vulnerable and significantly overrepresented in smoking statistics.
- **Measures to rectify misunderstandings** that prevent smokers to quit or, for those who would continue to smoke, switch to better alternatives.
  - **The role of combustion in the development of smoking-related diseases** must be clarified to address adult smokers' confusion.
  - **The big misunderstandings about the role of nicotine** with regards to smoking-related diseases and its harm overall must be rectified (read more about Nicotine Science [here](#)).
- **Access to a range of smoke-free alternatives which are subject to differentiated regulation and taxation compared with combustible tobacco products**, coupled with robust safeguards against unintended use, in particular by underage people:
  - **Regulation and tax should recognize the different risk profiles and economics of smoke-free products** versus the most harmful forms of consuming nicotine, such as cigarettes:
    - Communication with adult smokers should be permitted only for smoke-free products.
    - Differentiated flavors regulation: treating combustible products most restrictively, while allowing flavored smoke-free products as long as they predominantly appeal to adult consumers (such as tobacco, menthol, and mint).
    - Differentiated labeling and product display for smoke-free products versus cigarettes aimed at facilitating switching.
    - Differentiated excise tax regulation: taxing cigarettes and other combustible products much higher than smoke-free products, so as to incentivize adult smokers to switch to smoke-free alternatives and the industry to invest in these products.

- **Introduce strong safeguards against unintended use:**
  - Minimum legal age must be in place for all tobacco- and nicotine-containing products, supported by robust enforcement and imminent penalties for noncompliance.
  - Measures to allow for better access control and oversight of sales, such as retail licensing and strict enforcement by responsible government agencies.
  - Bans on communications (such as social media content and influencers) and marketing materials that particularly appeal to underage people.
  - Limit flavors to those which are appealing to adult smokers and can help them switch to smoke-free products (such as tobacco, menthol, and mint). The use of any additional flavors should undergo stringent scrutiny to guard against unintended use (in particular among underage people, absent fully enforced controls on underage sales) and in any event be strictly regulated.
- **Clear product requirements, including quality, safety, and performance standards, as well as technical and scientific criteria to substantiate reduced-risk potential versus continued smoking.** All coupled with robust enforcement and comprehensive measures to prevent and address illicit and noncompliant products that can jeopardize public health.
- **Post-market monitoring of real-world data and surveillance to assess the actual impact of policy interventions**, and to allow targeted and timely policy adjustments to address new issues and ensure the policy direction is evaluated by outcomes. More specifically, such monitoring of the in-market use of smoke-free products should allow policymakers to understand how these products are used and by whom.
- **Countries' smoke-free targets should be incorporated in the national plans** alongside clear roadmaps toward reaching the targets. These roadmaps should include supply oriented measures that can help accelerate cigarette obsolescence—such as cap or cap and trade concepts. These market-based, supply oriented measures on combustible products should be introduced together with providing adult smokers access to a range of well-established, acceptable, and affordable smoke-free alternatives, ensuring they are aware that these products are a better choice than continuing to smoke.
- **Post-phase-out support for adult smokers who will continue smoking.** Those smokers who continue smoking should receive the necessary support via cessation programs or targeted awareness campaigns about the benefit of switching to less harmful alternatives if they want to continue using nicotine.

We share the vision for a smoke-free world with governments that have already started to think beyond traditional tobacco control and embrace harm reduction as a critical tool to accelerate smoking decline. When considering new policies to reduce the harm of cigarettes, it is critical that governments fully assess intended outcomes as well as unintended consequences of such policies, and ensure robust measures are in place to mitigate the latter.

To fully realize the benefits of harm reduction measures, governments must ensure there is a robust marketplace of regulated smoke-free products, facilitate clear and accurate communications regarding harm reduction and the role of nicotine, establish regulatory and tax differentiation to encourage switching to legal smoke-free alternatives, and work with industry to identify science-backed policies with clear, achievable standards.

## Moving away from cigarettes: PMI growth of smoke-free products

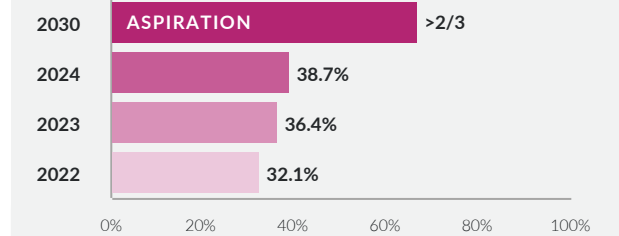
In 2024, we observed significant advancements and revenue growth of our smoke-free business where total net revenues reached almost USD 15 billion. Smoke-free product shipment volumes also grew strongly across all regions and all three categories (heat-not-burn, e-vapor, and oral nicotine products), accounting for over 20 percent of PMI's total shipment volumes. On a unit equivalent basis, smoke-free volumes grew by almost 13 percent year-on-year. We continued to scale up our multi-category execution, as we delivered continued strong IQOS performance, outstanding growth of ZYN despite demand-driven capacity constraints, and a small but growing contribution from VEEV.

Read more about the drivers of this expansion in the [Maximizing the benefits of smoke-free products](#) chapter of this report.

While smoke-free products have made impressive strides and garnered substantial revenue in 2024, the robust performance of combustible cigarettes, especially in markets where smoke-free products are banned, has resulted in lower than expected increases of their revenue and shipment volume relative to the total.

In 2024, our smoke-free business represented 38.7 of our total net revenues. This indicates ongoing growth and represents a significant milestone and a notable pace of progress, given that our company's transformation journey began less than 10 years ago.

### Adjusted net revenue ratio (smoke-free/total)



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.

Our transformation is also measured by the reported shift in the composition of our total shipment volumes. In 2024, we shipped a total of 163 billion units of smoke-free products (2023: 145 billion) and a total of 635 billion units of combustible tobacco products (2023: 633 billion). Otherwise put, the proportion of smoke-free products in our total shipment volume grew to 20.4 percent in 2024, versus 18.6 percent in 2023.

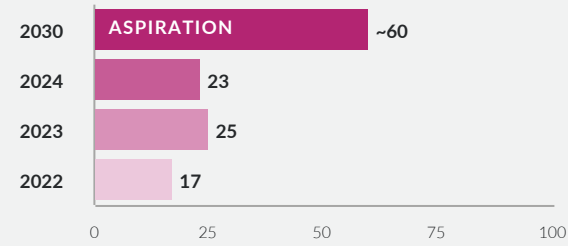
It is worth noting that, while our combustible cigarette business showed stable volume performance in 2024, an overall growth of legal industry volumes was observed in markets where smoke-free alternatives are prohibited, such as Brazil, India, Taiwan, Turkey, or Vietnam, whereas in some other countries such as Tunisia or Ukraine, legal industry volumes significantly increased in parallel to a significant decrease in illicit trade.

While this may suggest modest growth in our smoke-free revenue and volume ratios, the reality is quite different: in markets where smoke-free products are permitted, our cigarette volumes continued their historical low single-digit decline. This underscores both the tremendous potential of smoke-free alternatives to accelerate smoking prevalence decline, as well as how our ability to phase out cigarettes fundamentally depends on supportive regulatory frameworks.

By the end of 2024, smoke-free products accounted for over 50 percent of adjusted net revenues in 23 of the 95 markets where we commercialized them (2023: 25). The small year-on-year decrease is due to changes in small markets with limited presence. Meanwhile, in markets where we have a strong presence (i.e., our top five operating income markets), smoke-free revenues continued to grow, averaging overall to around 60 percent of total annual revenues.

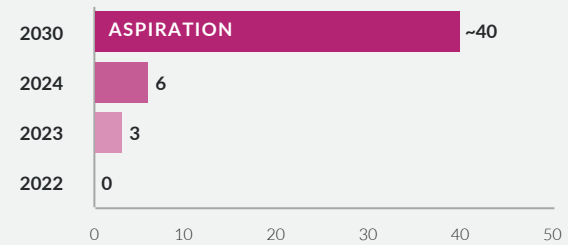
Further, the number of markets where smoke-free represented over 75 percent of adjusted net revenues rose to six in 2024 (2023: 3). Additionally, 45 markets derived more than 30 percent of their net revenues from smoke-free in 2024.

### Number of markets where net revenues from smoke-free exceed 50% of total net revenues



Note: For further details, see [PMI's Sustainability KPI Protocol 2024](#).

### Number of markets where net revenues from smoke-free exceed 75% of total net revenues



## Accelerating cigarette smoking decline

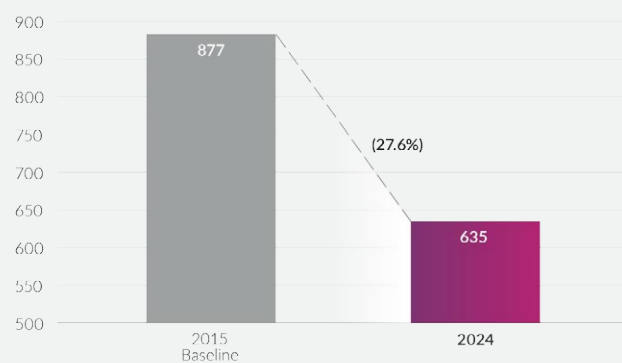
Despite being well on our way to delivering a smoke-free future, we still have some distance to travel. We recognize the importance of playing competitively within the combustible category during the transition period to ensure its eventual obsolescence: by maintaining our presence and competitiveness in the traditional market, we aim to influence and accelerate the transition towards smoke-free alternatives.

Our strategic initiatives are designed to strike a delicate balance: sustaining our market position in the combustible segment while simultaneously driving innovation and adoption of smoke-free products. This dual approach is essential for guiding consumers through the transition, ensuring that they have access to satisfying less harmful alternatives that align with our long-term vision.

It allows us to focus our commercial efforts on raising awareness of—and informing adult smokers about—smoke-free products and the benefits of switching to those versus continued smoking. It also generates the financial resources needed to continue investing in scientific research, product development, and the manufacture and commercialization of smoke-free products. Importantly, it maintains competitive pressure on the rest of the industry, increasing the incentive to also invest in smoke-free products.

Our commitment to fostering a smoke-free future remains unwavering. Importantly, our combustible tobacco product shipment volume has decreased by 27.6 percent in 2024 versus a 2015 baseline.

### Combustible tobacco product shipment volume (billion units) and change versus 2015 baseline\*



\* For definition of combustible tobacco products, see [Glossary](#).

Moreover, in markets where our smoke-free products were available for sale<sup>1</sup> as of the end of 2024, our combustible tobacco product shipment volume decreased by more than 35 percent versus 2015.

While the global cigarette category is already in structural decline, our intention is to accelerate the decline by maximizing adult smoker access to better alternatives. Overall, the total international cigarette industry has been declining at a moderate rate of around 1.5 percent between 2019 and 2024, mainly driven by secular trends, regulations, and price elasticity. When looking at industry dynamics in key IQOS markets<sup>2</sup> within the same timeframe, we observe a much more pronounced decline of approximately 3.0 percent, which notably reflects the growth of the smoke-free category.

By leveraging our competitive position and commitment to innovation, we are well-positioned to drive the eventual obsolescence of cigarettes and lead the industry toward a smoke-free future.

<sup>1</sup> For definition, see [Glossary](#).

<sup>2</sup> IQOS markets include all markets that launched IQOS by 2024 and reached a share of market of >5% nationally.

## Advocating for appropriate regulation and taxation to drive cigarette obsolescence

Regulation of all nicotine-containing products is essential. We advocate and continue to engage with governments, regulators, and legislators to support the development of a comprehensive and risk-proportionate regulatory and taxation framework that acknowledges that not all tobacco and nicotine products are the same.

Government action heavily influences how quickly society can see an end to cigarettes. We call on governments to assess science and evidence and responsibly regulate in the interest of public health. Through risk-proportionate regulation and taxation, they can provide the right incentives to encourage behavior change, as well as incentivize business to direct their investments toward the research and development of better alternatives, rather than toward growing cigarette sales.

Over the past years, an increasing number of governments have complemented, or plan to complement, traditional tobacco control measures (i.e., those intended to discourage smoking initiation and encourage cessation) together with a harm reduction approach (i.e., providing adults who would otherwise continue to smoke with access to scientifically substantiated smoke-free alternatives).

## Looking ahead

Our company's transformation represents a historic shift in corporate purpose, as we work to purposefully move away from cigarettes. While ideology rather than science has temporarily prevailed in certain countries, this does not diminish our resolve nor should it shake our stakeholders' confidence in our unwavering commitment to a smoke-free future. We remain deeply convinced that a world without cigarettes is attainable. Our teams have shown remarkable resilience while navigating this complex landscape, and their achievements in advancing our smoke-free vision exemplify the pioneering spirit driving our organization forward. Our continued progress, even in the face of regulatory headwinds, demonstrates the depth of our commitment to this historic transformation.

**Jacek Olczak**  
Chief Executive Officer



Driven by a profound dedication to the approximately one billion smokers worldwide, and the recognition of the considerable harm caused by cigarette consumption, our unwavering commitment aims to make cigarettes obsolete by providing better alternatives to smoking. However, achieving such an ambitious goal requires a collective effort, especially from governments. Policymakers play a pivotal role in establishing a regulatory framework that facilitates the transition away from cigarettes. This includes enforcing stringent regulations on cigarettes, promoting alternative, less-harmful, nicotine delivery methods, and investing in public health initiatives to educate the public about the risks of smoking and the benefits of cessation or switching to better alternatives for those adult smokers who would otherwise continue to smoke. Robust safeguards need to be put in place to prevent underage access to any tobacco and nicotine-containing product, supported by strict enforcement. Through collaboration, we can create a future where cigarettes are a thing of the past, leading to a healthier, smoke-free reality. Our dedication remains firm, but it is through the support and actions of multiple stakeholders, including governments, that we can successfully render cigarettes obsolete. Success depends on ensuring adult smokers have access to and information about better alternatives while working systematically to phase out cigarettes. Through evidence-based policy and collaboration between stakeholders, we can transition to a smoke-free future that prioritizes public health and the interests of smokers, paving the way for a world where the harms of smoking are a distant memory.

**Christos Harpantidis**  
Senior Vice-President  
External Affairs



The focus and priorities for our combustible business are crystal clear. First, the combustible business supports the growth of smoke-free products via our connection with smokers and retail trade partners. Second, maximizing our cash flows through pricing and careful cost management allows us to fund greater investments in growing smoke-free. We will continue to strengthen our capabilities to transition adult smokers to smoke-free products. Leveraging our infrastructure and reach, for instance through the platforms we make accessible via our cigarette packaging, enables us to foster awareness of better alternatives. As we advance, we will continue to prioritize responsible marketing and sales practices to guard against unintended access to our products.

**Werner Barth**  
President, Combustibles  
Category and Global  
Combustibles Marketing



### PRODUCT IMPACT

## 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 unmet consumer and patient needs within the wellness and healthcare space.

#### INWARD IMPACT

##### The business case

As described in our [Statement of Purpose](#), with a longer horizon in sight, the critical element that completes PMI's transformation is to think beyond a smoke-free future, and how our company can leverage the expertise and capabilities that we have accrued and developed and expand into adjacent avenues of growth, with offerings that go beyond tobacco and nicotine. This is part of our company's natural evolution into a broader wellness and healthcare business.

Leveraging our knowledge in preclinical safety, toxicology, epidemiology, and clinical research, coupled with our world-class capabilities in brand-building, consumer insights and understanding, market access and distribution, we intend to develop and responsibly commercialize innovative and differentiated products and to expand our research and design to address unmet patient and consumer needs.

Although we are at the beginning of this journey, it all starts by exploring new business opportunities naturally linked to our core purpose. Our commitment is clear, and our intention is set: we are transforming our company for good, and this means thinking about long-term value creation and taking action to make this a reality.

#### OUTWARD IMPACT

##### The right thing to do

Researching and developing smoke-free alternatives that are scientifically substantiated to be less harmful than cigarettes was the first step in our journey to address our most significant negative externality: the impact of cigarette smoking on health.

In the process, we have expanded our social, human, intellectual, and manufactured capital in ways that allow us to move from a value proposition centered on doing less harm toward one where we can seek to have a net positive impact on society. With an eye on the long term, we intend to use this capital to develop adjacent avenues of growth in wellness and healthcare.

PMI's investment and innovation approach in wellness and healthcare is part of a larger transformation that puts science, technology, and sustainability at the heart of our company's future. We aim to deliver products and solutions that improve people's lives.

To achieve this objective, we are relying on and expanding our existing core capabilities and seeking partnerships with respected entrepreneurs and companies that offer complementary experience and qualifications in relevant fields.

## Management approach

Over the course of our transformation journey, PMI has developed a strong foundation and significant expertise in life sciences.

Our business model for the wellness and healthcare category is to use our expertise and technology platforms to address specific unmet needs, and to work toward the development and commercialization of a pipeline of wellness and healthcare products that can help improve people's lives. Central to our efforts will be our skills in formulation development, our responsible approach to commercialization, and our experience in product assessment. For skills we do not have, we will continue to partner, outsource, and orchestrate an ecosystem to bring products to market.

In 2021, PMI acquired Vectura Group, Fertin Pharma, and OtiTopic to create a wellness and healthcare business under its original name Vectura Fertin Pharma (VFPh). In 2024, the decision was made to sell one component of VFPh, Vectura Group Ltd. (Vectura)—the sale of which completed on December 31, 2024. While Vectura provided valuable input into the value proposition for the development of inhaled therapeutics, external opposition to PMI's transformation impacted Vectura's scientific engagement and commercial contract development and manufacturing organization (CDMO) relationships.

The remaining units of VFPh are now under a new identity: Aspeya. This business focuses on developing and commercializing consumer health and wellness offerings and prescription products for therapeutic purposes, including pain management.

While we recognize the natural fit and sizable potential that wellness and healthcare can add to our business in the longer term, more work is still required—including investments in research and development. For the short and medium term, our focus remains in the growth potential of our smoke-free business and transitioning away from cigarettes.

At present, our Aspeya business pipeline of products and services includes:

- 1. Contract Development and Manufacturing Organization (CDMO):** Drawing on our unique technologies, oral delivery platforms, and capabilities, we strive to grow our CDMO services business—serving other companies in the pharmaceutical and consumer health and wellness industry on a contract basis.
- 2. Inhaled therapeutics:** We apply our expertise and experience to develop products for clinical indications, including migraine and painful diabetic neuropathy.
- 3. Cannabinoids:** We have an ambition to be a leader in developing and commercializing safe, scientifically tested and best-in-class medical and wellness cannabinoid products that patients and consumers can trust. We will innovate across the totality of new products and processes, from the seed and plant to the commercialization of the final product, and are doing so by applying rigorous scientific standards, and patient and consumer insights in order to responsibly lead the way.
- 4. Consumer health:** We are moving into consumer health products, targeting the energy segment by offering consumers innovative, healthier, and holistic solutions to optimize their physical and mental energy levels.
- 5. Nicotine replacement therapies (NRTs):** There is an unmet need in the NRT market, which, combined with our existing expertise and ability to innovate, positions us well to participate in this market segment.

### Management of Aspeya

Aspeya is operationally separate from other businesses owned by PMI. This means the business has its own leadership team overseeing day-to-day operations and dedicated governance for projects.

The business is headed by the President Aspeya. It is collectively supported by the leadership team, employees, and a substantial investment by PMI to enable its continued build-out. Its operational model is based on distinct product categories with governance designed to enable efficient delivery of the product pipeline. Oversight is strengthened by stage-gate review committees, scientific advisory boards, and functional review boards. Revenues generated by Aspeya are reinvested into its wellness and healthcare business.

## Progress in 2024

Aspeya is developing a pipeline of products to support PMI's ambition to explore adjacent avenues of growth beyond smoke-free products.

Since its inception, our wellness and healthcare business has consistently sought to refine its operating model and portfolio strategy based on lessons learned and advice from its scientific advisory board. As a result, it has managed to react with agility to the macroeconomic challenges and business headwinds it has encountered.

Aspeya has re-evaluated the development of its proprietary pipeline assets to ensure its resources are focused on projects with a high probability of success. In 2024, Aspeya continued its organizational build-up across its business categories while also undertaking product development activities, establishing new B2C capabilities, and honing its marketing and commercial expertise.

### Contract Development and Manufacturing Organization

The business primarily consists of operating revenues generated from the sale of oral and intra-oral delivery systems through the CDMO business.

### Inhaled therapeutics

In inhaled therapeutics, the business has done work to develop an improved drug-device combination for cardiovascular emergencies. In the area of neuropathic pain, Aspeya is supporting a third party on an inhaled drug-device combination product, undergoing a clinical proof-of-concept evaluation. The business is also developing a new treatment for migraine.

## Looking ahead

Our wellness and healthcare business strategy will continue to focus on developing and commercializing oral and inhaled consumer health and wellness offerings and inhaled prescription products for therapy areas such as pain management. This includes medical and pharmaceutical cannabinoids, and non-recreational cannabinoid products (including CBD). By pursuing responsible innovation and the launch of products that are scientifically substantiated, we believe that we can find new and better ways to improve lives.

**Michael Kunst**  
President Aspeya



### Cannabinoids

In 2024, Aspeya also created the foundations for a category expansion, that seeks to explore medical cannabis. During the year, a collaboration with Aurora, a leading Canada-based global medical cannabis company, launched a newly developed LUO™ CBD lozenge. The product is manufactured, packaged and labelled by Cogent, an Aspeya subsidiary. Patient feedback will be used to validate the product proposition and to inform future products.

### Consumer health

Through our corporate venture capital fund, PMI made its first consumer health minority investment in NeuroGum, Inc. (Neuro) in 2023. Neuro is a U.S. company developing and marketing gum and mints which seek to provide consumers with energy, calm, or focus. The partnership has since launched three products: two (NEURO™ Sleep & Recharge and NEURO™ Memory & Focus) are available for sale in the U.S., and the third one, NEURO™ Energy & Focus, is available only in India.

### Nicotine replacement therapies

In NRTs, Aspeya continues to provide adult smokers, who wish to quit smoking, access to products that are efficacious and complementary to existing routines. It has two products (over-the-counter gum) currently sold in three markets: RYZE™ in India and Malaysia, and VOYE™ in Germany.

### PM Equity Partner

PM Equity Partner Sàrl (PMEP) is PMI's corporate venture capital arm, launched in 2016. To date, it has committed USD 350 million to build and develop a portfolio of minority strategic investments, from early- to growth-stage companies, to support delivery of our smoke-free vision and beyond nicotine objectives. PMEP invests across four main corridors: (i) wellness and healthcare; (ii) inhalable therapeutics; (iii) smoke-free products; and (iv) impact investing. Read more [here](#).



PRODUCT IMPACT

# Reduce post-consumer waste

We understand that our product proposition needs to address both the health impacts of our products, as well as their environmental impact. To address the latter, we strive to embed principles of eco-design and circularity in our products. We also implement effective post-consumer waste management solutions to prevent littering and promote the responsible disposal of products at end-of-life.

INWARD IMPACT

### The business case

Many consumers consider the environmental impact of products and services in their purchase decisions. Regulators also are increasingly focused on corporate responsibility regarding the manufacture and use of materials (e.g., single-use plastics, electronic device repairability, packaging, end-of-life management). Appropriately addressing post-consumer waste mitigates negative impacts on our bottom line, as producers increasingly are asked to participate in cleanup costs or cover a significant share of the product end-of-life waste management cost. It also helps us to enhance our brand equity and corporate reputation, and to meet consumer expectations.

Heightened consumer expectations and regulatory trends further motivate us to innovate in ways that can drive competitive advantage. Devising more circular value chains not only reduces waste and litter but also promotes better use of materials and higher operational efficiency.

OUTWARD IMPACT

### The right thing to do

Reducing and appropriately managing post-consumer waste means we extract, convert, and use fewer raw materials from a planet with limited natural resources. By reducing materials used in our packaging, combustible products, smoke-free consumables, and electronic devices, we can reduce our environmental footprint and decrease our negative impact on the planet and society.

Moreover, committing to the safe and responsible disposal of post-consumer waste addresses society's concerns regarding the impacts of litter. Among others, there are concerns over the pollution resulting from improper disposal of plastic and other materials such as metals, potentially resulting in harm to wildlife and humans alike. We recognize the imperative of designing lower-impact products and working to protect nature and preserve the environment.

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## Management approach

We aim to preserve resources, reduce waste, and address inappropriate disposal of our products, including littering. We seek to design and implement impactful strategies tailored to our entire product portfolio, including packaging, and tied to specific aspirations:

- **Cigarettes:** We aim to reduce cigarette butt littering by encouraging behavior change through impactful awareness-raising campaigns and by empowering consumers to dispose of cigarette butts properly. We also invest in R&D and continuously work toward replacing our filters with plastic-free alternatives.
- **Smoke-free consumables:** As we grow our smoke-free business, we seek to prevent littering behaviors inherited from smoking. Our programs to address littering focus on raising awareness and ensuring consumption behavior that includes the responsible disposal of our products after use. We deploy end-of-life take-back programs that consist of simple and convenient ways for our consumers to collect and return their used consumables for the waste to be managed responsibly.
- **Smoke-free electronic devices:** With each new generation of our products, we aim to further embed eco-design principles, whereby we incorporate environmental criteria into the requirements of the product design. This enables us to improve device performance, including its robustness and durability, increase resource efficiency (minimizing waste and raw material extraction, and incorporating recycled materials where feasible), and enhance product repairability and recyclability. We contribute to circularity by scaling our end-of-life and end-of-use take-back programs and finding ways to make refresh and repair services more accessible to our consumers.
- **Packaging:** We seek to only use the minimum amount of material needed to adequately protect our product, and we incorporate the principles of circularity and design our packaging for recyclability. We also seek to, wherever possible, reduce our carbon footprint and intensity, by reducing packaging material, size, volume, and weight.

Further, we inform our strategy by considering policy and regulation governing circular economy. Specifically, we are considering how government-regulated extended producer responsibility (EPR) schemes can effectively support efforts to reduce post-consumer waste toward a sustainable and circular economy.

PMI's policies and standards

[Environmental Commitment](#)



Management

Our President of Smoke-Free Products Category & Chief Consumer Officer and our President of Combustibles Category & Global Combustibles Marketing drive our agenda on post-consumer waste management for their respective categories. Additional efforts to improve product design and increased circularity are steered cross-functionally, involving teams headed by our Senior Vice President, Research & Development and Senior Vice President, Operations. With regards to our smoke-free products, dedicated cross-functional platforms monitor strategies and progress related to our smoke-free product sustainability initiatives.

Maximize the benefits of smoke-free products

Purposefully phase out cigarettes

Seek net positive impact in wellness and healthcare

Reduce post-consumer waste



## Progress in 2024

### Highlights

- We have progressed on our consumer-testing of new filter materials to reduce our plastic and carbon footprint by replacing cellulose acetate (CA) in our cigarette and heated tobacco unit filters.
- We have significantly expanded the geographical scope of our anti-littering programs for cigarettes.
- Advancing eco-design, we have published for the first time three pre-certified Environmental Product Declarations (EPDs) for IQOS ILUMA i devices, detailing their environmental impact.
- We have significantly increased the number of smoke-free electronic devices refreshed or repaired and extended our CIRCLE program for end-of-life device management, while maintaining a high recycling rate.
- Our packaging reduction efforts yielded significant results and we continued to ensure that the vast majority of our packaging formats are designed for recyclability.

### Challenges

- Removing CA from filters requires finding new filter materials that can be used at scale to meet market demands efficiently.
- Addressing littering requires a long-haul effort to change smokers' behavior; this is particularly challenging as many smokers are not aware of the environment impact of cigarette butt littering.
- The implementation of effective end-of-life take-back programs for our smoke-free consumables is constrained in some markets by the availability of local waste management and recycling solutions.
- While we continuously integrate eco-design improvements into our electronic smoke-free products to reduce their environmental footprint, the full benefits of these design enhancements can only be realized once the products reach large-scale commercialization and appropriate downstream operations are available.
- The availability of recycled materials in the market directly affects how quickly we can increase recycled content in our packaging. These materials must meet both our specifications for contact-sensitive applications and demonstrate improved environmental performance compared with non-recycled alternatives.

## Striving to reduce plastic

As a global manufacturer, we source plastic materials and plastic-containing items for various products. In 2024, we purchased approximately 160,000 tons of plastic worldwide. This figure includes for the first time our oral nicotine products' plastic footprint, which mainly (over 90 percent) comes from packaging.

In 2024, the largest share of plastic we purchased remained cellulose acetate, used in cigarette and heated tobacco unit (HTU) filters, followed by the plastic used in our packaging. Our plastic minimization efforts thereby focus on these two areas. Recent efforts centered on the consumables used with our heat-not-burn products have led to significant reductions. For instance, switching from blade-based to induction-based IQOS ILUMA products cut plastic by 44 percent per HTU by replacing polylactic acid (PLA) with paper and cellulose acetate (CA).

However, despite such initiatives to reduce plastic per unit, our increasing product volumes translate into a rising trend in our overall plastic use, which offsets some of our reduction efforts. It is also essential to acknowledge that while reducing plastic usage, new designs and components may present other environmental challenges. In this context, we continue to explore innovative solutions that align with stakeholders' expectations to further reduce our product-related environmental footprint despite the growth in product volumes.

### PMI's 2024 plastics footprint\*

Cigarette filters	51%
Heated tobacco unit filters	24%
Packaging	23%
Electronic devices	1%
Other	1%

\*Including Swedish Match  
Note: The plastic footprint calculation does not include the plastic content found in certain composite materials. 'Other' category includes various types of plastics that do not fit into any of the predefined categories.

Our strategies seek to align with international policies and regulations seeking to reduce, and eliminate where possible, the use of plastic. In 2024, deliberations culminated in a UN meeting seeking to adopt a treaty to end plastic pollution. While no consolidated global approach currently exists, local and regional jurisdictions can provide some insight into what this looks like in practice. For example, in the EU the Single-Use Plastics (SUP) Directive requires that manufacturers of tobacco products with filters containing plastic participate in industry-wide extended producer responsibility (EPR) schemes to bear certain costs of managing the post-consumption waste from tobacco product filters.

## Addressing cigarette butt littering

Although most cigarette butts are disposed of properly, too many are casually littered into the environment.

To tackle cigarette butt littering, we center our work along two pillars:

1. **Sustainable design:** We invest in researching and developing filters made of plastic-free alternatives.
2. **Encourage behavior change:** We inspire change in consumer habits through impactful anti-littering awareness programs and initiatives to empower consumers to dispose of cigarette butts properly, regardless of filter materials.

### Sustainable design

We seek options that avoid, or at least significantly reduce, the impact of cigarette butts on the environment. We are working to develop filters with a lower environmental footprint. We know that changing materials alone will not solve the problem of littering; however, it may help mitigate the environmental impacts of residual littering by those smokers who do not engage in behavioral change driven by anti-littering programs.

Tobacco product filters are traditionally made from cellulose acetate (CA), a plastic material derived from wood-based cellulose. To replace CA in our cigarette and heated tobacco unit (HTU) filters, we evaluate alternative filter materials via extensive analytical testing, machinability trials, and prototype testing to understand whether consumers will accept them.

We strive for any new nonplastic filter material or design to satisfy the following criteria:

- Acceptable taste characteristics and experience for consumers
- Meets quality and performance criteria that are consistent with CA filter product design
- Similar or reduced material carbon footprint compared with CA filters
- Favorable to industrialization at scale

We continue to explore and test options as new materials and processes become available, and science and innovation evolve. In 2024, we made important progress on our testing, particularly in the area of consumer acceptance. Initial indications show that some materials we have tested have met many of the above criteria. This encourages us to perform further analysis for market viability. In particular, we will focus on finding ways to address scalability challenges, as we need to ensure that these new materials can be produced on a larger scale to meet market demands efficiently.

### Encourage behavior change

Beyond our R&D activities, and acknowledging that littering is a behavior, we remain focused on encouraging consumer behavior change to prevent cigarette butt littering.

While many consumers dispose of their cigarette butts properly, too many cigarette butts end up in the environment. We believe that to change this reality consumers require convenient solutions that reflect their local realities in terms of available waste management infrastructure and overall maturity of the environmental solutions offered in the country.

Data from consumer insights indicate a lack of awareness about the environmental impact of improper disposal of cigarette butts. It shows that only one in four adult smokers are aware that CA is one of the main components of cigarette filters. Further, only half of adult smokers surveyed identified either the cigarette filter or the plastic wrap outside the pack as main pollutants (out of all components of cigarettes and their packaging).<sup>1</sup>

Accordingly, to drive behavior change, we continue to focus on raising awareness about the environmental impact of littering and ensuring that this is understood as socially unacceptable. This long-haul effort requires us to develop and implement interventions that consider local realities and the socioeconomic and cultural specificities of the various places where we operate.

<sup>1</sup> Based on claimed response as part of PMI cigarette butt littering impact knowledge checks conducted in 2022 in France, Indonesia, Japan, Kuwait, Netherlands, the Philippines, Poland, Saudi Arabia, Spain, and Switzerland.

## Understanding the misleading nature of biodegradability

Cellulose acetate (CA) does biodegrade, eventually (over several months or years) depending on the surrounding conditions. When talking about "biodegradable materials" it is important to highlight that the environment around it plays a key role in the speed and outcome of such biodegradation. Even for materials that are fundamentally biodegradable in certain environments, they might not biodegrade in others. Sadly, consumers tend to incorrectly assume that littering biodegradable products causes no environmental damage, which can lead to exacerbating littering behavior. Raising consumers' awareness and promoting a change in their behavior is a crucial component to reduce environmental impact. Behavior that avoids littering and innovation that reduces post-consumer waste are the most environmentally responsible actions. Our company remains committed to investing in R&D to find viable and more sustainable alternatives to CA and reduce the overall environmental impact of our products.

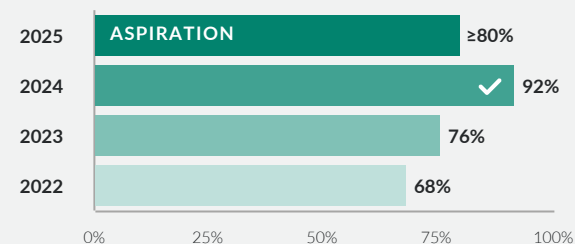
This is why campaigns and activities to raise awareness and reduce littering are driven by our markets, each with unique challenges and opportunities related to the issue. For example, smoking habits, environmental consciousness, and disposal practices vary by country.

Our markets deploy tailored, context-based, anti-littering initiatives, with central support and guidance, which have two focuses:

- 1. Reach activities:** Convey the message directly to consumers, mainly via our owned channels. Examples include on-pack and point-of-sale messaging.
- 2. Impact activities:** Raise awareness of the issue beyond only the consumers of our brands and develop solutions in partnership with civil society organizations, local governments, and other stakeholders. Examples include corporate communication campaigns, initiatives to identify litter hotspots and improve public infrastructure, distribution of portable ashtrays, etc.

In order to meet their objective, our markets must deploy at least one “reach” and one “impact” activity each year.

### Proportion of shipment volumes covered by markets with anti-littering programs in place for combustible cigarettes



Note: For further details, see [PMI's Sustainability KPI Protocol 2024](#).

In 2024, we successfully implemented anti-littering programs in 11 new markets, bringing the total to 69 markets worldwide. As a result, by the end of 2024, markets representing 92 percent of our shipment volumes for combustible cigarettes had anti-littering programs in place, exceeding our 2025 aspiration of 80 percent coverage ahead of schedule. Our current focus is on maintaining this performance level and increasing coverage where possible.

We publish case studies and market stories that share details about the different creative solutions our markets have introduced to deploy various anti-littering activities. Read more about these initiatives in [Korea](#), [Lithuania](#), and [Tunisia](#).

They explain how local realities are relevant when deploying successful programs, and consist of concrete examples of what local initiatives can look like. Collectively, they seek to address the issue of cigarette butt littering at all levels of activity, from on-the-ground activations, local partnerships, experts, and trade partners to local authorities and online campaigns.

### Annual mobilization around World Cleanup Day

While clean up campaigns are not intended to resolve littering overnight or replace more cost-efficient public cleaning services, they serve to raise public awareness of the littering problem in the communities in which they occur.

As in every year, in 2024 we dedicated the month of September to raise awareness and engage employees on the topic of littering prevention by hosting a global webcast and frequent engagements on the issue. Over the past three years we have mobilized around World Cleanup Day—the world's largest litter cleanup event. On average around 10,000 stakeholders (employees, their relatives, and members of partner organizations) in over 60 countries annually have participated.

## Managing waste from our smoke-free consumables

We seek to minimize the environmental impact of the heated tobacco units (HTUs) used with our heat-not-burn devices, the pods used with our e-vapor devices, and our disposable e-vapor products.<sup>1</sup> Since our smoke-free portfolio is diverse, so is the impact each product can have on the environment based on their different designs, consumption methods, and disposal options.

We aim to reduce our post-consumer waste by design and are exploring better alternatives to the materials currently used in our heat-not-burn product consumables (read more about plastics in our filters [here](#)).

In the interim, we continue to deploy tailored post-consumer waste management programs—including take-back programs—based on the specificities of each product category.

### Behavioral differences in the disposal of smoke-free products

The consumption and disposal behaviors of our smoke-free products differ significantly from cigarettes. Unlike cigarettes, our smoke-free consumables require no combustion, eliminating the need for stubbing out and leaving no smoke residues. As a result, consumers tend to keep these products until proper disposal, reducing the risk of littering.

Building on our insights from behavioral studies we commissioned in the past, a follow-up littering study completed in 2024 across four major European cities sought to verify if these disposal patterns remained consistent. This latest study compared the likelihood of used heated tobacco units (HTUs) being littered versus conventional cigarette butts, confirming our earlier findings by showing that HTUs are on average four times less likely to be littered after use than cigarette butts.

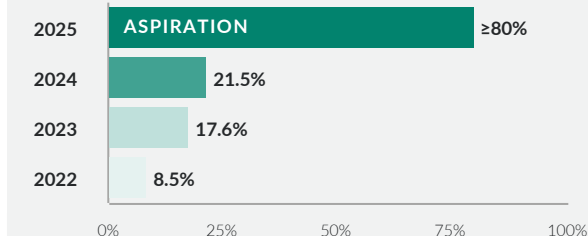
To complement this study, in 2024 we also conducted a consumer survey across Europe which provided powerful corroborating evidence for our observational littering study in several ways. The survey data validated the study's findings through self-reported behavior. This alignment between observed behavior and consumer self-reporting, coupled with the results from studies conducted in the past, strengthens our confidence that this is a consistent behavioral pattern rather than a temporary phenomenon.

<sup>1</sup> Information in this section excludes Swedish Match.

## Deploying end-of-life take-back programs

To mitigate the risk of littering and promote responsible disposal, our markets implement context-based, impactful end-of-life take-back programs to collect and manage post-consumer waste from our smoke-free consumables. These programs enable consumers to return used consumables to PMI's suppliers for proper disposal, which typically include recycling, composting, or energy recovery. They align with global requirements to ensure consistency and comparability over time but are adapted to deployment realities in each market.

### Proportion of shipment volumes covered by markets with end-of-life take-back programs in place for smoke-free consumables



Note: Shipment volume includes heated tobacco units, e-vapor cartridges, and disposable vaping devices. See [PMI's Sustainability KPI Protocol 2024](#) for further details.

Since launching our end-of-life take-back program in 2021, we have expanded the program to 41 markets around the globe (2023: 28 markets). In 2024, these markets represented 21.5 percent of our shipment volumes for smoke-free consumables, demonstrating progress toward our aspiration to reach 80 percent of our smoke-free shipment volumes covered by end-of-life take-back programs by 2025. However, despite our efforts, we did not achieve the extent of progress we were hoping for in 2024. This is primarily due to challenges faced in high-volume markets such as Japan, which accounts for approximately one-third of our smoke-free shipment volumes. While we began deploying the program in late 2024 in Japan, the launch and full roll-out took longer than expected. Importantly, a more common challenge faced by many of our markets is their ability to find the right local partners to recycle smoke-free consumables—a specific technical process that requires recycling partners to separate and process multiple material streams. We continue to work on overcoming these challenges and are confident we will achieve our 2025 aspiration.



As we do so, we are encouraged by the increasing awareness, positive sentiment, and interest in participating from our consumers.

We continue to gather learnings and build on the growth and expansion of our product portfolio to evolve the global guidance we provide to our markets. Our guidance supports the consistent and impactful preparation and implementation of end-of-life take-back programs, while remaining adaptable to local realities, providing them with tools, frameworks and principles they can use to find impactful and viable solutions.

### Minimizing the environmental impact of disposable e-vapor products

As part of our ambition to replace cigarettes with smoke-free products, we offer a range of products to meet the various preferences of adult smokers. Single-use disposable e-vapor products have recently become a popular option for adult nicotine users, despite the environmental challenge they pose. We consider these single-use products an important first step for adult smokers to discover the e-vapor category and switch to a smoke-free alternative but we then incentivize these users to transition to the non-disposable version. Long lasting closed-pod system e-vapes offer a similar experience (design and flavors), with a higher value for money, and lesser environmental footprint. To support this transition away from disposable use, we piloted incentive programs where users can return a number of used disposables in exchange for one closed-pod system and consumables.

Further, to manage the important environmental trade-off born from having disposable e-vapor products as part of our portfolio, we strive to deploy end-of-life take-back programs across all markets selling them, to ensure that consumers have the possibility to dispose of them appropriately. Through our incentive programs we not only encourage switching away from disposables, we also increase recovery for recycling. Implementing end-of-life take-back programs is a challenge, as many of the markets where we sell these products do not have the reverse logistics or infrastructure to recycle these kinds of electronics.

## Improving the sustainability of our smoke-free devices

By integrating sustainability considerations into our product design—from choice of materials to end-of-use and end-of-life—we can optimize use of resources and improve circularity, reducing environmental impacts.

### Utilizing life-cycle analysis

We use life-cycle analysis (LCA) to assess the carbon footprint of our products that involve electronic devices, from raw material sourcing to end-of-use and end-of-life.

On average:

- Our heat-not-burn product category (including both consumables and devices, with their respective packaging) has an average carbon footprint of approximately 26.4 kg CO<sub>2</sub>e/year per average user, of which consumables contribute 82 percent and devices 18 percent. This reflects a decrease of 7 percent compared with 2023 due to the introduction of new devices in our portfolio.
- Our e-vapor product category (including both consumables and devices, as well as disposable e-vapor products—with their respective packaging) has an average carbon footprint of approximately 19.8 kg CO<sub>2</sub>e/year per average user, of which consumables (including cartridges and disposable e-vapor products) contribute 96 percent and devices 4 percent. The figure is not comparable with the previous year, as we started accounting for e-vapor disposable products in this year's calculation for the e-vapor category.

Our LCA efforts extend beyond our products involving electronics. Notably, we conducted in 2024 a LCA for our oral product category, which showed an average carbon footprint of 0.18 CO<sub>2</sub>e/can, where, different from the case of our electronics portfolio, the most prominent part of its carbon footprint stems from packaging. The LCA for this product category covered our U.S. and Swedish markets (our two biggest oral product markets), with significant differences between the two geographies, mainly due to varied energy sources and resource usage.

### Eco-design

We aim to drive continuous improvement in future product generations. To this end, we have explored eco-design standards and identified the criteria applicable to smoke-free electronic devices.<sup>1</sup>

<sup>1</sup> Electronic devices exclude disposable e-vapor devices.

2025

#### Aspiration

100%

Of smoke-free electronic devices introduced on the market as of the end of 2025 have eco-design certification

Note: See [PMI's Sustainability KPI Protocol 2024](#) for further details. In 2024, 100% of product projects in scope implemented eco-design certification requirements.

Embedding eco-design principles in our electronic smoke-free products through an end-to-end approach helps minimize impacts related to materials selection and sourcing, components production, product manufacturing, use, and product end-of-life stages. Eco-design considers environmental aspects at all stages of the development process, striving for products that generate the lowest possible environmental impact throughout their lifecycle. Incorporating environmental criteria into the requirements of our product design helps us reduce our carbon footprint, address other environmental impacts associated with the development and use of our electronic products, establish policies and practices that proactively implement and anticipate regulation, and mitigate costs associated with reacting or adapting late to rapidly evolving regulation.

Our eco-design program is based on the ISO 14020 framework and leverages other leading ISO and EN standards across different technical design aspects. We deploy eco-design features in new developments by ensuring our internal eco-design requirements are internally formalized and embedded in the product development process. In 2024, we implemented several eco-design requirements into pilot projects for our electronic devices. Notably, we began using recycled plastic and metal.

We have set an aspiration for all our smoke-free electronic devices introduced on the market as of the end of 2025 to have eco-design certification, understanding that such certification can prepare us to be compliant with regulatory requirements, as well as drive product performance. To reach eco-certification of our smoke-free electronic devices, we submitted self-declared environmental statements to internal and external validation and verification bodies.

In 2024, we have developed and published for the first time three pre-certified Environmental Product Declarations (EPDs) (available [here](#)). An EPD is a standardized, verified document that transparently presents credible information about a product's impact on the environment. These pre-certified EPDs apply to the recently launched *IQOS ILUMA i* series of devices, offering detailed insights into the environmental impact of the products. In addition to increasing awareness among end-users, these EPDs bring further clarity into the improvement opportunities we can undertake to reduce our environmental footprint.

During the year, we have been at the forefront in supporting the creation and publication of the EPD International Product Category Rule (PCR) for electric and electronic equipment (available [here](#)). A PCR is a standard which provides the requirements to be applied for the creation of an EPD. Through this initiative we ensure that PMI, as well as others in the space, have access to standardized, transparent, and state-of-the-art instruments to quantify and disclose the environmental impact of smoke-free electronic devices.

### Battery replaceability

The recently adopted EU Batteries Regulation requires, as of February 2027, for electronic devices to have batteries that can be readily removable and replaceable directly by consumers. We are progressing on our work to comply with this new regulatory framework by building into our product design the ability for the battery to be removed and replaced by the end user.

## Extending the lifespan of our smoke-free electronics

We strive to extend the life cycle of our smoke-free electronic devices. Achieving this starts with design and choice of materials, followed by imposing high standards of quality and reliability (read more [here](#)) and extends to engaging with our consumers to preserve devices through proper care, while offering the possibility to refresh, repair, and refurbish.

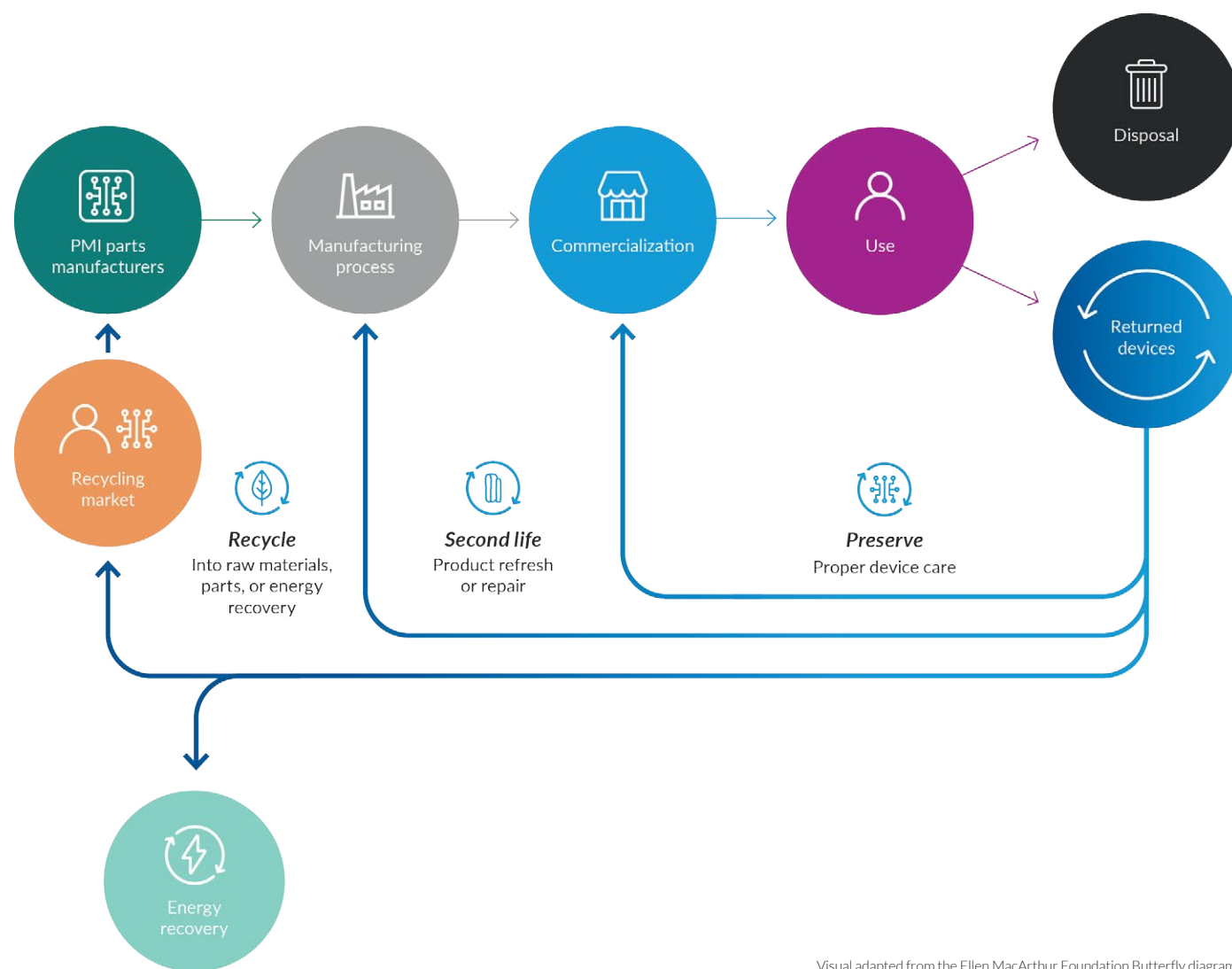
### Preserve through proper device care

We strive to help users of smoke-free electronic products extend the life of their devices through better care. We aim to minimize consumer pain points with simple tips based on usage and behaviors to optimize legal-age user experience. Firmware updates, proper charging, and assistance in our boutiques help reduce the number of devices ending up as waste.

Building on this work, we leverage our direct channels (e.g., our stores, e-commerce websites, and IQOS coaches) to engage our consumers on how to prolong the life of their devices, thus

avoiding e-waste through appropriate device care. These efforts include in person and remote engagement to explain device functionality.

In 2024, we piloted diagnostic digital tools and new services within our IQOS brand retail environments across three markets to enhance our device life cycle management. Our objective is to reduce unnecessary returns of functioning devices that are misdiagnosed with faults or returned because of consumers' misunderstanding on how to use the device optimally. With consumer consent, we can access detailed device data, such as charging patterns and usage behaviors, to assess device usage and condition, including battery status. This enables us to provide the consumer with advice on optimized device use and maintenance, potentially extending the device's lifespan. We plan to deploy these digital tools across IQOS brand retail environments within more markets in 2025.



Visual adapted from the Ellen MacArthur Foundation Butterfly diagram.

## In-store repair and refresh

With every technology generation we aim to improve device durability and reliability. As a result, IQOS ILUMA exhibits the lowest return rates and longest life cycle compared with its predecessors. Due to this longevity, IQOS ILUMA devices can show signs of wear and tear after prolonged use (for example, scratches or broken parts).

To avoid returns, and thus e-waste, we have developed a repair and refresh process that enables replacement of most of the worn or broken cosmetic parts, with an aim to extend the device use.

We piloted our first cosmetic-part servicing plan for IQOS ILUMA ONE and IQOS ILUMA MID in 2023 in Switzerland, enabling consumers to have the casing of their functioning devices replaced. Following positive first results, we extended the service in 2024 to three additional markets—Czechia, Portugal, and Slovakia. By year-end, it was available in 36 brand retail stores across these four markets and showed strong consumer satisfaction, with over 3,000 devices repaired and returned to their owners during the year (resulting in a saving of around 12,000 kg CO<sub>2</sub> compared with device replacement).

### Promote device second life: refresh and repair

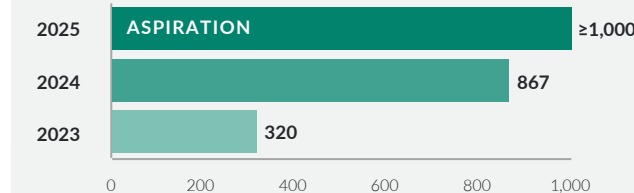
Devices are returned to us through various consumer programs such as lending, trade-in, money-back guarantee, and device take-back.

Device take-back programs provide our consumers the opportunity to return their old and unused devices to us. Collected devices are either given a second life or recycled. The parts that are not recyclable are incinerated with energy recovery.

Successful second-life strategies rely on the ability to collect and sort devices, distinguishing between those to be recycled and those to be repaired or refreshed, according to our quality and safety standards. Also vital is simplifying the experience for consumers and making it more accessible.

We are continuing to mature our circular model. To guide us in this journey, we have set an ambitious aspiration to refresh or repair at least 1 million smoke-free electronic devices by the end of 2025 (cumulative since 2021). In 2024, we achieved 867,000 smoke-free electronic devices refreshed or repaired since 2021.

## Number of smoke-free electronic devices refreshed or repaired (cumulative since 2021), in thousands



Note: For further details, see [PMI's Sustainability KPI Protocol 2024](#).

The significant progress we achieved this year was driven by our strategic focus on enhancing our refresh and repair capabilities, enabling us to extend them beyond IQOS DUO to IQOS ILUMA, and to deploy IQOS ILUMA ONE Refreshed across 11 new markets (reaching a total of 14 markets).

An essential step in the refresh and repair process is the capability to "recharge," which allows the battery life of a returned device to be restored to an optimal state, resulting in an extension of the product life. This capability is currently available at repair operations, the electronic manufacturing suppliers, and distribution centers.

A significant barrier for adult smokers considering smoke-free alternatives is the initial investment required for the device—an upfront cost that does not exist with continued cigarette use. To address this affordability challenge and reduce barriers to switching, in some geographies we offer second-life devices, branded as IQOS ILUMA Refreshed, at prices 20 to 30 percent lower than new devices. This price differentiation strategy appears effective, as indicated by the 2024 Net Promoter Score for IQOS ILUMA Refreshed devices scoring about seven points higher than new devices, demonstrating that the combination of a more accessible price point and the reduced environmental footprint is valued by consumers.

### Enhance circularity: device recycling

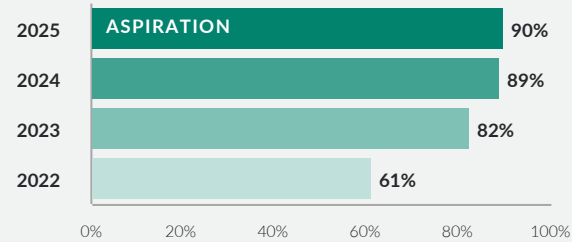
For those products that cannot be given a second life, PMI CIRCLE hubs inspect, process, and separate materials for recycling. These hubs manage the recycling of PMI-designed electronic devices, including heat-not-burn and e-vapor products. We opened our two central CIRCLE hubs in Hungary and Japan in 2018.

As our footprint grew and we expanded our commercialization efforts across markets, our CIRCLE program (which originally consisted of only our two CIRCLE hubs) expanded to be complemented by local solutions that met our recycling requirements. Logistics, environmental considerations, and regulation have been the main drivers to find local solutions to complement the work of our CIRCLE hubs.

In 2024, eight new markets partnered with validated local recyclers to manage the end-of-life of their electronic devices, bringing the total to 17 markets with validated local solutions in place. Meanwhile, our CIRCLE hubs expanded to cover three new markets. In total, 42 of our markets selling smoke-free electronics were covered by the CIRCLE program by year-end.

This brought us very close to our 2025 aspiration of having 90 percent of our smoke-free electronic device sales volume covered by the CIRCLE program, as our CIRCLE program covered 89 percent of our volume in 2024 (2023: 82 percent).

### Proportion of smoke-free electronic device sales volume covered by the CIRCLE program



Note: Excludes disposable products and non-PMI-designed devices. Collected devices are considered covered by the CIRCLE program if they are either processed at our centralized CIRCLE hubs or by validated local recycling partners.

In 2024, the recycling rate of our products at our CIRCLE hubs in Hungary and Japan, combined with validated local recycling activities, reached 87 percent, excluding 8 percent energy recovery through incineration (2023: 89 percent, excluding 4 percent energy recovery). We seek to maintain a recycling rate above 80 percent, calculated as the percentage of the weighted average of the mass of each device that is recycled through the CIRCLE program. Recycling rate is a critical performance indicator as it directly measures our progress in minimizing electronic waste and our success in recovering valuable materials from used devices, which supports both our environmental goals and the efficient use of resources as we enhance circularity.

## Reducing and improving packaging

As our product portfolio changes, so does our packaging, which continues to evolve in line with our expansion into new product categories, adaptations to better meet consumer expectations, and shifts in regulation.

Our sustainable packaging strategy seeks to keep pace with these changes, reflecting best-in-class leadership in packaging recyclability and packaging material reduction.

We continue to invest in proprietary research and to test alternative materials and formats for potential displacement of hard-to-recycle packaging across our consumable portfolio and participate in multistakeholder initiatives to remain apprised of packaging trends, new technologies, and regulation.

### A glance at our path to integrate the data from Swedish Match

Swedish Match data are not reflected in the “Reducing and improving packaging” sub-section as the integration work is ongoing.

The packaging for nicotine pouches is commonly associated with a rigid single-use polypropylene can across geographies and brands. This type of packaging poses different sustainability challenges compared with the mostly fiber-based packaging formats associated with the other types of products offered by PMI due to its different production process and recycling route.

We plan to expand the scope of our sustainable packaging initiatives to this new part of our product portfolio in 2025. This may include refill and reuse options as well as exploring viable alternative packaging materials and formats which meet consumer acceptance, performance, and are scalable without increasing our carbon footprint.

### Materials used in our packaging in 2024

Within our packaging portfolio, the primary material is paperboard packaging which is a renewable fiber-based material. In 2024, this represented around 373,860 tons, or 92.3 percent, of our total packaging portfolio. Paper and board are primarily used in packs and bundles, inner liners, and shipping cases.

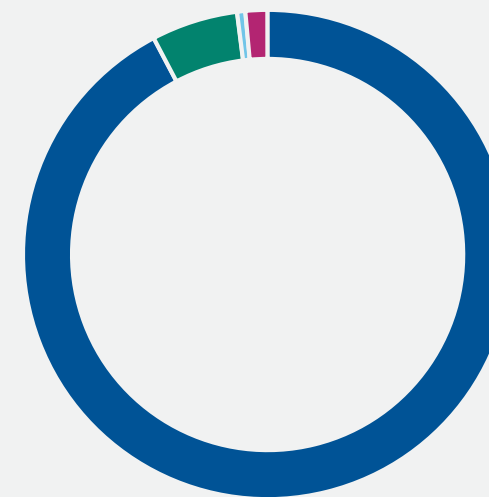
Of this, 90 percent was sourced from suppliers with CoC certified according to the Forest Stewardship Council (FSC), Program for the Endorsement of Forest Certification (PEFC), or Sustainable Forest Initiative (SFI) standards.

We work in close partnership with our major suppliers to achieve the highest possible proportion of CoC-certified board material to ensure our packaging does not contribute to deforestation.

Plastics used for our overwrap of consumables and devices, other tobacco products (OTPs), pouches, inner liners, etc. represented 23,100 tons, or 5.7 percent, of our global packaging footprint in 2024.

The limited amount of aluminum we used across our packaging formats in 2024 represented 2,190 tons, of which 100 percent was Aluminum Stewardship Initiative (ASI) certified. Finally, other materials such as inks and composite materials represented 5,920 tons, or 1.5 percent, of our global packaging footprint.

### Use of materials in our packaging in 2024



<b>Paper and board</b> Packs and bundles, inner liners, and shipping cases	<b>373,860</b>	<b>92.3%</b>
<b>Plastic</b> Overwrap of packs and bundles, other tobacco products, pouches, seal inner liners, and labels	<b>23,100</b>	<b>5.7%</b>
<b>Aluminum</b> Inner liners (including seal) and other tobacco packaging	<b>2,190</b>	<b>0.5%</b>
<b>Other</b> Inks and composite materials used in other tobacco product packaging	<b>5,920</b>	<b>1.5%</b>

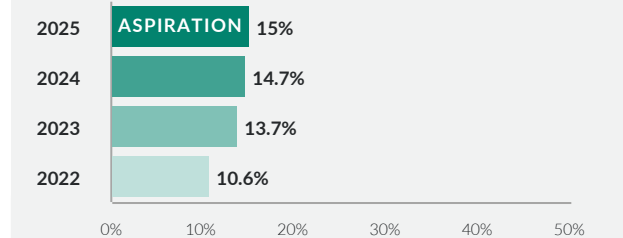
Note: Excluding e-vapor product packaging materials (<0.5% of overall PMI tonnage).

## Reduce packaging

In collaboration with industrial material and machine suppliers, we continued our focus on reducing material consumption. By the end of 2024, we achieved an estimated annual reduction of more than 1,700 tons of paperboard across our portfolio, for both combustibles and smoke-free products. Between 2022 and year-end 2024, our efforts resulted in a reduction of more than 6,900 tons of paperboard.

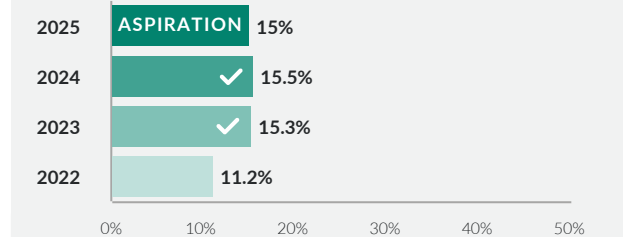
We report the average packaging intensity reduction versus the 2018 baseline for two distinct product categories: combustibles and heat-not-burn consumables, as these are the primary volume drivers for this metric. We made significant progress on reducing the average packaging weight within our product range in 2024. For example, we continued to reduce the weight of boards and inner liners used in several pack formats in the combustible and heat-not-burn categories. Our efforts allowed us to achieve our reduction aspiration for heat-not-burn products ahead of schedule.

### Average packaging weight reduction for combustible tobacco products versus 2018 baseline



Note: 2023 value was restated.

### Average packaging weight reduction for heat-not-burn products versus 2018 baseline



Note: Prior years' data was restated following revised methodology, to better represent evolving heat-not-burn portfolio.

In addition to our aspirations for packaging related to consumables for combustible tobacco products and heat-not-burn products, we are also taking steps to minimize packaging used for our devices. For instance, during 2024, we developed a new packing design using less board for our electronic smoke-free devices resulting in an approximate reduction of 25 percent of packaging intensity versus the previous design format. We intend to roll out this new solution in all our markets over the course of 2025.

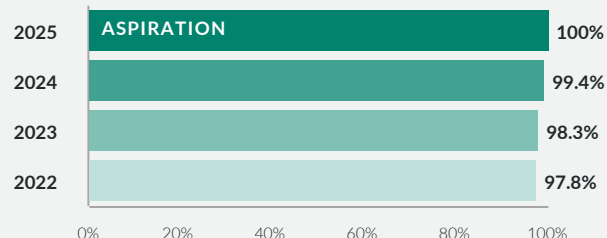
### Removal of laminated plastic film for device packaging

For device packaging, a laminated plastic film has historically been used to reduce the impact of dirt and damage from handling. During 2024, we successfully finalized the development of a new varnish which replaces the functionality of the plastic film. Due to this new solution we managed to reduce plastic usage for our IQOS ILUMA device packaging by approximately 10 tonnes over the past year across 14 markets. A scaled rollout with additional markets is planned for 2025.

### Improve circularity

To improve circularity, we focus on making our packaging formats designed for recyclability. The term "packaging format" refers to what the consumer needs to dispose of after use and can, in some cases, have several components composed of multiple materials (e.g., inner liner, hinged lid), integrated into one format (e.g., pack). Assessing the recyclability of the entire packaging format is more reflective of the reality as the consumer is unlikely to separate all elements of a package after use unless specifically instructed to do so.

#### Proportion of packaging formats that are designed for recyclability



We continue to ensure that the vast majority of our packaging formats are designed for recyclability and we regularly conduct assessments via third-party laboratories to measure the recyclability performance.

At the same time, we recognize that without established collection and infrastructure in the markets we serve, claims on design for recyclability can be misinterpreted. This is why we are driving toward 100 percent as an aspiration but will never claim 100 percent recyclability of our portfolio in practice.

As a leader in sustainable packaging, it is our responsibility to help drive the parts of the value chain that will improve the rates at which materials are truly recycled using processes that are lower in carbon footprint than equivalent virgin materials.

For example, we are engaged in 4evergreen, a cross-industry alliance of over 100 members representing the entire life cycle of fiber-based packaging. Its members work together on guidelines, tools, and alignment within the paper recycling value chain toward the goal of reaching a 90 percent recycling rate for this stream by 2030.

In addition to sustainable design, consumer education plays an important role in reducing the impact of our packaging on the environment. To help consumers recycle their packaging according to local infrastructure in certain markets we have on-pack communications and messaging to provide guidance on correct disposal. For example, in Italy we have placed barcodes on packs that can be scanned with a device to provide guidance on correct disposal.

### Recycled content

In 2024, we continued to seek opportunities for lower carbon footprint materials in our packaging, including the incorporation of recycled content. As referenced in our previous integrated report (read more [here](#)), we face challenges in both availability and performance of these materials.

For example, the availability of recycled polypropylene (a common form of plastic used across our packaging portfolio for sensitive contact applications) remains scarce due to the underdeveloped circular materials supply chain. We recognize that this scarcity leads to supply insecurity for recycled materials and creates a trade-off between the overall carbon footprint benefit versus the use of virgin materials.

We continue to monitor this area and apply our own due diligence and will provide transparency on our use of recycled material for packaging in our reporting.

## Looking ahead

We aim to reduce the carbon and overall environmental footprint of our electronic devices through innovative design improvements that consider the selection of more sustainable materials. In 2025, we will continue implementing eco-design principles in the early design phase, focusing on responsible material use and the inclusion of recycled materials, as well as on reparability and end-of-life programs. Importantly, we are also preparing our device portfolio to include removable battery and replaceability options that will enhance our device longevity and increase the circularity of batteries and the critical raw materials they contain. We plan to introduce these improvements into our devices gradually starting in 2026. Looking ahead, as we continue to expand our portfolio of electronics and incorporate new innovations, our efforts toward extending the life of our devices and optimizing design for repair and recycling will remain steadfast, leveraging design for sustainability as an innovation driver. We will continue to ensure robust product quality in our developments while supporting adult consumers in maintaining their devices through the serviceability of functional and cosmetic components. Through these steps, we aim to drive a more sustainable product life cycle and reinforce our commitment to global circularity.

**Michele Cattoni**  
Senior Vice President,  
Research & Development



We will continue the expansion of our refresh and repair capabilities for electronic device life extension, and the remarketing of refreshed and refurbished products, confident we will achieve our 2025 aspiration. To address the environmental impact of single-use e-vapor products, we plan to scale awareness and incentive programs to facilitate consumer switching from disposable e-vapor products to reusable, closed-pod systems. In 2025, we also plan to deploy digital tools we piloted in 2024 across our IQOS brand retail environments in more markets to reduce unnecessary returns and extend the device's lifespan.

**Stefano Volpetti**  
President, Smoke-Free  
Products Category & Chief  
Consumer Officer



We will continue to explore and test non-plastic filters, while seeking to address scalability challenges for those already identified as promising solutions which we have tested to date. Looking ahead to 2025 and beyond, we are committed to maintaining extensive coverage of our cigarette butt anti-littering initiatives, ensuring that our efforts remain locally tailored and impactful. Additionally, we are dedicated to enhancing the effectiveness of these programs by leveraging innovative strategies and fostering community partnerships to drive meaningful change.

**Werner Barth**  
President, Combustibles  
Category and Global  
Combustibles Marketing



We remain committed to exploring opportunities to enhance our packaging portfolio by incorporating recycled content, particularly in the areas of plastics and board, despite the challenges associated with the availability and acceptability of these materials. The ongoing integration of Swedish Match into the business introduces a new and challenging dimension to our packaging portfolio. We view this integration as a significant opportunity to reassess and implement more circular packaging solutions, such as refillable or reusable options and alternative materials, for this expanding format. This initiative aligns with our overarching sustainability goals and underscores our dedication to advancing environmentally responsible practices within our operations.

**Scott Coutts**  
Senior Vice President,  
Operations





# Operational impact

**Foster an empowered and inclusive workplace** p90

**Improve the quality of life of people in our supply chain** p104

**Tackle climate change** p120

**Preserve nature** p136

1 We measured perception of psychological well-being on a five-point scale from very bad to very good through our ongoing company-wide employee survey.  
 2 Scope is limited to farmers who provide accommodation to workers (approximately 3 percent of the total farmer base in 2024).  
 3 Virtually zero waste to landfill is achieved when the landfill diversion rate is equivalent to 99 percent or greater. This aspiration covers our manufacturing site and PMI-owned tobacco stemmeries.  
 4 Aspiration pertains to priority manufacturing facilities identified based on site overall risk in relation to the watershed, water withdrawal, water consumption, product portfolio, and other strategic considerations. PMI sites that are in low to medium water risk areas and below 2.5% of PMI manufacturing water footprint are excluded.

\* Aspiration does not cover Swedish Match.

## Our aspirations

<p><b>Maintain</b></p> <p><b>100%</b> of PMI employees earning at least a living wage  <b>&lt;0.65</b> collision rate in our fleet  <b>Global EQUAL-SALARY</b> certification  <b>&lt;0.3</b> Total Recordable Incident Rate (TRIR) for PMI employees, contracted employees, and contractors (per 200,000 hours worked)</p>	<p><b>2025</b></p> <p><b>70%</b> of PMI employees with access to structured lifelong learning offers</p> <p><b>&gt;70%</b> score on self-perception of psychological well-being among our employees<sup>1</sup></p>			
<p><b>Maintain</b></p> <p><b>&gt;90%</b> PMI-purchased tobacco volume for which labor practices and adherence to our Agricultural Labor Practices Code are systematically monitored  <b>100%</b> of contracted tobacco farmers and farmworkers supplying tobacco to PMI have access to personal protective equipment for the application of crop protection agents and prevention of green tobacco sickness</p>	<p><b>2025</b></p> <p><b>100%</b> of contracted farmers supplying tobacco to PMI paying their workers at least the minimum legal wage or agricultural benchmark  <b>100%</b> of tobacco farmworkers are provided with safe and adequate accommodation<sup>2</sup></p> <p><b>2025</b></p> <p><b>100%</b> of contracted farmers supplying tobacco to PMI make a living income*  <b>10</b> highest-risk countries covered by external human rights impact assessments, with findings addressed*  <b>0%</b> prevalence of child labor among contracted farmers supplying tobacco to PMI*  <b>100%</b> of contracted farmers supplying tobacco to PMI that have basic water access*  <b>100%</b> of spend with critical suppliers from whom PMI sources sustainably*</p>	<p><b>2030</b></p> <p><b>100%</b> of contracted farmers supplying tobacco to PMI have access to basic sanitation and hygiene</p>		
<p><b>Maintain</b></p> <p><b>Zero</b> coal used as curing fuel for the tobacco we source</p>	<p><b>2025</b></p> <p><b>Carbon neutrality</b> in our direct operations (scope 1+2)  <b>35%</b> reduction in absolute greenhouse gas (GHG) emissions in our tobacco supply chain versus 2019 baseline*  <b>100%</b> of our manufacturing facilities certified carbon neutral*</p> <p><b>18%</b> reduction in absolute scope 3 Forest, Land and Agriculture (FLAG) GHG emissions versus 2019 baseline  <b>100%</b> of electricity used and purchased in our factories derived from renewable sources*  <b>15%</b> of suppliers by spend (covering purchased goods and services) will have science-based targets (SBT)*  <b>75%</b> reduction of CO<sub>2</sub>e intensity in tobacco curing versus 2019 baseline*</p>	<p><b>2030</b></p> <p><b>50%</b> reduction in absolute scope 1+2 GHG emissions versus 2019 baseline (SBT)  <b>33.3%</b> reduction in absolute scope 3 FLAG GHG emissions versus 2019 baseline (SBT)  <b>27.5%</b> reduction in absolute scope 3 industrial GHG emissions versus 2019 baseline (SBT)  <b>50%</b> absolute reduction of CO<sub>2</sub>e scope 3 in our tobacco supply chain*</p>	<p><b>2040</b></p> <p><b>72%</b> reduction in absolute scope 3 FLAG GHG emissions versus 2019 baseline (SBT)  <b>90%</b> reduction in absolute scope 1+2+3 GHG emissions versus 2019 baseline (SBT)  <b>Net zero</b> GHG emissions in our value chain (scope 1+2+3) (SBT)</p>	
<p><b>Maintain</b></p> <p><b>Zero gross deforestation</b> of primary and protected forests associated with our tobacco supply chain  <b>100%</b> of tobacco purchased without detection of residues attributable to the use of highly hazardous pesticides  <b>&gt;70%</b> of flue-cured tobacco purchased cured with renewable fuel sources (self-sufficient firewood or biomass)  <b>≤3.1</b> water ratio in our manufacturing facilities (water withdrawn in cubic meters per million cigarettes equivalent)  <b>Virtually zero</b> waste to landfill in manufacturing operations<sup>3</sup></p>	<p><b>2025</b></p> <p><b>Zero</b> net deforestation of managed natural forest and no conversion of natural ecosystems in our tobacco supply chain*  <b>Net positive impact</b> on forests associated with our tobacco supply chain*  <b>100%</b> of our tobacco-growing areas covered by local water risk assessments (cumulative since 2018)*</p> <p><b>100%</b> of our priority manufacturing facilities certified to the Alliance for Water Stewardship (AWS) standard<sup>4</sup>*  <b>Zero gross deforestation</b> of primary and protected forest associated with our supply of paper and pulp-based materials*</p>	<p><b>2030</b></p> <p><b>Zero net</b> deforestation of managed natural forest and no conversion of natural ecosystems in the paper and pulp-based products supply chain</p>	<p><b>2033</b></p> <p><b>No net loss</b> on ecosystems connected to PMI's value chain  <b>≥25 million cubic meters</b> of water optimized in our tobacco-growing areas (cumulative since 2019)                  Scale solutions toward a <b>positive impact</b> on water resources, measured as volume of water optimized and restored</p>	<p><b>2050</b></p> <p>Contribute toward a <b>net positive impact</b> on nature                  Contribute toward a <b>positive impact</b> on water resources</p>



OPERATIONAL IMPACT

# Foster an empowered and inclusive workplace

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

INWARD IMPACT

### The business case

Our long-term business success relies on our people—on the dedication, talent, and passion they bring to work. Accordingly, it is essential for us to provide a fair and inclusive workplace that upholds good working conditions and labor rights, protects the health and safety of employees, promotes well-being, and offers opportunities to grow, upskill, and improve their employability. As a global company, we harness the value that varied nationalities in our workforce bring to our business, contributing to our success, reflecting our diverse consumers' evolving expectations.

As our company continues to rapidly transform, appreciating the value of human capital becomes key. Investing in our people and enhancing their skills, knowledge, and experience by providing meaningful opportunities helps us to attract, onboard, develop, and retain talented individuals who can contribute fully to our company's smoke-free vision. Furthermore, we strongly believe that an inclusive culture improves decision-making, innovation, customer orientation, and employee satisfaction.

OUTWARD IMPACT

### The right thing to do

Equitable and fair employment conditions are beneficial to societal harmony and well-being and are central to a sustainable and prosperous future. Effective professional development opportunities ensure that employees can pursue professional opportunities and contribute meaningfully to our business and society.

By ensuring that all people who work with us enjoy a safe and healthy work environment, and by attending to their physical and mental well-being, we can positively impact their lives beyond the workplace.

Moreover, by ensuring an equitable and fair workplace—essential to unlocking social and economic development—we instill in our people a sense of belonging and purpose. This can have positive spillover effects outside of our organization and sets an example for corporate best practice.

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	Promoting mental health and well-being	101

## Management approach

Our ambition is to be an employer of choice, fostering a collaborative and inclusive culture wherever we operate in the world.

This means ensuring that our employees experience fair working conditions, opportunities to develop skills and boost their employability, and a workplace that protects and promotes their psychological and physical health, safety, and well-being.

The importance of human capital development is central to our strategy. Training and communications help employees understand the standards and processes relevant to their roles and how to apply them in their daily work. We use multiple formats and languages to optimize our reach across the organization.

We ensure our employees are informed of their rights by their local People & Culture (P&C) teams, our [Code of Conduct](#) and related principles and practices—including our Workplace Integrity policy, and Global Non-Discrimination and Anti-Harassment policy—and collective labor agreements.

As a global company, we consider it our duty to ensure that our entire workforce (regardless of local or national regulation) is treated fairly, respectfully, and in line with our principles. We operate in multiple countries with widely varying legal employment frameworks. For example, in some countries the right to freedom of association is restricted; in such cases, we strive to work with employees' consultative committees and other suitable mechanisms of representation.

We value dialogue with properly appointed employee representatives (e.g., trade unions and works councils, European Works Council) and regularly engage with them and learn from best practices. This dialogue occurs at local, regional (e.g., EFFAT—European Federation of Food, Agriculture and Tourism Trade Unions), and global (e.g., the IUF—International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations) levels.

We encourage our employees to speak up about employment-related concerns, ask questions, and recommend improvements via their supervisors, P&C teams, our Ethics & Compliance function, or our helpline (read more [here](#)).

PMI takes allegations of sexual harassment and discrimination seriously and will investigate allegations and apply disciplinary measures (up to and including termination), as appropriate. See the [Uphold business ethics and integrity](#) section for more information about our Speaking Up program and Compliance investigations.

### Management

Employee-related matters are the responsibility of all members of Company Management and functional heads. Beyond reporting lines, dedicated teams within our People & Culture function—headed by our Chief People & Culture Officer, a member of Company Management—lead efforts on labor relations, employee engagement, talent attraction and retention, human capital development, performance management, compensation, and the development and deployment of strategies to improve inclusion and promote well-being in the workplace. Our Senior Vice President, Operations oversees the company's health and safety strategy and performance on health and safety across our manufacturing sites, fleet, and offices. Our internal communications team, headed by our Chief Communications Officer, facilitates employee engagement and nurtures a positive workplace culture.

### Workplace integrity principles at PMI

We strive to maintain a fair, collaborative, inclusive, safe, and professional environment that protects our employees' well-being and mental health. We promote opportunities to all employees for growth and professional development and ensure that all employment-related decisions are merit-based. We do not tolerate harassment, discrimination, abuse or inappropriate use of company assets or resources, violence, or the misuse of alcohol or drugs. We do not engage in or condone child labor, forced labor, or other human rights abuses. We encourage effective engagement and dialogue with employees and their properly appointed representatives. Read more in our [Code of Conduct](#).

### PMI's policies and standards

- [Code of Conduct](#)
- [Human Rights Commitment](#)
- [Environmental, Health, and Safety \(EHS\) Manufacturing Sustainability Commitment](#)
- [Fleet Safety policy](#)



Foster an empowered and inclusive workplace

Improve the quality of life of people in our supply chain

Tackle climate change

Preserve nature

# Progress in 2024

## Highlights

- We successfully activated and cascaded PMI DNA across our organization, reaching the majority of our workforce. This initiative codifies our corporate culture and emphasizes the behaviors that will drive our long-term success, ensuring a cohesive and empowered workforce.
- We continued to integrate Swedish Match into PMI by focusing on talent retention and process harmonization to retain the diverse capabilities and expertise from both organizations, fostering a collaborative environment.<sup>1</sup>
- We maintained broad access to lifelong learning opportunities for our employees to support continuous professional development and skill enhancement. We also launched a comprehensive GenAI education and training program, which aimed to raise awareness and adoption in our workforce and upskill our employees, thereby enhancing our workplace confidence and encouraging innovation.
- We continued prioritizing employee well-being, underpinned by strong health and safety initiatives, to foster a supportive, safe, and productive work environment.

<sup>1</sup> This section of the report includes the portion of Swedish Match employees that had been integrated into our central human resources system by the end of 2024 (around 2,000 employees), unless explicitly stated otherwise.

## Challenges

- Mindful of external developments, maintaining high employee engagement and ensuring employee well-being amid ongoing global uncertainties and macroeconomic pressures requires continuous adaptation of our strategies, initiatives, and resources.
- It is crucial for us to understand how to harness the potential of GenAI technology at enterprise level and drive change in a sustainable and impactful manner, while supporting employees to learn new skills to co-create their growth in line with evolving company needs.
- As we expand our operations in the U.S., it is essential that we build a strong team, developing organizational capabilities at a rapid pace and at scale.
- Preparation for evolving human capital reporting requirements across multiple markets demands increased vigilance and proactivity.
- Promoting PMI DNA means fostering an empowered and inclusive workplace, with a workforce that represents the interests and views of all our consumers and that is good for our business. This requires us to remain steadfast in our efforts to protect our culture and equip each and every leader in our company with our core values.

## Providing fair employment

All PMI employees, irrespective of role, location, or length of service, have the right to work under fair and just conditions. Treating people with respect and dignity is central to the fundamental principles that guide our business conduct and unite us as a company.

### Maintaining sound labor relations

Maintaining sound labor relations promotes sustainable success for our business and our employees. We achieve this by creating an environment conducive to proactive, productive, and results-oriented collaboration among management, employees, and their properly appointed representatives.

We respect employees' rights to form or join trade unions and other employee representative organizations of their choice. In 2024, we had 63 percent of our workforce covered by collective labor agreements (2023: 63 percent).

We have continued to build on our commitment to further develop and strengthen local labor relations strategies and action plans by supporting affiliates as they develop their three-year labor relations plan.

### Providing fair compensation

We are committed to upholding and promoting a fair and just workplace, rewarding our employees based on their role and performance.

Our compensation, recognition, and benefits programs, platforms, and policies differ by location, taking into account local regulations, agreements, needs, and preferences. Most programs incorporate life insurance, long-term illness and disability plans, retirement-related arrangements, and paid leave programs for all PMI employees. Furthermore, there are some global offerings, such as our Employee Assistance Program.

We regularly review our offerings to ensure they meet the evolving needs of our employees.

### Upholding a living wage for our employees

We are committed to ensuring that all our employees globally earn at least a living wage. Paying above the living wage fosters financial well-being, positively impacting employee's mental health and benefiting our employees' families and wider communities. It fosters talent attraction, retention, and productivity, while securing our social license to operate. A living wage, distinct from a minimum wage, provides an employee with the means to enjoy a decent standard of living, including the ability to buy goods and services and accumulate savings. A living wage takes local living standards into account.

We have been assessing living wages for our employees globally since 2018. We plan to keep conducting a living wage assessment at least every two years and initiate actions as necessary to ensure that we continue to meet our global living wage commitment to our employees.

Our most recent survey, completed in 2023 with BSR, confirmed that we continue to pay at or above the living wage for all our employees worldwide. Our next global living wage assessment is scheduled to take place in 2025 and will account for the expansion of our U.S. business and integration of Swedish Match.

## Promoting employee volunteering

PMI has a long-standing commitment to support the communities where our employees live and work and from which we source tobacco. Support takes many forms, including monetary contributions, in-kind donations (we publish annually the list of our social contributions [here](#)), and employee volunteer work.

All PMI employees are eligible to take two days per year of paid leave for volunteering activities. In addition, the company commits to match—with up to five additional paid leave days—any additional volunteer work employees choose to do in their own time.

We also continue to support [Projects with a Heart](#), a global grassroots, employee-driven philanthropic movement that connects internal employee donors and would-be volunteers with people in need. In 2024, employees initiated more than 340 humanitarian projects across around 40 countries through Projects with a Heart; those are estimated to have impacted more than 16,000 people.

Note: Unless otherwise indicated, employee-related data in this chapter of the report cover approximately 76,600 employees reported in PMI reporting systems by year-end 2024. This number excludes wellness and healthcare business, Swedish Match employees not yet integrated in PMI's systems, Brazil Profigen, and United Tobacco Company.

**Equal pay for equal work**

We are globally certified as EQUAL-SALARY. Our certification was renewed in 2022 and is valid for a three-year period. This global certification verifies that PMI continues to pay its employees equally for equal work in all the markets where we operate.<sup>1</sup> This is an essential building block on the road to attract and retain talent, as well as to maintain our status as an employer of choice.

Aspiration
Maintain

**Global EQUAL-SALARY certification**

Equal pay for equal work is a first step in ensuring that no one's work is undervalued. This foundational work is contributing toward closing our existing gender pay gap (which we calculate as the average pay for women versus the average pay for men), alongside improving representation at senior levels of the company (read more [here](#)).

**Third-party workforce**

Third-party workers are individuals who are engaged through external entities such as staffing agencies, outsourced providers, or independent contractors. These external workers often provide specialized skills or services on a temporary or project basis.

We have established a cross-functional third-party workforce program, which aims to improve the way we manage our third-party workers. Our aim is to ensure we foster our commitment to promote and protect human rights, thereby preventing risks that could jeopardize our business operations.

In 2024, we started to roll out our internal third-party workforce guideline, which outlines the framework and guiding principles for engaging third-party workers in our supply chain.

We also piloted a management system to enhance our visibility of contracted workers in Switzerland and the U.K., allowing us to understand the challenges and opportunities related to the management of this population.

<sup>1</sup> The certification process excluded Russia.  
<sup>2</sup> Data excludes Swedish Match.

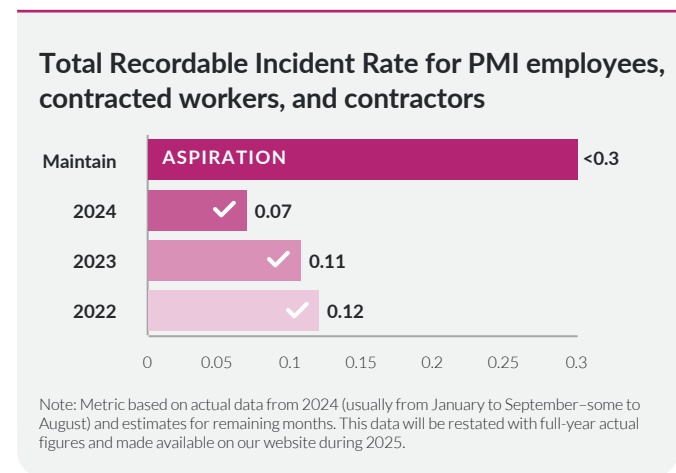
**Protecting the health, safety, and security of our employees<sup>2</sup>**

We have embedded clear methodologies, procedures, and robust controls in our factories, offices, and fleet aimed at ensuring that our employees and others on-site stay safe.

The health and safety of employees and contractors in manufacturing facilities, offices, and our fleet is covered by our management systems, which are based on recognized guidelines and standards, including ISO 45001:2018 (Occupational Health and Safety Management Systems), and assessed and audited internally and externally.

These systems enable us to analyze safety losses and to prioritize, plan, and monitor health and safety performance. We routinely update our standards and train our staff to ensure teams understand and align with the requirements.

Our health and safety performance monitoring covers PMI employees, contracted workers employed by a temporary employment agency (we had around 4,720 contracted workers on average per month in 2024, compared with around 4,630 in 2023), and contractors when on PMI premises (see [Glossary](#) for definitions).



In 2024, our Total Recordable Incident Rate (TRIR) for employees, contracted workers, and contractors was 0.07 (2023: 0.11). We are proud of the progress made to date and remain committed to sustainably maintaining a TRIR below 0.3.

Our Lost Time Incident Rate (LTIR) for employees, contracted employees, and contractors was 0.05 in 2024 (2023: 0.08). We do not set targets on lost time incidents as we wish to handle every incident with the same level of importance, quality of analysis, mitigating action, and worldwide reapplication of learnings, regardless of whether the incidents result in lost time.

**Safety in manufacturing**

Health and safety in our factories is coordinated centrally by our Global Manufacturing Sustainability team. At site level, each facility has a dedicated team that ensures standards are met on the ground.

As part of ISO 45001:2018 requirements, each site performs an annual management review, which highlights its main risks and opportunities and planned actions. The review is conducted in alignment with the site's entire management team.

External certification helps us continuously improve and drive efficiency. In 2024, 100 percent of our factories that individually produce the equivalent of a minimum of 3 billion cigarettes annually were covered by global multi-site certification to ISO 45001:2018. The process requires yearly third-party surveillance audits of sampled sites and of our global Manufacturing Sustainability function; it resulted in zero major or minor nonconformities for the third consecutive year. This highlights the excellence in some crucial parts of an effective occupational health and safety (OHS) management system, including but not limited to:

- Prioritization and integration of action plans with quantified targets to address OHS risks
- Integration of actions to prepare for and respond to emergency situations
- Evaluation of progress in reducing and preventing health issues and risks against targets
- Internal inspections
- Procedures to investigate work-related injuries, ill health, diseases, and incidents

All manufacturing sites perform full-scope risk assessments to identify hazards and implement necessary controls. Our corporate targets on incidents help us evaluate the effectiveness of our safety policies and programs.

Historically, the emphasis on safety topics has been predominantly directed toward the production floor. We continue to work to enhance safety measures and protocols across all areas of our facilities, including non-production areas where we record an important proportion of incidents. Thanks to the successful embedding of safety culture via initiatives such as leadership inspections of non-production sites, we have reduced by 38 percent the total number of accidents in the sites (2024: 36 cases) and by 46 percent the number of incidents in non-production areas (2024: 14 cases) in 2024 versus 2023.

Moreover, each manufacturing site has an established Environmental, Health, and Safety (EHS) pillar, which focuses on building capabilities across the organization to autonomously identify, classify, and mitigate risks. This is done through daily management systems applied at all levels of the organization, which consists of incorporating EHS results, issues, and in-process measures review into the daily work, in order to identify risks and take timely actions.

The root causes of all occurred incidents and near misses are identified, analyzed, and communicated to ensure learning and application of new insights. These capabilities are an integral part of our teams' upskilling, enabling our manufacturing sites to develop an interdependent sustainable culture.

In our factories, we conduct annual assessments involving representatives from all levels of the local organizations, combined with anonymous employee surveys, to evaluate our sites' safety cultures, identify opportunities for improvement, and check the effectiveness of our actions.

We conduct an annual survey to gather feedback on our EHS systems, programs, and tools, and level of engagement among employees and third-party workers. In 2024, it drew almost 15,000 participants (including more than 1,500 contractors) and returned a score of 4.22/5. Site leadership teams take ownership to prioritize the gaps and incorporate identified actions and their follow-up into each site's master plan.

No employee, contracted employee, or contractor occupational fatality occurred in our manufacturing sites in 2024.

**Safety and security in our markets**

A dedicated team manages safety in our commercial and sales environments, as well as physical security across PMI. This team works closely with stakeholders across our business, developing and deploying risk-focused procedures, programs, and training courses, fostering engagement at the country level, and using technology, monitoring systems, and performance indicators to evaluate progress. This helps ensure the safety of company personnel in the office, in the field, on the road, and while traveling.

Through our fleet safety management program—based on recognized standards, including ISO 14001 and ISO 39001—we equip PMI with standards, tools, training, and capabilities to protect the safety of all personnel driving company vehicles.

To achieve our aspiration of zero preventable fleet safety accidents, we provide safe vehicles and driver safety awareness programs. Our aim is to reduce high-severity collisions, with an ongoing goal of eliminating fatal accidents completely.

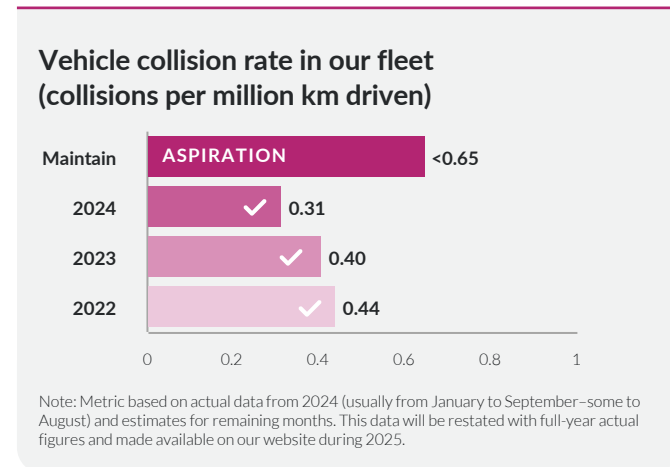


To improve driver behaviors, we leverage awareness campaigns, trainings, and connected fleet technologies. By the end of 2024, 88 percent of our working-tool vehicles in markets where legally permitted were equipped with telematics systems, providing drivers and PMI with accurate data on driving behaviors. Since the introduction of telematics two years ago, we have seen a decrease in fleet accidents by 29 percent. We aim to have all our working-tool vehicles equipped with telematics in markets where legally permitted by 2025. This will help us gather and analyze data to continue fostering safe driving behaviors in future years.

Our immersive, global fleet safety e-learning program is tailored to each driver's core competency score, driving style, and local traffic conditions. This program is connected to onboard vehicle telematics systems where legally permitted, which helps us assess driver competencies and real-world driving behaviors.

In 2024, over 94 percent of the current company working-tool car drivers (approximately 16,000 employees) successfully completed the first three-year cycle of our global fleet safety e-learning program. Using data from this exercise we also launched a new predictive fleet safety program. The program tracks KPIs through an external audit; the metrics provide information on how learning modules can be customized based on driver needs. Two additional modules which focus on preventative measures for hazardous driving behaviors and optimizing fuel efficiency have targeted one in four working tool drivers annually.

Together, our standards, programs, and technology are creating significant improvements in road safety.



The implementation of behavioral fleet safety programs and technology has contributed to further decreasing the number of fleet collisions (severe incidents), further decreasing our collision rate from 0.40 collision rate in 2023 to 0.31 in 2024.

In 2024, our progress on fleet safety continued in Indonesia, the PMI affiliate with the largest number of working-tool cars and the highest safety risk. Full implementation of vehicle telematics technology, in more than 4,700 vehicles, alongside a 99.8 percent participation rate in PMI's global fleet safety e-learning program and reinforced by local leadership, has resulted in a further reduction in the collision rate (from 0.31 in 2023 to 0.25 in 2024).

Although we continue to show progress in fleet safety across our markets, it is to our deep regret that some of our employees were involved in four separate road traffic accidents in 2024 that led to three fatalities among members of the public and one in our own workforce (2023: three fatalities among members of the public; zero in own workforce). The accidents occurred in the Americas, Europe, and South and South East Asia regions and involved challenging circumstances related to the members of the public on the road. The investigation of these incidents emphasized the importance of continuing our defensive-driving trainings, along with our technology-enhanced robust fleet safety management program.

As with our systemic approach to manufacturing safety, all fleet safety and security incidents are subject to thorough investigation and in-depth root cause analysis, including cooperation with law enforcement authorities where applicable, and robust corrective actions have been implemented to minimize the risk of reoccurrence in these markets and in similar operating environments.

Our Security & Market Safety department also maintains a comprehensive security management program to assess and mitigate physical security risks for company personnel and assets. Physical security incident data are collected and maintained separately from PMI's health and safety performance metrics. Continuous improvement efforts to improve preemptive security controls, particularly in high-risk locations, have resulted in zero fatalities related to security risks in PMI's operating environment, inclusive of the Swedish Match footprint.

To continuously improve knowledge and awareness of security and safety practices among local teams, we rolled out a pilot to measure the safety maturity levels in two markets—the Philippines and Turkey. This program promotes the enhancement of existing safety tools and procedures, and supports event investigation (i.e., understanding what really led someone to act in an unsafe way). The program is expected to be rolled out globally in 2025.

To complement these efforts, we extended usage of our security incident reporting platform to introduce virtual or remote safety audit tools. All PMI markets (which cover offices, warehouses, and fleet) undergo an annual risk assessment. In 2024, new audits were conducted and covered warehouses and offices in six markets and fleet safety in another five markets. This approach helps ensure the safety of markets even when employees are operating remotely.

## Developing our human capital

We continuously provide our employees with opportunities to learn, develop, and contribute to our ambitious company purpose. Learning new skills enables employees to co-create their growth in line with evolving company needs. It also deepens their sense of belonging and helps them to recognize the positive contribution they make to the company. Helping our people grow and expand their skill sets can also positively impact the communities in which they live and work.

In January 2025, we were proud to have been certified as a global Top Employer by the Top Employers Institute for the ninth year in a row. PMI is one of only 17 organizations to have been accorded this recognition. In addition, our affiliates were also recognized as leading employers in 33 countries. Furthermore, for the first time in 2024 PMI received the Great Place to Work certification in nine markets.

### Listening to our employees

Ongoing listening to our employees helps us to understand what matters most to them and better respond to their needs. Each year, we conduct a company-wide employee survey to better understand employee engagement and satisfaction. The annual survey is supported with a shorter survey at another time of the year.

Our annual survey measures our Employee Engagement Index (EEI) score, which evaluates employee's engagement based on their pride to work for PMI, intention to stay with the company, sense of belonging, motivation, and alignment with their role. Our 2024 EEI, based on 49,329 responses collected among our employees, stood at 86 percent (2023: 47,328; 85

percent), with scores on all six questions outperforming external benchmarks by 5 to 16 points.

From each annual company-wide survey, we analyze what are the most important drivers of engagement. In 2024, these drivers were PMI's compelling smoke-free vision, well-being support, career opportunities, and encouraging a culture of innovation and continuous improvement.

In addition to the surveys described above, we have a holistic approach to employee listening during various milestones in an employee's career at PMI, such as onboarding, change of position, or a promotion.

### Talent management

PMI's ambition to deliver a smoke-free future helps to attract and retain talent by providing purpose and the opportunity to contribute toward making a positive societal impact. We seek to equip line managers with the tools and knowledge needed to keep employees fully engaged and support their personal and professional growth.

### Recruiting and retaining talent

Our overall employee turnover rate remained overall stable, from 10.3 percent in 2023 to 11.1 percent in 2024. This includes 5.1 percent voluntary turnover (2023: 4.4 percent).

While we recognize that with continuous transformation comes the need to recruit external talent to bring in new skill sets, we prioritize upskilling of our employees and internal mobility over external hires, when possible. Our internal careers market provides transparency and easy access to opportunities for current employees, supporting their growth and increasing job satisfaction. Alongside this in September 2024 we launched a Career Hub to provide employees with tools on how to further develop themselves to grow their careers within PMI.

## Unlocking business value through PMI DNA

Launched in 2024, PMI DNA represents our strategic approach to culture, transforming how we harness human capital to drive market leadership and sustainable growth. In today's dynamic business landscape, our success depends on maximizing the collective potential of our workforce while staying agile and innovative. PMI DNA consists of three core principles:

- **We care.** We commit to be intentional, proactive, and inclusive in our support of others at all times. We use our collective power to shape an environment where we all thrive. This drives employee engagement, reduces turnover costs, and strengthens our employer brand. When employees feel genuinely supported, they demonstrate higher productivity, increased discretionary effort, and stronger customer focus.
- **We are better together.** The discipline of setting aside egos, breaking down silos, and coming together as one is what makes us stronger. We learn as a team, and we win as a team.
- **We are game-changers.** Our nature is to innovate and lead the way. We have proven time after time that we can pivot, redefine, and outperform. We push ourselves to get and stay ahead.

In 2024, we integrated PMI DNA into our performance management framework and leadership development programs as it strengthens our market position by aligning individual behaviors with organizational objectives, ultimately driving shareholder value through enhanced operational excellence and innovation capability.

During 2024, around 5,000 employees (2023: around 4,200 employees) were promoted to more senior positions, with an additional around 9,800 employees (2023: around 8,500) moving positions. During the year, we hired around 12,400 people worldwide, the majority of whom were hired into entry-level roles.

To support line managers, we maintain an online resource hub as a go-to place for guidance, tools, and trainings to help people managers on their managerial journey.

**Attracting and developing new talent**

Our early-career programs aim to equip new graduates, interns, and apprentices with the skills and knowledge needed to jump-start their careers. Our company currently offers three different types of early-career programs, available in close to 50 markets. In 2023, we welcomed over 900 people into our company as graduates, interns, and apprentices.

**Performance and career development**

Regular reviews of performance and career development support employee growth and contribute to skills management and the development of human capital within PMI.

In 2024, 81 percent of our employees were covered by formal performance reviews against their individual objectives.<sup>1</sup>

Our performance management approach is built on two adjacent elements: our delivery against objectives derived from the company strategy and our behavioral assessment (grounded in PMI DNA) conducted through continuous feedback from multiple sources. In total, almost 49,000 employees are now using this approach.

**Continuous employee learning and development**

We know that external acquisition of talent and businesses alone will not provide all the capabilities we require in PMI. Creating opportunities for PMI employees to upskill, re-skill, and have new experiences is equally, if not more, important. Much of this employee development comes from being supported and having space to learn “on the job,” as well as having access to opportunities to contribute to projects outside of their traditional role and responsibilities.

In 2024, we launched our online hub for learning available to employees 24/7 and aimed at enhancing the learners’ experience through a single portal of PMI learning offerings. Through this we deploy guided learning journeys on a range of core business and technical capabilities, as well as accessibility to a catalog of leadership and category-related learning programs, essential to our company’s success.

<sup>1</sup> The calculation data based on a total of 59,000 employees maintained in PMI’s central HR system as of November 1, 2024.

**Leadership programs**

To manage the talent pipeline needed to meet our evolving organizational needs, we have developed a core curriculum that gives leaders and future leaders the resources, tools, and motivation they need to succeed. These programs include:

- Our development pathway for high-potential employees, “Accelerate,” expanded from 140 participants in 2023 to 180 in 2024. This program empowers key talents to prepare for more complex or critical roles. It supports them in becoming future leaders at PMI.
- In 2024, 2,500 line managers, newly hired or appointed, were trained in our “License to Lead” program, focused on developing critical people management capabilities. Another 400 PMI leaders participated in the “License to Lead Advanced” program, consisting of a structured in-person and virtual curriculum with coaching support focused on enhancing and building leadership capabilities.
- Our “Executive Development Program” is a leadership program for our 280 senior leaders. This program, designed in partnership with the International Institute for Management and Development (IMD), enables our leaders to work on business challenges where they can reconnect, share, focus on their leadership capabilities, and gain exposure to a range of thinking and perspectives from internal and external specialists to support PMI’s future growth.
- Select employees have been invited to participate in a bespoke leadership program focusing on personal growth, development, and senior leader engagement. It offers guidance to navigate common barriers, build confidence, and create a sense of community and belonging. In 2024, around 50 leaders participated in the eight-month program.
- “Elevate” is a global program to support the development and career progression of employees in managerial roles. This year a total of 105 employees participated in this program.

**Mentorship programs**

Mentorship programs provide an essential tool for fostering employee growth. For more than four years, all PMI employees have had access to iGrow, an employee-led, cross-company mentoring program. This program offers employees at all levels of seniority unique opportunities to create connections across the organization and learn from each other. In 2024, over 2,300 individuals from 82 countries participated.

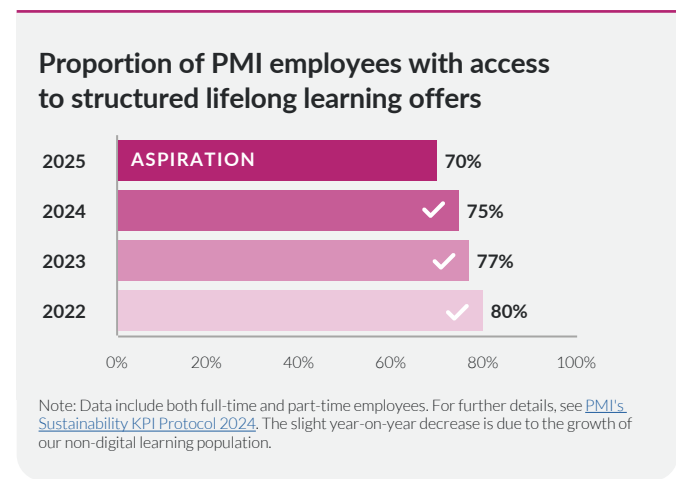
**Boosting employability**

We seek to provide PMI employees with access to structured learning activities to meet personal and professional growth aspirations.

Our lifelong learning offers include access to learning opportunities (e.g., courses, resources, sessions, communities) provided by PMI. They empower individuals to proactively develop skills relevant for current and future employability and performance.

In 2024, we continued to expand access for various content across online platforms to all digitally enabled employees. These platforms include:

- PMI’s digital learning platform, PMI Campus, which offers a wide range of content, from foundational knowledge of our products and the science behind them, to effective leadership, IT, and digital capability development. At the end of 2024, more than 57,000 employees had access to this platform with over 44,000 active users.
- Our digital language learning program, through our partnership with Rosetta Stone, continues to be available to all employees worldwide. At the end of 2024, more than 11,000 employees were actively learning or perfecting a new language.
- In 2024, we continued to promote Udemy, an external content library for digital learning, and make it more accessible to all our digitally enabled employees. Our partnership with Udemy provides a broad range of development offerings and skills trainings in multiple languages. Collectively, our employees spent over 51,000 hours learning in Udemy.



In 2024, we maintained a high accessibility to our structured lifelong learning offers, continuing to exceed our 70 percent aspiration. The slight year-on-year decrease is due to the growth of our non-digital learning population, mainly hand-rollers in Indonesia.

We continue to strengthen the way we measure human capital development, seeking outcome-driven metrics that better show progress towards our aspiration of having a workforce that is skilled, empowered, and confident to thrive in an evolving world of work. While we continue to measure access to lifelong learning platforms, in 2024, we have begun measuring the participation of our employees in available trainings, via digital learning hours per employee. This amounted to 10 hours per employee in 2024.

**Future of work**

We want every employee to be prepared, to the extent possible, to face a rapidly changing future. Accordingly, we take steps to boost the employability of our workforce, with particular focus on the more vulnerable sectors.

In our manufacturing organization, we saw the need to proactively equip our technicians with capabilities that will help them become more confident with their future careers. Our “Own Your Future” program provides a career planning approach and targeted learning offers that will help our technicians address their skill gaps. Leveraging the pilot conducted in six countries in 2023, we have rolled out the program to six additional countries in 2024.

In addition, we have implemented a global outplacement policy which outlines a standard framework to ensure employees across the world are treated equally in case of layoff or restructuring. It offers a standard portfolio of services to support employees’ career transitions beyond PMI through coaching, trainings, networking, and job fairs, as well as placement services.

**The state of AI at PMI**

Understanding that AI holds significant potential, in particular to boost productivity and facilitate knowledge management, we have begun deploying AI tools and experimenting in various AI projects. As we do so, we emphasize responsible use and employee training. Read more [here](#).

**Fostering a fair and inclusive culture**

We cultivate an environment in which the full potential of our global workforce can be realized, where all employees feel valued and recognized. Such an environment is essential for people to contribute to the company’s success while safeguarding their well-being and mental health.

FOSTER AN EMPOWERED AND INCLUSIVE WORKPLACE

Foster an empowered and inclusive workplace

Improve the quality of life of people in our supply chain

Tackle climate change

Preserve nature

## Nurturing a multi-faceted work environment

We are proud of the global reach of our company, which operates in around 170 markets with over 80,000 employees representing over 130 nationalities. The demographics of our employees is key to the variety of thought, innovation, and consumer-centric approach that enables us to move towards a smoke-free future.

### Reflecting our consumer base in our workforce

We value the breadth of our consumer base and aspire to reflect it in our employee demographics. This requires collective and consistent alignment in our recruitment, upskilling, retention, and promotion practices, which are based on fairness and performance across our regions, markets, categories, and functions.

Globally, 44.0 percent of our employees were women in 2024 (2023: 42.9 percent). Of our management positions, 42.3 percent were held by women (2023: 41.8 percent).

In 2024, women represented 33.8 percent of senior positions (2023: 32.0 percent). These figures exclude Swedish Match employees; when included, our representation baseline for 2024 is adjusted to 33.3 percent female representation. Based on the trajectory over the past years, we forecast that women will hold 35 percent of senior positions by the end of 2025.

### Addressing the gender pay gap

PMI's global EQUAL-SALARY certification gives us confidence that we provide equal pay for equal work (read more [here](#)).

Alongside equal pay, we monitor our gender pay gap, defined as the percentage difference between the average pay for men and for women.

When we look at our company as a whole, the average pay for men was 30 percent higher than pay for women in 2024 (2023: 29 percent)<sup>1</sup>. This gap needs to be viewed in the context of two factors: our overall workforce demographics and lower representation of women in senior leadership roles.

With respect to our demographics, about one-fifth of PMI employees are hand-rolling cigarettes at our manufacturing facilities in Indonesia and are paid at piece rate.

### Raw gender pay gap

	2024	2023	2022
PMI's global mean (average) raw gender pay gap <sup>1</sup>	30%	29%	30%

<sup>1</sup> The mean gender pay gap is calculated as the percentage difference between the sum of annual base salary, bonus, and stock awards. Excludes Russia. The methodology of the calculation is different from the one outlined by EU's corporate sustainability reporting directive, and we will align them in future reporting.

## Building a collaborative culture

We take pride in our culture of respect, innovation, and mutual support which facilitates feedback, dialogue, psychological safety, and collaborative and supportive leadership styles. Such environment allows us to benefit fully from the variety of perspectives present in our organization.

### Measuring inclusion

We recognize the importance of fostering a fair and inclusive environment and we continue to capture employee sentiment on inclusion through our global employee listening survey. Therefore, in 2024 we deployed a more comprehensive Inclusion Index, as an evolution of our previous inclusion Net Promoter Score (iNPS). The revised Inclusion Index is developed based on learnings from a dedicated inclusion study conducted in 2023 and it comprises three questions covering the dimensions of respect, psychological safety, and inclusion advocacy. As the first two questions are externally benchmarkable, we are proud to note that in 2024 we outperformed the external benchmark by double digits—12 percentage points for respect and 16 points for psychological safety.

### Creating a safe space for our employees to take an active role

Each of our employee resource groups (ERGs) focuses on a different personal characteristic, helps raise understanding of different topics, and creates a sense of belonging and connection across our company.

Each ERG is led by a committee of employee volunteers, sponsored by a member of Company Management, and most are supported by an external subject-matter expert. They are open to all PMI employees.

During 2024, our global ERG events hosted around 10,000 participants. We also maintained our focus on the local expansion of our ERGs to be able to meet the specific needs of different geographies. An additional 20 local ERG chapters were created in 2024, increasing the total number of local ERG chapters present to 84. This represents 15 percent of employees who were actively participating in at least one ERG, which is defined as those who are involved in ERG events, initiatives or are part of an ERG email distribution list.

### Establishing a local ERG in the U.S.

In 2024, we launched a new U.S.-specific ERG ("HONOR") aiming to share and celebrate the contributions of our military service members and to foster a supportive community for respective employees and their families.

## Raising awareness and knowledge

Our mission is to promote an ongoing and productive dialogue among our employees, while designing and driving strategies and initiatives to ensure fairness, equity, psychological safety, mental health, and employee well-being. In 2024, we

conducted a range of activities to foster engagement on a broad range of topics, which included:

- "Inclusion Starts with I," an employee engagement campaign to highlight that it is up to all employees to put inclusion at the heart of our culture. Building on previous programs, our latest efforts continue to focus on making inclusion tangible and actionable. We recognize that each employee plays an important role in ensuring our company becomes a truly inclusive workplace. That is why we also created an "Inclusion Starts with I" toolkit for employees as a reference in their daily interactions.
- Access to online trainings. In 2024, we introduced a new mandatory training to all employees (available in 32 languages), and an online platform for continued personalized learning journeys, to raise awareness of unconscious bias and the various ways it shows up in organizations and to help employees minimize it when making decisions.
- Cultural workshops led by certified PMI facilitators. These workshops aim to enhance teams' ability to collaborate across cultures and help them leverage their cultural differences as strengths by developing critical competencies, such as cognitive flexibility, curiosity, cultural integration, and cross-cultural relationship building. 25 workshops have taken place with over 450 employees participating in 2024.
- "I'm Remarkable workshops" open to all employees. The workshops celebrated the workplace achievements of members of underrepresented groups and challenged social perceptions around self-promotion. In 2024, more than 60 workshops were held and over 750 employees participated.

## Promoting mental health and well-being

We prioritize our people's well-being strategically and have developed a holistic framework supporting employees' physical, psychological, and mental health, aligned with PMI DNA and ways of working. This framework shapes our data-driven roadmap, informed by employee surveys, best practices, and expert insights.

### Global framework and local adjustments

Our approach and guidance on how to promote and protect the well-being of our employees applies globally and is universal for all business functions and geographies.

We equipped our markets with a well-being toolkit, including a market maturity assessment tool based on external research, to help markets implement the framework. This toolkit helps to capture employee feedback, identify focus areas, and offers best practices that can be adapted to local contexts.

Globally, our focus in 2024 was on embedding initiatives related to promoting self-care, upskilling our line managers and employees in mental health, and ensuring our employees have better awareness of the resources available.

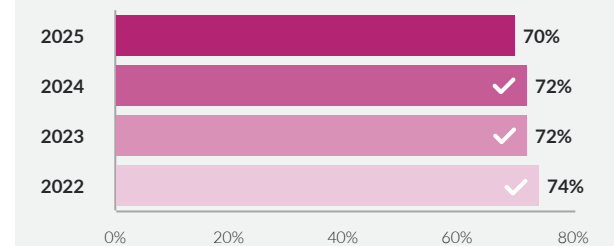
### Measuring well-being to drive action

All our initiatives are rooted in data, including employee sentiment which helps us create targeted action plans.

As part of our regular employee listening activities (read more [here](#)), we ask employees once a year to answer questions related to perceptions of psychological well-being. Well-being perception is measured on a five-point scale, from very bad to very good. In 2024, 72 percent of employees responded "good" or "very good" to "How would you rate your psychological or emotional well-being at present?" (2023: 72 percent).

Our results show that we maintained our employees' well-being above 70 percent, exceeding our 2025 aspiration over the past three years.

### Perception of psychological well-being among our employees



Note: The indicator represents the percentage of employees who responded "good" or "very good" to the question "How would you rate your current psychological or emotional well-being at present?" in our regular employee listening survey.

In 2024, we introduced a well-being index as a more sophisticated way of measurement. The index averages the score of three questions asked to our employees annually as part of our employee listening efforts. These questions are based on in-depth study we commissioned in 2021, and enable us to drill down to root causes of well-being.

Our well-being index, which stood at 83 percent in 2024, was included in the performance assessment of our leaders and managers, and will guide our work moving forward as we aim to maintain it at above 80 percent. This new measurement and related aspiration will replace our previous KPI (perception of psychological well-being among our employees) as of 2025.

### Empowering well-being champions to promote self-care

We grew our network of well-being champions, BeWell, to over 300 in 2024 (2023: 200). All of our champions receive standard training in mental health, and are equipped to have supportive conversations with colleagues, signpost to resources, and promote good working practices.

We use the feedback from BeWell networks to shape our global campaigns and initiatives; for example, creating easy to implement resources, such as an introduction to mental health, and how to boost team energy sessions, which help open conversations around well-being in the workplace.

We run regular BeWell campaigns throughout the year to promote better self-care and remind employees to seek help if they need it. In January 2024, we invited employees to join the New Year BeWell Challenge by proposing daily activities that will positively impact well-being. More than 4,000 engaged in the challenge and our internal social media activity demonstrated high engagement (read more [here](#)).

We chose October as our well-being month in honor of World Mental Health Day, and our theme this year was Joy at Work. We chose this subject based on feedback from our BeWell champions to put in more focus on prevention of mental health issues. During this month, we ran two global events with external speakers, one focusing on how to create better work environments in teams, and the other on how to avoid burnout. Over 4,500 employees joined the webcasts. Concurrently, we ran a global campaign with easy tips for managers and teams on how to foster a more supportive work environment.

### Sustained global focus on mental health

#### Trainings

Offering training is a critical component of our work to destigmatize mental health.

Our “Mental Health for All” (MH4A) training offers insights into the science of mental health, teaches employees how to spot the signs of common problems, how to offer help to others, and introduces proven and easy self-care practices. During 2024, over 1,200 PMI employees went through this training. The training was also made an integral part of our License to Lead program (read more [here](#)), and this year, 300 of our people managers completed at least one module of the MH4A training.

We provided interactive sessions for our people managers integrated with MH4A training. This offered an opportunity to practice scenarios to better manage difficult situations. In 2024, we ran 21 such workshops, covering 250 people managers.

#### Promoting awareness of psychological support

Our global Employee Assistance Program (EAP) offers first-line support to our employees and their close relatives in the areas of psychological, financial, and legal counseling. Support is provided in local languages across all countries under high standards of confidentiality. By the end of 2024, the program covered 100 percent of our employees.<sup>1</sup> We have put sustained efforts to promoting EAP in 2024 and will continue to do so moving forward.

### Supporting our employees at every stage of their career life cycle

We provide well-being offerings tailored to local contexts and employee needs. Mental health support is highlighted throughout the employee journey, including onboarding and significant life events. We also equip line managers with tools to support employees returning from prolonged absences, especially those related to mental health. In 2024, we launched these programs in Lebanon, Spain, and Ukraine.

#### Family and caregiver assistance

We seek to promote an inclusive and equitable vision of care through our global parental leave principles, which provide all PMI employees who are primary caregivers a minimum of 18 weeks of fully paid parental leave and secondary caregiver employees a minimum of eight weeks of fully paid parental leave (read more on [PMI.com](#)).

Back-up childcare services or childcare subsidies through company or government support are available in around half of our markets. Approximately two-thirds of our markets also offer private spaces to be used as lactation rooms for breastfeeding, or other lactation benefits through company or governmental support.

Paid family or care leave beyond parental leave is offered in more than half of our markets. Examples may include care for a child, spouse, partner, dependant, parent, sibling, or other designated relation with a physical or mental health condition.

#### Flexible work

We appreciate that flexibility is important for individual well-being, and valued by our employees, especially employees with caring responsibilities. In 2024, we continued Smart Work, a global hybrid work plan that generally allows employees to work remotely part of the time each month, with the remainder spent on-site. The program is deployed and adjusted locally to account for cultural, operational, tax, and legal factors, which vary at the national level.

All our markets have implemented Smart Work to fit their local requirements. We use our learnings to fine-tune our guidelines and provide resources to support employees and managers to help manage time productively in the hybrid world, as well as to support an individual's well-being. In addition, in almost two-thirds of our markets, employees have the option of choosing to work part-time.

1 The calculation is based on the almost 58,700 employees maintained in PMI's central HR system. It excludes Indonesian hand-rollers, Brazil Profigen, Russia, and Swedish Match and wellness and healthcare employees not integrated into the PMI central HR system.

## Looking ahead

In 2025, we are building upon the foundations of the PMI DNA—a commitment of our shared values and the culture we aspire to—to embrace growth as a mindset. By embodying our DNA, we aim to create an environment where individuals can unlock their full potential every day—empowering them to shape the future together while also ensuring we have the talent and leadership readiness required to drive our smoke-free vision forward.

This includes fostering a culture of continuous feedback, encouraging employees to co-pilot their development, driving individual growth, and equipping our people managers with the leadership and business acumen they need to inspire and support their teams effectively. In parallel, we are placing a further emphasis on building critical capabilities in the U.S. business to meet unique market needs and opportunities.

By continuously listening to our employees' voices and prioritizing these actions, we aim to increase the time our employees dedicate to learning—strengthening their skills and enhancing their employability. Growth at PMI is more than career advancement—it is a shared commitment to unlocking our individual and collective potential, ensuring long-term success for our people and business.

In 2025, we also plan to finalize the roll out of our third-party workforce guideline, and to continue to increase the coverage of the third-party worker population in our management system.

**Frederic Patitucci**  
Chief People & Culture Officer



Safety is not a task, but a mindset to be embraced across our organization. We have embedded clear methodologies, procedures, and robust controls in our factories, offices, and fleet aimed at ensuring that our employees and others on-site stay safe. These measures are comprehensive and multifaceted, designed to address a wide range of potential hazards and risks associated with our operations. We are committed to creating a safe and secure environment for our employees and all individuals on-site. Our dedication to safety is unwavering, and we continuously strive to enhance our practices to ensure the well-being of everyone involved in our operations.

**Scott Coutts**  
Senior Vice President, Operations





OPERATIONAL IMPACT

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

Our supply chain connects us with millions of people, from the farmers and farmworkers who cultivate our tobacco and other agricultural products, to workers at the supplier companies that provide the products and services we need to run our business.

INWARD IMPACT

## The business case

Caring for the quality of life of the people in our supply chain is a major contributor to our preparedness, resilience, and long-term success.

We anticipate that the time, energy, and resources we have invested in developing, implementing, and monitoring the application of our due diligence processes to monitor and improve the quality of life of those working in our tobacco supply chain will allow us to continue to gather learnings that will help us uphold high standards throughout the rest of our supply chain, with a particular focus on our relatively recent yet fast expanding electronics supply chain.

This will enable us to continue fostering sustainable and responsible corporate behavior anchored in human rights and environmental considerations in our value chain. Importantly, as new rules norming how businesses address and report on the impacts of their supply chains emerge, strategic focus on this topic will allow us to limit our potential exposure to human rights issues, child labor, forced labor, and other labor-related violations, and import bans, as well as reputational damage.

OUTWARD IMPACT

## The right thing to do

Promoting and adhering to sustainable business practices in our direct and indirect operations helps safeguard human rights, improve labor conditions, protect workers' health and safety, tackle social inequities, and contribute toward alleviating poverty. As a globally operating company with hundreds of thousands of people engaged in our value chain, our substantial scale provides us with the opportunity to contribute meaningfully to the advancement of fair labor standards and to fostering prosperity.

Within our supply chain we can find parts of our business that are particularly vulnerable to the effects of poverty, including human rights abuses.

The tobacco we source is often grown on smallholder farms in many regions of the world, including low- and middle-income countries. Working to improve farmers' livelihoods mitigates the risks of human and labor rights violations, including child labor and forced labor. Activities and investments in our supply chain extend beyond our direct effect on farmers, impacting people's assets, capabilities, opportunities, and standards of living. As our business continues to transform, we are cognizant of the specific risks facing the electronics sector supply chain, including pervasive modern slavery risks.

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## Management approach

Sound governance, policies, and practices to manage our supply chain responsibly (read more [here](#)) and safeguard human rights (read more [here](#)) are vital prerequisites to harnessing the connections in our supply chain to improve the quality of life of those who are part of it.

Tobacco is the core material used in our legacy products—cigarettes—and in most of our smoke-free alternatives. Accordingly, a long-standing and principal aim of PMI is to provide a decent livelihood to all contracted farmers supplying tobacco to PMI. This has been a focus since we introduced our [Good Agricultural Practices \(GAP\)](#) and our [Agricultural Labor Practices \(ALP\)](#) program in 2011, revised and updated in 2018 by our [ALP Step Change](#).

The mid- and long-term aspirations connected to this cover fundamental human rights, such as child labor, income, working hours, health and safety, accommodation, and access to water, sanitation, and hygiene.

Our Leaf team, tobacco suppliers, contracted farmers, and farmworkers are regularly trained on the ALP Code. Our integrated production system (IPS) enables traceability at the farm level (read more [here](#)). Moreover, we have a robust due diligence framework in place to evaluate the implementation of the ALP Code (read our 10-year anniversary report [here](#)).

### Monitoring the implementation of our ALP Code

Our due diligence framework to evaluate the implementation of our ALP Code comprises internal farm-by-farm monitoring by field technicians, employed by our suppliers or our own Leaf operations, whose role is to visit the farms, oversee and support crop production, and monitor the implementation of social and environmental practices. This internal monitoring is complemented by external assessments performed by Control Union, an independent third-party that checks ALP program implementation and progress (from a management system perspective) and by local specialized third parties that verify social practices in high-risk markets (learn more on [PMI.com](#)).

We use a risk-based approach to prevent, identify, mitigate, and address human rights and labor rights incidents in our tobacco supply chain. This entails ongoing collaboration with key stakeholders—including suppliers, farmers and farm workers, civil society organizations, academics, governments, and the private sector—to tackle persistent and systemic issues in the agricultural sector.

Since 2018, we have deployed a step change approach to our ALP program focused on four priority areas to help ensure:

- Eliminating child labor
- Payment of at least a minimum legal wage or agricultural benchmark
- The availability and appropriate use of personal protective equipment (PPE)
- Adequate accommodation for workers where farmers choose to provide housing

Step Change aims to resolve the root causes of these persistent issues in priority countries—which we assess periodically—and is guided by our long-term strategic partner on the ALP program, Verité.

In an effort to strengthen our ALP program, in 2022 PMI introduced the Sustainable Tobacco Supply Chain (STSC) framework. The aim of this approach is to address sustainability risks and impacts in the countries where PMI sources its tobacco. With this approach we seek to ensure that PMI's packed products contain tobacco that is cultivated and sourced in alignment with key sustainability criteria, as per our ALP program requirements. It is worth mentioning that the data reported in this report exclude unplanned purchases or purchases from new suppliers for which we do not have access to a full set of sustainability information. During 2024, we continued to improve our controls and system to monitor these volumes and ensure they do not exceed 10 percent of our total purchased volume in any given year. Read more about the STSC framework [here](#).

### PMI's policies and standards

- [Human Rights Commitment](#)
- [Responsible Sourcing Principles \(RSP\)](#)
- [Agricultural Labor Practices \(ALP\) Code](#)
- [Good Agricultural Practices \(GAP\)](#)



Beyond tobacco, we are leveraging extensive learnings from the ALP program and our human rights impact assessments to address challenges in our electronics supply chain. We are also exploring pathways to promote a living wage across our broader supply chain. We are at the early stage of this journey and are focused on building our understanding and identifying meaningful strategies to deploy in the years to come, grounded in our [Human Rights Commitment](#) and [Responsible Sourcing Principles](#) (RSP).

In addition, in 2023, PMI became a launch sponsor for the Wage Indicator Foundation’s mission to publish its living wage estimates and make them freely accessible in over 2,700 regions within at least 173 countries. This ambition became a reality in 2024, with the living wage data becoming available for all, in national languages and currencies. The publication of this data is the first step toward solving a crucial problem: lack of up-to-date and publicly available living wage data. Removing this barrier helps ensure equal access to data for all stakeholders involved in wage-setting practices and closing the living wage gap.

We are committed to sourcing sustainably from all our critical suppliers (read more [here](#)) and have achieved our aspiration to conduct human rights impact assessments in our 10 highest-risk markets by 2025 one year early (read more [here](#)).

**Management**

PMI’s Senior Vice President, Operations, a member of our Company Management, is responsible for our strategy related to supply chain management and relevant programs. Operational responsibility for our agricultural supply chain work lies with our Vice President, Global Technical Operations. A management team oversees its implementation. Operational responsibility for PMI’s work in the broader supply chain, including electronics, lies with PMI’s Chief Operations Services Officer. Our Operations Sustainability department is responsible for strategy development and stakeholder engagement, and acts as the center of expertise related to potential social issues.

## Progress in 2024

### Highlights

- We revamped our [Agricultural Labor Practices \(ALP\) Code](#) and revised the internal guidelines on prompt actions and non-conformities which aim to further support suppliers in their monitoring and reporting procedures of risk situations.
- We introduced a social risk monitoring program (SRMP) to provide a framework that enables increased consistency and verifiability of suppliers’ policies and processes aligned with PMI’s requirements related to child labor and living income relevant disclosures.
- To address the gap in standards to quantify and report on the impact of social initiatives, we applied an impact valuation and social return on investment (SROI) methodology to analyze the effectiveness of our social investments in WASH in Argentina, Malawi, and Mozambique, which will also guide future efforts toward the most impactful interventions.
- We reached ahead of schedule our aspiration for our 10 highest risk countries to be covered by external human rights impact assessments (HRIA) with the completion of evaluations in Indonesia and Kazakhstan. We also completed a follow-up HRIA in Mozambique focused on assessing the effectiveness and measures of programs put in place in 2020.
- We completed two pilots of the Responsible Business Alliance (RBA) tools—the Responsible Factory Initiative and the Responsible Labor Initiative—to further enhance our electronic suppliers’ capabilities and improve their sustainability performance.

### Challenges

- As we progress toward our aspiration of having 100 percent of contracted farmers supplying tobacco to PMI who have access to basic sanitation and hygiene by 2030, we face challenges in identifying and deploying acceptable solutions for these rural communities.
- Despite our best efforts, isolated cases of child labor—even when systemic occurrences are addressed—may persist. These cases are tackled promptly when identified.
- Maintaining PMI suppliers’ performance aligned with the ALP program’s highest standards remains a challenge in the context of simultaneously improving tobacco supply footprint resilience with potential expansion to new origins.
- Social audits in electronics manufacturing provide valuable insight but have limitations given the pervasiveness of labor rights issues in global and complex supply chains. We aim to overcome these limitations through targeted initiatives, such as surveys and engagements with rightsholders, which offer enhanced visibility.
- As we made significant strides in achieving a living income for farmers supplying tobacco to PMI, we are now re-allocating our resources and focus on the most economically vulnerable ones. To achieve meaningful impact, we need to increase targeted interventions to improve income for these farmers.

### A glance at our path to integrate the data from Swedish Match

Supply chain data and information in this section does not include Swedish Match.

Notably, sustainable policies and practices in place prior to the acquisition continued to apply in Swedish Match’s supply chain during the year. Concretely, during 2024 Swedish Match continued to ensure that their suppliers adhere to their Supplier’s Code of Conduct. More specifically, with regard to due diligence in the smoke-free tobacco supply chain, Swedish Match continues to be part of the Sustainable Tobacco Program (STP)—an industry-wide initiative developed by tobacco manufacturers designed to assure standards in agricultural practices, environmental management, and key social and human rights.

As integration progresses, we will work to expand PMI’s existing stringent due diligence programs to Swedish Match’s supply chain. Considering the complexity, scale, and diversified nature of our respective supply chains, we expect to gradually integrate Swedish Match in our supply chain-related sustainability data reporting, where material by 2026.

## Promoting fair working and living conditions in our tobacco supply chain

Since the introduction of our ALP program, over a decade ago, we have put in place several initiatives to continuously strengthen our policies, practices, processes, and methodologies.

Our intention is to influence the rest of the industry and our partners in tobacco-growing countries to accelerate actions to address sustainability challenges. We will also continue to implement targeted initiatives to address labor issues identified on the ground within our broader total farm base of contracted farmers.

### Contributing toward alleviating poverty in our tobacco supply chain

We aim to improve the livelihoods of the farmers supplying tobacco to PMI, thereby advancing the socioeconomic development of the communities in which they live. We see this as fundamental to addressing social inequality and other human rights issues born from poverty.

#### Assessing income levels in our tobacco sourcing markets

Robust analyses and studies to define living income values and assess current farmer incomes (and the potential gap between the two) form the backbone of our approach to poverty alleviation across our sourcing markets by providing valuable insights that inform impact-driven initiatives.

The living income value determines the net annual income required for a household to afford a decent standard of living for its members. It is based on a variety of mechanisms, depending on the economic characteristics of individual countries from which we source tobacco.

For identified low- and middle-income countries, we use the following Anker Research Institute's proposed methodologies<sup>1</sup>:

- **Full benchmark:** Since 2020, we have tasked Social Accountability International with conducting full living income benchmark studies (in line with the methodology of the Anker Research Institute). This starts with the analysis of secondary data (e.g., government-issued household welfare surveys). The resulting benchmarks are then adjusted through on-the-ground field visits. Following India, Mexico, and Pakistan, in 2024, we finalized a full benchmark study in Indonesia and the Philippines.

<sup>1</sup> See [Glossary](#) for further details.

- **Reference value:** For some countries, such as Argentina, Mozambique, and Turkey, when determining living income rates, the Anker Research Institute's approach is to use reference values established in previous years, which represent typical or average living incomes for rural and urban areas within each country. They are not location-specific, and so are not representative of a particular region or city. In 2024, we completed this work in Tanzania.
- **Regional adjustments:** In markets where Anker benchmarks already existed covering other regions than our sourcing footprint, Anker conducted regional adjustments. This approach relies on previous full benchmark assessments conducted in the country and splits the country into regions that share similar characteristics. If needed, these assessments are complemented with on-the-ground adjustments by researchers from the Anker Research Institute.

To establish the living income status of farmers in higher-income markets from which we source tobacco, we previously partnered with BSR. We used BSR's living wage benchmarks, alongside the reference family size, to assess whether farmers in these countries are achieving a living income. In 2024, considering global initiatives to harmonize existing living wage methodologies, BSR no longer developed living wage data. In order to ensure consistency for our current KPI related to living income, we used the 2023 data from BSR as a baseline and adjusted it to account for inflation. We are exploring potential new partners for our longer-term horizon.

In addition, we periodically review all our living income benchmarks to account for annual inflationary increases, and update relevant farmer income studies to consider market dynamics that may impact farmers' overall income.

In parallel to establishing the living income values, we assess the income level of farmers supplying tobacco to PMI in each sourcing market to determine the potential gap between the two. We include both on-farm and off-farm activities, net of production costs, as well as remittances or subsidies.

On-farm activities include income generated from the sale of tobacco and the production of other crops and livestock. Off-farm income derives from revenue-generating activities outside of the farm, such as waged employment. These analyses rely on our internal farm-by-farm monitoring and also incorporate studies performed by our local partners (read more about our living income methodology in [PMI's Sustainability KPI Protocol 2024](#)).

### Living income program methodology

As our living income program has become more sophisticated and mature, we have been able to develop a more granular approach to analyze farmers' income based on extensive research on existing methodologies.

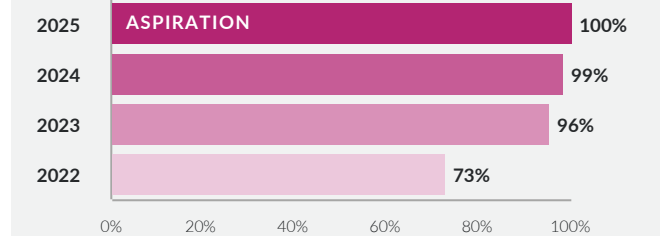
In 2023, in markets where we still have farmers below living income, we have adopted a secondary layer of analysis, called the household dependency model. This enables us to establish the income in relation to family size. We can then assess whether a household can achieve the equivalent living income. This allows us to better identify potential income gaps and how to address them. This methodology continued to be implemented in 2024.

### Implementing targeted interventions to close the living income gap

In 2024, we continued to increase the number of contracted farmers supplying tobacco to PMI who make a living income. This increase can be attributed to multiple factors, including:

- Significant improvements in data collection and farmer income modeling which has allowed for a more holistic and comprehensive analysis of farmer income, particularly for nontobacco income, where previously data were limited.
- The household dependency model, which takes into account the size of the family when assessing farmer income versus the living income benchmark.
- Further expansion of initiatives that aim to improve farmer income levels. While we tailor activities to local realities and needs, our strategy is universal: we aim to improve tobacco crop productivity and competitiveness while supporting households in diversifying their sources of income.

### Proportion of contracted farmers supplying tobacco to PMI who make a living income



Note: Excludes China, Switzerland, and India (flue-cured) due to restrictions on farmer income data, and Thailand and Tanzania since the living income benchmark is still under development. See [PMI's Sustainability KPI Protocol 2024](#) for further details on methodology.

As we get closer to our aspiration of reaching 100 percent of contracted farmers supplying tobacco to PMI earning a living income, we continue to monitor and design comprehensive action plans, with the aim to exceed the living income benchmark targets required to achieve a decent standard of living. We also continue to monitor the potential impact of climatic shocks or market volatility, including inflationary changes impacting farmers' income.

Mindful that we set a very high ambition, and that a small portion of farmers may not reach the living income benchmark despite our best efforts by 2025, we are working to strengthen our focus and shift our resources toward the most vulnerable farmers and their households. For this reason, with the 2024-26 Sustainability Index (read more [here](#)), we introduced a new KPI related to living income in order to implement initiatives which will support a measured increase in income of farmers supplying tobacco to PMI, with particular focus on those most economically vulnerable, defined as the lowest 15 percent of farmers ranked by land size, tobacco yield, and crop diversification.

### Improving productivity

We support farmers in their efforts to maximize efficiencies on their farms. Some examples include supporting them to hire only the labor required, to make judicious use of inputs (such as fertilizer), to find ways to increase yields per hectare, to improve irrigation, and to mechanize certain steps of tobacco cultivation.

In Malawi in 2024, we continued our collaboration with a third party to implement a soil health program focused on increasing soil pH and organic matter in tobacco farms and, consequently, boosting farm productivity. With this project, we implement agricultural practices such as the incorporation of crop residues, mechanical land preparation, and lime and compost applications. The program benefits the entire crop rotation over a three-year cycle. Over 150 farmers continue to be involved in the second year of implementation.

In addition, to enhance Malawian farmers' growth and productivity the Malawi Mechanization Initiative was launched, which aims to empower Malawian farmers with access to technology and foster economic growth in the region. The initiative, funded by PMI, provided seed capital for the purchase of 23 tractors and other farming equipment, which will be owned by local entrepreneurs upon loan repayment. This innovative circular loan structure ensures sustainability by reinvesting principal repayments into acquiring additional machinery for continued impact ensuring an ongoing growth cycle for local farming businesses. In 2024, 2,210 hectares were serviced across eight different production areas, benefiting 598 farmers. Of these hectares, 70 percent are dedicated to tobacco and 30 percent to other crops.

During the 2024 crop year, we further expanded the mechanization projects of Burley tobacco in Vinukonda, India. The cumulative total of 14 seeder machines, 354 cultivator and fertilizer applicators, 925 sucker applicators, and 885 sowing machines have helped improve productivity by reducing labor demands per hectare. Increased productivity and reduced labor requirements translated to cost savings for farmers. Based on the latest study, farmers are currently able to reduce labor hours by up to 11 percent by participating in this initiative, which translates into savings of USD 77 per hectare with the combination of seeder machines, cultivators, sucker applications, and sowing machines. Capability building activities and increased adoption are responsible for this increase.

Additionally, we expanded initiatives to promote sun-cured production with an additional 3,230 hectares introduced in India during the 2024 crop year. To date we have introduced 228 cultivators and fertilizer applicators, 1,235 sucker applicators, and 164 sowing machines. By targeting the most suitable crop window with consideration of weather and increasing adoption of best practices, such as plant spacing and fertilization rates, we increased tobacco crop yield by around an additional 3 percent versus 2023.

Although on a small scale, these projects are indicative of initiatives we implement on the ground.

### Supporting households in diversifying their income

We also look at opportunities to implement other income-generating activities. Notably, cultivating complementary crops beyond tobacco can improve farmer income while enhancing resilience against climate change and economic uncertainty. In 2024, we estimate that around 60 percent of our contracted farmers grew crops other than tobacco.

In Mozambique, we developed a treadle pump program in 2018 to provide an innovative way to irrigate tobacco nursery crops with reduced labor. We found that the pumps also irrigate winter crops more effectively. Consequently, we incorporated a starter kit of winter crop seeds and fertilizer to be provided to treadle pump beneficiaries in their first year of receiving the pumps. A 2020 internal study found that farmers who grew two-to-three crop cycles per year generated an additional income of USD 300 to 400 (i.e., representing approximately 15 percent of the average annual income). Furthermore, a 2022 farmer income study demonstrated that these farmers can increase their vegetable garden sizes, thereby increasing the amount of vegetables they can produce per cycle for sale or consumption. In 2024, we provided winter crop kits to 1,264 farmers who had received treadle pumps early in the year. Furthermore, we distributed an additional 1,264 treadle pumps to new beneficiaries later in the year. Since 2018, we have distributed 8,648 pumps.

Beyond Mozambique, we deploy similar targeted initiatives to support households in diversifying their income in various tobacco-growing countries, such as India, Malawi, and the Philippines.

### Mitigating the impact of the gradual decrease in our tobacco demand

The growth of our smoke-free business will result in a simultaneous decline in our cigarette business. While this consequence is fully intended, it also translates into a gradual decrease in our demand for tobacco leaf, which will impact our contracted farmers. The demand for leaf has tended to continue to decline since the start of our business transformation (it has fallen approximately 16 percent since 2016).

We seek to minimize the effects of the gradual decrease in tobacco demand by improving tobacco-farming communities' socioeconomic well-being and resilience. We do this through a dedicated assessment of the unique realities and contingencies that define each country or region from which we source tobacco, building an understanding of the local ecosystem so we can tailor and implement sustainable solutions that help farmers transition to sustainable alternative livelihoods where needed.

In some cases, farmers are not heavily reliant on tobacco production for their livelihoods, have the means to switch to other crops easily, or will continue to grow tobacco for other customers. In other geographies, we provide additional support to mitigate the negative impact of our reduced purchases. For example, Papastratos, our affiliate in Greece, is helping tobacco farmers transition to stevia, which offers a promising sustainable alternative, (read more [here](#)).

The initiatives we implement to help contracted farmers earn a living income include improving crop productivity and helping them diversify their crop production. We expect these efforts to play an important role in minimizing the potential negative economic impacts on contracted farmers of our transformation and consequential reduction in demand for tobacco.

### Empowering women involved in tobacco farming

Around the world, women participate in agriculture as members of family farming households and as hired wage labor on farms owned and operated by other households or companies.

Many of the gender inequalities women face in general are exacerbated for women in agriculture. Globally, less than 15 percent of agricultural land is owned by women, and women involved in tobacco farming often face structural and cultural barriers.<sup>1</sup>

<sup>1</sup> Source: [Food and Agriculture Organization of the United Nations. \(FAO\)](#).

Since our ALP Step Change in 2018, our ALP program has deployed several initiatives focused on women empowerment across our sourcing markets.

For example, since 2020 we have been delivering "train the trainer" workshops to empower women in our tobacco-growing areas in India. To date, 1,069 women participating in 111 self-help groups (SHGs) have been trained in leadership skills and micro-entrepreneurship. Since 2020, 953 micro-enterprises have been established, of which 542 were directly funded by PMI and 411 were funded by SHG members who previously had established their own businesses (read more in our dedicated ALP Progress Update [here](#)).

Another example is our Access to Farmer Families project introduced in 2021 in Pakistan, a country where many tobacco-related activities (e.g., stringing) take place in people's homes. Given the country's cultural considerations related to women, male field technicians are unable to access the homes, which leads to blind spots in our monitoring. To address this, we continued this project in 2024, working with 13 women, called social mobilizers, who are tasked with raising awareness of, and providing training on, Agricultural Labor Practices (mainly on safety and child labor topics) and conducting farm-by-farm monitoring, including in homes (read more about it [here](#)).

During 2024, we completed a follow-up human rights impact assessment (HRIA) in our leaf supply chain in Mozambique and initiated another follow up assessment in Turkey which will be completed in 2025. Our work focused on our tobacco supply chain there (read more about it [here](#)).

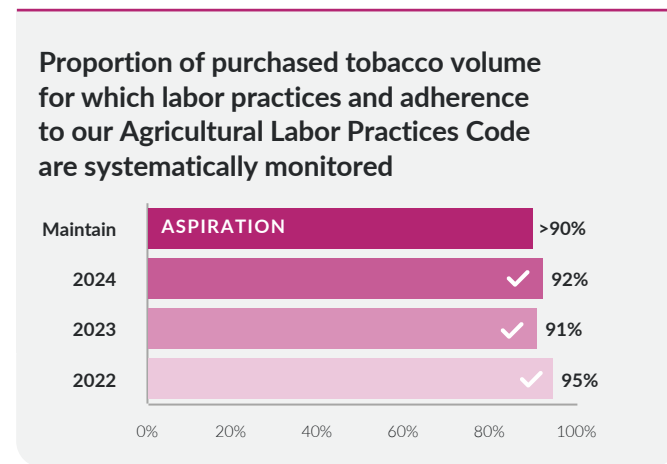
In Malawi, we continue to expand the Village Saving Loans Associations (VSLA) initiative, a woman empowerment-centered program in which affordable cash loans are made available to VSLA members, facilitating the creation or further expansion of existing micro-enterprises. The initial program commenced in 2019 and has grown to a total of 213 groups with approximately 3,900 women members involved to date. An impact assessment conducted in 2021 showed a significant positive impact on the financial well-being of the members involved, with an estimated USD 160 additional income from non-farm enterprises. In 2024, in collaboration with our local partner, the VSLA initiative scope expanded to provide mini drip kits to 366 additional members from 22 VSLA groups, resulting in a total number of 812 beneficiaries from 48 VSLA groups. The aim of this arm of the project is to encourage group members to collectively cultivate combined vegetable sites, which are expected to generate an additional USD 120 income per annum for the members involved, in addition to improving households' food security.



### Eliminating labor abuses

Our ALP Code principles include no child labor, fair income and working hours, no forced labor or human trafficking, a safe work environment, fair treatment, freedom of association, and established terms of employment.

In 2024, 5,063 field technicians contracted by PMI or our leaf suppliers systematically monitored the implementation of our ALP Code principles and measurable standards on 92 percent of tobacco volume purchased by PMI. The remaining percentage pertains mainly to unplanned purchases for which sustainability data were not available.



In 2024, field technicians reported a total of 7,513 prompt actions across all sourcing markets, of which 96 percent were related to safe working environment issues, 3 percent to income and working hours, 1 percent to terms of employment, and 0.2 percent to child labor incidents. In total, 95 percent of the prompt actions raised were resolved during the year, with the remaining 5 percent of prompt actions not yet resolved, predominantly due to the timing of the crop stage.

Across the countries from which we source tobacco, the most recurrent and complex challenges relate to a safe work environment and the use of personal protective equipment (PPE). This is an area where we continue focusing our efforts through regular training and continuous improvements in the comfort and usability of PPE.

#### Strengthening our controls

As the ALP program has matured and been implemented at scale globally, our aim has been to continuously improve our policies and practices towards consistent and increased impact on the ground. As a result, in 2024 we introduced an additional layer of control, the Social Risk Monitoring Program (SRMP) performed by an external partner.

The purpose of the SRMP is to provide a framework that enables increased consistency and verifiability of suppliers' policies and processes aligned with PMI's requirements related to child labor and living income relevant disclosures.

This framework is divided into principles that should be followed and applied by both suppliers and vertically integrated operations. It focuses on processes, governance, data collection, reporting, and submission to PMI's automated system.

During the pilot implementation in 2024, 21 out of 45 tobacco suppliers were audited, with desktop audits conducted with three suppliers, virtual audits with 11 suppliers, and physical on-site visits conducted with seven suppliers in various markets. This enabled us to gain deeper insights into our suppliers' practices and to be able to implement continuous improvements in their current processes. As a result of the 2024 third-party audit, 21 out of 21 suppliers were compliant with the SRMP requirements for both child labor and living income.

In addition, Control Union completed an external assessment in Thailand in 2024, evaluating the management system in place for ALP implementation, reviewing prompt action protocols and procedures to identify, record, and address issues, and examining the internal capacity to implement the ALP program. This brought the total number of Control Union external assessments conducted on our total base of contracted farmers to 39 since 2013 (all available on [PMI.com](https://www.pmi.com)).

In 2024, external verifications by local third-party organizations were undertaken in Argentina, India, Mexico, and Mozambique covering our eligible farm base of contracted farmers to ensure identified issues between internal monitoring and external controls were addressed in a timely manner. Results show an acceptable level of variance between internal monitoring and external controls in each geography. In some of these countries, we nonetheless designed action plans to be implemented in 2025, in order to further strengthen our internal monitoring, accounting for insights gathered through the external verifications.

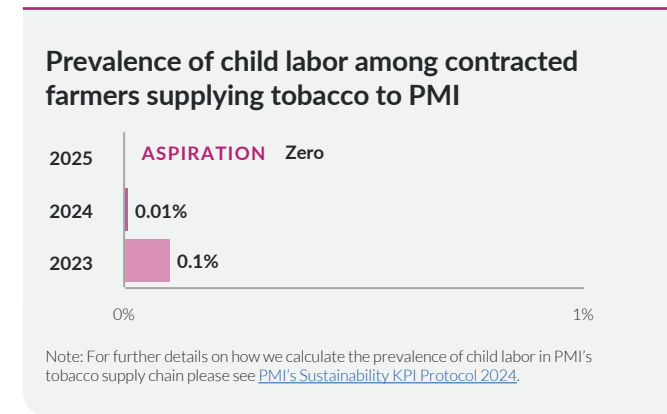
The vast majority of our relationships with contracted farmers supplying us with tobacco feature a shared commitment to continuous improvement in addressing social issues. As part of our STSC framework, the list of eligible farmers from whom we may source tobacco for our finished products includes pre-selected farmers based on their performance implementing PMI ALP Code requirements.

With regard to PMI's supplier farm base and PMI Leaf operations' farmer base, a due diligence and consequence management process leading up to contract termination in the most severe cases is still being implemented to strengthen and enforce the implementation of ALP across the entire tobacco supply chain.

### Eliminating child labor

We maintain a relentless focus on preventing incidents of child labor, and we take immediate action when they arise.

Our objective is to eradicate, by 2025, child labor cases in our tobacco supply chain. While we are confident that child labor (as a systemic issue in our supply chain) has been eradicated, we acknowledge that isolated cases might persist due to farmer turnover or unintentional misbehaviors, and we will remain alert and tackle them promptly when identified.



In line with our STSC framework, our child labor datasets depict the prevalence of child labor among contracted farmers supplying tobacco to PMI.

We use International Labour Organization (ILO) standards to measure our progress toward our aspiration of zero child labor. Our methodology centers on preventing children under age 13 from undertaking any tobacco-related tasks, restricting employment to those aged 15 and older, and preventing anyone under age 18 from engaging in hazardous tasks. This focus reinforces our risk-based due diligence processes by improving visibility and granularity on child labor across our sourcing markets.

Child labor prevalence affected 0.01 percent of the contracted farmers supplying tobacco to PMI in 2024. While this data point does not reflect child labor prevalence in PMI's global supplier farm base, we have seen a continuous reduction in child labor incidences among farmers supplying tobacco to PMI due to years of implementation of our ALP program, ongoing training, and targeted interventions. While isolated cases of child labor do persist, systemic cases have been broadly eradicated in the farms which supply tobacco to PMI.

Our field technicians conduct farm-by-farm monitoring and support farmers in addressing and remedying child labor risks and incidents. During 2024, field technicians recorded a total of 12 prompt actions. In total, these prompt actions involved 45 children, with 58 percent of them being the farmers' children.

### Total number of prompt actions recorded in 2024 relating to child labor among contracted farms supplying tobacco to PMI, by type

	2024
Children under 18 performing hazardous tasks	6
Children under 15 hired for any tobacco-related work	3
Children under 13 performing light work on their own family farm	3

Granular information on child labor, which provides the age breakdown and types of issues identified, allows us to address them more efficiently with targeted interventions.

In Indonesia, Pakistan, and the Philippines, isolated cases of child labor incidents were reported in 2024. This reduction was a result of continuous farm-by-farm monitoring, training, and targeted initiatives, as well as of the implementation of stronger due diligence and consequence management.

Continued progress made in Malawi demonstrates how targeted interventions can maintain the reduced risk of the prevalence of child labor. We continued our primary school feeding and after-school activity program reaching 27 schools and benefiting over 27,000 children (not limited to contracted farmers' children). Furthermore, we expanded our scholarship program to an additional 380 learners since the start of the program in 2022. The long-term plan is to support a total of 625 participants with comprehensive scholarships. Our intent with this initiative is not only to address child labor issues in our supply chain but also to contribute to the development of future leaders in Malawi by providing end-to-end educational support for children in tobacco-farming communities.

Despite the improvements reflected above, we stay alert to potential child labor issues in all countries sourcing to PMI.

### Types of prompt actions recorded in 2024 relating to hazardous work performed by children among contracted farms supplying tobacco to PMI

	2024
Handling or applying CPA or fertilizer	67%
Stringing	33%
Carrying heavy loads	0%
Working with sharp tools	0%
Harvesting or handling green tobacco	0%
Driving a tractor or operating machinery	0%

The most common tasks field technicians found children performing were handling or applying CPA or fertilizers, as well as stringing tobacco. We noted a significant reduction in prompt actions related to the harvesting or handling of green tobacco, a challenge previously faced in Turkey in 2023. This reduction was a result of targeted training sessions conducted with our suppliers' management and a resulting increase in unannounced visits by field technicians to the farmers. We maintain a focus on reducing the risk of any remaining child labor incidences.

All child-labor-related prompt actions recorded in 2024 were resolved.

Field technicians further support our efforts to remediate prompt actions and eradicate child labor by raising awareness and educating farmers on the issue, promoting school access and attendance, conducting vocational training, and supporting initiatives to improve household income levels.

In many geographies, the findings of external assessments related to child labor are aligned with our internal monitoring data, which show continued improvement in our visibility on the ground and the accuracy of our internal data. We remain focused on further strengthening our controls; for example, by increasing the number of unannounced visits and improving the training of field technicians on monitoring techniques. In addition to stronger controls, in Mexico, where the risk of presence of children in the field on Saturdays was reported, we introduced an action plan to extend the opening of childcare centers to Saturdays to provide migrant children a safe space while their parents are in the fields.

### Promoting a safe working environment

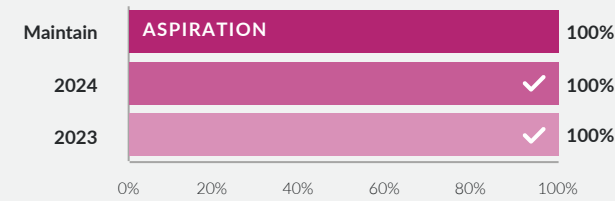
In line with PMI's ALP Code, we require all contracted farmers supplying tobacco to PMI to provide a safe workplace to prevent accidents and injury and to minimize health risks. In 2024, field technicians recorded a total of 7,212 prompt actions related to an unsafe working environment.

During the year, we continued to focus on ensuring access to appropriate PPE for all our contracted farmers supplying tobacco to PMI and their farmworkers. Understanding the hazards related to certain tobacco tasks and encouraging behavior change is vital to safeguarding the health and safety of those involved.

Prompt actions recorded in 2024 relating to safe working environment issues among contracted farms supplying tobacco to PMI primarily related to exposure to CPA due to not wearing proper PPE (36 percent), exposure to green tobacco sickness due to not wearing proper PPE (33 percent), CPAs being stored in a way that could cause a health and safety incident (16 percent), and working at height without protection (11 percent).

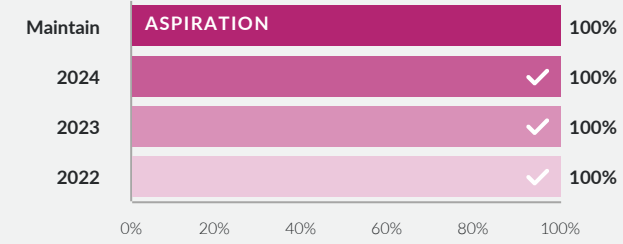
These topics are always part of annual training provided to farmers, and a focus of our efforts on the ground.

### Proportion of contracted tobacco farmers and farmworkers supplying tobacco to PMI who have access to personal protective equipment for the application of crop protection agents and prevention of green tobacco sickness



We also monitor the provision of safe and adequate accommodation by farmers to workers, where relevant (in 2024, around 3 percent of farmers supplying tobacco to PMI provided accommodation to workers).

### Proportion of tobacco farmworkers provided with safe and adequate accommodation

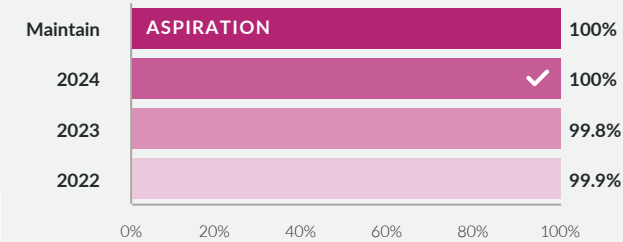


Note: Scope is limited to farmers who provide accommodation to workers (approximately 3 percent of the total farmer base in 2024).

### Advancing minimum wages for contracted farmworkers

In a typical crop season, approximately 45 percent of farmers supplying tobacco to PMI hire workers. Income earned by farmworkers during a pay period or growing season should be enough to meet their basic needs. Our ALP Code requires that the wages of all workers (including temporary, piece-rate, seasonal, and migrant workers) meet—at a minimum—the national legal standard or formalized agricultural benchmark standard.

### Proportion of contracted farmers supplying tobacco to PMI paying their workers at least the minimum legal wage or agricultural benchmark



In 2024, monitoring of the contracted farmers supplying tobacco to PMI who hire workers found that 100 percent of farmers paid their workers at least the minimum wage. Field technicians recorded a total of 201 prompt actions related to farmers paying less than the minimum wage to their workers, were all resolved during the season.

Despite the positive result in 2024 we remain alert and continue monitoring this topic, deploying targeted initiatives such as awareness raising, remediation, and those aimed at increasing farm efficiencies.

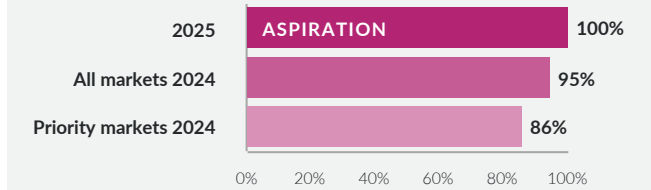
### Enhancing access to WASH among tobacco-farming communities

There is a well-established link between poverty and inadequate access to water, sanitation, and hygiene (WASH). Enhancing WASH infrastructure can substantially improve the well-being and livelihoods of community members.

We aim for all contracted farmers supplying tobacco to PMI to have basic drinking water access by 2025, and access to sanitation and hygiene by 2030. Our work to achieve these ambitions is driven by our internal framework that is guided by the Joint Monitoring Programme (JMP) for Water Supply, Sanitation and Hygiene, established by the World Health Organization (WHO) and UNICEF.

We monitor access to basic drinking water throughout our tobacco sourcing markets. However, we focus our efforts for interventions in Argentina, Malawi, and Mozambique, which we determined to be priority markets through internal assessment as we identified that less than 100 percent of the farmers supplying tobacco to PMI in these countries have access to basic drinking water. In these locations, we continue to implement solutions to bring safe drinking water, such as drilling boreholes, protecting springs, or providing continuous household-level solutions.

### Proportion of contracted farmers supplying tobacco to PMI that have basic water access



Note: Priority markets include Argentina (Burley), Malawi, and Mozambique. All markets exclude Tanzania and Thailand. Estimated based on surveys that indicate whether the farmer has an improved drinking water source within one kilometer or 30-minute round trip, or availability of continuous household-level solutions.

**2030**

**Aspiration**



Proportion of contracted farmers supplying tobacco to PMI have basic sanitation and hygiene

Since its inception, we estimate that our WASH program has reached over 300,000 beneficiaries.<sup>1</sup>

Specifically, in Malawi and Mozambique, more than 80 percent of farmers supplying tobacco to PMI now have access to water. As we work to increase reach, boreholes were drilled to provide protected wells, which improved cost-effectiveness. In 2024, 228 protected wells were built, serving over 40,000 people in these two countries. Women and children benefited the most from this initiative, which reduces the amount of time they must spend collecting water supplies. This has had a positive impact on women-led businesses and school attendance.

In Argentina, by protecting springs, we ensured that both farmers and community members have access to water that is less likely to cause runoff contamination. Sustainability of WASH infrastructure is one of our greatest challenges, which we aim to mitigate by working closely with local communities and establishing water committees.

Although we continue to make progress against our aspiration for 100 percent of contracted farmers supplying tobacco to PMI who have access to water by 2025, we continue to face challenges in reaching isolated farmers with WASH interventions.

In these cases, water source interventions, such as boreholes, are not feasible because of groundwater challenges or the cost/benefit proves challenging. Household level solutions are a viable solution to close this gap. Household water treatment solutions (HWTS) are focused on providing clean drinking water to those smallholder farmers who are isolated, often with limited or non-existent underground water sources nearby.

<sup>1</sup> This number is calculated based on stakeholder engagement, whereby our local teams interviewed the chiefs of each village where we have implemented these initiatives.



### CASE STUDY

#### PMI water access impact valuation in Argentina, Malawi, and Mozambique

In order to better understand the effect that our footprint and activities may have on local stakeholders and communities, and in parallel evaluate the effectiveness of our sustainability interventions in the long term, 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.

Read more the case study [here](#).

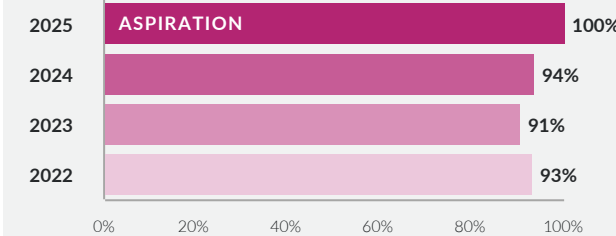
### Promoting fair working and living conditions in our broader supply chain

We aim to leverage our experience in our tobacco supply chain to promote high labor standards and advance the socioeconomic well-being of workers across our broader supply chain.

Our Responsible Sourcing Principles (RSP) set out ambitions and expectations for our suppliers, including human and labor rights considerations. Our primary focus lies with our electronics supply chain as this is a novel area for the business, as well as our direct materials (beyond tobacco and electronics) due to the broad and complex supply chains (read more [here](#)), potentially linked to a large set of social and environmental risks.

For electronics, we leverage our partnership with the Responsible Business Alliance (RBA) and rely on their audit programs such as the Validated Assessment Program (VAP) and Customer Managed Audits (CMAs). For our direct materials suppliers, we rely on the EcoVadis platform.

#### Proportion of spend with critical suppliers from whom PMI sources sustainably



Note: Sustainable sourcing is determined based on a minimum threshold score of 45 out of 100 in EcoVadis (direct materials) or 125 out of 200 in RBA with no open priority issues (electronics). All traceable tobacco purchased from monitored farmers is considered sustainable.

#### Our electronics supply chain

We aim to proactively address specific social risks in our growing electronics supply chain.

We continued to leverage resources from the RBA and gathered data through the VAP and CMAs during the year. These highlighted that the most common social issues relate to working time, wages and benefits, and emergency preparedness. Our suppliers have all developed relevant corrective action plans to address the issues identified.

In 2024, we continued to strengthen the due diligence framework for our current electronics suppliers to address potential human rights risks and issues, through stronger engagement with RBA and with suppliers and their workers. A key focus was to leverage RBA tools and resources to enhance suppliers' capabilities and ultimately improve their overall sustainability performance.

We have enhanced our risk assessment methodology to assess our suppliers' sustainability profile for better prioritization of targeted interventions. We base our analysis on the following criteria: inherent country and industry risk profile, the evolution of suppliers' audit performance, and suppliers' overall sustainability maturity. We also consider contextual specificities, including the percentage of vulnerable groups (e.g., presence of migrant workers in the suppliers' workforce).

We understand the importance of engaging and aligning with our suppliers to achieve our global sustainability aspirations. In 2024, PMI successfully completed the piloting of two initiatives started in 2023. The objective was to foster opportunities to improve suppliers' sustainability performance.

- **Responsible Factory Initiative (RFI)**, a program focused on helping suppliers with lower maturity in sustainability topics to identify potential misalignment of their practices with the RBA Code of Conduct and address them accordingly. This strengthens their preparation for the RBA audit. This pilot, which started in mid-2023, ran for 12 months and was completed in mid-2024. Two suppliers located in China participated in the pilot. Consolidated learnings show positive results in addressing issues identified (reported approximately 90 percent closure rate between initial and end of project evaluation). From a social standpoint, the main issues pertained to, limited formalization of processes and procedures related to health and safety, environmental management, and working conditions, or lack thereof. Moreover, both suppliers increased their capabilities and improved their RBA audit score significantly. Suppliers' feedback reflected a recognition for the value of the exercise.

- **Responsible Labor Initiative (RLI)**, a program that aims to build and strengthen the capabilities of PMI's suppliers and their recruitment agencies through targeted training and practical tools like the Responsible Recruitment Due Diligence Toolkit. This raises awareness on responsible recruitment practices and equips suppliers and agencies to identify and address potential forced labor issues. The pilots ran for 12 months and were completed in September 2024. The focus has been our electronics supply chain in Malaysia, given the country's human rights-related risk profile. Four suppliers and eight of their recruitment agencies were in scope for this pilot and have actively engaged with RBA during the course of this exercise. Two targeted trainings took place and with RBA's support, the agencies in scope evaluated their current practices and started implementing improvements to their policies and procedures.

Furthermore, in 2024, PMI conducted a pilot of RBA Voices, a key tool to support companies' human rights due diligence efforts through meaningful stakeholder engagement. Concretely, it is a worker voice platform that members and their suppliers can use to conduct workers' surveys on topics related to working conditions. More specifically, this project focused on piloting workers' surveys in two selected suppliers' factories, gathering insights from workers on two recurring issues: working hours and health and safety.

#### Our direct materials supply chain

For our direct materials supply chain, areas of attention from a social perspective relate to lack of reporting on Labor and Human Rights issues, driven by a gap in the area of policies and actions on working conditions, career management, and social dialogue.

IMPROVE THE QUALITY OF LIFE OF PEOPLE IN OUR SUPPLY CHAIN

Foster an empowered and inclusive workplace

Improve the quality of life of people in our supply chain

Tackle climate change

Preserve nature

To address these risks, we focus on critical suppliers (read more [here](#)). In 2024, our critical suppliers of direct materials assessed in EcoVadis achieved an average social score of 63 out of 100. To address the issues identified, we engaged with suppliers showing lower sustainability performance. We organized deep-dive review sessions of their CAPs before their reassessment.

In 2024, we actively supported 10 supplier CAP reviews with underperforming suppliers. Overall, six suppliers that we reassessed in 2024 as part of current and previous CAP review cycles improved their scorecards. The average score increase was of 18 points versus previous assessment in EcoVadis.

Meanwhile, our broad and in-depth human rights impact assessments (HRIAs)—which we have conducted in 10 of our highest-risk countries—provide granular insights into social challenges along our value chain (read more about how we tackle human rights issues [here](#)).

### Addressing social impacts in our electronics supply chain

When partnering with our suppliers, we engage extensively with them to embed our RSP in their operations. From commitments, to ongoing training, to regular audits, we work with suppliers to ensure their practices live up to our RSP.

As described in our last Integrated Report, after concerns were raised about labor practices at one of our electronics suppliers in Malaysia, we worked with the supplier to remediate issues identified by the Responsible Business Alliance in a Specialty Vendor Assessment Program (SVAP) audit. Together with our strategic partner Verité and the supplier, PMI supports the supplier on its Corrective Action Plan (CAP), and to monitor, verify, and report directly to PMI on their progress in implementing it. We suspended significant parts of our business with the supplier to reflect the gravity of the situation and to enable the supplier to implement corrective actions.

Following the supplier's extensive efforts over the course of almost a year, working alongside our teams, the RBA's 2024 closure audit confirmed the supplier has addressed all the priority issues identified. We resumed production in Q3 2024 with the supplier and will monitor continuously its compliance with our RSP.

We support our electronics suppliers, and their supply chain partners, to further mitigate the risks in our supply chain by encouraging them to participate in the RBA Responsible Labor Initiative.



CASE STUDY

### Human rights impact assessment in Mozambique

We completed in 2024 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. A particular focus was given to priority risk areas such as child labor, treatment of women, migrant workers, climate change, the impact of the pandemic, and grievance mechanisms.

Read the case study [here](#).

## Looking ahead

**Scott Coultts**  
Senior Vice President,  
Operations



Given the scale and scope of our global operations from the farmers and farmworkers who cultivate our tobacco and other agricultural products to workers at supplier companies that provide the products and services we need to run our business, the opportunity to continue delivering meaningful impact and offer continued improvement to the quality of the livelihoods of people in our supply chain is immense.

We are proud of our progress in addressing labor and human rights issues within our supply chain and accordingly set ambitious targets to measure and communicate our impact. As our integration with Swedish Match progresses, we will focus on ensuring that the nicotine production supply chain's performance, monitoring, and reporting is diligently integrated with ours, building on existing synergies and assessing actual and potential social impacts to adjust our strategy as needed.

The evolving regulatory landscape makes our efforts only more relevant, as we seek to increase traceability and transparency on the social impacts of our supply chain and strengthen our existing due diligence processes. We will continue to ensure robust monitoring and quality reporting accompany our social programs, and we will leverage the learnings gathered to expand our efforts in our fast-evolving nontobacco supply chain, with a particular focus on electronics.

**Pedro Braga**  
Vice President, Global  
Technical Operations



Our Agricultural Labor Practices (ALP) program has been continuously refined and strengthened. Today, we apply innovative and integrated solutions to systemic issues, fully engaging with suppliers, farmers, and local communities. As the program reaches a new level of maturity, we continue to seek measures to implement consistent and increased impact on the ground. Our Social Risk Monitoring Program (SRMP), conceived with this intent, adds an additional layer of control, ensuring increased consistency in suppliers' policies and processes. In 2025, we look forward to scaling this program globally and verifying alignment with PMI's requirements related to child labor and living income relevant disclosures.

We aim to improve the living income of contracted farmers supplying tobacco to PMI. This year, to strengthen our approach we included a new KPI in the 2024–26 Sustainability Index cycle, targeting the most economically vulnerable populations and will increase our focus on local initiatives that generate improved income for farmers supplying tobacco to PMI. We are committed to driving a tangible and verifiable positive impact on the farmers' livelihoods and transparently communicating our progress on this front.

**Bin Li**  
Chief Operations Services  
Officer



In 2025, we will continue to enhance our targeted supplier engagements to further develop capabilities that will assist our suppliers in implementing our Responsible Sourcing Principles (RSP). Our support for RSP compliance is facilitated through our supplier due diligence programs, utilizing the EcoVadis and RBA methodologies. We aim to delve deeper into industry-specific issues to build a more robust supplier base and ensure sustainable performance for the future over the course of 2025. We have made excellent progress toward our goal of achieving 100 percent sustainable sourcing from critical suppliers by 2025. In 2024, we strengthened our due diligence program by including over 500 suppliers of indirect material and services. In 2025, our focus will be on building capabilities within this complex supply chain and continuing to expand the coverage. Following the successful outcomes of our RBA pilots, we will expand the Responsible Factory Initiative and the Responsible Labor Initiative to additional factories based on our annual risk assessment and prioritization. Additionally, we plan to increase our collaboration with RBA, our suppliers, and other RBA members by participating in working groups and sharing insights on strengths and opportunities for improvement.

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Improve the quality of life of people in our supply chain

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IMPROVE THE QUALITY OF LIFE OF PEOPLE IN OUR SUPPLY CHAIN



OPERATIONAL IMPACT

# Tackle climate change

Addressing greenhouse gas (GHG) emissions is not just an environmental imperative but a strategic business priority that directly impacts our long-term viability, regulatory compliance, and competitive positioning. Considering the Paris Agreement’s 1.5°C target in our efforts helps mitigate supply chain disruptions and capitalize on emerging market opportunities, and meet increasing stakeholder expectations.

INWARD IMPACT

### The business case

Climate change and its effects can threaten our business continuity and endanger our supply chain—especially our agricultural supply chain which is particularly sensitive to abrupt climate variations. Furthermore, it can present risks with direct impacts on our physical infrastructure, in particular our manufacturing sites, as well as transition risks such as energy price increases. It can also imperil business growth by exacerbating systems-level disruptions affecting various stakeholders, including customers, employees, and communities.

For that, we put in place policies and practices that allow us to identify climate-related risks, anticipate and respond to climate-related regulation in a timely way, support climate policies, and seize climate-related economic opportunities.

Developing and implementing robust mitigation and adaptation strategies can minimize the extent to which climate change impacts our business. One fundamental strategy is to reduce our GHG emissions, which allows us to increase efficiency, deliver energy savings, and boost profitability by promoting fewer inputs used over outputs.

OUTWARD IMPACT

### The right thing to do

The effects of climate change impact human rights, biodiversity, water access, global health, and food security, and intensifies environmental threats such as ecosystem degradation, drought, flooding, and desertification. While science tells us that climate change is irrefutable and unavoidable, it also tells us it is not too late to limit global warming to the 1.5°C threshold which is considered the point beyond which climate-related impacts will be catastrophic.

Achieving this goal requires fundamentally transforming how we grow food crops, use land, transport goods, and power our economies. Implementing GHG emissions reduction initiatives throughout our direct and indirect operations can contribute to the mitigation of global climate change and its effects, especially in regions most vulnerable to climate-related disruptions. Our commitment to climate action can also serve as a catalyst and encourage others—especially those connected to our value chain—to adopt strategies that can amplify the overall impact of efforts deployed to contribute to climate mitigation, enable climate adaptation, and advance climate resilience.

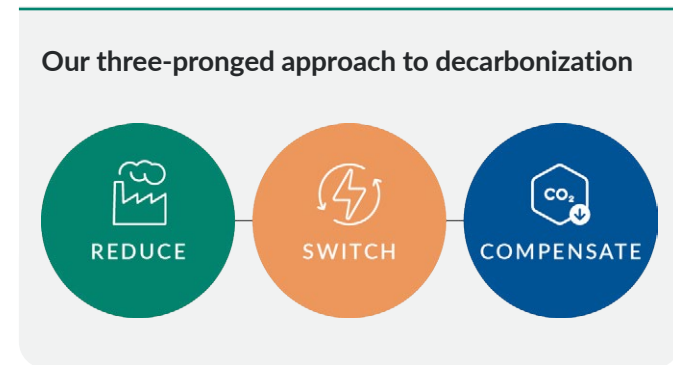
<b>In this section</b>	Overview of our GHG emission footprint	123
	Carbon neutrality in our direct operations	125
	Carbon reduction in our value chain	130

## Management approach

Our climate strategy aims to address pertinent climate change-related risks and build resilience while seizing opportunities presented by a low-carbon future.

To deliver on our climate ambitions, we rely on robust GHG emission footprint accounting, regular analysis of climate change-related risks and opportunities, ambitious mitigation targets, implementation of adaptation measures, clear management and governance structures, and key enablers such as our internal carbon pricing.

We prioritize reducing absolute GHG emissions by optimizing efficiency and reducing consumption while minimizing the use of fossil fuels and promoting the switch to renewable energy. We choose to compensate for the remaining unavoidable emissions in our direct operations by prioritizing insetting efforts, investing in nature-based solution projects in our supply chain (when possible), and purchasing certified carbon credits when needed. Our Portfolio of Climate Investments (PCI) guides our approach to compensation.



Taking into account the Paris Agreement, we have set a science-driven GHG reduction roadmap aligned with its goals. Our near-term 2030 absolute GHG emissions reduction targets, including our most recently approved Forest, Land and Agriculture (FLAG) and industrial emission reduction commitments, and long-term 2040 commitment to net zero emissions, have been validated by the Science Based Targets initiative (SBTi) and are aligned with a scenario of an increase in global temperature of no more than 1.5°C above preindustrial levels. To further drive GHG emission reductions in our value chain, we have set a target for 15 percent of our supply chain spend to be covered by suppliers that have their own science-based targets. The SBTi re-validated our targets in 2024.

Our GHG emission reduction efforts cover our entire value chain. Guided by our GHG emission footprint model, we have in place specific mid-term targets and strategies that account for our most significant impacts on climate, and we conduct periodic climate change risk and opportunity assessments to inform our efforts.

We use internal carbon pricing, including shadow carbon pricing and an internal carbon levy, to incentivize and drive reductions in GHG emissions.

We incentivize our employees through monetary rewards or other forms of recognition for the successful implementation of climate-related initiatives and seek to raise awareness among our entire workforce of climate change-related impacts through regular internal communications and training.

In selecting direct materials suppliers, we consider their transparency in disclosing emissions factors and demonstration of significant carbon intensity reductions.

To be successful, contributing to climate mitigation, enabling climate adaptation, and advancing climate resilience cannot occur in isolation. PMI engages with sustainability-related initiatives and organizations, including the Business Ambition for 1.5°C, and we have publicly reported in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Read our TCFD Report 2022 [here](#). Our affiliates also belong to national business associations that are engaging with governments to advance progress on climate protection at the local level.

### Management

Our Senior Vice President, Operations, a member of Company Management, is tasked with addressing climate-related risks across all company activities. This individual reports findings to the Nominating and Corporate Governance Committee of PMI’s Board of Directors. From an operational standpoint, our Operations, Combustible Category, Smoke-free Category, Research & Development, and Finance functions coordinate the company’s climate change-related activities.

### PMI’s policies and standards

- [Environmental Commitment](#)
- [Responsible Sourcing Principles](#)
- [Good Agricultural Practices](#)
- [Zero Deforestation Manifesto](#)



Foster an empowered and inclusive workplace

Improve the quality of life of people in our supply chain

Tackle climate change

Preserve nature

## Progress in 2024

### Highlights

- In 2024, the Science Based Targets initiative (SBTi) re-validated our near- and long-term targets considering PMI's most recent GHG inventory (including Swedish Match emissions, which were integrated in 2023).
- For the 11th consecutive year, we were awarded an A score by CDP in recognition of our efforts to address climate change and provide environmental transparency.
- In 2024, our proactive engagement with our value chain enabled us to collect an increasing number of primary data for relevant scope 3 categories, such as overland transportation, and to develop individualized strategies for deployment in 2025, namely for indirect materials and services, including marketing and IT services. This contributed to improving our understanding of our scope 3 industrial emissions and will inform the design of appropriate interventions to reduce them.
- This year, we achieved considerable advancements with our Sustainability Accelerator program, designed to facilitate the development and execution of comprehensive climate strategies and initiatives among our suppliers. In 2024, we expanded the program's reach to include support for 18 suppliers across various segments of our value chain. Additionally, we extended the program scope to support our suppliers in improving their sustainability performance and reporting, encompassing but not limited to climate-related issues.
- Through our zero carbon technology (ZCT) initiatives, we are fostering the transition to renewable energy and reducing emissions across PMI's manufacturing sites. In 2024, this commitment materialized through the installation of heat pumps, e-boilers, hybrid boilers, biomass boilers, and solar panels at five of our manufacturing facilities.

### Challenges

- The geopolitical situation and adverse impact of supply chain disruption have continued to impact our GHG reduction plans in 2024 and create challenges with data collection at the local level, requiring us at times to assume trade-offs between financial and natural capital to ensure business continuity (e.g., sourcing from less mature suppliers or less favorable origins to ensure security of supply). Notably, in 2024, decisions related to supply security and business continuity have led to an increased purchase of tobacco from regions with higher carbon footprints and new origins with similarly high carbon footprints, adversely affecting our progress.
- Despite some progress in reducing the carbon intensity of the global economy, mainly driven by the expansion of renewable energies and improvements in energy efficiency, global efforts remain off course to meet the Paris Agreement's 1.5C target, with key challenges arising from political uncertainty, lack of enforcement mechanisms for climate policies, high economic costs associated to reducing GHG emissions, and a lack of clear guidance on mechanisms and tools available for governments and corporations. These factors have also affected the pace at which PMI has been able to reduce its Scope 3 Industrial emissions, which are largely driven by our suppliers.
- Our rapid business transformation to deliver a smoke-free future means we must double-down on efforts to increase efficiency and continue to embed sustainability requirements in the product development process, as smoke-free products imply higher manufacturing emissions intensity than cigarettes.

## Overview of our GHG emission footprint

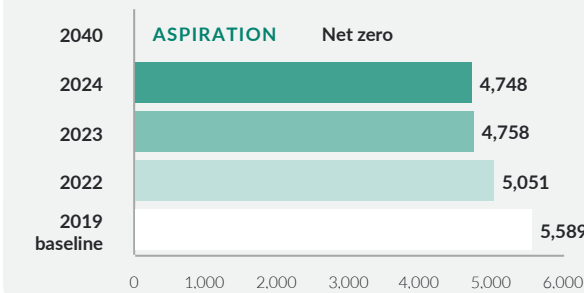
We calculate our GHG emission footprint annually, following guidance from the Greenhouse Gas Protocol and accounting for the emissions generated across our value chain. Our GHG inventory is externally verified according to the ISO 14064-3:2019. Results of the verification are published on [PMI.com](https://www.pmi.com).<sup>1</sup>

We seek to improve the environmental performance of our direct operations which represented 7.5 percent of our overall carbon footprint in 2024, and where we have operational control.

Our upstream emissions represented 88.6 percent of our total GHG footprint in 2024. It is therefore critical that we work within our tobacco supply chain and with our broader supply chain partners to drive impact.

Downstream emissions represented 3.9 percent of our total footprint in 2024. We have aspirations to embed eco-design principles in our smoke-free products and extend our electronic smoke-free device life span (read more [here](#)), and to reduce our packaging footprint (read more [here](#)).

**Absolute GHG emissions in our value chain (scope 1+2+3) (in thousands of metric tons)**



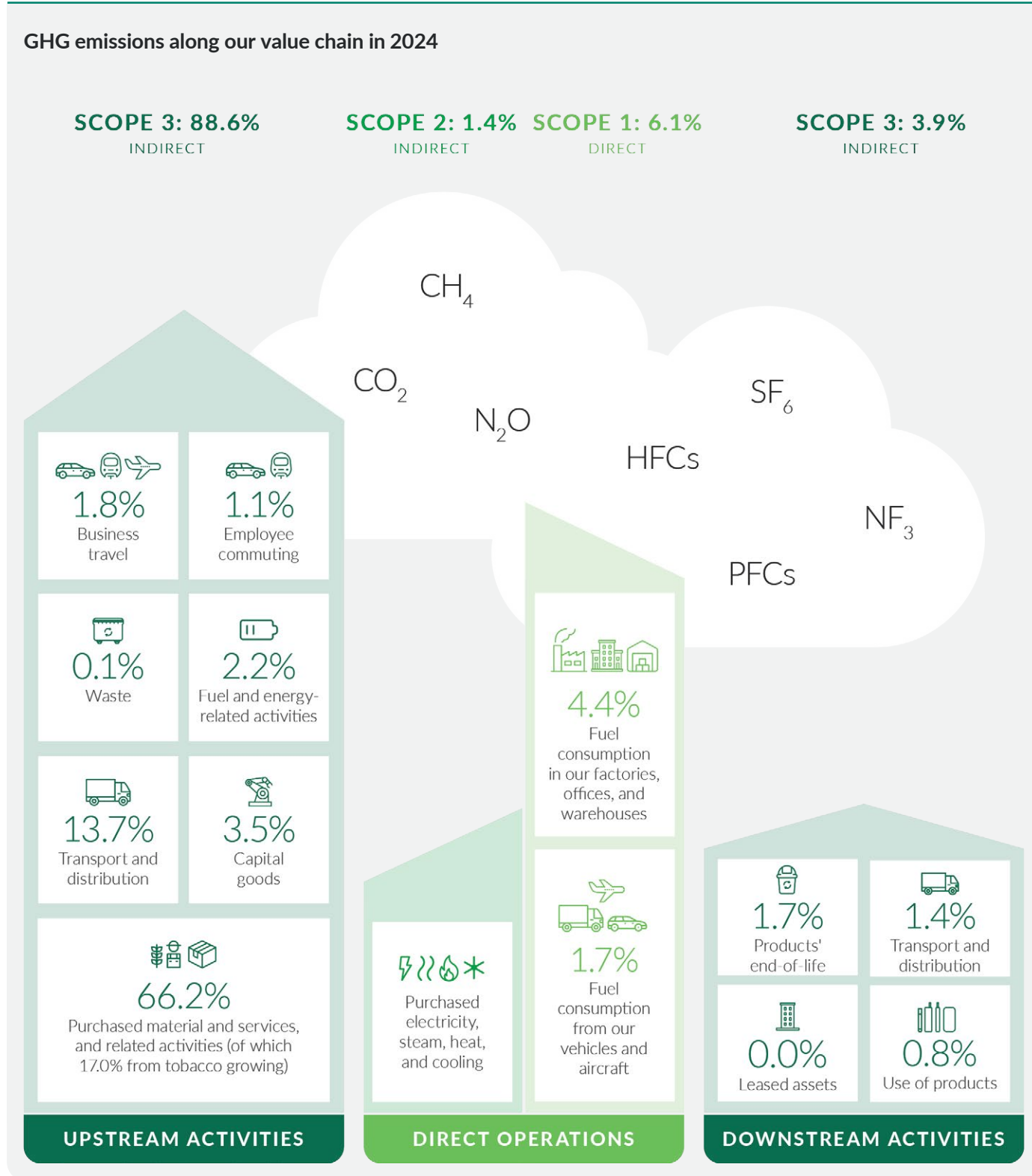
<sup>1</sup> Climate-related figures presented in this report do not include GHG emissions from wellness and healthcare business. They are currently excluded from the inventory as they are below our materiality threshold set at 5 percent for scope 1+2 and scope 3, respectively, and are therefore not considered material.

Overall, in 2024, our total GHG emissions decreased in absolute terms by 15 percent across our value chain versus our 2019 baseline. Although our emissions have dropped from this baseline year, they have not fallen as much as planned.

With Swedish Match's GHG emissions fully integrated into our PMI-wide GHG inventory since 2023, we focused in 2024 on starting to integrate Swedish Match's activities within PMI's low carbon transition plan, with a plan to extend our various mitigation and adaptation strategies and initiatives to Swedish Match's operations.

In 2024, we completed the re-validation of our near-term, net-zero and FLAG targets with SBTi consistent with their criteria and recommendations to ensure alignment between our ambitions and our latest GHG inventory, including Swedish Match's GHG emissions.

For more information on PMI's approach to GHG calculations and materiality thresholds, please refer to [PMI's Sustainability KPI Protocol 2024](#) and [PMI's Value Chain Carbon Footprint Methodology Overview](#).



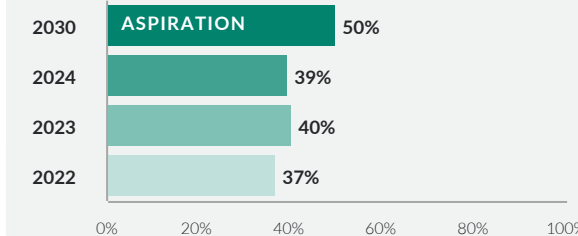
## Carbon neutrality in our direct operations

Our direct operations represent the part of our value chain over which we have the greatest control. Combined, our scope 1+2 emissions represented 7.5 percent of our total carbon footprint in 2024, of which 63.5 percent were generated by PMI factories, and 9.4 percent were generated by Swedish Match's direct operations (including factories, offices, other facilities, and fleet).

To achieve our ambition of carbon neutrality in PMI's direct operations (scope 1+2) by 2025, we combine good management practices with strategic energy-related investments. We invest in optimizing energy and process efficiencies and replacing fossil fuel-based energy with renewable sources. We compensate for our unavoidable emissions after we have maximized our emissions reduction.

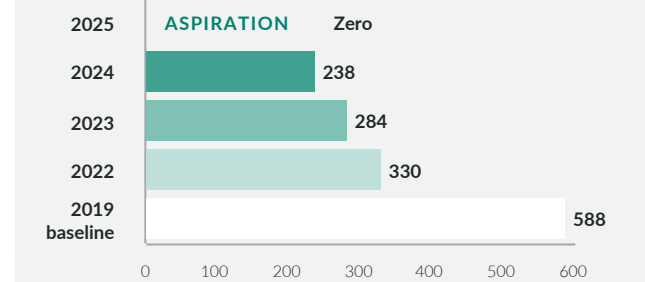
As of year-end 2024, we achieved a 39 percent absolute GHG emission reduction versus our 2019 baseline. Our year-on-year reduction remained flat this year, due primarily to the impact of product volume mix, challenges associated with securing renewable electricity certificates in some markets, and the ongoing integration process of Swedish Match, for which a decarbonization strategy is being developed. However, we remain well on track to meet our SBTi-validated target of a 50 percent reduction in our direct operations by 2030 versus our 2019 baseline.

### Reduction in absolute scope 1+2 GHG emissions versus 2019 baseline



We are similarly on track to achieve our 2025 aspiration to be carbon neutral in PMI's direct operations (scope 1+2).

### Net CO<sub>2</sub>e scope 1+2 (in thousands of metric tons)



Note: The net CO<sub>2</sub>e scope 1+2 emissions excluding Swedish Match were equal to 204,358 metric tons in 2024 and 249,250 in 2023. For further details, see [PMI's Sustainability KPI Protocol 2024](#).

## Decarbonizing PMI factories<sup>1</sup>

In 2024, PMI factories accounted for 5.1 percent of our total carbon footprint.

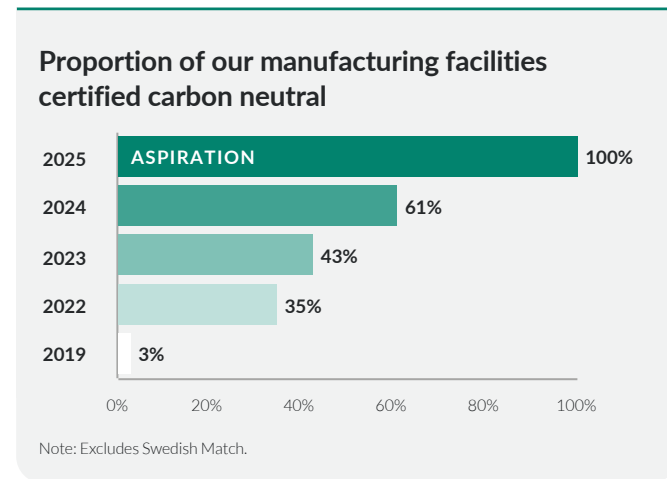
Our strategy to decarbonize our factories focuses on enhancing energy efficiency and switching to renewables. It is underpinned by the development and deployment of low-carbon technologies. Our efforts are coordinated under our global "Drive 4 Zero" program, aimed at increasing resource efficiency, reducing energy consumption, raising awareness among our employees, and increasing PMI's renewable energy consumption, ideally through self-generation. Our Drive 4 Zero program covers the entire energy life cycle. It ensures an integrated approach where sustainability is embedded in every facet, valued alongside economic and business continuity considerations.

Technology plays a key role in our Drive 4 Zero program, particularly in achieving carbon reductions. Through our Zero Carbon Technology (ZCT) initiatives, we are fostering the transition to renewable energy and reducing emissions across our manufacturing sites. In 2024, this commitment materialized through installations of heat pumps, e-boilers, hybrid boilers, biomass boilers and solar panels at five manufacturing facilities.

While every solution is tailored to the specific energy profile of the site, our efforts are based on a general framework that considers self-generated renewable energy, electrification of heat production systems, and switch to bio-based fuels where possible.

<sup>1</sup> Excluding Swedish Match factories.

Our efforts in 2024 led to an overall reduction of 43 percent in our absolute GHG emissions in PMI factories versus the 2019 baseline. During the year, we certified as carbon neutral four additional reporting entities in Kazakhstan, the Philippines, South Africa, and Turkey, bringing the total to 25 reporting entities (22 factories) certified to date. We remain on track to certify all PMI manufacturing sites in scope by the end of 2025.<sup>1</sup> We publish certifications for all carbon-neutral sites [here](#).



Beyond our manufacturing sites, our markets worldwide are undergoing carbon neutrality certification, following efforts to reduce GHG emissions and compensating for their remaining emissions through PMI's Portfolio of Climate Investments. In 2024, we significantly expanded our carbon neutrality program outreach by globally deploying the carbon neutrality requirements, assisting markets in developing their carbon emission reduction plans, and securing market-level commitments on decarbonization. As a result, 50 markets received carbon neutrality certifications in 2024, up from 11 in 2023 (the certifications are available on [PMI.com](#)).

### Promoting energy efficiency

We rely first on promoting efficient energy use in our factories. We achieve this by deploying programs and frameworks across our factories to advance a zero-loss mindset and empower employees to identify and implement operational efficiencies related to resource optimization. This includes energy savings and environmental benefits such as reduced water consumption and waste generation (read more about maximizing resource efficiency in our operations [here](#)).

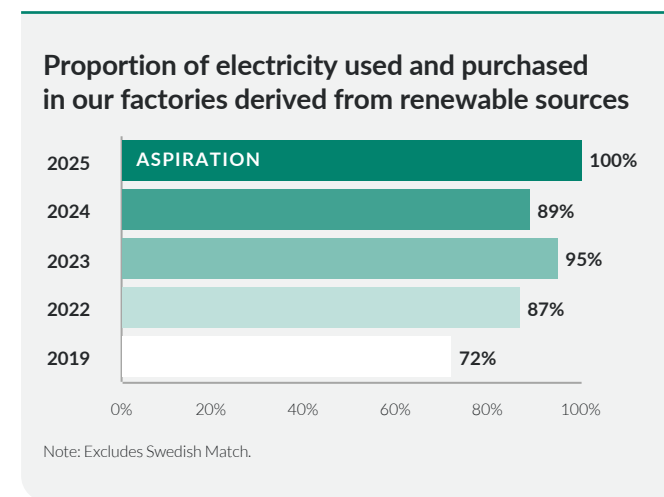
<sup>1</sup> Carbon neutrality certification plans for PMI's factories in Russia and Ukraine remain on hold due to the Russian invasion of Ukraine. Excludes Swedish Match.

Within our Drive 4 Zero portfolio, over 200 initiatives have been deployed to date across our manufacturing sites to optimize energy use. These efforts include minimizing energy losses and upgrading utility and process infrastructure for better performance. Examples of solutions implemented in 2024 include advanced energy monitoring systems, automated control systems, heat recovery units, heat pumps and the use of AI for HVAC optimization. All these efforts contribute to more sustainable and efficient operations.

### Switching to renewable energy

We continue our gradual switch to renewable energy sources. Many of our zero-carbon technologies (ZCTs) such as photovoltaic panels, biomass boilers and heat pumps, and tri-generation processes (combining cooling, heating, and power) generate renewable energy. In total, 3.3 percent of the electricity used in PMI's factories was self-generated in 2024 (2023: 3.0 percent). From the self-generated portion, 99.6 percent was generated through renewable sources (2023: 39 percent).

To deliver on our aspiration to enhance in-house electricity self-generation through renewable energy, we completed a solar photovoltaic project in Mexico and we are proceeding with construction works for the installation of photovoltaic panels in Argentina, Italy, Lithuania, and Portugal. Upon completion, these projects will collectively add 9.5 MW to our self-generated capacity.



We sourced and certified as biogenic close to 80 percent of the liquid CO<sub>2</sub> supply chain for our affiliate in the Netherlands and 100 percent for our Indonesian and Philippines affiliates. This resulted in a total reduction of around 16 kilotons CO<sub>2</sub>e in our scope 1 emissions.

In 2024, 89 percent of the electricity used and purchased in PMI's factories was derived from renewable sources, and we continue to aim to achieve 100 percent by 2025. The year-on-year decline is due to variations in purchasing and consumption patterns in certain markets in which we operate.

### Reducing GHG emissions in PMI's offices and other facilities<sup>1</sup>

PMI's offices and warehouses accounted for 0.3 percent of our total carbon footprint in 2024.

During the year, we continued to leverage our growing number of carbon-neutral offices and warehouses to increase the collection of primary data and enhance our methodology and results. Approximately 60 percent of our offices and warehouses are located in multi-tenant buildings, adding to the complexity of deploying energy efficiency and carbon reduction initiatives.

In 2024, we continued to apply our internal scorecard in the selection of new leased and rental spaces, ensuring sustainability criteria form part of the decision-making process regarding our future footprint.

To advance our greenhouse gas (GHG) emission reduction efforts in 2024, we conducted a feasibility assessment of renewable electricity for our market offices and warehouses. This assessment revealed that many of our markets were too small to efficiently procure renewable electricity independently. To achieve carbon neutrality by 2025, we decided to leverage our global footprint to centrally procure renewable electricity for markets where it is available. This initiative benefited approximately 60 out of 90 markets, representing around 90 percent of our total market electricity consumption, resulting in the avoidance of more than 20,000 tonnes of CO<sub>2</sub>e equivalent to more than 75 percent of our global market office and warehouse GHG emissions.<sup>2</sup> We will continue to evaluate opportunities for the remaining markets and incorporate them into this initiative as renewable electricity for those geographies becomes available.

Overall, we observed stable GHG emissions from PMI's offices and warehouses having achieved 68.4 percent reduction versus the 2019 baseline (2023: 70.3 percent) as benefits of deployed initiatives were not accounted at the time of closure of this report.

<sup>1</sup> Excluding Swedish Match  
<sup>2</sup> At the time of the 2024 data verification process, the centralized procurement of renewable electricity for our market offices and warehouses was not yet completed. Metrics reported throughout this section do not reflect the benefits of this initiative. These will be included in the reconciliation process when 2024 full year actuals data are revised and verified during 2025.

### Fostering carbon neutrality in PMI's fleet<sup>1</sup>

Our fleet of over 21,000 vehicles accounted for 1.7 percent of our total carbon footprint in 2024. Approximately 78 percent of our fleet is composed of working-tool vehicles, used primarily to visit point-of-sale locations and distribute our products. The remainder are benefit vehicles.

To reduce GHG emissions in our fleet, we invest in sustainable powertrains and effective driving to optimize energy consumption and improve operational efficiency.

Our internal Global Vehicle Fleet policy frames our fleet strategy and moves us to a more centralized operating model to help ensure that every PMI affiliate contributes to our global carbon neutrality aspiration.

In 2024, we continued to select more environmentally friendly powertrains in our fleet renewal decisions. By year-end, vehicles with electrified powertrains (electric or hybrid) represented 39 percent of our fleet globally (2023: 27 percent). We remain focused on retiring our most polluting cars subject to the availability of appropriate infrastructure, legislation, and technological innovation.

We leverage eco-training and telematics where legally permitted to improve driver behavior and further engage employees in our sustainability agenda. We completed the third wave of our e-learning program in 2024 with an overall completion rate of 97 percent. In September 2024, we commenced the new cycle of global e-learning for all working tool car drivers.

Enhancing safe driving behaviors has a direct impact on the eco-driving practices of individual drivers. Moreover, 88 percent of our working-tool cars (2023: 85 percent) are equipped with telematics—a technology that provides the driver with data on driving behaviors to improve road safety behaviors and decrease GHG emissions (read more [here](#)).

Recognizing the benefits of these programs, we are working closely with the e-learning providers to extend the value of their services. We believe using these aggregated insights (based on telematics) will allow us to provide specific and timely e-learning modules to further enhance their safety and the safety of other road users while also contributing to carbon emission reductions.

<sup>1</sup> Excluding Swedish Match



## Compensating for unavoidable or residual emissions<sup>1</sup>

Unavoidable or residual emissions are those that cannot be eliminated through current technology or practices. Following the Science Based Targets initiative's (SBTi) Beyond Value Chain Mitigation (BVCM) principles, we maximize emissions reductions in our direct operations while compensating for remaining emissions to achieve carbon neutrality.

We have continued our efforts to certify our factories, offices, and warehouses as carbon neutral, focusing primarily on efficiency gains and a switch to renewable energy. In 2024, we achieved carbon neutral certification for 22 factories (25 reporting entities) and 50 markets by reducing absolute emissions 51 percent from our 2019 baseline and compensating for the remaining 49 percent.

Our long-term goal is to further explore insetting projects in our supply chain to generate carbon credits and focus our investments on nature-based solutions. Some insetting projects are currently underway; however, considering their lead time to generate credits, PMI's Portfolio of Climate Investments (PCI) purchases carbon credits from the voluntary market to meet our 2025 carbon neutrality aspiration.

Our PCI investments provide a standardized, technically robust approach to compensation, ensuring a pool of high-quality carbon credits that deliver both environmental and social impacts.

### PMI's Portfolio of Climate Investments (PCI)

The PCI, introduced in 2021, standardizes and provides transparency to our carbon credit investment approach. To support decarbonization, PMI focuses on direct investments in our supply chain (insetting) rather than market approaches (offsetting). This strategy delivers high-quality results while controlling costs versus the fluctuations of the carbon credit market.

This holistic approach generates co-benefits through carbon credit generation. We maintain a budget for specific projects in the voluntary carbon market, overseen by an advisory committee of cross-functional PMI senior leaders (including our Chief Sustainability Officer and Senior Vice President, Operations). The committee approves resource allocation for climate solutions using funds from PMI's carbon levy scheme, including additional funding for innovative solutions and R&D.

<sup>1</sup> Excluding Swedish Match.

To assess investment quality and impact, we apply an external due diligence process managed through a proprietary methodology developed with PMI's carbon finance adviser, Clarmondial. This methodology evaluates GHG mitigation, biodiversity conservation, and community benefits through evidence-based analysis and third-party reporting, providing quantitative estimations of environmental and societal impacts.

### Deploying our PCI

In 2024, PMI's PCI invested around USD 0.3 million in nature-based solutions from the voluntary carbon market (2023: USD 1.2 million). These projects are taking place in Canada and Colombia. They aim to generate carbon credits through improved forest management and forest conservation, respectively. The PCI secured high-quality offsets supporting PMI's decarbonization journey, providing carbon offsets for the 22 factories and 50 markets certified as carbon neutral in 2024.

We advance insetting through nature-based solutions in our tobacco supply chain, compensating for residual emissions while enhancing the socioeconomic development of tobacco-farming communities. This creates co-benefits such as resilient ecosystems and improved safe water access. In 2021, we initiated an insetting project in Mozambique, with 10 boreholes completed and operational in rural communities, and 15 additional boreholes under construction to further community impact and credit generation.

We continue to assess insetting opportunities in North and South America aligned with our "Perfect Forest™" concept (read more about it [here](#)), creating value through sustainable forestry practices. Anticipated outcomes include carbon sequestration through reforestation of degraded land, ecosystem restoration, and social benefits such as securing sustainable wood access for dependent tobacco farmers.

## Carbon Border Adjustment Mechanism (CBAM)

The European Union's (EU) Carbon Border Adjustment Mechanism (CBAM) is establishing fair carbon pricing for carbon-intensive goods entering the EU market while promoting cleaner industrial production in non-EU countries. In 2024, PMI implemented proper governance and reporting frameworks across our European affiliates subject to CBAM requirements. In parallel, we began readiness work for the following phase when the permanent CBAM system will become applicable. PMI was successful in timely reporting the volumes of the imported products in scope in the EU and declaring the CO<sub>2</sub> emissions embedded in these imports, in line with the implementing regulation. Through engagement with major suppliers of CBAM goods, we ensured completeness and accuracy of reporting under the new EU methodology. Our thorough GHG accounting processes and supplier engagement related to scope 3 primary data collection enabled this work.

### Internal carbon pricing

#### Valuing GHG emissions in our operations (scope 1+2)

Assigning a price to GHG emissions transforms intangible climate impacts into tangible costs, driving action to reduce emissions that contribute to global warming. Since 2020, PMI has implemented two complementary internal carbon pricing instruments: a shadow price and a carbon levy.

We periodically review both instruments to reflect market changes, considering our risk and emission profile, external carbon pricing benchmarks, inflation rates, and developments in emissions trading schemes.

Our shadow carbon price of USD 105 is embedded in the financial evaluation of business proposals targeting GHG emissions reduction, supporting dozens of approved projects since implementation.

A carbon levy of USD 11 per ton of CO<sub>2</sub>e helps quantify investments needed for offsetting and insetting initiatives. This internal tax on selected business units' GHG emissions incentivizes behavioral change and determines the PCI budget.

#### Valuing GHG emissions in our value chain (scope 3)

In 2023, PMI extended its established shadow carbon pricing approach from scope 1+2 emissions to develop its first internal carbon price pilot for scope 3, focusing on ocean shipping activities. The initiative established a carbon price reference to evaluate GHG emissions and incorporate them as a decision criterion for PMI's ocean logistics transport services. In 2024, our supply chain function continued to explore implementing this internal carbon pricing mechanism for ocean shipping.

## Carbon reduction in our value chain

The vast majority (88.6 percent) of our carbon footprint lies in our upstream value chain, encompassing purchased goods and services, tobacco growing, transportation and distribution, business travel, and employee commuting.

A smaller percentage (3.9 percent) comes from our downstream value chain, including product use and end-of-life phases (read more [here](#)), and finished goods transportation and distribution.

Our upstream and downstream value chains combine to form our scope 3 GHG emissions. Our 2024 data show a 12 percent decrease in scope 3 GHG emissions versus our 2019 baseline. However, the rate of reduction has slowed in recent years, including in 2024, falling short of our originally planned trajectory.

While our planned programs delivered reductions to expectation, unfavorable conditions in 2024 demanded supply chain adjustments. These business continuity decisions, particularly in tobacco sourcing, required shifts to regions with higher carbon footprints, creating a temporary setback to our emission reduction progress.

On the other hand, in 2024, targeted interventions were implemented to reverse past years' supply chain disruption impacts. This allowed us to significantly reduce emissions from air shipments, and it also allowed us to develop our first pilot project for PMI's internal carbon price for scope 3, focusing on ocean shipping activities.

### Sustainability Accelerator

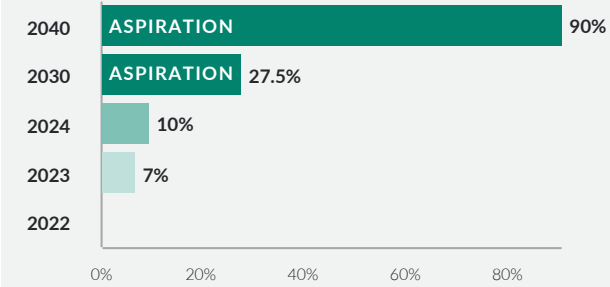
Continued progress toward our net zero commitment requires structured and strong collaboration across our value chain. In 2023, PMI launched the Sustainability Accelerator program to expedite our suppliers' sustainability progress. This program aims to accelerate the implementation of agreed upon sustainability initiatives by sharing PMI's learnings and methodologies.

The Accelerator uses an integrated approach, addressing sustainability from both performance and reporting perspectives. Experts work individually with each supplier to build capability and share insights. The exclusive workshops allow full customization of the support based on the supplier's industry sector, sustainability maturity, and geography. Relevant PMI experience, methodologies, and technologies are shared to support the decarbonization of the supplier's footprint. The workshops follow the order of Baseline, Reduce, Switch, and Compensate.

- Baseline focuses on understanding the current level of the supplier's footprint.
- Reduce works on energy efficiency and loss elimination using lean tools and processes.
- Switch supports the holistic strategy with the right mix of self-generated and market-based renewable energy.
- Compensate shares the PMI Portfolio of Climate investments and discusses different alternatives suitable for the suppliers.

This direct support from engineer-to-engineer has helped our suppliers to set up programs for energy efficiency with lean processes, adopt projects, such as switching from gas to biomass boilers, and form global phased strategies for renewable electricity.

### Reduction in absolute scope 3 Industrial GHG emissions versus 2019 baseline



Note: For further details on scope 3 calculation, please refer to [PMI's Value Chain Carbon Footprint Methodology Overview](#).

In 2024, as a result of our strong engagement with our value chain partners and deployment of targeted initiatives, we observed a 10 percent reduction of our scope 3 Industrial emissions versus 2019.

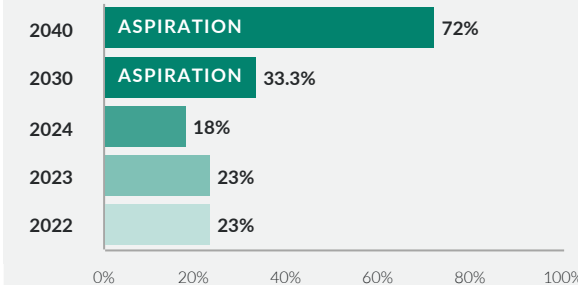
The better we understand the drivers of our emissions, as well as the emissions and profiles of our suppliers, the more effective our interventions can be to achieve our targeted reductions. In 2024, we enhanced our GHG emissions primary data collection from suppliers in multiple categories, including tobacco and direct materials. We also engaged with suppliers across our logistics categories such as overland carriers that supplied their GHG emissions data for the transportation of PMI goods. This approach allows us to progressively transition from spend-based to supplier-specific calculations, making our methodology more robust and enabling us to shift to primary data.

Beyond our SBTi-validated target on the percentage of supply spend covered by suppliers with their own science-based targets, we incorporated additional sustainability criteria (such as GHG emissions) into selected tender processes related to our direct materials sourcing, steering business decisions in line with our ambitions (learn more about how we help accelerate the sustainability journey of our suppliers, including in the area of climate action, [here](#)). Furthermore, we are exploring the usage of CDP data to engage with suppliers beyond our direct materials supply chain on their emissions reduction journey.

### Our tobacco supply chain

In 2023, PMI achieved a milestone when the Science Based Targets initiative (SBTi) verified our Forest, Land, and Agriculture (FLAG) emissions reduction targets, making us one of the first companies with validated science-based FLAG targets. As a company with significant agricultural operations, this provides a robust framework for reducing our land-use emissions. PMI has committed to a 33.3 percent reduction in absolute scope 3 FLAG GHG emissions and a 27.5 percent reduction in absolute scope 3 industrial GHG emissions by 2030, both versus a 2019 baseline.

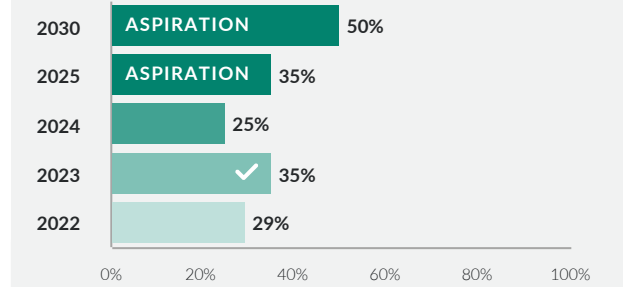
### Reduction in absolute scope 3 FLAG GHG emissions versus 2019 baseline



Note: For further details, see [PMI's Sustainability KPI Protocol 2024](#).

Our tobacco supply chain represented around 20 percent of our total carbon footprint in 2024, with most activities contributing to our scope 3 FLAG emissions (84 percent). The main sources of emissions include the use of fertilizers, the process of curing tobacco, and increasingly mechanized activities.

### Reduction in absolute GHG emissions in our tobacco supply chain versus 2019 baseline



Note: Excludes Swedish Match.

We remain dedicated to achieving an absolute reduction in GHG emissions within PMI's tobacco supply chain by 35 percent by 2025 and 50 percent by 2030, based on our 2019 baseline. Recent decisions related to supply security and business continuity, influenced by volume and quality availability (partly due to extreme weather events), have led to an increased purchase of tobacco from regions with higher carbon footprints and new origins with similarly high carbon footprints, adversely affecting our progress. We remain committed to integrating new origins and engaging our suppliers in our decarbonization strategy while minimizing negative impacts from external factors.

As we progress with the identification of opportunities related to synergies with Swedish Match's tobacco supply chain, we aim to progressively apply PMI's best practices and sustainability programs to enable further carbon emission reduction.

### Decarbonizing tobacco curing in PMI's value chain

We mainly source three types of tobacco: Burley, Oriental, and Virginia. While Burley and Oriental tobaccos, once harvested, are air- and sun-cured to dry out the leaves, Virginia tobacco, which represents approximately half of our purchased volume, is generally cured using an external heat source—a process called "flue-curing." Curing barns can be heated with biofuels (containing agricultural or wood-sawing by-products), coal, diesel, firewood, LPG, or natural gas.

The GHG emissions of flue-cured tobacco represented 6.6 percent of our total carbon footprint in 2024.

Having achieved a 77 percent reduction in GHG emissions per kilogram of flue-cured tobacco between 2010 and 2020, we established an additional and more ambitious target to reach a 75 percent reduction in GHG emissions generated by curing one kilogram of flue-cured tobacco by 2025 (versus our 2019 baseline). To deliver on this ambitious target, we focus on improving curing barn efficiency and increasing the use of renewable fuels.

As a response to increasing complexities and challenges in the global tobacco market, we increased the volume of tobacco purchased from curing fuels origins that were noncompliant with PMI's Monitoring, Verification, and Reporting (MVR) Framework for Sustainable Curing Fuels in 2024, leading to unfavorable emissions per kilogram of tobacco from flue-curing. This represented an increase of 12.3 percent versus 2023, while still representing a reduction of 39.1 percent versus 2019. PMI remains committed to reducing the CO<sub>2</sub>e intensity of flue-curing by expanding the implementation of our MVR Framework for Sustainable Curing Fuels, as well as the supplier auditing process run by an external partner, to new markets and suppliers. In 2024, these audits covered all flue-cured origins to verify carbon reduction activities and data on fuel use per kilogram of cured tobacco.

**Improving curing barn efficiency**

As most farmers own their curing barns, we collaborate with them and our suppliers to provide guidance and support to make the barns more thermal-efficient. We support improvement projects, which typically aim to enhance combustion efficiency, ventilation, heating control, and insulation.

In 2024, the improvement projects we carried out increased the efficiency of 10,954 barns—bringing the cumulative total of 127,657 barns upgraded since 2014—with a focus on Brazil, India, Pakistan, and the U.S.

In parallel, through our suppliers, we continued to deliver training to farmers on fuel consumption efficiency, barn maintenance, and fuel sustainability attributes.



CASE STUDY

**China's electrification of tobacco curing barns**

In China, one of our top tobacco sourcing markets, 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.

Read the case study [here](#).

**Innovating for energy-efficient curing barns in Brazil**

In Brazil, firewood is the primary energy source used in the tobacco curing process. Over time, Philip Morris Brazil (PMB) has invested in energy-efficient barns and sustainable fuels and has achieved its goal of using 100 percent firewood from reforestation. However, the curing process is still a key source of GHG emissions and firewood represents a significant portion of tobacco production costs. In this context, PMB began researching an innovative and sustainable solution to integrate the use of clean energy into the tobacco curing process, encouraging growers to diversify the use of fuels in their existing curing barns. Involving research and innovation institutes and barn suppliers, a hybrid curing system was developed, designed to integrate the use of electrical resistors installed in the air inlet of forced-air barns to preheat the air before reaching the furnace, thus reducing the need for firewood while consuming the energy and credits generated by the photovoltaic structure. The prototypes, tested since 2021, show promising results in reducing carbon emissions, lowering production costs, and improving farmers' quality of life by eliminating the need to supply firewood in the furnaces during the night.

**Increasing the use of renewable energy for curing**

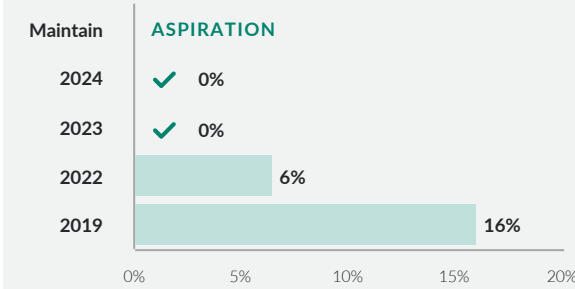
To reduce GHG emissions, we are gradually phasing out fossil fuels in favor of renewable fuels, including renewable electricity and sustainable firewood and biomass. Our MVR framework allows us to systematically monitor the sustainability of all fuel types used in our tobacco supply chain. We published an abbreviated version of our MVR framework in 2023 to drive awareness of its requirements and enable the sharing of best practices across the industry (read more [here](#)).

In 2024, 79 percent of our purchased flue-cured tobacco was cured with renewable fuels (2023: 76 percent). We will maintain a focus on reducing the use of fossil fuels and ensuring that the firewood and other wood-based materials used to cure the tobacco we purchase do not contribute to the deforestation of primary forests.

In 2024, for the fourth consecutive year, 100 percent of the tobacco we purchased was cured with no risk of gross deforestation of primary or protected forests (read more about our forestry management ambitions and progress [here](#)).

Another driver of progress is our continued phase-out of coal by converting curing infrastructures to enable the switch to renewable fuels.

**Proportion of Virginia tobacco purchased cured with coal**



Note: Excludes Swedish Match.

In 2024, we continued to achieve our ambition of purchasing no tobacco that has been cured with coal. This was achieved by continuing to collaborate with our suppliers to convert coal to biomass alternatives and increasing controls on the supply chain, which has multiple additional benefits beyond GHG emission reductions.

**Reducing GHG emissions from fertilizers**

In 2024, emissions related to the use of fertilizers in tobacco production contributed to 8.9 percent of our total carbon footprint.

Nitrogen-based fertilizers are essential in commercial agriculture to assist farmers in obtaining appropriate yields and quality attributes. Achieving a continuous decrease of fertilizer application is challenging, so we are addressing fertilizer emissions from different angles, including conducting trials of different fertilizer options and expanding mechanization to improve yields without increasing fertilizer requirements.

In Argentina, we conducted a drip irrigation trial that demonstrated approximately 40 percent reduction in water usage, and a 30 percent reduction in fertilization application. Currently we are supporting our farmers to expand their drip irrigation capabilities by adding 180 hectares of tobacco produced with this technology.

In Malawi, our 'Soil Health' project is pioneering regenerative agriculture practices in the country. These practices, which entail crop rotation, mulching, composting, minimum tillage, and lime applications, are generally successful at building soil fertility, enhancing water retention and nutrient-holding capacities of soil, reducing erosion and surface runoff, and reducing carbon emissions via soil carbon sequestration. Further, the project intends to improve the pH and organic matter of the soil, allowing farmers to reduce the usage of nitrogen-based fertilizers in the short- and long term, which would result in total in-field GHG emission reductions while maintaining yield and quality. This is a three-year initiative that started in 2023, covering more than 150 farmers and 280 hectares.

**The path to net zero**

Our scope 3 decarbonization strategy prioritizes emissions reductions across our value chain. While our primary focus remains on reducing emissions at source, we recognize carbon removals' potential complementary role as a tool to address residual emissions on our path to net zero.

In 2024, we finalized a pilot project to measure carbon removals resulting from the application of Good Agricultural Practices (GAP) in our tobacco supply chain, such as regenerative agriculture and forest conservation. The pilot identified changes in carbon fluxes across all land-based carbon pools (biomass, dead organic matter, soil) in select tobacco-growing areas in Italy and Brazil, using Geographic Information Systems (GIS) and meteorological data. Results showed that the application of these practices in the selected tobacco-growing areas can have a positive impact in the carbon cycle and support tobacco farmers increasing carbon removals in their farms.

The upcoming Greenhouse Gas Protocol's Land Sector and Removals Guidance (expected in 2025) is expected to provide a framework to validate our methodology and enable us to:

- Understand the scale to which the application of removal activities will be relevant (i.e. farm approach, versus regional approach)
- Validate our methodology to quantify removals from tobacco growing practices (i.e. regenerative agriculture, forest conservation)
- Assess the potential contribution of removals to achieve our FLAG and net-zero targets

### Our broader supply chain

A significant portion of our emissions arises from our upstream nontobacco supply chain: this segment accounted for 71.6 percent of our total value chain emissions in 2024. Engaging with our broader supply chain to reduce our scope 3 emissions is essential. It also builds resilience and generates innovative ideas with our suppliers beyond our direct impact.

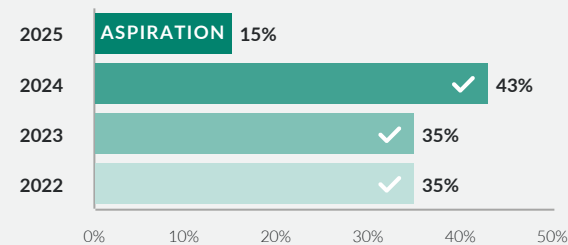
Direct materials used in the manufacturing of our products, such as pulp and paper and cellulose acetate tow, are the largest contributors to our carbon footprint, highlighting the need to collaborate even closer with our suppliers to find alternative, less carbon intensive solutions. Our sustained engagement efforts with suppliers in this category have enabled us to achieve around 4 percent reduction in GHG emission intensity compared to 2023, through initiatives such as value chain activities optimization.

Another way the direct materials used in our products can negatively impact our carbon footprint is through association with commodity-driven deforestation (read more [here](#)).

As part of our science-based approach to climate action, we continue to engage with our critical suppliers to adopt science-based targets. PMI's procurement function is incorporating this requirement with key suppliers in regular ways of working, also supporting them along the way to receive appropriate training and build the baseline and the glide path for decarbonization.

During the year, we continued our engagement efforts and further improved spend coverage with suppliers that have science-based targets in place. In 2024, this represented 43 percent of our supply chain direct spend. We will continue engaging with suppliers through dedicated webinars and one-on-one sessions to support their SBTi submissions and for those already on retention and delivery of the glide path. Considering a fast-evolving external environment and expected changes in our supplier mix in line with our expanding product portfolio, we continuously invest to maintain the high performance of our supply chain.

**Proportion of suppliers by spend covering purchased goods and services with science-based GHG reduction targets**



Note: Excluding Swedish Match.

In March 2024, PMI was included in CDP's Supplier Engagement Assessment Leaderboard for the seventh consecutive year.

This distinguishes us as a global leader for engaging with suppliers on climate change and recognizing the effort we have put toward bringing our suppliers along our decarbonization journey, a key component in achieving our scope 3 ambitions.

In 2024, an internal multistakeholder team continued developing the strategy for our nontobacco supply chain carbon footprint reduction, including our indirect materials and services, specifically on Marketing and IT services. As we progress, we also pursue collaboration opportunities with our tier 1 suppliers in our electronics supply chain, having expanded our engagement with suppliers to collect primary data, to identify opportunities for reduction, and explore environmental partnership initiatives.

The aim is to increase primary data to improve the accuracy of our carbon accounting, visibility around opportunities, and traceability of sustainability initiatives.

For example, in our direct material category, we achieved over 85 percent coverage of primary data collection in 2024. We have initiated engagement with our logistics suppliers and strive to achieve similar results, moving from spend-based to primary data. To date, our logistics team mapped out the percentage of emissions from transportation categories aiming to replace 80 percent of this data with primary data from suppliers by 2025. Similar efforts were undertaken in other segments of our procurement functions.

### Decarbonizing our supply chain transportation categories

PMI's supply chain transportation categories include air freight, ocean freight, overland transportation, warehousing energy, and in-market distribution. In 2024, we made good progress deploying strategies across all categories, while emphasizing reduction plans for air freight, among others, and primary data collection for overland transportation and in-market distribution, which will allow methodological improvements in upcoming years.

As a consequence of the pandemic and geopolitical challenges in recent years, we registered a significant increase in GHG emissions from air freight (a 231 percent increase in 2022 versus 2019). In response, we developed a sound reduction strategy, reviewing the process to authorize air freight usage and switching from air to ocean transportation, which resulted in a 66 percent reduction of GHG emissions from the air freight category between 2022 and 2024. In return, this led to a sustained increase in the ocean transport category, which is comparatively less carbon-intensive.

Regarding overland transportation, we focused on collecting primary data from our main logistics service providers. In 2024, close to 60 percent of our data for this category were primary data. This will allow us to develop tailored engagement and reduction strategies, targeting the biggest contributors to support the decarbonization of our value chain. In 2024, we observed an improvement of 5 percent in overland transportation emissions versus our baseline of 2019.

## Looking ahead

2025 will mark an important milestone in our decarbonization journey, as we aim to achieve carbon neutrality in our direct operations by the end of the year. In this context, and accounting for the learnings we gathered over the past years, we plan to update and publish our Low Carbon Transition Plan (LCTP), encompassing Swedish Match's GHG footprint, while including adaptation and nature considerations in our decarbonization strategies, confirming the ambition behind our communicated targets. Our initiative in Mozambique is expected to deliver its first carbon credits in 2025 and support the achievement of our scope 1 and 2 carbon neutrality aspiration. Additionally we remain focused on deploying our decarbonization plans to reduce Scope 3 emissions.

As we revise our LCTP, we will also update our Environmental Commitment, ensuring alignment between our strategy, policies, and practices. We will continue to strive for accurate, consistent, and transparent environmental reporting.

Our actions showcase our strategic thinking and understanding of climate resilience, mitigation, and adaptation. The steps we are taking help us anticipate regulatory requirements and plan for the long term.

**Scott Coutts**  
Senior Vice President, Operations



Partnering with our suppliers is crucial to driving industry-wide change and ensuring that our supply chain aligns with our sustainability goals. As we work to address challenges and drive reductions across our scope 3 emissions, we will ensure that opportunities and business continuity decisions are assessed promptly, and potential trade-offs (e.g. new sourcing origins or material substitutions) are evaluated as they may impact our progress. For example, some material changes may signify improvements in industrial emissions but may be unfavorable in terms of FLAG emissions. Furthermore, as we continue the integration of Swedish Match's and PMI's operations, it is important to note that both supply chains share some synergies that we are seeking to leverage in order to align and further accelerate decarbonization efforts. Similarly, the deployment of best practices and decarbonization plans well established in PMI's direct operations will continue to be assessed for Swedish Match scope.

**Pedro Braga**  
Vice President, Global Technical Operations



We plan to continue our work to empower our suppliers with knowledge by expanding our Sustainability Accelerator program. This expansion is designed to enhance our suppliers' capabilities and drive the implementation of sustainable practices throughout our supply chain. In terms of logistics, we have made considerable progress and have ambitious plans for 2025. We continue to closely collaborate with our direct materials suppliers on value chain optimization projects to deliver supplier intensity reductions that will further contribute to PMI's scope 3 commitments. We anticipate formalizing our strategy for indirect materials and services and electronic components, which will further support our suppliers conducting necessary due diligence within their supply chains. Moreover, we are actively engaging with cross-industry partners and suppliers, including benchmarking efforts, to identify new opportunities, unlock fruitful collaborations, and build capabilities. These efforts are crucial to fostering innovation and driving collective action.

**Bin Li**  
Chief Operations Services Officer



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Improve the quality of life of people in our supply chain

Tackle climate change

Preserve nature



OPERATIONAL IMPACT

# Preserve nature

Natural capital is a wealth we all share and depend on. There is broad scientific consensus on the urgent need to protect ecosystems' biodiversity and halt and reverse nature loss, aligned with the Kunming-Montreal Agreement.

INWARD IMPACT

### The business case

Our business activities rely on natural resources and healthy ecosystems. The degradation and loss of natural capital can cause disruptions and increase production costs. The raw materials used in our products rely on fertile soil, strong biodiversity, stable climate conditions, and access to water. As a business with an agricultural supply chain, it is paramount that we contribute to protecting and preserving nature and the ecosystems where we operate. Even small changes to the balance of the natural environment can damage crop productivity, increase production costs linked to remediation and adaptation measures, and negatively impact farmers' livelihoods, as well as those of communities living in the area.

In manufacturing, responsible resource management is crucial for long-term operational resilience. By implementing water optimization strategies, we protect business continuity during periods of water stress while reducing operational costs. Our facilities employ advanced technologies to measure and minimize environmental impacts, allowing us to proactively achieve waste reduction and prevent ecosystem damage in the areas where we operate. This helps us maintain regulatory compliance and prepare for emerging environmental legislation, while avoiding potential fines and maintaining our social license to operate.

Promoting the efficient use of natural resources and taking steps to protect, preserve, and improve them help manage risks and prepare us to respond to regulation that is norming our performance and disclosures related to ecosystem degradation and the cost of biodiversity loss.

Further, we understand the importance of working to halt the destruction of natural habitats, including avoiding and compensating for losses, in order to guard against potential financial and reputational risk.

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OUTWARD IMPACT

### The right thing to do

Our value chain involves a significant agricultural supply chain, which can have far-reaching effects on the environment, impacting various natural ecosystems.

Deploying practices to halt deforestation, protect biodiversity, and manage water sustainably can contribute to the preservation of fundamental ecosystem services we collectively depend on, including soil fertility, clean air and water, protection from natural disasters, and recreational and cultural inspiration, and the potential subsequent loss of economic value. Moreover, a healthy natural ecosystem plays a vital role in tackling climate change, with land and oceans absorbing and storing carbon from the atmosphere.

Efforts to reduce our footprint on nature and operate within the boundaries of our planet's ecological limits can also contribute to tackling environmental inequality, as the negative impacts of changes in climate, biodiversity, and ecosystem functions often disproportionately affect the world's most impoverished communities.

We are currently working on understanding the interlinks between social outcomes, their impacts, and the role of natural capital in defining risks and opportunities and especially with stakeholder groups in our value chain. In line with our climate justice position, we aim at further strengthening our approach to assess multiple dimensions of impact that our strategies can generate and report them in line with external frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) and the EU Corporate Sustainability Reporting Directive (CSRD).

## Management approach

We are committed to the responsible use and management of natural resources, recognizing the interconnected nature of biodiversity protection, forestry management, water stewardship, and waste reduction. Healthy ecosystems are fundamental to climate resilience, naturally capturing and storing atmospheric carbon while helping stabilize our environment.

Inspired by and following the guidance of the [Kunming-Montreal Global Biodiversity Framework](#) (GBF), adopted in December 2022 at COP15, our long-term ambition is to contribute toward a positive impact on nature by 2050. To deliver on this, we seek to address pressures on nature holistically, building interlinks between our different programs and activities.

Concretely, taking into account Goal A of the GBF, we aim to support the integrity, connectivity, and resilience of ecosystems. Because of this, we have set an ambition to achieve no net loss of ecosystems connected to PMI's value chain by 2033. 'No net loss' refers to the point at which business-related impacts on biodiversity are balanced by mitigation measures, ultimately resulting in no degradation of natural ecosystems. Further, considering Target 1 of the GBF, we work with our supply chain to halt deforestation, with the aspiration of achieving zero identified deforestation in both our tobacco and our paper and pulp-based products supply chains. We also strive to ensure that other commodities that we purchase in smaller quantities, such as palm oil-based materials, also do not contribute to deforestation.

Considering the GBF Target 11, we have the aspiration to scale solutions toward a positive impact on stressed water resources by 2033 and to contribute toward a positive impact on water resources in the longer term. These ambitions are accompanied by interim aspirations. Notably, we aim to certify all our priority factories to the Alliance for Water Stewardship (AWS) standard.<sup>1</sup> We also aim to improve irrigation water use and restore water volumes in our tobacco supply chain, with an aspiration to optimize water through dedicated interventions to aggregate at least 25 million cubic meters of water by 2033—thereby helping address shared water challenges in the watersheds where we operate.

Additionally, following the guidance of the GBF's Targets 7 and 15, our efforts also focus on minimizing the amount of waste generated at every stage of the products' life cycles, applying the principles of the circular economy to the materials we use in our operations, and disposing of the remaining waste safely and effectively, keeping landfill waste well below 1 percent of total waste disposed of.

1. Priority factories consist of all PMI manufacturing sites, except those located in low-medium water risk areas (these together represent less than 2.5% of PMI manufacturing water footprint).

We deploy initiatives tied to various aspects of natural capital, with a particular focus on the highest-risk segments of our value chain. We integrate biodiversity risk assessments into multi-disciplinary company-wide risk management processes to manage them in line with our climate change-related risks to evaluate our impacts on biodiversity, forests, and water, and we prioritize and adjust our actions accordingly (read more about risk management [here](#)). We have targets and measurements in place to help us evaluate the effectiveness of our actions.

Protecting nature is a collective responsibility requiring both global ambitions and local interventions tailored to diverse contexts. We take guidance from international accords, such as the GBF, submit information to CDP, rely on the work of the Science Based Targets initiative and guide our suppliers in doing so. We engage with several organizations, such as the World Business Council for Sustainable Development (WBCSD), the Taskforce on Nature-related Financial Disclosures (TNFD), CSR Europe, The Biodiversity Consultancy, World Sustainability Organization (WSO), Value Impact, and the Alliance for Water Stewardship (AWS). In 2022, we published [a dedicated report](#) describing our ambition to contribute toward a net positive impact on nature, and announced related new aspirations that will guide our work to biodiversity protection and water stewardship in the decades to come.

### PMI's revamped Environmental Commitment

As an early adopter of the TNFD framework, and building on our TCFD disclosures, we plan to produce our first TNFD-aligned disclosures for the 2025 fiscal year. We are in the process of updating our public commitment on water while developing and publishing a new one focused on biodiversity. These will be the backbone of our revamped Environmental Commitment. These commitments are currently being aligned with the results of our new sustainability materiality assessment, which was conducted in 2024 and will inform our strategy beyond 2025.

### Management

Our efforts to protect natural capital are overseen by our Senior Vice President, Operations, a member of Company Management. Under his leadership, the Operations team is responsible for developing and implementing strategies to achieve our biodiversity, forests, water, and waste ambitions.

### PMI's policies and standards

- [Environmental Commitment](#)
- [Responsible Sourcing Principles](#)
- [Good Agricultural Practices](#)
- [Zero Deforestation Manifesto](#)
- [Water Stewardship Policy](#)
- [Manufacturing Sustainability Commitment](#)



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Preserve nature

## Progress in 2024

### Highlights

- CDP acknowledged our efforts to preserve nature again this year, awarding us an A rating for forest protection.
- We are well on track to achieve a deforestation-free supply chain. During the year, an external assurance provider audited our primary paper and pulp-based direct materials suppliers, confirming that all those in low, medium, and high risk countries were fully compliant with our [Zero Deforestation Manifesto](#) (ZDM).
- As one of the leading companies equipped to work on setting science-based targets for nature, we were invited by the WBCSD to participate in their Science Based Target for Nature preparer group where we have tested key steps of the methodology in a collaborative approach with other participating companies.
- We successfully completed an external verification conducted by the Forest Stewardship Council (FSC) as part of their pilot program to validate procurement claims. This third-party assessment examined our processes for verifying and tracking timber products throughout our supply chain. The successful audit strengthens our ability to demonstrate the traceability of our timber products and validates the robustness of our supply chain due diligence procedures.
- We have committed to being an Early Adopter of the Taskforce on Nature-related Financial Disclosures (TNFD). We plan to publish in 2026 our inaugural TNFD-aligned disclosure report covering the 2025 fiscal year, reinforcing our commitment to transparency in disclosing nature-related risks and opportunities.

### Challenges

- Our work requires us to manage trade-offs born from the complex interconnections between different environmental interventions—particularly across water, forest, soil, biodiversity—and social impacts. We need to enhance our analytical capabilities to better assess potential unintended consequences of our environmental projects. For example, while afforestation initiatives can provide significant biodiversity benefits, they must be carefully evaluated when implemented in water-stressed regions or are subject to social impacts that go beyond environmental ones.
- We continuously seek to reduce the impact on nature of smoke-free products (as compared to cigarettes), as they are notably requiring more energy- and water-intensive manufacturing processes.
- Improving traceability for some of our direct materials as well as small suppliers remains a challenge, notably to expand our zero gross deforestation ambition beyond our tobacco and pulp and paper products. This is due to the low maturity of some sectors, PMI's limited influence in certain supply chains, and in some cases suppliers' lack of resources to establish effective due diligence processes.
- Integrating Swedish Match's operations and supply chain management with the strategic drivers defined for our biodiversity strategy will take time as Swedish Match's value chain represents a significant increase to our biodiversity footprint.

### A glance at our path to integrate the data from Swedish Match

The nature-related information and data disclosed in this chapter of the report do not generally capture Swedish Match's activities and value chain; where information and data have been integrated, this is indicated by footnote. Our plan is to complete the integration of nature-related strategies, programs, and data within the next two years (by the end of 2026). However, integration efforts are already well underway, beginning with our direct operations and planning to then expand into our supply chain. Our work will leverage a preliminary assessment showcasing that PMI's and Swedish Match's biodiversity footprints are largely uniform in categories and intensity of impact. In 2024, we took meaningful steps toward integration with a particular focus on water risk assessments and pre-assessment work to understand necessary steps to integrate forest into PMI's assurance framework.

## Protecting biodiversity

We understand the role companies can play in tackling biodiversity loss and seek to align our efforts with global initiatives.

### Our holistic biodiversity strategy

We understand that building a meaningful and global approach to manage our impacts on biodiversity requires the conscious cross-pollination of various strategies and interventions. To respond appropriately, we must account for the synergies and interdependencies of environmental impacts along our value chain and put biodiversity protection at the nexus of our climate, forest, and water strategies.

In 2024, we continued developing our biodiversity strategy in line with the SBTN approach and TNFD recommendations, focusing on the definition of metrics and the design of implementation strategies for the areas of our business for which action on preserving biodiversity is most material, i.e., PMI's manufacturing sites in proximity of high biodiversity value areas, tobacco cultivation, and the sourcing of materials such as paper and pulp-based materials. We have further refined our assessment on impacts and dependencies by improving data quality on agriculture and forestry and have begun expanding to include critical raw materials from the mining sector that are part of our smoke-free electronic devices.

### Our biodiversity ambition

We continue implementing initiatives and deploying new actions aiming to address the relevant pressures on nature we have identified within our area of influence. We do this in partnership with local stakeholders and experts to expand the scale of conservation efforts.

We aim to protect ecosystems across our value chain and achieve no net biodiversity loss by 2033. To achieve our ambition, we are—and will continue working on—avoiding where possible, and reducing to the extent we can, negative impacts on biodiversity, and focusing on:

- Sustainable management of tobacco growing areas with a focus on regenerative practices
- Restoring affected biodiversity in ecosystems connected to our value chain
- Implementing landscape approach interventions that can have a transformative impact beyond our industry
- Engaging with our suppliers to strengthen sourcing practices

<sup>1</sup> ENCORE Partners (Global Canopy, UNEP FI, and UNEP-WCMC). ENCORE: Exploring Natural Capital Opportunities, Risks and Exposure. Online, accessed in January 2024, Cambridge, UK: the ENCORE Partners. Available at: <https://encorenature.org>.



### Geospatial monitoring at PMI

We continuously monitor progress toward our biodiversity-related aspirations through 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.

Read the case study [here](#).

### Understanding impacts and dependencies

Having a clear understanding of our impacts and dependencies on nature strengthens PMI's nature-related risk management approach in line with sustainability standards and regulation.

Our 2024 impacts and dependencies evaluation confirmed the findings of our 2023 biodiversity footprint assessments, and highlights that the vast majority of our impacts arise from our supply chain. Our tobacco supply chain accounts for approximately 69 percent, and our paper and pulp-based supply chain for almost 31 percent. Our direct operations, including manufacturing sites and other procurement sites, account for virtually zero percent.

We are aware of the critical role that natural assets and ecosystem services play in our value chain and we work to improve our understanding of the role of nature for our business. We will continue to conduct more granular nature dependencies assessments to estimate how much we leverage natural assets and the value of the ecosystem services that support our business.

To do this, we use tools such as ENCORE, a widely recognized and continuously evolving tool helping organizations explore their exposure to nature-related risks, identifying where critical dependencies on natural systems and ecosystem services are located across our value chain.<sup>1</sup> Consolidating the results into a dashboard allowed us to estimate the dollar value of ecosystems services we use (e.g., fertility of the soil needed

to grow tobacco). The results of our analysis show that the natural assets we are most dependent on are water, soil, and minerals, and that the ecosystem services that are most critical to us are water and climate regulation, as well as erosion control.

In the second half of 2024, we launched a pilot program to engage with suppliers and collect primary data on biodiversity and water. The initial scope was for 33 suppliers of direct materials belonging to the most relevant paper and pulp-based product categories. We plan to expand our scope in the coming years, aiming to achieve full response coverage from suppliers located in high-risk areas for biodiversity impact and water stress.

**Prioritizing and tracking progress through response indicators**

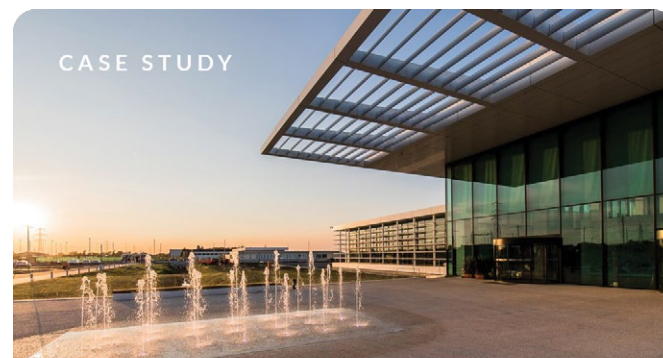
Impacts on biodiversity can be monitored through a wide range of pressure-specific indicators, often very technical and built for a pool of science expert users. These indicators are based on measuring ecosystem integrity through the average number of natural species present in the area.

PMI developed a set of response indicators, to measure the state of nature and the improvements brought by our activities, through specific and targeted metrics. Our response indicators are largely derived from existing sectoral programs already in place that can be easily measured and handled by relevant internal teams. They are quantitative (e.g., amount of ecosystem area conserved for its integrity, or volume of freshwater consumed in water stressed watersheds) and are intended to establish the impact of our various interventions, by concretely tracking progress toward our ‘no net loss’ aspiration. Structuring indicators by topic, focusing on a common goal, creates potential synergies between various nature-related initiatives, allowing us to more accurately measure nature-related risks, and to leverage results through a more holistic approach. For example, watershed projects to tackle shared water challenges can have a positive outcome on restoring native vegetation, in turn increasing the biological diversity of an ecosystem and reducing land use change pressure, thus augmenting biomass and soil carbon sequestration.

To develop pressure response indicators, we identified the following risks and accordingly established priority areas of action along our value chain:

- **Upstream**
  - **Tobacco cultivation**, including the curing stage for flue-cured tobacco when wood-based fuels are used. Our actions focus on mitigating the degradation of the natural environment due to the loss of ecosystem areas and land use-based systems such as agriculture and forestry, chemical pollution, depletion of water resources, and invasive alien species.

- **Paper and pulp sourcing:** Our actions concentrate on the deforestation risks linked to the sourcing of paper and pulp-based materials as well as on identifying and managing water-related risks together with our suppliers.
- **Our direct operations:** Our attention is on the proximity our manufacturing sites may have to protected key biodiversity areas, as well as on maintaining and further implementing sound environmental practices, including water stewardship and waste management initiatives in relation to identified pressures such as pollution risk in surrounding areas.
- **Downstream:** Our focus is on avoiding degradation of natural ecosystems. We concentrate on reducing waste, preventing littering, and promoting the responsible disposal of products at end-of-life (read more about it [here](#)).



**Monitoring biodiversity with honey bees**

In line with our biodiversity strategy 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.

Read the case study [here](#).

**Our biodiversity action framework**

Our biodiversity strategy adopts the AR3T framework recommended by SBTN, which builds upon the International Financial Corporation’s (IFC) Performance Standard 6 mitigation hierarchy. This internationally recognized framework provides a structured sequence of actions that guides companies in implementing environmental best practices through six key actions:

- **Avoid** and **reduce** potential impacts on nature that would otherwise escalate
- **Restore** environments to their original state where feasible and **regenerate** basic ecosystem functions

- **Transform** systems at multiple levels to address root causes of nature loss
- **Compensate** for remaining impacts through validated biodiversity credits

This framework reflects our fundamental approach: first addressing our direct biodiversity impacts across the value chain, then moving beyond mitigation to create positive contributions to nature. We recognize that each intervention requires specific solutions, implemented step by step to achieve lasting positive outcomes.

This serves as a blueprint for action in engaging key stakeholders, including our business partners, to promote landscape and jurisdictional approaches.

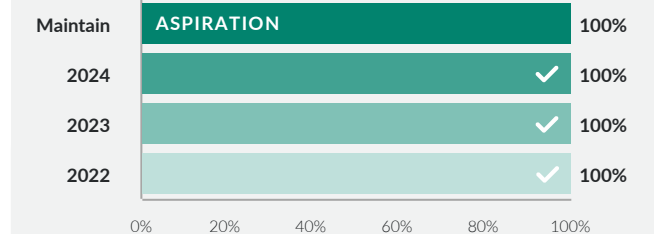
We are already taking action to address the different steps of the mitigation hierarchy, going beyond biodiversity to also generate positive outcomes on climate, water, and social aspects. Examples include:

- **Avoid:** PMI’s forest positive program aims to address all potential drivers of deforestation linked to PMI-related activities in our tobacco and paper and pulp-based materials supply chains to prevent and minimize natural forest loss and conversion while protecting natural capital in a multistakeholder approach leveraging all the interactions PMI can generate at different levels of its supply chain (e.g., biomass producers, retailers, and farmers).
- **Reduce:** The application of our Good Agricultural Practices (GAP) in our tobacco supply chain helps to manage chemical pressures on natural habitats. Through our integrated pest management program, we minimize the application of crop protection agents, use them only when needed, and localize them based on plant pathogen presence.
- **Restore:** When our periodic land use monitoring identifies deforestation risks and these are validated by external assessments, we implement comprehensive reforestation programs. These programs aim to restore an equal or larger area than what was affected, focusing on rebuilding ecosystem integrity. We currently have active restoration projects in our tobacco supply chain across Indonesia, Pakistan and the Philippines, with new initiatives planned in Argentina, Malawi, and Mozambique. Further, we seek to apply principles of regenerative agriculture in line with what our contracted farmers are already doing in some geographies. For example, in Brazil tobacco farms implemented cover crops to protect the soil and reduced tilling to prevent erosion.
- **Transform:** Along with other water stewardship best practices, we actively engage at watershed level with relevant stakeholder groups to work closely on shared water challenges. In our direct operations, this has already resulted in AWS certification for 26 of PMI’s manufacturing facilities and the inclusion of stakeholders sharing our same watersheds in the certification process.

**Integrated pest management program in our tobacco supply chain**

Our GAP and Integrated Pest Management (IPM) programs aim to protect both the environment and farmers’ health and safety. In 2024, we continued to confirm that residues attributable to the use of highly hazardous pesticides were not detected in any of the tobacco we purchased.

**Proportion of tobacco purchased without detection of residues attributable to the use of highly hazardous pesticides**



With our programs, we seek to promote crop productivity and safeguard biodiversity on farms and in surrounding areas. Implementing cultivation practices can in turn free up land for other purposes, such as food crops, other income-generating activities, and—potentially—biodiversity conservation habitats.

**Preserving the integrity of tobacco varieties**

Variety selection is the foundation for achieving desired tobacco leaf quality and subjective characteristics as well as for optimizing farmer yield. We remain committed to the research and development of non-genetically modified new varieties of tobacco in alignment with our GAP (e.g., to obtain resilience and improved productivity attributes in stressed environmental conditions). Varietal improvement can be achieved through different non-GMO techniques that focus on specific plant traits to better adapt to environmental stress.

While promoting varietal integrity, we do not use GMO tobacco and have a program in place to systematically test the tobacco to guard against the inadvertent introduction of genetically modified tobacco into our commercial tobacco products.

## Halting deforestation

We are committed to achieving deforestation-free supply chains for our tobacco and paper and pulp-based materials.

These supply chains represent the vast majority of PMI's land use and provide the materials most often linked to our value chain's risk of deforestation and the conversion of natural ecosystems, as highlighted in our annual global forest risk assessments.

Our forestry management efforts are governed by our [Zero Deforestation Manifesto](#) (ZDM), designed to move us toward becoming forest positive. We monitor compliance with the ZDM by considering farm boundaries and natural forest cover changes in areas of interest we define as tobacco-growing areas (TGAs). These areas include a surface buffer to mitigate potential indirect impacts on natural ecosystems beyond farm-level activities. We monitor TGAs by integrating geospatial analysis with wood-based material traceability data collected on the ground. As needed, we develop forest risk mitigation plans to ensure our tobacco sourcing does not contribute to deforestation.

In 2024, CDP acknowledged our efforts in this area, awarding us an A rating in Forests for the fourth consecutive year for our work advancing forest protection.

### European Union Deforestation Regulation (EUDR)

The European Union Deforestation Regulation (EUDR) is a significant step toward ensuring that products imported into, traded within, and exported from the EU market are deforestation-free. The EUDR came into force on June 29, 2023, and will be applicable from December 30, 2025, for large and medium companies like PMI.

The regulation initially applies to commodities such as cattle, wood, cocoa, soy, palm oil, coffee, rubber, and products derived from them like pulp and paper, leather, chocolate, tires, and furniture. Operators and traders must prove that their products do not come from recently deforested land (cutoff date: December 31, 2020) and comply with local legislation. This involves detailed supplier due diligence and traceability standards.

PMI has set up an internal operating model and governance process to comply with the EUDR. This includes due diligence procedures and traceability systems, following a three-step approach: information gathering and data collection, verification and risk assessment, and risk mitigation. A dedicated internally managed risk assessment will be used to address supplier preparedness and alignment with the regulation.

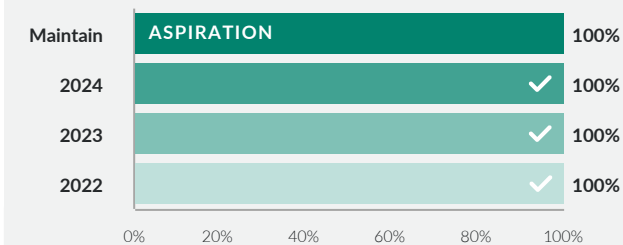
Ensuring the truthfulness and precision of geolocation and traceability information is a crucial aspect that operators and traders must fulfill and PMI is actively engaging with its suppliers to ensure the accuracy and completeness of the information and data required for compliance.

### Protecting forests in our tobacco supply chain

We work with our tobacco suppliers and farmers to foster and implement our net zero deforestation requirements, including by establishing traceability to the point of harvest and documenting our sustainable forestry practices.

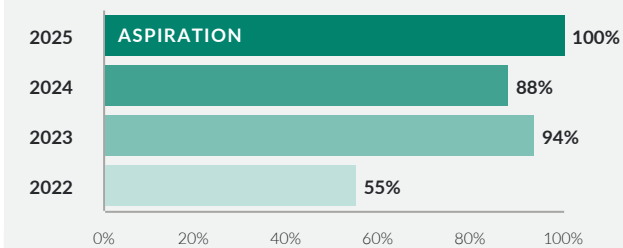
In 2024, the annual external audit carried out on our tobacco supply chain confirmed that, for the fifth consecutive year, 100 percent of our flue-cured tobacco was purchased at zero risk of gross deforestation. Further, the audit confirmed that 88 percent of our purchased tobacco did not pose a risk of deforestation of managed natural forest or conversion of natural ecosystems (2023: 94 percent). This year-on-year decrease was due to sourcing from new markets and does not impact our trajectory to be in line with our 2025 net zero deforestation target.

#### Proportion of tobacco purchased at no risk of gross deforestation of primary and protected forests



Note: For definitions, please see [PMI's Zero Deforestation Manifesto](#).

#### Proportion of tobacco purchased at no risk of net deforestation of managed natural forests and no conversion of natural ecosystems



Note: For definitions, please see [PMI's Zero Deforestation Manifesto](#) and [PMI's Sustainability KPI Protocol 2024](#).

In 2024, we continued efforts to promote the switch to sustainable fuels for the flue-cured tobacco we source, and continued supporting the expansion of live barns for tobacco curing in Malawi and Mozambique. In parallel, our suppliers in these countries also promoted, where feasible, the switch to brick barns, which have a lower impact on forest resources compared with wooden structures.

Additionally, in line with our net zero and forest positive aspirations, we continued our reforestation and afforestation efforts following the mitigation hierarchy.

### Perfect Forest™: PMI's nature-based solutions concept to preserve forest resources

The Perfect Forest™ concept aims to sequester carbon while enhancing the forestry systems' potential to deliver sustainable forest products and societal benefits. Read more [here](#).

### Assessing deforestation risks in our tobacco supply chain

Our comprehensive geospatial monitoring system covers all tobacco types and all suppliers from which we source across over 35 tobacco-growing areas (TGAs) in 21 countries.

This system monitors an area of approximately 76 million hectares (equivalent to the size of Chile), extending beyond direct tobacco cultivation areas to include primary forests and protected areas in wood-biomass sourcing regions for flue-cured tobacco. We implement conservative buffer zones around both tobacco farms and wood sourcing areas, enabling us to monitor approximately six million hectares of protected areas and 1.5 million hectares of primary forest globally.

We prioritize our on-site activities and audits on those areas where our analysis detects potential deforestation risks.

In 2024, our annual risk assessment based on geospatial analysis highlighted sustainable firewood for Virginia tobacco curing as a continuing priority. In response, we enhanced our forest district mapping methodology, improving our characterization of firewood sourcing areas through detailed land use analysis and more granular attribute classification.

Foster an empowered and inclusive workplace

Improve the quality of life of people in our supply chain

Tackle climate change

Preserve nature



**Land use change**

Risks associated with land use change resulting from tobacco farming are generally not considered significant because tobacco is a crop that does not report notable expansion figures in agriculture statistics, with low turnover of farmers that grow it.<sup>1</sup>

We estimate that approximately 268,000 hectares of land around the world are used to grow the tobacco we source. Land use increased slightly versus the previous year (2023: 259,000 hectares) due to volume mix and unplanned purchases. The 2024 surface forest areas producing wood fuel for tobacco curing represent, by our best estimate which is based on firewood volume to hectares of forest conversion, around 62,000 hectares. This is an increase of 16 percent compared to the previous year, driven by the use of a different curing fuel mix in certain markets and increased overall volume purchases. Curing fuel mix variations are driven by factors related to availability of wood-based fuels, competition with other industries, and logistics elements such as the aggregation of transport for farmers operating in close proximity. We can control the way we allocate tobacco volumes, while we have less of an influence on how farmers can have access to the energy market and procure the curing fuel mix. Our Sustainable Curing Fuel program aims at creating capabilities in farmers to improve their access to sustainable wood-based fuel and to maximize the sustainability attributes of the supply chain.

To assess land-use change risks in our TGAs, we conduct an annual assessment to check if natural ecosystems are being converted to farmland. We use the European Space Agency's land classification system, which divides land into 11 different categories (forests, grasslands, croplands, etc.). This detailed classification helps us better understand and manage our impact on natural resources.

Using more productive, non-genetically modified tobacco seed varieties and implementing practices in line with PMI's GAP help maximize yield per hectare and improve farmer income, thus reducing pressure to expand land use. Consequently, and considering the expected medium-term global contraction of the amount of land needed to fulfill our tobacco crop requirements (read more [here](#)), our analysis shows no direct deforestation risk associated with our tobacco sourcing due to tobacco shifting cultivation or expansion.

<sup>1</sup> [www.fao.org](http://www.fao.org): 1980 to 2023 Area of harvested tobacco worldwide.

**Promoting the switch to sustainable fuels to cure Virginia tobacco**

The curing process for Virginia tobacco takes place in barns heated by a variety of fuel sources, including firewood and wood-based (e.g., pellets or chips) biomass. To mitigate the risk of firewood contributing to deforestation, we focus on minimizing fuel use by increasing the efficiency of curing barns and deploying our Monitoring, Verification, and Reporting (MVR) Framework for Sustainable Curing Fuels to promote sustainable fuels. This framework requires the traceability of firewood to ensure it originates from sustainable sources. Moreover, we encourage the use of agriculture-derived fuels as long as these do not compete with food production or hinder food security.

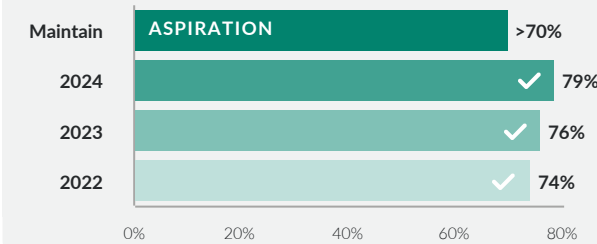
In 2024, we verified the compliance with our MVR requirements of 32 suppliers representing 54 percent of our total tobacco purchases for 2024 through desktop or on-site third-party audits.

The audits revealed that 30 of the 32 suppliers audited met all MVR requirements. The remaining two suppliers are currently working to align their practices with our standards, as more detail about the evidence of their management system will be needed to classify them as fully compliant with PMI's requirements. These assessments helped us better understand our suppliers' practices and identify areas for continuous improvement in their processes.

In 2024, 79 percent of the flue-cured tobacco we purchased was cured using renewable and traceable fuels (2023: 76 percent). Of this, 30 percent was cured with biomass and 48 percent was cured with self-sufficient sustainably sourced firewood (i.e., the amount of wood harvested per year ensures the resource will be available in future years). Globally, between 2019 and 2024, the average amount of wood used for curing tobacco decreased from 3.99 to 3.34 of kilograms (a reduction of approx 16 percent). This was thanks to changes in sourced volumes (more volumes from lower-emission origins) and the increased efficiency of curing barns used by the farmers from whom we source.

During the year, we also continued our collaboration with the World Sustainability Organization (WSO) to make our MVR Framework available to a larger farmer base. Our joint efforts are intended to provide further visibility to, and promote adoption of, the sustainable tobacco curing fuel standard jointly created with Friends of the Earth (a WSO standard body). Read more [here](#).

**Proportion of flue-cured tobacco purchased that is cured with renewable fuel sources (self-sufficient firewood or biomass)**



**Growing natural capital through reforestation and afforestation**

As part of our efforts to halt deforestation and protect natural ecosystems, we require that our suppliers and farmers be self-sufficient in sustainably supplying wood for curing and barn construction. By 2025, we aim for them to grow more trees than they cut as a balance in their woodlots. Tree growing requires careful management and is limited to lands where the carbon stock and existing biodiversity assets, including soil, can be enhanced.

Since 2019, we have restored 263 hectares of forest to compensate for the detected risk of potentially unsustainable sourcing of firewood used for curing tobacco leaf (2023: 205 hectares), thereby contributing to our net zero deforestation aspiration.

We plan to execute reforestation and afforestation projects toward forest positivity for our tobacco supply chain, which we aim to achieve in 2025. In the Philippines, for example, PMI provided funds to a local community in Baco, Oriental Mindoro, to support a project aimed at contributing to the recovery of biodiversity, restoration of degraded forest ecosystems, and support of the livelihoods of a rural mountain community. A local conservation center completed feasibility assessments through several rounds of stakeholder consultation which measure the long-term viability of the reforestation project as well as the ability of the local community to support the initiative beyond the implementation phase. The project follows a 10-year implementation timeline, currently scheduled to be completed in 2034.

As of 2024, 61 hectares of forest have been restored through planting and an additional 12 hectares are planned for 2025. The mountain community linked to the project is in charge of managing the nursery, the planting, and the monitoring of the project; this creates a strong and positive dependency between the project and the people that benefit from it. Read more [here](#).

We are on track to achieve net zero deforestation for all PMI tobacco markets where our external assurance process detected deforestation risk. All our tobacco suppliers have already been engaged to actively implement net zero deforestation measures. In our direct material sourcing, 22 out of 26 suppliers from wood-based curing fuel markets are already compliant with our net zero deforestation criteria.

We also proactively seek opportunities to respond to and provide support after large ecological disturbances. Learn more about our reforestation work in Greece in response to wildfires [here](#).

**Protecting forests in our paper and pulp-based supply chain**

In our paper and pulp-based materials supply chain, we continued to strengthen our line of sight into potential deforestation risks, leveraging experience and tools, and replicating the assurance systems applied in our tobacco supply chain.

During 2024, we continued to gather feedstock origin locations from the suppliers of direct materials used in our products and packaging. Combining this information with satellite monitoring and applying relevant criteria from the National Risk Assessment framework of the Forest Stewardship Council (FSC) allowed us to better understand the level of risk our suppliers are facing. More specifically, it enabled us to categorize each of them as low-, medium-, or high-risk.

In 2024, we re-verified all suppliers in the low-risk category that source supply feedstock material to PMI. Our thorough process included collecting relevant documentation through a dedicated web platform and reviewing publicly available data such as FSC chain of custody certificates. All our low-risk suppliers achieved full compliance against the verification framework of our ZDM. We expanded our efforts to medium-risk and high-risk origin suppliers. All of these suppliers achieved compliance with our ZDM.

We continued evaluating high-risk feedstock origin suppliers to improve our understanding of current conditions and lead time to address corrective action plans. During 2024, we addressed nonconformities—mostly pertaining to the provision of GIS-related information for high-risk countries—with the four high-risk origin suppliers that had undergone on-site and virtual audits in 2023. They all successfully demonstrated they had implemented solutions necessary to ensure the appropriate level of traceability, achieving full compliance against our ZDM in 2024.

During the year, we also ran an extensive on-site audit of our paper and pulp-based product supply chain in Argentina and Brazil, which resulted in full compliance with our protocol. At a global level, 28 out of 33 high-risk suppliers were audited by the end of 2024 and all were compliant with our forest positive program requirements.

In 2024, we also extended these efforts to all our suppliers of secondary paper and pulp-based products, focusing on low-, medium-, and high-risk origin. Simultaneously, we started to work on other categories that use paper and pulp as a base, such as printed point of sales materials, that are part of our indirect materials and services supply chain. Indirect materials supply chains are very complex and require a rigorous mapping of suppliers' processes to build a common plan together to achieve our ambitions.

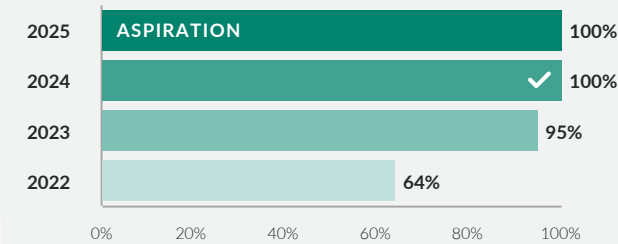
Our strategy is to ensure compliance by working with suppliers that can deliver conformant materials in line with our commitment to avoid any deforestation caused by our supply chain.

We work closely with suppliers, building their capability and providing options that would respond to our requirements. We invested in internal system improvements to enable better data visibility and aggregation, encouraging our suppliers to do the same by sharing their data transparently to drive improvements. For example, materials supplied should be either certified or have chain of custody by the forest management standards approved by PMI (FSC, PEFC, SFI) and verified by a third party mandated to run assurance on our forest positive program.

We successfully completed an external verification process conducted by the FSC as part of its pilot program to validate procurement claims. This third-party assessment examined our processes for verifying and tracking timber products throughout our supply chain. The successful audit strengthens our ability to demonstrate the traceability of our timber products and validates the robustness of our supply chain due diligence procedures.

As a result of the implementation of our net zero deforestation program in 2024, 100 percent of the paper and pulp-based materials we purchased were verified to be at no risk of gross deforestation of primary and protected forests (2023: 95 percent).

### Proportion of paper and pulp-based materials purchased at no risk of gross deforestation of primary and protected forests



Note: For definitions, please see [PMI's Zero Deforestation Manifesto](#).

Aspiration
100%

Proportion of paper and pulp-based materials purchased at no risk of net deforestation of managed natural forest and no conversion of natural ecosystems by 2030

## Managing water responsibly

Water is a renewable yet finite resource shared by all. Water stewardship encompasses a comprehensive approach: optimizing water use efficiency, advancing water recycling, protecting watersheds, preventing water pollution, enhancing recharge, and fostering sustainable water management in collaboration with relevant stakeholders.

We believe that achieving a meaningful impact requires a deep understanding of water-related risks and informed actions to address them. Because water is a shared resource, it is critical for us to engage and partner with stakeholders to scale solutions built on science, robust methodologies, and implementing tools.

In 2024, CDP awarded us an A- rating for water security due to the exclusion of Vectura Fertin Pharma (now Aspeya) from our response. Despite its impact being immaterial, i.e. less than 4 percent of PMI's total water footprint, and one component of it being sold in 2024, CDP withheld a full A rating, stating that it "reserved its right to assess exclusions on a case-by-case basis." Following our appeals, CDP acknowledged our feedback had prompted discussions to improve their methodology in the future.

We continue to make progress on our long-term aspiration of contributing to a positive impact on water resources by 2050. PMI's interim water stewardship aspirations are centered on our tobacco supply chain and direct operations to accelerate progress in the areas of the value chain where we have more influence. We expect to expand on these aspirations to also encompass our nontobacco materials supply chain (read more about our long-term ambition on water in a dedicated report available on [PMI.com](#)).

### Understanding our freshwater withdrawal footprint and associated risks

Our internal studies indicate that our freshwater withdrawal footprint in 2024 continued to be distributed across three main areas: our nontobacco materials supply chain (66 percent), our tobacco agricultural supply chain (33 percent), and our manufacturing operations (1 percent).

#### In our tobacco supply chain

In 2024, the farms in our tobacco-growing areas (TGAs) accounted for a collective freshwater withdrawal of around 126 million cubic meters for irrigation purposes.

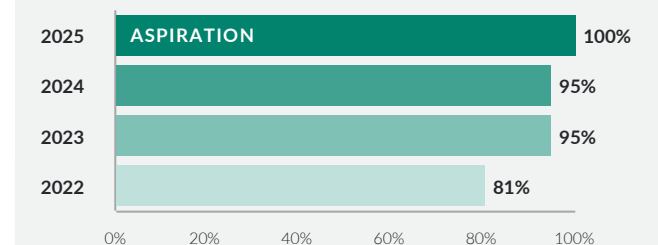
We conduct an annual global water risk assessment (GWRA) in our tobacco supply chain, using tools such as the World Resources Institute's (WRI) Aqueduct Water Risk mapping. Our 2024 global assessment continued to reveal that most (79 percent) of our TGAs—which represented approximately

88 percent of our 2024 purchased tobacco volumes—show a "medium-to-high," "high," or "extremely high" level of exposure to physical risk in the watersheds where they are located.<sup>1</sup>

To better understand the water-related risks in our TGAs, we also conduct periodic local water risk assessments (LWRAs).

We have conducted 56 LWRAs since 2018, covering 95 percent of our TGAs, including multiple watersheds within some of these areas. In 2024, we conducted LWRAs in Argentina, Canada, India, Indonesia, Italy, Pakistan, and the U.S.—as these TGAs required updated information on the parameters that define the local risk assessment outcomes. These assessments highlighted how climate change is intensifying water-related challenges across our tobacco sourcing markets. The most pervasive risk remains water scarcity, where limited supplies create competing demands that cannot all be satisfied. This scarcity is exacerbated by extreme weather events—including prolonged droughts and devastating floods—which directly impact both water availability and quality. Specific regional findings revealed in our 2024 LWRAs include groundwater table decline in Italy and severe drought conditions in India's Krishna basin, illustrating how climate-driven water stress manifests differently across our TGAs.

### Proportion of tobacco-growing areas covered by local water risk assessments (cumulative since 2018)



### Water risk management: global to local approach

We systematically assess water-related risks to ensure business resilience and sustainable water stewardship.

A **global water risk assessment** (GWRA) examines our entire value chain—from tobacco supply to direct operations—through comprehensive analysis of global water risk data. It's conducted by leveraging publicly available data to evaluate water risk indicators, including water stress, seasonal variability, flood occurrence, drought severity, and groundwater depletion trends. The GWRA serves as our primary screening tool to identify critical areas requiring intervention and to determine potential risk severity.<sup>1</sup>

A **local water risk assessment** (LWRA) builds upon the GWRA findings by incorporating granular local data, targeted stakeholder engagement, and watershed-specific analysis. This detailed assessment validates GWRA findings and generates actionable insights for water management projects. The LWRA empowers local suppliers and farmers by providing practical understanding of water risks in their specific growing regions. It facilitates collaboration between organizations, local partners, and suppliers to implement targeted mitigation strategies that protect vulnerable growing areas.

<sup>1</sup> Includes Swedish Match manufacturing sites.

**In our manufacturing operations**

Our manufacturing operations accounted for a freshwater withdrawal of around 3.2 million cubic meters in 2024.

We regularly assess our factories' exposure to water risks to help us prioritize mitigation actions. In 2024, we used the baseline water stress indicator of the World Resources Institute's (WRI) Aqueduct to categorize different geographical areas based on water-stress levels. Our assessment revealed that approximately 52 percent of freshwater withdrawals in all our factories originated from "high" or "extremely high" water-stressed areas.<sup>1</sup>

We use information from our risk assessment, coupled with the insights from watershed stakeholder engagement and strategic considerations at manufacturing site level, to craft action plans where needed. Actions are tailored based on local conditions and site water use efficiency to mitigate risk of negative impacts from extreme weather events such as drought and flood.

**In our nontobacco materials supply chain**

In 2023, we extended the application of risk assessment tools to the sourcing of nontobacco materials to cover our electronics supply chain and our paper and pulp-based products supply chain with a GWRA. In 2024, we refined our approach deploying the WRI's Water Risk Atlas Aqueduct tool to nontobacco supply chains. The results showed that we do not face substantial water risk in our supply chain, with just a few suppliers falling in watersheds with high risk. Accordingly, in 2024 we prioritized action on supplier engagement and further data collection to improve our understanding of local conditions.

Strong engagement with priority suppliers will be essential, as successfully addressing identified risks will depend on our collective ability to craft solutions to address risk and shared water challenges.

In 2024, we launched a pilot project with our paper and pulp-based suppliers to align on their environmental management systems and collect granular data regarding water-related risk and mitigation actions. It consisted of assessing their maturity in water stewardship and their commitment to sustainable water management practices by having sound policies and monitoring and reporting systems in place. The site-level data gathered through this pilot indicated that there is a need for data standardization and quality improvements to further support our supply chain in establishing robust water stewardship practices. These learnings will play a key role in helping us refine our GWRA methodology in our nontobacco supply chain, enhancing our ability to identify water-related risks and fostering sustainable water management within our supply chain.

<sup>1</sup> Risk categories as defined by the World Resources Institute's Aqueduct Water Risk mapping.

**Water stewardship in our tobacco supply chain**

The quantity, quality, and timing of water availability all impact the growth of tobacco plants.

**Water use**

For about 64 percent of the farmland in our tobacco supply chain, the growing cycle is synced to the rainy season, enabling crops to be rain-fed during the open field stage. Where we use irrigation, we are mindful of the risk of baseline water stress when conducting LWRAs.

In addition, we collect data annually on irrigation water used to grow tobacco. According to the latest estimates, in 2024 we used approximately 256 cubic meters per ton of tobacco produced (rain-fed or irrigated)—approximately 4.4 percent more than in 2023.

Since 2018, when we first started measuring water use (by collecting primary data from our suppliers and farmers through yearly surveys), our average freshwater withdrawal (cubic meters of water withdrawn versus total packed tobacco) related to our purchased tobacco volume has gradually decreased.

Climate change is affecting rainfall patterns and has already had a visible impact at regional and local levels. This is a primary factor in the year-on-year fluctuation in water use we record among our farmers. We continue to closely monitor water risk trends in our TGAs to better inform our tobacco sourcing strategy and watershed response actions. This supports our efforts to mitigate risk and maximize opportunities to optimize resource use in line with the recommendations of the TNFD.

**Water optimization**

We aim to optimize water volumes in the areas where we operate. Our aspiration is to optimize at least 25 million cubic meters of water (cumulative since 2019) in our TGAs by 2033. We aim to achieve this through dedicated projects that address shared water challenges in the watersheds where we operate, in line with our biodiversity and water stewardship ambitions.

In pursuing this aspiration, and to account for volumes of water optimized, we aim to mitigate water-related risks and help address shared water challenges at the catchment level.

The volume that can be considered 'optimized' is the one that results from projects that make more water available for stakeholders that share the same challenges in a common watershed.

We implement a variety of projects to address shared water challenges, with a strong emphasis on community-based initiatives. For example, we have supported farmer communities in Brazil since 2018 in fencing and protecting areas around water sources (read more [here](#)).

Our local affiliate, PM Brazil, continued to provide additional payments to the contracted tobacco farmers who demonstrated in 2023 that they have adopted sustainable practices to preserve forests or strengthen ecosystem resilience against water cycle fluctuations. The payment is based on a third-party verification of the ecosystem benefits generated and is matched by PMI independently from the commercial contract with the tobacco producer. This approach increases the resilience of the farmers both in economic terms and for the integrity of ecosystem services (e.g., water flow regulation and forest conservation) provided within their farm.

We continued the expansion of our irrigation projects in India with the establishment of two new check dams, and in Argentina by continuing to support our farmers to switch from surge/flood irrigation to drip irrigation, resulting in reduced water withdrawals. These projects increase water supply for farms and community members and support recharging the groundwater table in the project areas.

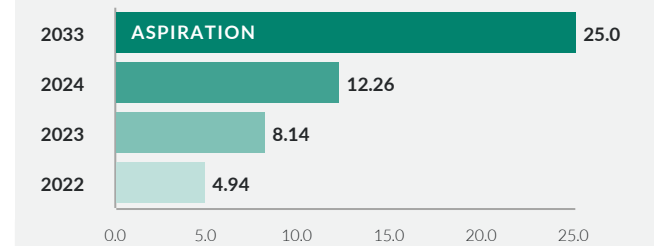
Learn more about how we expanded the use of laser leveler technology in Pakistan [here](#) and how we contributed to support a micro-enterprise project for female farmers that provided elevated drip irrigation kits in Malawi [here](#).

**Designing impactful water stewardship initiatives**

Our approach to selecting and validating water stewardship projects starts with understanding local water challenges. We identify specific water risks and their root causes, then partner with local organizations to design effective solutions. To measure success, we use a standardized method called Volumetric Water Benefit Accounting (VWBA) to calculate the water-related improvements our projects achieve. We look for projects that deliver multiple benefits beyond water conservation. These might include reducing fertilizer and crop protection agents use in farming, improving biodiversity, or enhancing farmer livelihoods. This approach helps ensure our investments create the greatest possible positive impact for communities and the environment. To strengthen our project selection process, we developed an internal Water Stewardship Accounting Tool back in 2021 and updated it several times until 2024. This tool helps us match the right solutions to specific water challenges and measure their effectiveness. For example, when addressing water quality issues, the tool recommends proven approaches like land restoration and calculates their expected benefits using scientific methods. The tool automates complex calculations that would otherwise be time-consuming and prone to human error. This automation helps us make faster, more reliable decisions while maintaining data accuracy. To ensure quality, all our results are independently verified by our technical partner Bluerisk, following standards set by the World Resource Institute.

To date, we have implemented water stewardship initiatives in eight countries: Argentina, Brazil, India, Italy, Malawi, Mozambique, Pakistan, and Turkey. Combined, these efforts have contributed to optimizing a total of 12.3 million cubic meters of water in our TGAs since 2019, putting us well on track to achieving our aspiration to optimize 25 million cubic meters of water by 2033. This is a significant increase compared with 2023 (2023: 8.1 million cubic meters), driven mainly by the widespread implementation of volumetric water benefit generation guidelines, the progressive capabilities built in cooperation with our suppliers, and the increased number of farmers involved in these activities.

**Million cubic meters of water optimized in our TGAs (mio m<sup>3</sup> cumulative, since 2019)**



Note: Indicator is based on the World Resources Institute's volumetric benefit accounting methodology. For further details, see [PMI's Sustainability KPI Protocol 2024](#).

With our 2033 aspiration on water, we aim to continue optimizing irrigation and restore water volumes to address water risks at the watershed level by scaling solutions, contributing to a positive impact on water resources. In alignment with our holistic approach to environmental sustainability, we aim for all of our water stewardship projects to have multiple benefits (i.e., biodiversity, carbon sequestration, waste management, and social impacts by improving community well-being).

**Water quality**

When misused, crop protection agents (CPAs) and fertilizers can pollute the local environment. While CPAs protect crops and fertilizers improve crop yields, these chemicals can infiltrate groundwater or run off into surface watercourses, impacting aquifers and aquatic ecosystems.

We maintain a global integrated pest management program to reduce the unnecessary use of pesticides, promote less hazardous alternatives, and manage both appropriately (read more [here](#)).

Further, to minimize their negative impact, we promote more efficient ways to apply fertilizers, such as through drip irrigation systems that distribute them in smaller quantities and directly to the plants' root systems.

## Water stewardship in our operations

We have a long-standing approach to driving water stewardship in our direct operations, especially in our manufacturing sites. We seek to promote water circularity in our factories, increasing water use efficiency and maximizing the beneficial use of water discharged.

### Valuing water as a critical resource

Water's true value extends beyond the utility bill. To better reflect this reality, we have developed an innovative approach called value of water assessment. This approach assigns a value to water by considering three key factors: physical risks (e.g., availability and quality), regulatory risks (e.g., changes in regulation), and reputational risks (e.g., community impact).

Our internal value of water tool helps transform these considerations into practical business decisions. For example, we are currently piloting the tool to evaluate investments in our manufacturing sites; the tool calculates a virtual price for water that reflects both current and future risks. This more comprehensive valuation helps us:

- Make smarter investment decisions in water stewardship
- Prioritize projects with the greatest positive impact
- Better future-proof our business for water-related challenges

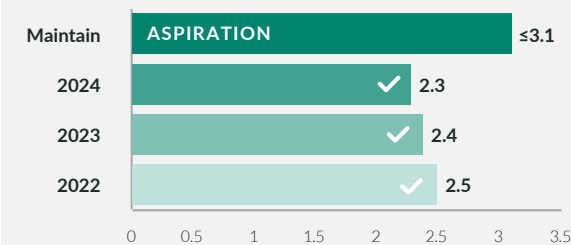
We are currently testing this approach and in addition promoting the application of the Volumetric Water Benefit Accounting (VWBA) for our priority manufacturing sites, leveraging on the success in our Leaf operations. Using these tools allows us to both value water resources and measure the effectiveness of our water stewardship programs.

### Accelerating water efficiency efforts

The manufacture of our products resulted in a withdrawal of around 3.23 million cubic meters of water in 2024 (2023: 3.18 million cubic meters). Between 2018 and 2024, we reduced water consumption at our manufacturing sites by 31 percent in absolute terms, mainly through water efficiency initiatives that offset the unfavorable impact of the significant increase in the production volumes of heated tobacco and nontobacco units (HTUs).

The production of HTUs is around five times more water-intensive than the manufacturing of cigarettes. While the public health benefits of smoke-free products justify the trade-off, we are accelerating efforts to mitigate the increased water demand through enhanced efficiency. In 2024, we continued to reduce water intensity, achieving a reduction of 4 percent versus 2023 (51 percent reduction versus 2018) and a ratio of 2.3 cubic meters per million cigarettes equivalent (down from 2.4 in 2023).

### Water ratio in our manufacturing facilities (water withdrawn in cubic meters per million cigarettes equivalent)



We continuously work to improve our processes, focusing on applying a zero-loss mindset and investing in a variety of projects that aim to optimize our consumption and raise awareness among our employees. For instance, in 2024 a new wastewater treatment plant is up and running in our Karawang Plant. Using specialized technology, this plant utilized closed-circuit reverse osmosis to treat wastewater, transforming it into water suitable for industrial use, and in addition meeting drinking water standards (proven by an external certified laboratory).

### Water circularity approach

At PMI, our comprehensive approach to water stewardship includes initiatives within and beyond our manufacturing sites to establish a circular model in the way we manage and interact with water as a resource. We are not new to thinking circular in the watershed where our manufacturing facilities are located as this aligns with the AWS certification of our priority manufacturing plants. The approach focuses on efficient water use at the manufacturing facility to then promote watershed activities such as water replenishment projects to address water consumption for priority watersheds where we operate.

### Water and wastewater quality

At our factories, water is used in manufacturing (including in the preparation of flavors and liquid products and the production of HTUs) as well as for sanitation and hygiene.

To reduce our water withdrawals in the long term, we are recycling and reusing water at our manufacturing facilities. These reductions are achieved, alongside other initiatives, with technologies such as reverse osmosis and electrolytic processes, which aim to foster the re-utilization of water in other sub-processes while ensuring the quality requirements for the different use purposes.

At our Italian manufacturing site, for instance, wastewater undergoes a series of processes, including reverse osmosis, in an on-site treatment plant and is reused for utilities (e.g., for boilers and cooling towers). In 2023, we finalized the implementation of electrodialysis reversal equipment that aims at recycling the treated wastewater for process cleaning at an overall efficiency of more than 95 percent. The current overall recycling efficiency rate is around 34 percent of total water demand of the plant. In 2024, our Italian manufacturing site continued in the enhancement of its water resilience, recovering and reusing, for utilities purposes, rainwater for a total volume of 27,000 cubic meters, which represents 7 percent of total site water demand.

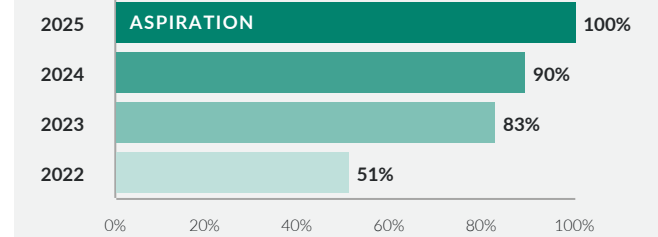
Monitoring wastewater quality is standard procedure at our manufacturing sites, where our certified environmental management systems help us remain in compliance with current and future statutory and regulatory requirements associated with water discharge.

### Fostering best practices in water management

Certifying our manufacturing sites to the AWS standard is a critical component of our approach to water management. The AWS standard is a globally applicable framework that enables organizations to understand their water use and impacts and works collaboratively and transparently with external stakeholders in the same catchment area to achieve sustainable management within the wider water context.

Our goal is to certify all our priority factories to the AWS standard by 2025, and we are making good progress. Since 2018, we have certified a total of 26 of our factories.

### Proportion of PMI factories certified to AWS standard



Note: Aspiration pertains to priority manufacturing facilities identified based on site overall risk in relation to the watershed, water withdrawal, water consumption, product portfolio, and other strategic considerations. PMI sites that are in low-to-medium water risk areas and below 2.5% of PMI manufacturing water footprint are excluded.

## Reducing waste

We follow the waste hierarchy, whereby we aim first to reduce the waste we generate, promote its reuse and recycle whenever possible, incinerate it when it is the best option available, and, to the extent possible, avoid any disposal to landfill.

### Managing the waste generated by our operations

We manage all waste from our production sites with the objective of reducing it and identifying and applying the most sustainable waste treatment options available. We pay special attention to our most valuable waste streams, such as tobacco, paper, card, and cellulose acetate tow, and to hazardous waste.

- **Avoid and reduce:** We aim to reduce the amount of waste we generate by converting raw materials into products as efficiently as possible. In 2024, we generated a total of 130,830 tons of waste, of which 2 percent was hazardous (2023: 127,931 tons, 2 percent). The increase in the total waste generation is mainly due to the production of increased volumes of HTUs, in-house printing in Greece and Romania and new production processes for new smoke-free product lines.

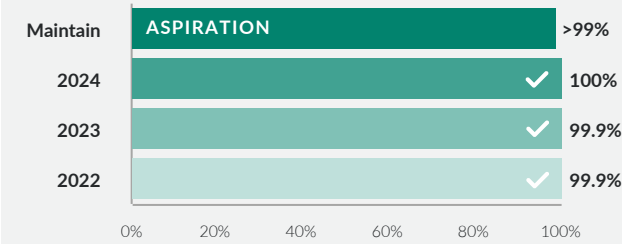
- Reuse and recycle:** Beyond optimizing our processes to cut waste, we strive to responsibly manage the waste we generate. We first seek to reuse materials or make them available to others. For instance, we have programs in place to promote the reuse of cardboard boxes to handle tobacco in our factories. Another path is recycling, which currently represents most (84 percent) of our waste disposal. However, the growing proportion of smoke-free consumables in our production mix and the expansion of our portfolio to include new products are lowering our recycling rate. We seek to mitigate this trend by implementing appropriate technology to help us better reuse and recycle waste from these products.
- Recover:** When recycling is not possible, we seek to recover waste materials and use them to generate energy. In 2024, 14 percent of the waste generated was incinerated with energy recovery, and 0.7 percent was incinerated without energy recovery or disposed of in a landfill (2023: 14 percent, <1 percent).

**Aiming for virtually zero waste to landfill in our factories**

We apply a “zero waste” philosophy, but we acknowledge that even the most efficient systems inevitably involve a small amount of waste diverted to landfill. This includes, for instance, waste-to-energy ash residue, waste legally mandated for landfill, and gray water sludge.

Our ongoing ambition is for our manufacturing operations globally to achieve virtually zero waste to landfill, which means achieving a landfill diversion rate of 99 percent or greater. We are proud that, globally in 2024, 99.9 percent of our manufacturing operations achieved virtually zero waste to landfill. Only 0.08 percent of our operational waste went to landfill (equivalent to 105 tons of waste) while complying with all relevant waste regulations and standards.

**Percentage of waste diverted from landfill in PMI Operations**



Note: We aspire to have virtually zero waste to landfill in manufacturing operations. This is achieved when the landfill diversion rate is equivalent to 99 percent or greater. Our calculation of zero waste to landfill does not include canteen and sanitary waste, which do not relate to our production processes. It also excludes the mandated waste, generally tobacco, that we are obliged to landfill to respect local regulations.

**Fostering responsible waste practices in our supply chain**

We seek to foster a positive impact on waste practices in our tobacco supply chain where our GAP require that suppliers have appropriate waste management plans in place.

We also expect our tobacco suppliers to dispose of empty agrochemical containers safely and appropriately. In some countries, we provide additional support to ensure the collection and proper disposal of containers that held pesticides or crop protection agents, including guidance on triple rinsing and punching best practices.

**Looking ahead**

Operations is at the forefront of building supplier capabilities beyond tier 1 and direct providers. By enhancing the skills and resources of all suppliers, we can ensure sustainable practices are implemented at every level of the supply chain. Our commitment to preserving nature is unwavering, as we recognize that the future of our business and the well-being of future generations depend on the health of our planet. Through these efforts, we aim to create a more sustainable and responsible business model that safeguards the environment for years to come.

By taking a risk-based approach with respect to nature-related challenges, we are working to ensure alignment with international best practices and upcoming regulatory standards as we further secure our future license to operate. Our early efforts and commitments to halt deforestation and protect biodiversity have put us in a position to navigate global societal and environmental shifts. Looking ahead, we plan to continue deepening our understanding and efforts with respect to the integrated challenges associated with nature, climate, and society. Focusing our efforts on addressing PMI’s most material risks and opportunities as they relate to nature can help us also to move forward on our aspirations related to climate and improving lives of people in our supply chain. For instance, through projects like Perfect Forest, we can address key ecosystems challenges, capitalizing on lessons learned through our ZDM approach; future-proof our business by securing access to verifiable carbon credits —thereby minimizing our own exposure to challenges related to decarbonization; and all the while make an effort to support the communities in areas surrounding our operations.

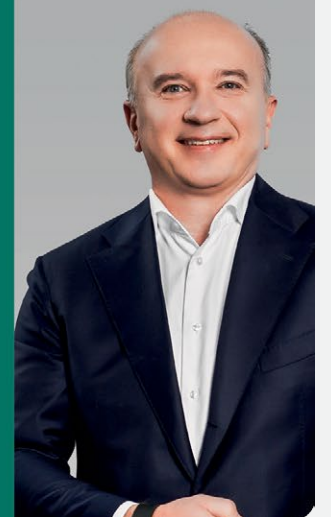
**Scott Coutts**  
Senior Vice President, Operations



Building on our robust performance and transparency in managing natural capital, we welcome regulations such as the upcoming European Union Deforestation Regulation (EUDR). These regulations raise the bar on avoiding forest conversion and further encourage companies to contribute to nature protection. We closely follow regulatory developments and prepare for their application, particularly with suppliers and third-party partners in our supply chain.

The global operating context is becoming increasingly complicated year-on-year, but it’s clear that nature and biodiversity are critical enablers for businesses with a large agricultural footprint, like ours. Over the coming years, we aim to sharpen our strategy, further considering the interconnections between our business, nature, biodiversity, climate change, and social considerations. Through early adoption of the TNFD, and our work in WBCSD’s SBTN preparer forum, PMI will remain at the forefront of developments in the nature space, integrating strong planning, governance, and reporting as we maintain focus on addressing our most material risks and opportunities—the interrelated issues of deforestation, biodiversity loss, and water scarcity. As we do so, and mindful of the synergies between nature and climate, we will integrate our TNFD preparation within the development of our refreshed low carbon transition planning.

**Oleksiy Lomeyko**  
Vice President, Operations Sustainability



Foster an empowered and inclusive workplace

Improve the quality of life of people in our supply chain

Tackle climate change

Preserve nature

# Fundamentals

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## Nicotine science

Nicotine is present in many of our products, including combustible tobacco products (e.g., cigarettes and cigars) and smoke-free products that provide nicotine without combustion (e.g., snus, nicotine pouches, e-cigarettes, and heated tobacco products).

### What is nicotine?

Nicotine is an alkaloid that occurs naturally in the tobacco plant and other plants in the Solanaceae family, at much lower levels. Nicotine is extracted from tobacco for use in nicotine replacement therapy (NRT) products, the liquids used for e-cigarettes, and other nontobacco nicotine products. It is also possible to produce synthetic nicotine. While this process is relatively costly, an increasing number of products on the market (e-liquids and nicotine pouches) contain synthetic nicotine. All our smoke-free products currently include tobacco-derived nicotine.

### What is the history of nicotine use?

People have been consuming nicotine (through tobacco) for thousands of years, with the prevalence varying by culture, time, geography, and gender. The earliest evidence of nicotine (tobacco) consumption comes from the early inhabitants of North America's desert west approximately 12,300 years ago.<sup>1</sup> European sailors and settlers brought tobacco to Europe in the early 1500s.<sup>2</sup> In the late 1800s, the cigarette-rolling machine was invented and commercial cigarettes became widespread.

### Why is nicotine so often conflated with smoking?

Since smoking has been the most prevalent form of nicotine uptake for millennia, nicotine, smoking, and tobacco use can be difficult to separate in people's minds. However, the effects of nicotine vary by product (depending on the delivery mechanism and what else is delivered besides the nicotine). Therefore, the effects of nicotine must be decoupled from the effects of the product.

External independent surveys indicate prevalent misunderstandings regarding the impacts of nicotine among smokers and healthcare providers. National data from the U.K. and the U.S. indicate that misconceptions about nicotine are widespread among adults who smoke, with a significant segment of the population erroneously thinking that nicotine is the cause of smoking-related cancers. Misperceptions about nicotine also persist among healthcare professionals, with many incorrectly attributing smoking-related diseases to nicotine itself.<sup>3,4,5</sup>

The unfortunate outcome of these misperceptions for adults who smoke is that they tend to perceive nicotine to be as harmful to health as cigarette smoking and therefore may be dissuaded from switching to nicotine-containing products that do not combust.<sup>6</sup>

Furthermore, the misperceptions in healthcare professionals around the health effects of nicotine may prevent them from being able to differentiate the health effects of smoking from nicotine itself.

### How harmful is nicotine?

While addictive and not completely harmless, nicotine itself is considered low risk in healthy adults, particularly when it is compared to smoking.

Nicotine harms are product dependent (i.e., factors such as the amount of nicotine, route of administration, and rate of delivery will influence this) and vary based on the individual characteristics of the person consuming it.

Some populations should avoid nicotine-containing products, such as underage people and women who are pregnant or breastfeeding, as some studies have found that nicotine may have adverse effects on fetal development such as low birth weight. People with pre-existing diseases or conditions (e.g., heart disease, high blood pressure, diabetes, or epilepsy) should also avoid nicotine consumption.

Although cancer is a complex and multifactorial process, research shows that nicotine is not classified as a carcinogen by health bodies like the International Agency for Research on Cancer and the U.S. FDA.<sup>7,8</sup> While there is research ongoing into nicotine's role in cancer promotion separate from cigarette smoke, today, there is insufficient evidence that nicotine contributes to or promotes the development of cancer.

While nicotine is addictive and not risk-free, nicotine is not the primary cause of smoking-related diseases. It is the extended exposure to the toxic by-products of combustion produced in high levels when a cigarette is lit that results in smoking-related diseases such as cancer, respiratory illnesses, and cardiovascular conditions.

### What are the effects of nicotine?

Many people who consume nicotine indicate that they do so for the perceived benefits, which include enjoyment, stress management, and relaxation. Additionally, there is evidence that nicotine can enhance cognitive processes like improving attention, memory, and fine motor function.<sup>1</sup>

As an agonist of nicotinic acetylcholine receptors, nicotine also elicits a variety of transient cardiovascular effects such as increased heart rate and blood pressure.

Sustained nicotine use can induce changes in the brain's reward and stress systems, although the effects are transitory and reversible once people quit and successfully abstain from using tobacco and nicotine products.

It is well understood that nicotine has reinforcing effects and as such can lead to addiction, but nicotine is not intoxicating or functionally impairing. The likelihood that nicotine use will lead to addiction depends on multiple factors around the product (including mode of use, amount, and rate and patterns of delivery), the environment around the product (like availability, price, and regulations), as well as the biopsychosocial differences between the users. While it can be difficult for some, anyone can quit tobacco and nicotine altogether with sufficient motivation.

### How can nicotine contribute to making cigarettes obsolete?

Achieving the goal of phasing out cigarettes requires discussion informed by facts and science on the health effects of smoke-free products and nicotine itself.

Availability of less-harmful nicotine containing products that do not require combustion can help smokers switch fully to these alternatives, thus driving cigarette obsolescence.

### Could nicotine have a therapeutic application?

The scientific community continues to explore ways in which nicotine and other alkaloids present in the tobacco plant can be isolated and potentially used as therapeutic compounds.<sup>2</sup> For instance, scientists are studying nicotine as a possible active ingredient in pharmaceutical applications for treating schizophrenia, depression, anxiety, and other disorders.<sup>3</sup>

Scientists are also examining the potential effects of nicotine on treating conditions such as Tourette's, Alzheimer's, Parkinson's, attention deficit hyperactivity disorder (ADHD), and other diseases.<sup>4</sup> Cellular, animal, and human studies have yielded some promising results, yet the evidence is not conclusive, and nicotine's addictiveness could be a limiting adverse effect for its development as a therapeutic compound.<sup>5</sup>

The U.S. National Institutes of Health funded a multi-center study designed to explore whether nicotine patches (used traditionally as NRT, to aid cessation) improve memory and functioning in patients with mild cognitive impairment, compared to placebo in 380 subjects exposed for two years, the results of which should become available in 2026.<sup>6</sup>

## Future of nicotine

A better understanding of the health impacts of nicotine, separate from smoking, is needed. As new nicotine-containing products continue to emerge that separate nicotine from some or all of the aspects of the smoking ritual, more research will be important to fully understand these new products and the effects of nicotine itself.

We know a lot about nicotine, but much of it is confounded with the effects of cigarette smoke. People have a lot of questions about nicotine, including its long-term effects, separate from the effects of smoking.

Steps should be taken by academic institutions and industry alike to fully understand the short- and long-term impacts of nicotine use. We plan to contribute to this understanding by conducting and publishing dedicated research focusing on understanding the effects of nicotine.

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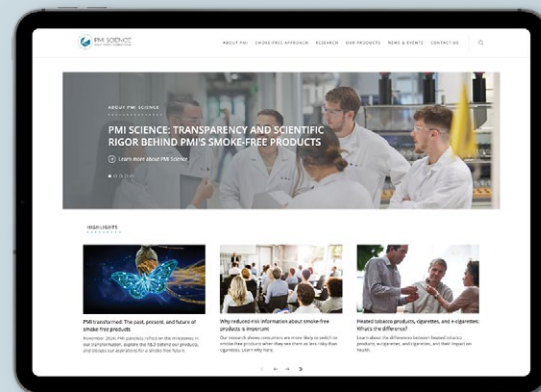
# Conduct R&D responsibly and transparently

Scientific research and development powers PMI's delivery of a smoke-free future.

At PMI, research and development (R&D) catalyzes our business transformation. The rigor with which we conduct research—and the openness with which we share our methodologies and results—builds confidence in our science among the scientific community, regulators, and our consumers. This rigor and openness also protects our company from reputational risk, and, most importantly, allows us to commercialize our smoke-free products around the world and advance the debate on public health and tobacco harm reduction to the benefit of adult smokers.

## PMIScience.com

We have a dedicated website which summarizes our assessment program and the scientific work that is the foundation of our smoke-free products. Discover more at [PMIScience.com](https://www.pmis.com)



## The importance of scientific rigor

Our R&D work is focused on developing and scientifically substantiating smoke-free alternatives to cigarettes for adults who would otherwise continue to smoke. An essential part of our work is demonstrating that we have eliminated combustion when it comes to our smoke-free alternatives (read more [here](#)).

We continuously strengthen our quality assurance and internal governance processes to ensure a robust internal, cross-functional scientific review process that leverages external experts and key opinion leaders. Furthermore, we prioritize targeted investments in a digital strategy that protects data integrity and scientific credibility, and leverages artificial intelligence to optimize resources and accelerate the delivery of robust, credible science substantiating new and innovative smoke-free alternatives to cigarettes and the harm reduction potential of these products.

### Management

We review and update our strategy and long-range planning on an annual basis. Projects created based on this planning are governed by designated committees at product innovation, development and assessment, Company Management, and Board levels. Among other responsibilities, the Board's Science and Technology Committee monitors the company's internal scientific research, including efforts to establish and substantiate the health-harm reduction potential of our smoke-free products.

We regularly interact with an extensive network of stakeholders, including research partners, contract research organizations, universities, and individual key opinion leaders as well as production site personnel, suppliers, consumers, and regulators.

We adhere to high scientific standards, and our R&D is aligned with the U.S. Food and Drug Administration's draft guidance on modified risk tobacco products (2012). In conducting our studies, we also aim to align with available international standards, such as applicable ISO standards, Organization for Economic Co-operation and Development (OECD) Principles of Good Laboratory Practice, and Good Epidemiological Practices. Importantly, all our clinical studies are conducted in accordance with the Declaration of Helsinki and the principles of Good Clinical Practice. These standards aim to ensure the quality and integrity of our science.

## Scientific engagement: sharing our methods and results

Regardless of industry, scientific research from a corporation may be met with skepticism. To address this and build trust, we share our science and listen carefully to feedback. We publish our findings in peer-reviewed articles or journals, conference presentations, and on [PMIScience.com](https://www.pmis.com). We also produce a regular briefing through our [Scientific Update](#) publication which complements what we share throughout the year. In 2024, our [18th issue](#) discussed how science-based regulation can foster innovation and encourage adult smokers to switch to less harmful alternatives, our [19th issue](#) examined the role that nicotine has to play in tobacco harm reduction, and our [20th issue](#) revisited the history of product development that led to the launch of the tobacco heating system. Since 2008, we have published 541 papers on smoke-free products and related science in peer-reviewed publications.

In 2024, we continued our Open Science conference series. In addition, our scientists regularly present their results at external scientific conferences and virtual events in the fields of aerosol chemistry, toxicology, clinical, and real-world evidence studies, as well as consumer research and product standards and oral and respiratory drug delivery.

By sharing our scientific data and papers, we allow the research community and broader public to gain an in-depth understanding of PMI's research methodologies and findings. We welcome objective studies by external parties seeking to contribute to a science-based debate on the critical societal question of tobacco harm reduction and nicotine science. Read about how we engage with our stakeholders, including the public health community, [here](#).

## Nicotine research

Our dedication to transparent and responsible nicotine research underscores our commitment to advancing scientific knowledge while maintaining ethical integrity. We invite you to explore our resources and stay informed about the latest developments in this critical area of study. Read more about Nicotine science [here](#) and our Scientific Update focused on nicotine [here](#).

## Our approach to animal testing

Regulators continue to require animal studies to confirm in vivo what pharmacology and toxicology studies show in vitro. Our in vivo facility is accredited by AAALAC International, which sets the gold standard for the humane use of animals in scientific research. Toxicology standards accept the use of rodents in scientific research. Nevertheless, to the extent possible, we are working to replace animal testing with other approaches. We apply the "3R" guidelines: replacement, reduction, and refinement (see our [Standards for Animal Testing](#)). In time, we hope to replace most, if not all, animal testing with alternative methods.



## Sustain product reliability

Our ambition to accelerate the end of cigarette smoking rests on rigorous scientific assessment, high-quality and highly reliable products, and strict regulatory compliance.

For adult smokers who switch to products that do not combust tobacco, it is of paramount importance that these alternatives are scientifically substantiated to present less risk of harm than continued smoking, and that they are developed, tested, and manufactured according to applicable regulations and standards to ensure consistent product integrity and quality.

Developing and commercializing products that meet stringent scientific requirements and technical design criteria are critical to a smoke-free future. By maintaining and continuously improving the reliability of our products while complying with regulations, we reduce waste, protect our reputation, and build brand equity.

Robust quality management systems (QMS) are deployed to cover, control, and improve the entire product development and deployment life cycle. Governance and accountability for consistent product integrity, quality, and reliability sit at the highest senior management levels under the leadership of the Senior Vice President, Research & Development at PMI, and are guided by our QMS, as well as by other internal and external standards. Work on product integrity and reliability is mainly carried out by teams in our product development, procurement, manufacturing operations, commercial, and quality organization departments. Their collective efforts ensure that we preserve quality, from raw material to the retail shelf.

We work with internal and external partners to ensure product quality and reliability. Working with our contracted and qualified suppliers, we secure high-quality raw materials, components, and finished products applying robust procurement processes, detailed auditing, and rigorous quality assurance procedures. Our approach to product reliability begins during product design inception and continues through manufacturing and final delivery to the end customer.

We conduct in-depth testing at every stage of development and production. This rigorous testing regimen guarantees the quality and reliability of our products. Our factories are designed to manufacture our products to the highest quality standards, following the ISO 9001 certification principles. This includes, for example, the careful selection of materials and the appropriate training of operators.

Our manufacturing quality management systems are subject to inspection by authorities and certification bodies. Globally, teams of product quality associates ensure that all incoming materials, semifinished components, and finished products across our global footprint meet our quality assurance and quality control standards.

Our quality professionals continuously revise and update our standards to ensure new technologies and innovations are reflected in our QMS processes. Our internal competencies are supported by external resources, which must adhere to our quality expectations. We ensure our suppliers continuously meet our requirements and that only approved suppliers are used (read more [here](#)).

Our product standards apply to all of our products as well as the packaging, storage, and transport of finished goods to ensure that they reach the consumer in proper condition. Packaging has a crucial role to play in this regard and helps ensure the traceability and identification of our products so we can act promptly should issues arise. Packaging is imprinted with unique identifiers that allow us to trace the supply chain journey, from factory to market, enabling backward traceability. If a product quality issue should arise, we can leverage this traceability to investigate problems and undertake any necessary containment actions in an efficient and targeted manner.

We focus on design for sustainability and longevity of our products by embedding eco-design principles across the portfolio complemented by strong quality standards. Additionally, we are implementing end-of-life take-back programs and product refurbishment (read more [here](#)).

### Smoke-free products

Our smoke-free products are subject to strict design controls. Our process ensures that each product is developed according to predefined and controlled criteria and demonstrates reduced toxicity compared with cigarette smoking. Any alterations to the product are made under a change management process that, among other considerations, assesses the impact of the change on the product's quality, safety, performance, and regulatory compliance. In addition, as part of product development, we apply use-hazard analysis. We assess the risks associated with the product's intended use and any foreseeable misuse, and we implement appropriate mitigation measures.

Our products are manufactured using ingredients compliant with applicable regulatory requirements and with industry and PMI standards. The tobacco used in our heated tobacco products is tested for the presence of crop protection agent residues to ensure it does not exceed permissible levels per industry guidelines. Nicotine and nicotine salts used in e-liquids must satisfy European or U.S. pharmacopoeia specifications.

Other ingredients (apart from flavoring extracts from tobacco) are either food grade or satisfy European or U.S. pharmacopoeia specifications. We do not add ingredients classified as carcinogens, mutagens, or reproductive toxicants. Ingredients—and non-substrate material such as the plastic and other components of cartridges that house the e-liquid and the paper and other components that house the tobacco mixture—are subject to rigorous toxicological risk assessment.

Disclosure of ingredients in our smoke-free products is notably available in EU member state public health websites, as required under the Tobacco Products Directive.

### Heat-not-burn devices

The electronic devices for our heat-not-burn products are manufactured according to internal standards and ISO 9001 principles and are certified according to applicable regulations and standards. The suppliers of the devices' electronic parts and components, including batteries, must also operate under these quality standards. Each finished device is subject to rigorous controls before shipment. PMI has established a thorough monitoring process to enable early detection of consumer pain points. We use these insights to improve our products and components.

### Heated tobacco units

Heated tobacco units (HTUs) are inserted into the device holder by the consumer. HTUs include our consumables *HEETS*, *TEREA*, *BLENDS*, *Fiit* and *MiiX* for the KT&G products we commercialize, and include a tobacco plug made of high-quality tobacco leaves. Newly introduced *LEVIA* HTUs substitute tobacco for a nicotine-containing substrate.

The manufacturing of HTUs demands high levels of precision and consistency. We test them for stability, using standard protocols covering a variety of temperature and humidity ranges. The design and packaging aim to preserve product quality and safety in the various conditions to which the product may be subjected (read more on [PMIScience.com](#)).

### E-vapor products

While our disposable e-vapor systems are self-contained units, our non-disposable e-vapor devices use a cartridge, or closed-tank—both formats utilize nicotine-containing e-liquid made with high-quality ingredients.

Closed-tank systems reduce the likelihood of improper device use by guaranteeing the quality and safety of the ingredients and reducing the ability to tamper with the product. In addition, our reusable e-vapor devices are not compatible with cartridges produced by other manufacturers. We recognize a

trade-off between preventing improper use and the recyclability of our e-vapor devices and choose to use closed-tank (as opposed to open-tank) systems in the development and commercialization of our reusable e-vapor products.

We test our packaging to ensure compliance with local regulations, including the EU Tobacco Products Directive, and we engage external agencies that test the integrity and safety of our e-liquid packaging.

### Oral products

Our oral products come in 'tobacco containing' (snus and moist snuff) and 'nontobacco containing' (nicotine pouches) forms. Nicotine pouches adhere to a predetermined, structured process, employing a hygiene-controlled system to prevent potential contamination according to internal standards and ISO 9001 and are certified according to applicable regulations and standards. These standards govern both the blending process which produces the nicotine mixture as well as the packaging process to produce the pouch.

In 2024, PMI completed the transfer of tobacco-based snus produced by PMI separate from Swedish Match to GOTHIA TEK® which has been Swedish Match's quality standard for the company's snus products since 2000. The uncompromising requirements of this standard are based on decades of research and development, with product quality, consumer care, and transparency as key pillars. In cooperation with the Swedish Standards Institute (SSI), Swedish Match has refined the standard over the years.

### Combustible tobacco products

Our combustible tobacco products are also subject to stringent product development controls. We strictly adhere to product specifications and regulations for cigarettes and apply additional internal requirements to ensure the highest quality products. Our ingredients undergo toxicological assessment to ensure their use does not increase the inherent toxicity of cigarette smoke. We disclose the ingredients used in our cigarettes on [PMI.com](#). We keep abreast of changes in regulation and perform further assessments to ensure full compliance with applicable regulations.

For more information on ingredients in our combustible tobacco products, please review EU member state public health websites which are required under the Tobacco Products Directive to disclose the ingredients.

Nontobacco materials used in our products—e.g., cigarette paper, filters, and packaging materials—also undergo toxicological assessment. In assessing packaging materials, we adhere to the main requirements for food contact materials.

## Uphold business ethics and integrity

We conduct business ethically and with integrity. Our core ethical principles—honesty, respect, and fairness—are at the heart of how we operate.

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 Compliance program is led by our Vice President, Associate General Counsel & Global Chief Compliance Officer, who reports to PMI's Senior Vice President & General Counsel and, periodically, to the Audit Committee of the Board of Directors.

PMI's [Code of Conduct](#) sets clear standards and expectations and is closely aligned with our business transformation strategy and industry best practices. Its mandatory provisions apply to all PMI employees, officers, and directors. Key risk areas addressed in this document include, but are not limited to, anti-bribery and anti-corruption, anti-competitive practices, conflicts of interest, information protection security and data privacy, responsible marketing and sales, scientific integrity, supply chain responsibility, and workplace integrity, among others. Internal PMI policies provide more specific guidance on these and other topics.

The PMI Code of Conduct is reviewed and updated annually.

### Employee communication and training

At PMI, we use training and communication to help employees understand the compliance-related standards and rules that are relevant to their roles and how to apply them in their daily work.

In 2024, we continued implementing our global Code of Conduct annual certification process. To date, 98 percent of targeted employees, including 100 percent of senior leaders, have completed the 2024 PMI Code of Conduct certification.<sup>1</sup>

The Compliance team launched a series of six e-learning courses (available in 31 languages) in 2024. Approximately 40,000 employees received training in the following key compliance risk areas: anti-corruption, Code of Conduct (which is an annual requirement), conflicts of interest, insider trading, non-discrimination and anti-harassment (including sexual harassment, which is an annual requirement), and privacy.

Regional and local compliance officers supplemented these e-learning courses with in-person training sessions to address compliance risk topics specific to their respective region(s) and market(s). Overall, employees and third parties completed a total of over 440,000 Compliance training courses in 2024 (2023: over 500,000).

Also, in 2024, we continued to enhance and regularly update our Compliance intranet site, including publishing information on relevant compliance topics for our employees.

### Evaluating our compliance culture

We evaluate our compliance culture periodically, including, for example, via a global online survey to understand employee experiences and attitudes related to ethical business conduct. For the past 15 years, PMI has conducted this type of global employee survey every two to three years, including, most recently, in 2024.

In addition, from time to time, we work with external advisers and consultants to assess elements of our compliance program.

<sup>1</sup> For the purposes of the 2024 PMI Code of Conduct Annual Certification, 'senior leaders' are defined as employees at a salary grade of 17 and above.

### Speaking up

At PMI, individuals may ask questions, raise concerns, or report instances of observed or suspected misconduct by contacting any of the following:

- The individual's supervisor, department head, or affiliate or function leadership
- Compliance key contacts (e.g., Regional and Local Compliance Officers)
- PMI Global Compliance confidential email address
- PMI Compliance Help Line (online or by telephone), which is a third-party-operated reporting channel available 24 hours a day, seven days a week, in all languages spoken at PMI. Individuals may use the Compliance Help Line anonymously, subject to local laws and regulations

PMI has also implemented a Global Speak Up Policy, the principles of which are reinforced by the PMI Code of Conduct and all PMI compliance policies.

There is a robust speak up culture at PMI. Most employees who speak up do so directly with the Compliance department and voluntarily disclose their identity when doing so. Specifically, in 2024, 23 percent of the reports received by Compliance were submitted anonymously (2023: 19 percent).

The Compliance team regularly communicates to employees about PMI's speak up program. For example, the Compliance team publishes quarterly statistics about speak up reports, compliance violations, and disciplinary actions, and shares with employees anonymized real-life examples of misconduct and advisory guidance.

### Compliance investigations

At PMI, we take all reports received through our Compliance Speak Up channels seriously and are committed to following up objectively and in a timely manner. We investigate all reports that raise compliance concerns, and we involve other functions or line management as warranted. We implement corrective measures to address investigation findings and calibrate disciplinary actions against past outcomes to keep the process fair. When investigating suspected compliance violations, trained personnel adhere to PMI Investigations Standards, which are designed to ensure an equitable and respectful process. We have also implemented a targeted Retaliation Check program to detect, remedy, and prevent retaliation against people who speak up, as well as those involved in investigations.

We received 1,444 reports through Compliance Speak Up channels in 2024 (2023: 1,258). Around 37 percent of the matters that were closed in 2024 were investigated because they involved at least one compliance allegation. The remaining 63 percent were resolved through Compliance advisory services or referred to line management or appropriate departments, such as our People & Culture teams, for further action.

In 2024, we investigated and closed 541 reports that involved at least one compliance allegation (2023: 591). At least one violation was substantiated in 53 percent of these cases (2023: 55 percent), with "workplace integrity" accounting for 27 percent of substantiated violations (2023: 32 percent); "theft and fraud" accounting for 21 percent of substantiated violations (2023: 18 percent); and substantiated violations related to speaking up (such as failure to speak up or obstructing an investigation) accounting for 16 percent (2023: 18 percent).

The appropriate parties implemented corrective measures and disciplinary sanctions following these investigations. Specifically, in 2024, termination of employment accounted for 43 percent of the disciplinary actions arising from these cases, while suspension accounted for 4 percent, written warnings for 25 percent, and verbal warnings or counseling for the remaining 28 percent.

### Preventing bribery and corruption

Our policy is clear: we do not bribe anyone, anywhere, for any reason. We recognize that our refusal to participate in corrupt activities may make conducting business more difficult in some markets, but bribery is unacceptable at PMI.

Our [Global Anti-Corruption Policy](#) is available on our external-facing website, PMI.com. This policy, together with additional Standards, sets specific principles, rules, and review-and-approval procedures for providing gifts, travel, and hospitality, providing contributions, engaging business intermediaries, hiring government officials, and conducting due diligence in M&A transactions.

We publicly disclose on [PMI.com](#) the political contributions we make, and we adhere to lobbying regulations.

Integrity isn't just a value we aspire to—it's the foundation of how we conduct business every day. Our robust ethics and compliance framework empowers our employees to make the right decisions, while our continuous focus on training and transparent communication ensures we maintain the highest standards across our global operations. Building trust through ethical business practices isn't just about following rules—it's about creating sustainable value for our shareholders, stakeholders, and society.

**Yann Guérin**  
Senior Vice President &  
General Counsel



# 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.

At PMI, promoting, protecting, and continuously working to embed human rights considerations into our company's strategy, policies, and business practices is not just the right thing to do; it also helps anticipate current and emerging legal requirements and minimizes our financial exposure and the risk of supply chain disruptions. It creates the basic environment and conditions within which our business can thrive and create value, by recognizing, respecting, and protecting our rights-holders, including our employees and workers across our value chain.

## Our approach

Across our value chain, we aim to minimize our adverse impacts and maximize opportunities to drive positive change. Establishing a strong foundation of respect and integrating into our organization mechanisms that promote and protect human rights are essential components of our approach to business. While maintaining these high standards can be challenging given the breadth of our operations and the scope and complexity of the issues we encounter, we believe safeguarding human rights is an absolute and universal requirement—which we are committed to upholding.

We seek to place rights-holders—those individuals and communities whose rights could be impacted by our operations or business relationships—at the center of all we do. We work to continuously improve our due diligence with respect to identifying and addressing current or potential risks and impacts across our value chain and ensuring the responsible procurement of materials and services. To succeed in this endeavor, we expect our suppliers to commit to respecting human rights within their businesses and we seek to collaborate with them, either individually or through multistakeholder initiatives.

Our efforts to respect, promote, and protect human rights underlie many of the activities and programs described throughout this report. A dedicated cross-functional team at our central operations coordinates our approach, which is grounded in the United Nations Guiding Principles on Business and Human Rights (UNGPs) and centered on four pillars:

- **A sound policy framework:** Our work is governed by [PMI's Human Rights Commitment](#), which is complemented by other PMI policy instruments such as our [Code of Conduct](#), [Responsible Sourcing Principles](#), [Marketing Codes](#), and [Good Agricultural Practices](#). Awareness-raising and training help us embed those instruments and an ethos of respect for human rights within our corporate culture.
- **Rigorous due diligence:** We have robust programs and processes in place to identify our adverse impacts across our value chain; these include our enterprise-wide assessment, human rights saliency mappings, and human rights impact assessments (HRIAs), in addition to targeted due diligence programs focused on specific areas of potential risk such as our tobacco and electronics supply chains. We complement these programs with external assessments and verifications.
- **Remediation:** We implement measures to address adverse impacts and maximize opportunities to drive positive change for people across our value chain. We seek to collaborate with civil society organizations, governments, and the private sector to design and deploy impactful solutions. Wherever adverse impacts occur, we strive to ensure affected individuals have access to grievance mechanisms and effective remedies in line with the UNGPs.
- **Transparency:** A complex and international value chain carries the potential for human rights risks that we need to understand, manage, and continuously address. Reporting transparently on our progress and the challenges we face through our annual reporting and targeted communications is vital to our approach.

Our Human Rights Report, published in 2023 and available for download [here](#), details our strategy to respect, promote, and protect human rights and our progress to date in implementing our [Human Rights Commitment](#), first published in 2017. This report incorporates a preliminary analysis of disclosures on our work on human rights and the considerations of the UN Guiding Principles Reporting Framework (UNGPRF), which enables companies to report meaningfully on their human rights performance

## Reinforcing our Human Rights Commitment

We uphold our [Human Rights Commitment](#), which articulates our pledge to respect human rights in all our operations and business relationships.

To ensure understanding and implementation of our Human Rights Commitment, we have included it in our company-wide Business and Human Rights e-learning which is available in multiple languages including Bahasa, English, German, Japanese, Polish, Portuguese, Russian, and Spanish. These represent the most widely spoken languages by our workforce.

### Advancing human rights through multistakeholder partnership

In line with PMI's Human Rights Commitment and Responsible Sourcing Principles, the Security & Market Safety team was invited to collaborate with the International Code of Conduct Association (ICoCA).

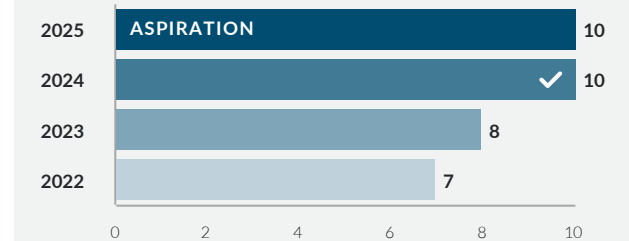
ICoCA is a multistakeholder initiative formed in 2013 to ensure that providers of private security services respect human rights and humanitarian law. It serves as the governance and oversight mechanism of the International Code of Conduct for Private Security Service Providers.

Our engagement focused on ensuring all PMI Security & Market Safety personnel are trained on the human rights components applicable to security, specifically the prevention of misuse of force and appropriate working conditions for third-party security personnel deployed at PMI sites; and codifying these requirements as contractual obligations for key suppliers delivering security services.

## Assessing human rights impacts across our markets

To strengthen our due diligence framework, proactively identify risks, and mitigate potential adverse impacts along our operations and value chain, we have set an ambition to conduct human rights impact assessments (HRIAs) by 2025 in the 10 highest-risk countries in which we operate. During 2024, as we completed our 9th and 10th assessment in Kazakhstan and Indonesia, respectively, we achieved our aspiration one year ahead of schedule. We also completed a follow-up assessment in Mozambique, gauging the progress made since our original assessment conducted in 2020. Our HRIAs are carried out by independent expert organizations and follow a formal process aligned with the UNGPs. They result in tailored action plans, which we implement, monitor, and report on.

### Cumulative number of human rights impact assessments conducted since 2018, with findings addressed



Note: Our assessments prioritize countries which are assessed as highest risks from a human rights standpoint. They are determined based on key parameters such as PMI's footprint and the country's human rights risk profile, as determined by internationally recognized organizations. For further details, please see [PMI's Sustainability KPI Protocol 2024](#).

Regarding past HRIAs, action plans have been fully implemented in [Malaysia](#), [Mexico](#), [the Philippines](#), and [Russia](#). We also continued monitoring the implementation of actions developed in previous HRIAs in [Turkey](#), [Brazil](#) and Pakistan.

In addition to conducting HRIAs in PMI's highest-risk countries, we introduced a self-assessment tool in 2021, which we further fine-tuned in 2023, accounting for the inputs of our network of sustainability experts across our markets and our human rights consultant Article One. Streamlining the toolkit was welcomed by those who use it, and the revised version is less complex to use while also including practical supports to successfully aid conduct.



### Conducting a human rights impact assessment in Kazakhstan

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

Read the case study [here](#).



### Conducting a human rights impact assessment in 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.

Read the case study [here](#).

### Continuous reinforcement of our human rights framework

We periodically assess PMI's human rights-related policies, procedures, and due diligence process against upcoming and emerging regulatory standards. This enabled us to evaluate how PMI's framework aligns with the most stringent requirements in such instruments and to surface potential gaps and opportunities for further improvements. In 2024, we paid particular attention to EU directives and regulations (in particular the Corporate Sustainability Due Diligence Directive), as well as to the German Supply Chain Act and Swiss Ordinance on conflict minerals and child labor.

### Strengthening human rights due diligence in our supply chain

We continue strengthening all our due diligence programs (through our ALP program in our agricultural supply chain, RBA in our electronics supply chain, and for our broader supply chain we use Ecovadis) to ensure that we identify potential and actual human rights impacts and build and deploy corrective action plans to address them (read more in the [Managing our supply chain sustainably](#) section of this report).

### Human rights saliency mapping

Our first company-wide saliency mapping was conducted in 2017. It was then refreshed in 2020 to reflect changes in the business in the context of rapid transformation and heightened understanding of human rights. We are now reviewing and updating our human rights saliency mapping once again, working with our human rights advisers, Article One, as part of our commitment and responsibility to respect human rights. This exercise prioritizes key human rights issues most relevant to PMI's business from the perspective of rights holders and will inform our updated human rights strategy in 2025. You can find out more information on PMI's previous saliency mapping and outcomes in the 2023 Human Rights Report, available [here](#).

### Grievance mechanisms

Providing access to remedy to potentially impacted stakeholders relies on the provision of an effective grievance mechanism, both for our operations and across our supply chain. This is a core element of our human rights due diligence approach, aligned with the UNGPs. At PMI, we maintain clear policies, run regular training, and work to ensure that robust processes are in place to encourage individuals to speak up if they become aware of any suspected, potential, or actual violations of law, our Code of Conduct, or any of our policies.

For more information on the grievance mechanisms we offer at PMI to encourage individuals to ask questions, raise concerns, or report instances of observed or suspected misconduct, see the [Uphold business ethics and integrity](#) section of this report.

### Preparing for the EU Corporate Sustainability Due Diligence Directive

Under the EU Corporate Sustainability Due Diligence Directive (CSDDD), currently under review, large companies will be subject to a corporate due diligence duty requiring them to identify, address, and where relevant remediate adverse human rights impacts (such as child labor) and environmental impacts (such as pollution) in their own operations, their subsidiaries, and business partners. At PMI, we started preparing for CSDDD, and will continue to do so, strengthening our current due diligence approach and integrating it into our policies and risk management systems.

## Manage our supply chain sustainably

Our supply chain accounts for a significant portion of potential social and environmental risks and opportunities. We are committed to collaborating with our value chain partners in identifying and managing these risks and opportunities responsibly.

### Our approach

Our operations rely on securing high-quality, cost-effective, and fit-for-use materials and services from suppliers, which are expected to adhere to PMI's sustainability-related requirements. These requirements form the basis for collaboration with PMI and are set out in our [Responsible Sourcing Principles \(RSP\)](#)—first introduced in 2017 and revamped in 2023. To achieve tangible environmental and social improvements, we seek to identify and address actual and potential risks while seizing opportunities to create a positive impact in the communities in which we and our suppliers operate.

Our approach to sustainable supply chain management is based on:

- Leveraging the reach and understanding of our supply base to proactively engage our suppliers to implement impactful programs, such as tackling climate change, preserving nature, and improving the quality of life of people in our supply chain
- Assessing risk linked to the nature of materials or services we purchase and the location they are sourced from
- Conducting supplier due diligence and assessing their sustainability performance and reporting capabilities
- Driving continuous improvement towards compliance with sustainability requirements through supplier capability building
- Embedding sustainability criteria in strategic sourcing decisions and supplier selection process

As part of our procurement practices, we identify and screen suppliers for business relevance and potential environmental, social, and governance-related risks before engaging with them. Our screening methodology includes country-specific, sector-specific, and commodity-specific risks to determine a list of significant suppliers through a sustainability lens. In 2024, we engaged with approximately 1,000 significant suppliers. Significant suppliers are those identified as having a substantial risk of negative sustainability-related impact, significant relevance to the business, or a combination of both.

1. See [Glossary](#) for definition of critical and significant suppliers.

However, not all significant suppliers are critical to our business. Critical suppliers are linked to the nature of materials or services they provide to the business (e.g., pulp and paper and electronic components). In 2024, we had 209 critical suppliers. Significant and critical suppliers go through a rigorous assessment process.<sup>1</sup>

Our supply chain sustainability due diligence is guided by our RSP, which aligns with the UN Guiding Principles on Business and Human Rights (UNGPs), the 10 principles of the UN Global Compact, and the International Labour Organization (ILO) Conventions. It also helps us build preparedness for anticipated and pending legislation such as the EU Corporate Sustainability Due Diligence Directive (CSDDD) and EU Deforestation Regulation, among others.

The RSP details our expectations and sets process and performance requirements for our suppliers. We expect all our suppliers to adhere to the mandatory section of our RSP requirements and address identified gaps to continuously improve their sustainability performance.

### Management

The sustainable sourcing of goods and services involves broad cross-functional collaboration within PMI. Operational responsibility for PMI's supply chain is executed by our Global Technical Operations and Operations Services teams. It is overseen by our Senior Vice President, Operations.

### A glance at our path to integrate the data from Swedish Match

Supply chain data and information in this section does not include Swedish Match. Though not drastically different, we are working to integrate our respective supply chains, seeking to leverage their efficiencies while remaining mindful of new elements linked to the oral smokeless category. Such integration requires us to harmonize the procedures, systems, and performance indicators we have in place. As we do so, we also expect to find synergies and harness the expertise and best practices of each company. Our integration efforts will include particular attention on the nicotine production supply chain for oral products, addressing the distinct sustainability challenges it poses. We provide further details on our efforts in the [Improve the quality of life of people in our supply chain](#), [Tackle climate change](#), and [Preserve nature](#) sections of this report.

To monitor RSP adherence, we apply tailored due diligence mechanisms within specific segments of our supply chain. In our tobacco supply chain, our work is governed by our [Good Agricultural Practices \(GAP\)](#) and [Agricultural Labor Practices \(ALP\) Code](#), which are operationalized at the farm level by field technicians working year-round with the farmers contracted by PMI and our suppliers. In our electronics supply chain, we leverage the work of the Responsible Business Alliance (RBA) and its adjacent programs. For monitoring of direct materials, indirect materials and services, and third-party leaf suppliers, we collaborate through our preferred partner, EcoVadis.

Adherence to our RSP—and to GAP for our tobacco supply chain—is being built into our contractual agreements with suppliers. We use a suite of tools, including self-assessment questionnaires, third-party assessments, on-site audits, and field visits to monitor performance.

The RSP has been published in 27 languages to facilitate supplier understanding and its deployment. As originally planned with the revamp of the RSP, all contractual commitments will include an adherence requirement by 2025.

PMI employees who have regular interaction with suppliers have been requested to complete RSP training. Internal capability building on RSP has been split into sections specifically dedicated to RSP: Fundamentals and Advanced, as well as other non-related sessions that explain RSP.

### Fostering collaboration with our suppliers

We continue to strengthen our engagement beyond Tier 1 suppliers partnering with companies that have diverse strategies, priorities, and cultures—to jointly progress on our sustainability journey. Our engagement is based on common values and shared aspirations to achieve sustainability goals.

In 2024, we held several face-to-face events that facilitated cross-industry collaborations. To maximize our outreach, we held numerous webinars, building capability and supporting our suppliers. Procurement takes every opportunity when interacting with suppliers to engage in meaningful conversations on sustainability.

During the year, we also continued and expanded our Sustainability Accelerator program, which aims to leverage our learnings, and best practices to build supplier capability. The Accelerator’s integrated approach is developed to expedite the sustainability progress of our suppliers in relation to their performance and reporting in order to comply with a fast-moving regulatory landscape.

A team of PMI experts collaborates with each supplier team individually to build capabilities and share PMI’s sustainability progress, learnings, and methodologies. By investing in our suppliers’ learning, we not only enhance our supply chain’s resilience but also ensure sustainability performance and reporting on impacts for both our own operations and our broader supply chain in the context of evolving regulatory requirements.

All insights and learnings gained through the program are then used to further enhance and optimize the offering for our diverse value chain. Following a successful pilot with five suppliers across our broader supply chain in 2023, the program expanded to include 18 additional suppliers in 2024, selected based on relevance for PMI and maturity.

Initially, the program focused on climate change and sustainability fundamentals, such as strategy development and deployment systems. We plan to expand the program in 2025 to reach more suppliers while broadening the scope to include nature-related topics such as biodiversity, forests, and water. Additionally, in the medium term, we expect to expand to social and human rights-related matters, with a roll out on these topics planned for 2026.

### Overview of our supply chain in 2024

With over 21,400 tier 1 suppliers globally, our supply chain spend amounted to approximately USD 14 billion in 2024. Our global supply chain is organized into two main streams: direct spend (focused on materials used to manufacture our finished products) and indirect spend (focused on goods and services necessary to operate our business).

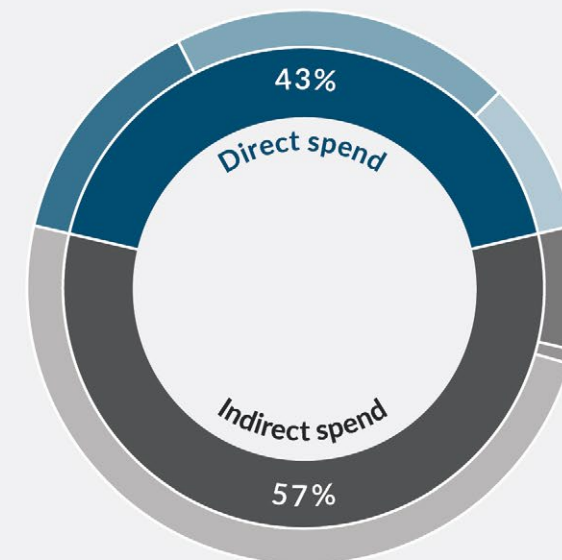
Currently, our global supply chain supports our two main finished product categories: smoke-free products that are increasing in resource allocation in line with our growth strategy, and cigarettes.

The majority of our supply chain spend for smoke-free products derives from our direct spend on electronics. During 2024, as we purchased more tobacco than in past years to replenish inventory, the overall proportion of supply chain spend attributable to electronics dropped relative to our overall spend on tobacco, which serves both our cigarettes and smoke-free products. As a result, smoke-free product supply chain spend decreased slightly to 40 percent (2023: 41 percent).

The supply chain categories exposed to the highest sustainability risks identified to date pertain to our direct spend and include:

- Agricultural supply chain
  - Tobacco production, with the main risks associated with working conditions, child labor, climate change, access to water, and the socioeconomic well-being of farming communities
  - Paper and pulp-based materials, with the main risks linked to biodiversity, climate change, and water management
- Electronics supply chain
  - Electronics manufacturing, with the main risks relating to potential social issues on ethical recruitment, working conditions of migrant workers, and working time

### Breakdown of our 2024 supply chain spend



<b>DIRECT SPEND</b>	<b>43%</b>
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%
<small>Note: Sum not foot due to rounding.</small>	
<b>INDIRECT SPEND</b>	<b>57%</b>
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%

## Sustainability performance in our supply chain

Proactively managing the sustainability performance of our suppliers is paramount to our ability to identify, prevent, and mitigate sustainability-related risks. By doing so, we ensure PMI's readiness to comply with existing and upcoming regulations. By endorsing robust governance, we seek to secure our success in achieving our environmental aspirations and improving the livelihoods of people in our supply chain.

Our supply chains are long and complex. Our procurement teams have a robust engagement plan with significant suppliers to drive impact.<sup>1</sup>

Depending on the type of risk and in line with our supplier segmentation, we request suppliers to disclose their sustainability-related performance through EcoVadis or RBA. Disclosures can be made via desk-based assessments or on-site audits. They are followed by a review touchpoint performed by our sustainability procurement team, which may indicate a need for a corrective action plan. Procurement teams address supplier performance through annual meetings, quarterly performance reviews, or more frequently if needed depending on assessment outcome and the criticality of issues identified.

While our procurement teams monitor supplier improvement, it is the suppliers' responsibility to put in place a corrective action plan (CAP) and drive improvements in their supply chain. These CAPs are reviewed and additional support to suppliers is offered through internal experts or dedicated external tools.

We aspire to 100 percent of spend with critical suppliers from whom PMI sources be done sustainably by 2025. In 2024, we made continued progress, reaching 94 percent (2023: 91 percent).<sup>2</sup>

### Direct materials supply chain

To assess direct materials suppliers holistic sustainability performance across environment and social, ethics, and

responsible purchasing domains, we use EcoVadis. It is largely aligned with PMI's RSP and gives us an opportunity to enhance our accountability while also providing actionable insights on potential improvement areas.

During 2024, 135 suppliers representing 92 percent of our total direct material spend were assessed. Of these, 92 percent were determined to be sourced sustainably by PMI, based on the score provided by the assessment platform. Only 8 percent were below the minimum threshold required. Suppliers with a low score were mandated to develop and implement a CAP, and report progress.

CAPs are segmented by theme, indicator (policy, action or reporting), and priority level. Depending on priority, suppliers of direct materials are requested to close identified gaps in an agreed timeframe, and to conduct a reassessment. Our procurement team engages directly with suppliers to provide necessary support and capability building. We actively support suppliers' CAP reviews to drive performance improvement. For direct materials alone, 6 suppliers (representing approximately 0.3 percent of our critical direct materials suppliers) were reassessed in 2024 (2023: 13 suppliers representing 10 percent). On average, the EcoVadis score of suppliers that underwent reassessment increased by 18 points, which signals a strong commitment and investment made by our suppliers.

### Electronics supply chain

As our company transforms, we are increasingly focused on the sustainability of our expanding electronics manufacturing supply base. This supply chain is vastly different to our legacy agricultural supply chain. It is complex, dynamic, and carries inherent risks and challenges, including the potential presence of conflict minerals. We implement controls across our electronics supply chain to increase accountability and engagement on a tiered basis (see figure below).

PMI is a member of RBA, the world's largest industry coalition for sustainable supply chains. In 2024, PMI further expanded its participation as members in the alliance by using more of its tools and various capability building programs with suppliers.

We also continued to participate in RBA's Validated Assessment Program (VAP)—the standard for on-site compliance verification and effective, shareable audits. Under this program, independent external auditors review our electronics suppliers' sustainability performance against the RBA Code of Conduct, which is aligned with PMI's RSP requirements. To gather additional audit data, we leverage customer managed audits (CMAs), a comparable audit standard recognized by RBA.

In 2024, 100 percent of our spend with critical electronics suppliers covered by VAP or CMA audits and the average RBA score of our suppliers was 174 (out of a maximum of 200), compared with an RBA average for our suppliers of 170 in 2023. Audit reports revealed several common issues across suppliers on social issues, including working hours, emergency preparedness, and wages and benefits.

To drive improvement in these areas, we continued to leverage two key RBA programs: the Responsible Factory Initiative (RFI), which provided support to supplier factories to implement the RBA code, and the Responsible Labor Initiative (RLI), which equipped suppliers with tools to address potential forced labor issues associated with migrant workers. We successfully completed the pilot of the RFI in two factories in China, and the RLI with eight recruitment agencies in Nepal in 2024. We continued rolling out the RFI program to an additional 10 factories in 2024, with a plan to further expand the program in 2025.

### Conflict minerals

We are committed to operating with integrity and to responsibly source 3TGs (tin, tantalum, tungsten, and gold), which are potentially used in our products.

Our 2024 conflict minerals submission to the U.S. Securities and Exchange Commission (SEC) covering the year ended December 31, 2023 showed that approximately 92 percent of the smelters or refiners (SORs) in our conflict mineral supply chain are engaged with Responsible Minerals Assurance Process (RMAP) or RMAP-Active. The remaining approximately 8 percent were contacted and requested to conduct due diligence to verify whether they sourced 3TGs from the Covered Countries (as defined by the U.S. SEC) during 2023.

In 2024, we updated our Responsible Sourcing of Minerals Policy for better alignment with our RSPs and the OECD Due Diligence Guidance. [Our Policy](#) effectively articulates PMI's existing due diligence efforts, including requirements for suppliers, and demonstrates a stronger commitment to minerals supply chain due diligence. It provides details on our approach to consequence management and also establishes a foundation for PMI to expand due diligence to other minerals and geographies beyond those in scope of the U.S. SEC Ruling.

Following a pilot in 2023 where we increased the frequency of the conflict minerals data collection to twice a year, in 2024 we rolled it out to all PMI suppliers. This increased monitoring improved the quality of the data collected.

Cobalt, which is used in the batteries that power our smoke-free devices, is also linked to unethical mining practices. While the quantities required for our products are minor relative to the global market size, we are leveraging the RMI approach for due diligence in our cobalt supply chain to identify and address potential human rights risks.

In 2024, all our battery suppliers responded to a PMI request. Subsequent due diligence indicated that, as of December 31, 2024, each of the 40 smelters from which PMI battery suppliers source cobalt were on RMI's conformant list. We continue to engage with our suppliers to improve visibility into this complex supply chain and enhance our due diligence framework.

### Tobacco supply chain

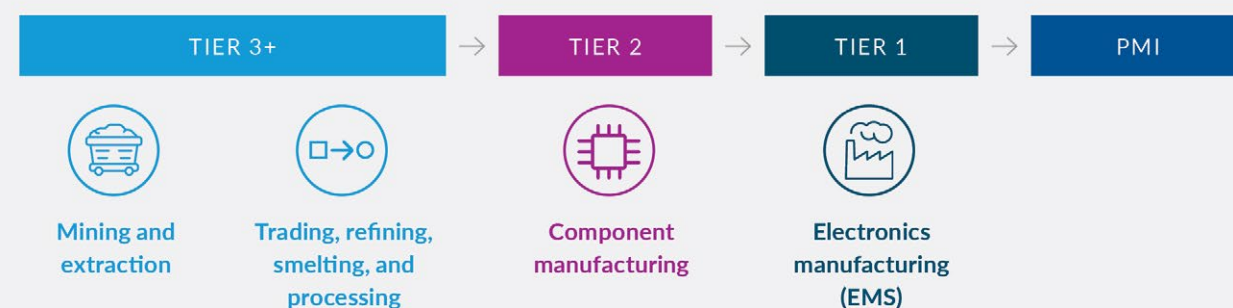
We define sustainable tobacco production as the efficient and competitive production of quality tobacco in conditions that limit as much as possible the impact on the natural environment and improve the socioeconomic circumstances of the people and communities involved.

Our [Good Agricultural Practices \(GAP\)](#) define the principles and measurable standards to be met by all those who grow and supply tobacco to PMI. These standards focus on four areas: governance, crop, environment, and people. The latter is governed by a dedicated [Agricultural Labor Practices \(ALP\) Code](#).

GAP principles are mandatory for all suppliers of tobacco to PMI and are reflected in supply contracts.

To ensure a consistent level of due diligence across our tobacco supply chain, we use EcoVadis to assess the sustainability performance of our leaf suppliers.

### Simplified overview of our electronics supply chain

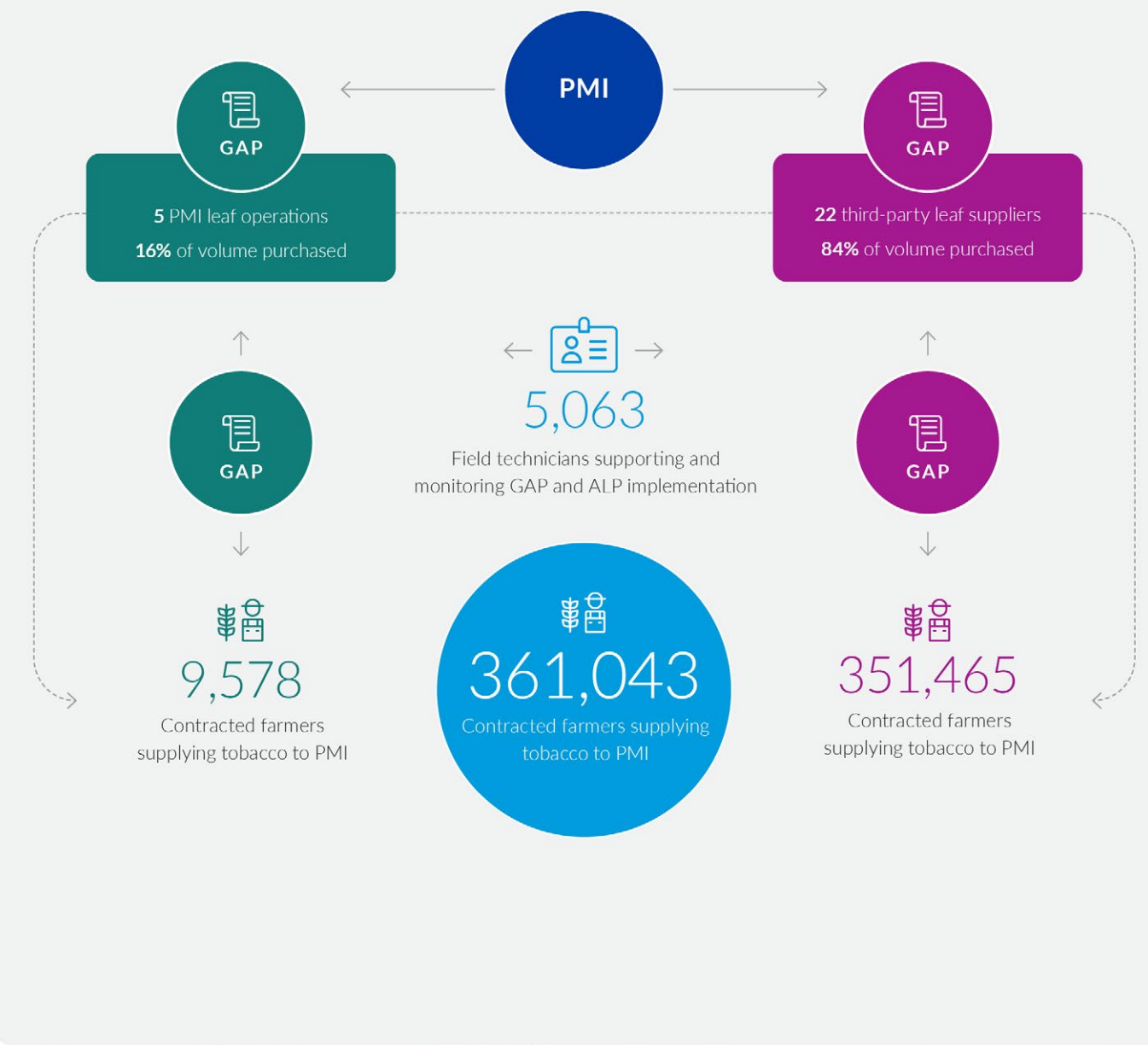


<sup>1</sup> For definition of critical and significant suppliers, see the [Glossary](#).  
<sup>2</sup> Sustainable sourcing is determined based on a minimum threshold score of 45 out of 100 in EcoVadis (direct materials) or 125 out of 200 in RBA with no open priority issues (electronics). All traceable tobacco purchased from monitored farmers is considered sustainable.

### Overview of tobacco sourcing under PMI's Sustainable Tobacco Supply Chain (STSC)

Because of our transition toward smoke-free products, we are observing a steady decline in our overall tobacco demand (approximately 16 percent decrease since 2016). However, over the past two years, our tobacco sourcing has seen a slight increase. This is primarily due to the necessity of replenishing inventory stock and responding to the resilience of the combustible product category.

Despite this recent limited uptick, the overall trajectory points toward a continued decline, with smoke-free products requiring on average significantly less tobacco than traditional combustible cigarettes. The volume of tobacco we purchased in 2024 amounted to 309,000 tons (2023: 308,000 tons). During the year, we sourced tobacco grown across 21 countries, with most of our volume coming from India, Brazil, Indonesia, Italy, Argentina, Malawi, China, the U.S., Turkey, and Tanzania.



### Maintaining full traceability and monitoring in our tobacco supply chain

To a large extent, responsible sourcing stems from strong relationships on the ground. PMI's Integrated Production System (IPS) connects leaf suppliers and farmers beyond the customary boundaries of a commercial relationship and enables direct technical support, agronomic advice, financial loans, and various other services. Our IPS covers 96 percent of our tobacco purchases in 2024, the excluded amount, originated from India.

The IPS is vital to providing traceability and visibility in our supply base; it enables the deployment of our GAP and ALP monitoring and remediation system down to the farm level. At the center of this system are field technicians, employed by PMI or our third-party suppliers. These technicians visit each farm on average five times during the crop season and monitor the implementation of our GAP and ALP codes. They also provide agronomic assistance, deliver training to farmers (e.g., on our GAP and ALP codes), identify and address labor issues, and monitor the implementation of improvement plans.

In 2024, field technicians enabled us to monitor compliance with GAP by all farmers supplying tobacco to PMI under the IPS.

Due to varying local realities, partnering with third parties that can provide tailored support and respond to local needs is crucial. Where possible, we partner with local NGOs that can support and monitor GAP and ALP implementation.

### Indirect materials and services supply chain

In 2024, we expanded our supplier due diligence efforts to significantly increase our engagement with indirect materials and services (IM&S) suppliers.

IM&S spend is complex and involves a large number of small suppliers that serve the specific needs of different markets. It requires a significant effort to engage these suppliers and ensure they perform due diligence on their supply chains.

Over 500 of our IM&S suppliers (representing 61 percent of our IM&S supplier base) have been engaged in the due diligence program through EcoVadis assessments. Central, regional and local procurement teams actively reach out to suppliers to increase engagement. Prior to supplier outreach, internal onboarding sessions are conducted for the procurement community.

Over 58 percent of PMI IM&S suppliers disclosed their environmental and social efforts through EcoVadis in 2024, of which over 82.5 percent reached PMI's minimum performance requirements.

## Safeguard privacy and protect data

In today's data-driven world, data protection and cybersecurity are essential.

At PMI, we use an array of expert-supported, state-of-the-art security solutions to help prevent, detect, and respond to events.

Together with our Code of Conduct, internal policies and guidelines govern our activities and ensure our everyday work is conducted in a manner consistent with our values. In particular, PMI's global policy on data privacy sets a standard for privacy governance and accountability.

PMI's Global Privacy Program (GPP) sets data privacy standards across markets and functions. It governs the collection, processing, and sharing of personal data by PMI affiliates. Our privacy team publishes privacy awareness materials and guidance for employees and contractors and regularly reports to PMI's Corporate Risk Governance Committee on the business's adherence to the GPP.

We use information systems to help manage business processes and collect and interpret data. We also use these systems to communicate internally and externally with employees, suppliers, consumers, and customers. Specialist third-party service providers manage some of our information systems, and we work with internal specialists to protect systems and data from unauthorized access.

Employees and contractors play a fundamental role in protecting data. By being aware of potential threats and reacting to them appropriately, our community can help keep PMI secure. In 2024, we continued to train our workforce in data protection principles and information security. We complement our training with regular awareness campaigns and simulated phishing campaigns addressed to our entire workforce with access to IT equipment to help everyone practice recognizing and reporting phishing attempts and to identify weaknesses in advance of any real attempts the business might face.

We also maintain a hub of resources on information security awareness, accessible to all employees and contractors. In addition to detailing good security practices to protect user accounts and data from cyber risk, these resources help our team remain vigilant of the indirect risks that can arise from activities such as online shopping or connecting to wireless networks.

We continue to make investments in administrative, technical, and physical safeguards, including continuity planning, to increase the resilience of our core processes and maintain information security protections in line with industry standards and best practices. We evaluate the adequacy of these preventative actions to reduce security incidents on an ongoing basis. In addition, PMI is implementing a cybersecurity risk program to manage cyber risks, protect PMI's data, and safeguard the privacy of consumers and customers, including conducting third-party cyber risk assessments.

### Management

The Chief Information Security Officer (CISO) is responsible for information security governance and reports to the Chief Digital & Information Officer, a member of Company Management. The Assistant General Counsel responsible for data privacy governance reports indirectly to the Senior Vice President and General Counsel, a member of Company Management. Our Audit and Risk Committee is responsible for the review of, among other topics, the risk management of cybersecurity and data privacy risks, as well as data governance.

## Apply fair fiscal practices

To achieve the common goal of a safe, functional, and prosperous society, governments worldwide must have the financial resources to fund public goods, services, and infrastructure.

Corporate income tax and other taxes can generate necessary revenues and prevent passing the bill for funding today's society to future generations. Excise tax can also ensure that societal costs are reflected in a product's price, thereby encouraging consumers and producers of these products to shift to less harmful options.

PMI is a good corporate citizen everywhere we operate. Paying taxes commensurate with our economic activities is not only our duty but the responsible thing to do and a key component of our social contract in every country in which we do business.

In addition to the taxes reported by PMI legal entities, third-party importers and distributors in many countries are responsible for paying import duties and excise taxes on our products. Though such payments may not appear in PMI's financial statements, they represent a portion of the product taxes paid by our consumers worldwide and so are included in the table below.

### 2024 Taxes

	Total (USD billion)
Corporate income tax	3.0
Total excise taxes on all products	76.4
Excise taxes on PMI products reported by PMI affiliates	51.6
Excise taxes reported by third-party importers and distributors	24.9
VAT and sales tax <sup>1</sup>	8.9

<sup>1</sup> Excludes Swedish Match and wellness and healthcare business.

### Our tax strategy

Legal obligations and societal expectations require that our transactions are based on sound tax strategies and that we act in good faith in all interactions with tax authorities and other stakeholders. In this regard, we have developed the PMI Global Tax Documents, including all global and affiliate tax policies, standards, and guidelines.

PMI's tax strategy is to maintain a comprehensive, effective, and practical risk management program, shared best practices, a structured and documented control framework, proper planning, and coordinated decision-making (read more [here](#)). These measures ensure that tax positions taken are appropriate and tax compliance and reporting mechanisms are robust.

Moreover, PMI considers it important to have in place tax principles and practices that allow us to pay our taxes in a sustainable manner by balancing the interests of our various stakeholders, including our consumers, our investors, and the countries where we do business.

PMI's consolidated reporting of income taxes follows U.S. Generally Accepted Accounting Principles (GAAP) and Securities and Exchange Commission (SEC) rules and regulations.

### Management

PMI's tax strategy and its implementation are the responsibility of the PMI Tax Department, a centralized, fit-for-purpose global organization led by the Vice President Tax who reports to PMI's Chief Financial Officer. PMI Global Tax Documents are standardized and applied consistently.



## Principles of tax governance

PMI has implemented governance arrangements that set clear accountabilities for the management of tax compliance and tax planning.

The PMI Global Tax Documents are designed to ensure clarity regarding:

- **Roles and responsibilities:** PMI Global Tax Documents clearly define roles and responsibilities with respect to tax matters.
- **Involvement of the PMI Tax Department:** PMI colleagues consult with the PMI Tax Department on all matters that have potential tax consequences for the company, including important transactions, whether recurring or new, as well as on business structures and operations involving other PMI affiliates or unrelated parties. The PMI Tax Department determines positions, exposures, and actions regarding material, non-routine tax or customs matters. Where there is sufficient uncertainty over the appropriate tax treatment of a particular transaction or a potentially significant impact, PMI obtains external advice.
- **Tax reporting and procedures:** PMI has designed its Global Tax Documents to have effective and predictable tax compliance and control measures in place. All tax filing obligations (internal and external) must be accurately completed on a timely basis in accordance with applicable laws and regulations. In particular, the PMI Tax Compliance Program establishes an overarching framework for the management of global tax compliance and risk across the company. This program includes guidance on defining roles and responsibilities, personnel training and development, involvement of tax advisers, master data management, contract management, interacting with tax authorities, and preparing for audits. It also provides guidelines for specific tax areas, including indirect taxes and customs topics, corporate income tax, withholding taxes, and transfer pricing.

- **Documentation and tax records:** The PMI Tax Department is part of the team responsible for the appropriate creation, retention, and/or oversight of all relevant local tax records in each affiliate.
- **Support and review of business activities:** The PMI Tax Department reviews business structures and transactions to identify potential tax risks. For new business activities, the PMI Tax Department is involved in every step of the process, from the setup of business models and agreements to discussions with tax authorities.

## Business and economic substance

As of December 31, 2024, PMI products are sold in approximately 170 markets worldwide. The company has approximately 160 affiliates that operate in more than 90 countries and 51 manufacturing facilities. Our business structures have commercial substance and purpose.

PMI endorses the work of the Organisation for Economic Co-operation and Development (OECD) and Group of Twenty (G20) to prevent tax-base erosion and profit shifting. Our policies and practices ensure that PMI pays taxes commensurate with our economic activities and substance in each country in which we operate.

PMI complies with local country transfer pricing legislation and the OECD's transfer pricing guidelines, including the Base Erosion and Profit Shifting (BEPS) project, which entails the preparation of a Country-by-Country Report (CbCR). This report includes quantitative and qualitative data and contributes to a better understanding of our economic and tax responsibilities in each country where we operate. PMI also complies with the EU Directive which requires the public disclosure of certain data.

We pay taxes which are legally due in the countries where we operate. We aim to be efficient in our tax positions, and our tax planning is always built on strong business rationale or business purpose and is assessed from a tax risks perspective. We do not have in place any contrived tax structures. We also do not abuse tax havens and do not operate "letter box" companies.

## Tax risk management strategy

PMI conducts all intercompany transactions on an arm's-length basis in accordance with current OECD principles.

In line with the recommended best practices issued by the OECD within BEPS, PMI seeks to increase its tax certainty by entering into Advance Pricing Agreements (APAs). An APA is an agreement entered into between a taxpayer and the tax authorities of one (unilateral APA) or more (bilateral or multilateral APA) jurisdictions. It confirms the selection and application of the transfer pricing method used to set up the prices in intercompany transactions.

PMI currently has a portfolio of at least 20 active APAs, both unilateral and bilateral. These APAs are a key part of our strategy to obtain tax certainty.

Apart from APAs, PMI uses other mechanisms to manage its tax positions. When relevant and feasible, we have upfront conversations with tax authorities in the countries where we operate. In certain instances, we obtain tax rulings to provide a higher level of certainty for both PMI and the tax authorities. Such rulings are not the only means of securing transparency and certainty, as we also have joined cooperative compliance programs with tax authorities in several countries, with the aim of establishing PMI as a low-risk taxpayer in the relevant jurisdiction. For example, PMI participates in the "Adempimento Collaborativo" program in Italy and the "Program Wspoldzialania" in Poland. Such programs establish a relationship of trust between the tax authorities and taxpayer and increase certainty on relevant tax issues.

## Relationships with tax authorities

As is the case with other multinational companies, PMI's tax returns are regularly audited by tax authorities. PMI responds to tax audit requests in a timely manner while ensuring full transparency regarding our business operations. Our working relationships with governments and fiscal authorities are conducted in a professional and collaborative manner.

## Reporting and performance

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## Performance in ESG ratings, rankings, and indices

At PMI, we understand the value of participating in ESG ratings. It helps us assess our sustainability performance, benchmark ourselves against our peers, and, most importantly, identify areas for improvement on which we act when they can meaningfully contribute to improving our company's performance in line with our sustainability strategy. We prioritize our participation in ESG ratings that are most useful to us and our stakeholders, based on:

- The credibility of the methodology and our ability to interpret and use the results
- Recognition of the rating among the investor community, as well as participation by our competitors and peers

- Its value as a learning opportunity, including a sufficient feedback loop to allow us to improve over time
- Resources required, which should not undermine our company's focus on performance improvement
- The organization's openness to dialogue, allowing us to understand expectations and results, share knowledge, correct factual inaccuracies, and provide input on ratings enhancements

The following table provides an overview of certain ratings that evaluate PMI's performance, but it is not intended to represent all ratings PMI is featured in.

		2024 score	
<b>S&amp;P Global Corporate Sustainability Assessment</b>	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 CRA
<b>ISS ESG Corporate Rating</b>	PMI maintained a rating of "C+" and its "Prime" status (score as of December 19, 2024).	C+	Corporate ESG Performance ISS ESG Prime
<b>CDP Climate, Forest, Water Security</b>	PMI was awarded an A score for the eleventh consecutive year for Climate, an A score for the fifth consecutive year for Forests, and an A- for Water Security.	A A A-	CDP AList 2024
<b>CDP Supplier Engagement</b>	In March 2024, PMI earned a place on CDP's Supplier Engagement Leaderboard for the seventh consecutive year.	Leaderboard	CDP Supplier Engagement Leaderboard
<b>Sustainalytics</b>	PMI maintained its "Medium ESG Risk" classification scoring 26.6 (score as of November 18, 2024).	Medium risk	
<b>MSCI</b>	PMI maintained a rating of BBB in the MSCI ESG Rating assessment (score as of September 24, 2024).	BBB	

## Performance metrics



### Maximize the benefits of smoke-free products

	2015 Baseline	2022	2023	2024	Aspirations	
Broadening access to smoke-free products	Total number of users of PMI smoke-free products (in millions) <sup>1*</sup>	n/a	n/a	33.3	38.6	
	Total number of IQOS users (in millions) <sup>1*</sup>	0.2	25.1	28.8	32.2	
	Estimated number of users who have switched to IQOS and stopped smoking (in millions) <sup>2*</sup>	0.1	18.1	21.1	23.0	
	Number of markets where smoke-free products are available for sale <sup>3*</sup>	7	73	84	95	100 by 2025
	Proportion of markets where smoke-free products are available for sale that are low- and middle-income markets <sup>4*</sup>	33%	43%	48%	49%	>50% by 2025
	Cumulative investment behind smoke-free products (since 2008, in billions USD) <sup>5</sup>	2.4	10.7	12.5	14.0	
	Number of factories producing smoke-free products out of total number of factories <sup>6*</sup>	3 out of 48	14 out of 49	16 out of 50	16 out of 51	
Developing science-based better alternatives to cigarette smoking	Commercial (marketing) expenditure ratio (smoke-free/total) <sup>*</sup>	8%	74%	74%	78%	
	Supply chain direct spend expenditure (smoke-free/total) <sup>7</sup>	n/a	43%	41%	40%	
	Adjusted R&D expenditure (in millions USD)	423	642	709	759	
	Adjusted R&D expenditure ratio (smoke-free/total) <sup>*</sup>	69.6%	98.8%	99.4%	99.5%	
	Adjusted R&D as % of net revenue	1.6%	2.0%	2.0%	2.0%	
	Number of R&D positions (FTEs) <sup>8</sup>	n/a	1,516	1,586	1,460	
	Patents granted in IP5 jurisdictions relating to smoke-free products (cumulative, since 2015) <sup>9</sup>	n/a	2,500	3,720	4,250	
	Number of studies completed by PMI on smoke-free products (cumulative, since 2015)					
	• Toxicological assessment	n/a	251	287	314	
	• Clinical assessment	n/a	26	29	32	
• Perception and behavior (premarket and post-market)	n/a	58 (38 + 20)	69 (48+21)	76 (52+24)		
Marketing and selling our products responsibly	Total number of people (PMI employees and third parties) who participated in at least one Marketing Codes-related training session <sup>10</sup>	n/a	75,834	67,014	63,675	
	• Number of PMI employees	n/a	24,030	27,465	27,505	
	• Number of third parties	n/a	51,804	39,549	36,170	
	Number of violations of the Marketing Codes resulting in substantiated cases of misconduct	12	14	28	25	
Percentage of PMI's total shipment volume covered by youth access prevention programs in indirect retail channels <sup>11</sup>	n/a	91%	98%	99%	maintain >90%	

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

Notes: 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 products 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 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](#).
- 5 Investments reflect research, product and commercial development, production capacity, scientific substantiation, and studies on adult smoker understanding. Figures do not include Swedish Match and wellness and healthcare business.
- 6 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 in one location, but has several physical areas (plants), the facility is counted as one.

7 Direct spend focuses on materials used in the manufacture of our products; it includes tobacco leaf, direct materials, and electronic devices and accessories. Data exclude Swedish Match and wellness and healthcare business.

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

9 IP5 jurisdictions are China, Europe (patents granted by the European Patent Office), Japan, South Korea, and the U.S. Figures do not include Swedish Match.

10 Data excludes Swedish Match and wellness and healthcare business.

11 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.

**Purposefully phase out cigarettes**

	2015 Baseline	2022	2023	2024	Aspirations
Smoke-free product shipment ratio (smoke-free/total) <sup>1*</sup>	0.6%	15.3%	18.6%	<b>20.4%</b>	
Smoke-free product shipment volume—heated tobacco units (billion units)*	0	109	125	<b>140</b>	
Shipment volume—nicotine pouch (million cans)*	0	42	421	<b>644</b>	
Combustible tobacco product shipment volume (billion units) <sup>2*</sup>	877	642	633	<b>635</b>	
Change in combustible tobacco product shipment volume (billion units) vs. 2015 baseline <sup>1*</sup>	n/a	(26.8)%	(27.9)%	<b>(27.6)%</b>	
Adjusted net revenues ratio (smoke-free/total) <sup>3*</sup>	0.7%	32.1%	36.4%	<b>38.7%</b>	<b>&gt;2/3 by 2030</b>
Number of markets where >50% of net revenues are smoke-free*	0	17	25	<b>23</b>	<b>~60 by 2030</b>
Number of markets where >75% of net revenues are smoke-free*	0	0	3	<b>6</b>	<b>~40 by 2030</b>

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

Notes: 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 These indicators are calculated based on millions of units.
- 2 Combustible tobacco product shipment volume includes cigarettes and other tobacco products expressed in cigarette equivalent units.
- 3 For definition of net revenues related to smoke-free, see [Glossary](#). Data exclude the impact related to termination of distribution arrangement in the Middle East in 2023.

**Seek net positive impact in wellness and healthcare**

	2022	2023	2024
Annual net revenue from wellness and healthcare products (in billion USD) <sup>1*</sup>	0.3	0.3	<b>0.3</b>

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

- 1 For definition of net revenues related to wellness and healthcare, see [Glossary](#).

**Reduce post-consumer waste**

	2022	2023	2024	Aspirations
<b>Cigarette butt littering</b>				
Proportion of shipment volume covered by markets with anti-littering programs in place <sup>1</sup>	68%	76%	<b>92%</b>	<b>≥80% by 2025</b>
<b>Smoke-free consumables</b>				
Proportion of shipment volume covered by markets with end-of-life take-back programs in place for smoke-free consumables <sup>2</sup>	8.5%	17.6%	<b>21.5%</b>	<b>≥80% by 2025</b>
<b>Smoke-free devices</b>				
Proportion of smoke-free electronic devices introduced on the market as of the end of 2025 that have eco-design certification <sup>3</sup>	n/a	n/a	<b>n/a</b>	<b>100% by end of 2025</b>
Cumulative number of smoke-free electronic devices refreshed or repaired since 2021 (in thousands) <sup>4</sup>	157	320	<b>867</b>	<b>≥1 million by 2025</b>
Volume of shredded materials coming from dismantled devices in the CIRCLE hubs (in tons)	112	315	<b>151</b>	
Proportion of smoke-free device sales volume covered by the CIRCLE program <sup>5</sup>	61%	82%	<b>89%</b>	<b>90% by 2025</b>
Recycling rate of smoke-free devices (weighted average) <sup>6</sup>	80%	89%	<b>87%</b>	<b>maintain 80%</b>
<b>Packaging</b>				
Proportion of packaging formats that are designed for recyclability	98%	98%	<b>99%</b>	<b>100% by 2025</b>
Total weight or volume of materials that are used to package PMI's primary products in tons <sup>7</sup>	452,211	416,930	<b>405,070</b>	
Average packaging weight reduction for combustible tobacco products versus 2018 baseline <sup>8</sup>	11%	14%	<b>15%</b>	<b>15% by 2025</b>
Average packaging weight reduction for heat-not-burn products versus 2018 baseline <sup>9</sup>	11%	15%	<b>16%</b>	<b>15% by 2025</b>

Data exclude Swedish Match.

- 1 For further details on the criteria used to determine if a market has an anti-littering program in place, please see [PMI's Sustainability KPI Protocol 2024](#).
- 2 Shipment volume includes heated tobacco units, e-vapor cartridges, and disposable vaping devices. See [PMI's Sustainability KPI Protocol 2024](#) for further details.
- 3 See [PMI's Sustainability KPI Protocol 2024](#) for further details. In 2024, 100% of product projects in scope implemented eco-design certification requirements.
- 4 For the definition of refreshed or repaired devices, please refer to [PMI's Sustainability KPI Protocol 2024](#).
- 5 Excludes disposable products and non-PMI-designed devices. Collected devices are considered covered by the CIRCLE program if they are either processed at our centralized CIRCLE hubs or by validated local recycling partners.
- 6 Recycling rate is the percentage of the weight of material being recycled at all validated facilities, excluding thermal recycling, i.e., energy recovery by incineration. Reporting in 2024 includes CIRCLE hubs (Hungary and Japan) and validated local recycling vendors that started recycling activities.
- 7 Excluding e-vapor product packaging materials (<0.5% of overall PMI tonnage).
- 8 2023 value was restated.
- 9 Prior years' data have been restated following revised methodology, to better represent evolving heat-not-burn portfolio.



### Foster an empowered and inclusive workplace

	2022	2023	2024	Aspirations
<b>Fair working conditions</b>				
Number of PMI employees	~79,800	~82,700	<b>~83,100</b>	
Number of PMI employees in PMI reporting systems <sup>1</sup>	71,070	73,704	<b>76,619</b>	
Number of PMI full-time equivalent (FTE) positions	70,966	72,826	<b>76,368</b>	
Proportion of employees covered by Collective Labor Agreements	61%	63%	<b>63%</b>	
Percent of employees earning at least a living wage <sup>2</sup>	100%	100%	n/a	<b>maintain 100%</b>
<b>Talent attraction, retention, and employability</b>				
Employee overall turnover rate	9.3%	10.3%	<b>11.1%</b>	
Women employee overall turnover rate	8.2%	8.9%	<b>11.6%</b>	
Employee voluntary turnover rate	4.6%	4.4%	<b>5.1%</b>	
Proportion of open positions filled in with internal candidates <sup>3</sup>	61%	60%	<b>64%</b>	
Number of new hired employees	12,457	12,130	<b>12,377</b>	
Spend for learning per FTE (in USD) total	498	519	<b>601</b>	
Average hours of training per FTE:				
• Men	23	18	<b>25</b>	
• Women	18	23	<b>24</b>	
Average number of digital training hours per employee <sup>4</sup>	n/a	n/a	<b>10</b>	
Proportion of PMI employees who have access to structured lifelong learning offers <sup>4</sup>	80%	77%	<b>75%</b>	<b>&gt;70% by 2025</b>
Proportion of employees covered by performance review <sup>5</sup>	90%	86%	<b>81%</b>	
Employee Engagement Index	n/a	85%	<b>86%</b>	
<b>Protect the health and safety of our employees</b>				
Lost time incident (LTI) rate per 200,000 hours worked—PMI employees, contracted workers, and contractors <sup>6,7</sup>	0.07	0.08	<b>0.05</b>	
LTI rate per 200,000 hours worked—PMI employees and contracted workers <sup>8</sup>	0.06	0.05	<b>0.05</b>	
LTI rate per 200,000 hours worked—contractors <sup>9</sup>	0.09	0.17	<b>0.07</b>	
Total recordable incidents rate (TRIR) per 200,000 hours worked—PMI employees, contracted workers, and contractors <sup>10</sup>	0.12	0.11	<b>0.07</b>	<b>maintain &lt;0.3</b>
TRIR per 200,000 hours worked—PMI employees and contracted workers <sup>11</sup>	0.10	0.08	<b>0.07</b>	
TRIR per 200,000 hours worked—contractors <sup>12</sup>	0.14	0.19	<b>0.09</b>	
Number of fatalities—PMI employees, contracted workers, and contractors <sup>13</sup>	3	0	<b>1</b>	
Number of fatalities—members of the public <sup>14</sup>	9	3	<b>3</b>	
Occupational illness frequency rate (OIFR) per 200,000 hours worked—PMI employees and contracted workers <sup>15</sup>	0.000	0.000	<b>0.000</b>	
Employee self-assessment psychological well-being measure <sup>16</sup>	74%	72%	<b>72%</b>	<b>&gt;70% by 2025</b>
Collision rate within PMI's fleet of vehicles per year (collisions per million km driven) <sup>17</sup>	0.44	0.40	<b>0.31</b>	<b>maintain &lt;0.65</b>
Proportion of PMI fleet equipped with telematics <sup>18</sup>	65%	85%	<b>88%</b>	
Proportion of manufacturing facilities with ISO 45001 certification <sup>19</sup>	98%	100%	<b>100%</b>	

	2022	2023	2024
<b>Workforce breakdown:</b>			
Proportion of women employees	42.1%	42.9%	<b>44.0%</b>
Proportion of non-management positions held by women	42.7%	43.5%	<b>44.4%</b>
Proportion of management positions held by women	40.7%	41.8%	<b>42.3%</b>
Proportion of women in senior roles <sup>4</sup>	30.5%	32.0%	<b>33.8%</b>
Proportion of female employees at different managerial levels <sup>11</sup> :			
• Managers	42.6%	43.6%	<b>44.0%</b>
• Directors	31.1%	32.6%	<b>34.4%</b>
• Senior leaders	26.7%	27.9%	<b>27.5%</b>
Proportion of new hires who are women	36.9%	46.5%	<b>54.2%</b>
Proportion of women on PMI's Company Management <sup>12</sup>	16.0%	18.5%	<b>19.0%</b>
Proportion of women on PMI's Board of Directors <sup>13</sup>	25.0%	30.8%	<b>33.3%</b>
Mean gender pay gap <sup>14</sup>	30.0%	29.1%	<b>29.9%</b>
Proportion of women in STEM-related positions <sup>15</sup>	36.6%	38.3%	<b>38.0%</b>
Proportion of women in management positions in revenue-generating functions <sup>16</sup>	37.6%	39.0%	<b>39.1%</b>
Percentage of women attrition	37.1%	37.0%	<b>46.1%</b>
Percentage of women total promotions	35.9%	38.0%	<b>36.6%</b>
Proportion of employees at different age groups:			
• Below 30	15.3%	16.4%	<b>15.3%</b>
• Between 30 and 50	71.7%	71.1%	<b>69.9%</b>
• Above 50	13.0%	12.6%	<b>14.8%</b>
Number of nationalities among PMI's employees	133	139	<b>138</b>

Notes: Selected 2024 occupational health and safety (OHS) metrics are subject to external verification by SGS (see the External Verification Statement [here](#)). Metrics marked with (8) are based on actual data from 2024 (usually from January to September—some to August) and estimates for remaining months. This data will be restated with full-year actual figures and made available on our website during 2025.

Metrics in 'Fair working conditions' and 'Fostering a fair and inclusive culture' sections include integrated Swedish Match employees.

- At year-end 2024, PMI reporting systems covered around 90% of workforce and excluded wellness and healthcare systems, unintegrated Swedish Match employees, Brazil Profigen, and United Tobacco Company.
- Living wage assessments are conducted every two years. The next survey will be conducted in 2025.
- The methodology was revised in 2024; 2022 and 2023 values were restated accordingly.
- For further details on how we measure progress on this KPI, please see [PMI's Sustainability KPI Protocol 2024](#).
- The calculation data based on a total of almost 59,000 employees maintained in PMI's central HR system as of November 30, 2024.
- For definition of contracted worker and contractor, see [Glossary](#).
- In Swedish Match, there were two work-related employee fatalities in 2024.
- The indicator represents the percentage of employees who responded "good" or "very good" to the question "How would you rate your current psychological or emotional well-being at present?" in our regular employee listening survey.

- Scope covers PMI's working-tool cars (representing 75% of PMI's total fleet).
- Scope covers manufacturing facilities producing more than three billion cigarette equivalents annually. 2023 and 2024 exclude Russia, due to sanctions applied to the country.
- For definitions of management positions, managers, directors, senior roles, and senior leaders, see [Glossary](#).
- Data as of March 14, 2025 (26 Company Management members, of whom 5 were women). See [PMI's Annual Report 2024](#) for further details.
- Data as of March 27, 2025 (12 members of PMI's Board of Directors, of whom 4 were women). See [PMI's 2025 Proxy Statement](#) for further details.
- The mean gender pay gap is calculated as the percentage difference between the sum of annual base salary, bonus, and stock awards. Excludes Russia. The methodology of the calculation is different from the one outlined by the EU Corporate Sustainability Reporting Directive, and we will align them in future reporting.
- This figure is an estimate based on the total headcount within functions where the primary skills required for employees in their daily responsibilities related to science, technology, engineering, or mathematics (STEM). Historical data have been re-stated to remove fixed-term employees and those on salary continuation, aligned to other workforce related metrics.
- Employees holding management roles in revenue-generating functions (i.e., functions responsible for core business objectives or profit and loss).



**Foster an empowered and inclusive workplace** continued

**PMI's workforce at year-end 2024**

	2024
<b>Number of employees by employment contract (permanent and temporary), by gender</b>	
Women employed on a permanent contract	32,172
Women employed on a fixed-term contract	1,550
Men employed on a permanent contract	40,751
Men employed on a fixed-term contract	2,146
<b>Number of employees by employment contract (permanent and temporary), by region</b>	
Employees on a permanent contract in Europe region	23,321
Employees on a fixed-term contract in Europe region	1,993
Employees on a permanent contract in SSEA, CIS, and MEA region	36,605
Employees on a fixed-term contract in SSEA, CIS, and MEA region	910
Employees on a permanent contract in East Asia, Australia, and PMI Duty Free region	3,758
Employees on a fixed-term contract in East Asia, Australia, and PMI Duty Free region	138
Employees on a permanent contract in Americas region	9,239
Employees on a fixed-term contract in Americas region	655
<b>Number of employees by employment type (full-time and part-time), by gender</b>	
Women employed on a full-time contract	33,171
Women employed on a part-time contract	551
Men employed on a full-time contract	42,689
Men employed on a part-time contract	208

Note: The overview is based on employees included in PMI reporting systems.

**Top five nationalities in PMI's workforce and their respective representation in our overall workforce and in management positions**

	Overall workforce	Management positions
Indonesian	31%	7%
Filipino	7%	3%
Polish	6%	8%
Russian	4%	6%
Italian	4%	5%
Other nationalities	48%	70%

Note: Sum may not foot due to rounding.



**Improve the quality of life of people in our supply chain**

	2022	2023	2024	Aspirations	
Agricultural Labor Practices (ALP)	Proportion of purchased tobacco volume for which labor practices and adherence to our Agricultural Labor Practices Code are systematically monitored	95%	91%	92%	maintain >90%
	Total number of prompt actions recorded by field technicians:	6,101	7,301	7,513	
	• Proportion due to safe working environment	90%	88%	96%	
	• Proportion due to hazardous work performed by children	3%	3%	0.2%	
	• Proportion due to income and working hours	7%	7%	3%	
• Proportion due to other	0%	2%	1%		
Total number of ALP prompt actions resolved	5,107	6,867	7,106		
Alleviating poverty	Proportion of contracted farmers supplying tobacco to PMI who make a living income <sup>1</sup>	73%	96%	99%	100% by 2025
	Proportion of contracted farmers supplying tobacco to PMI paying their workers at least the minimum legal wage or agricultural benchmark	99.9%	99.8%	100%	maintain 100%
	Number of ALP prompt actions recorded by field technicians relating to non-payment of minimum wage to farmworkers	436	523	201	
Eliminating child labor	Prevalence of child labor among contracted farms supplying tobacco to PMI <sup>2</sup>	0.1%	0.1%	0.01%	Zero by 2025
	Total number of ALP prompt actions recorded by field technicians relating to child labor:	175	217	12	
	• Hazardous tasks <sup>3</sup>	155	207	6	
	• Under 13 working <sup>4</sup>	6	7	3	
• Under 15 hired	14	3	3		
Proportion of ALP prompt actions recorded by field technicians relating to child labor that were resolved	95%	97%	100%		
Enhancing the quality of lives of tobacco-farming communities	Proportion of contracted farmers supplying tobacco to PMI who have access to water <sup>5</sup>	75%	80%	95%	100% by 2025
	Proportion of tobacco farmworkers provided with safe and adequate accommodation <sup>6</sup>	100%	100%	100%	maintain 100%
	Proportion of contracted tobacco farmers and farmworkers supplying tobacco to PMI who have access to personal protective equipment for the application of crop protection agents and prevention of green tobacco sickness	n/a	100%	100%	maintain 100%

Note: In 2022, we strengthened our approach to monitoring the quality of life of people in our tobacco supply chain by introducing the Sustainable Tobacco Supply Chain (STSC) framework (read more in [this section](#)). Although it is still a requirement to monitor performance against our ALP Code for all contracted farms, we decided to shift from reporting sustainability progress on all farmers contracted by PMI's suppliers or PMI leaf operations to farmers whose tobacco volumes are purchased by PMI and used in our products. Our 2024 farm-level ALP monitoring data cover all 21 countries from which we sourced in 2024.

Data exclude Swedish Match.

- 1 Excludes China, Switzerland, and India (flue-cured) due to restrictions on farmer income data, and Thailand and Tanzania since the living income benchmark is still under development. See [PMI's Sustainability KPI Protocol 2024](#) for further details on methodology.
- 2 For further details on how we calculate the prevalence of child labor in PMI's tobacco supply chain, please see [PMI's Sustainability KPI Protocol 2024](#).
- 3 Includes children of any age found to be involved in hazardous work.
- 4 Includes light work performed by own family's children only.
- 5 2022 and 2023 data cover priority markets Argentina (burley), Malawi, and Mozambique. 2024 value is for all markets excluding Tanzania and Thailand. Estimated based on surveys that indicate whether the farmer has an improved drinking water source within one kilometer or 30-minute round trip, or availability of continuous household-level solutions.
- 6 Scope is limited to farmers who provide accommodation to workers (approximately 3 percent of the total farmer base in 2024).



### Tackle climate change

	2019 baseline	2022	2023	2024	Aspirations	
Energy consumption in PMI direct operations	Total energy consumption in PMI factories, offices, and fleet (gigajoules) <sup>0</sup>	9,987,169	8,368,407	8,568,847	<b>8,514,994</b>	
	Proportion of total energy consumed that is from renewable sources <sup>0</sup>	27%	36%	38%	<b>38%</b>	
	Energy intensity (gigajoules per net revenues million USD) <sup>01</sup>	n/a	n/a	243	<b>225</b>	
	Fuel consumption from nonrenewable sources (gigajoules) <sup>0</sup>	5,970,547	4,682,466	4,774,756	<b>4,576,888</b>	
	Fuel consumption from renewable sources (gigajoules) <sup>0</sup>	292,238	267,162	264,070	<b>313,799</b>	
	Total electricity consumed (MWh) <sup>02</sup>	1,006,246	944,365	958,169	<b>973,211</b>	
Total electricity consumed that is from renewable sources (MWh) <sup>02</sup>	623,940	762,108	837,470	<b>808,278</b>		
Total GHG emissions—scope 1+2	Absolute CO <sub>2</sub> e scope 1 (metric tons) <sup>03</sup>	406,660	310,028	305,382	<b>288,574</b>	
	Absolute CO <sub>2</sub> e scope 2 (metric tons) <sup>02,3</sup>	182,096	62,802	50,006	<b>68,561</b>	
	Absolute CO <sub>2</sub> e scope 1+2 (metric tons) <sup>02,3</sup>	588,756	372,830	355,388	<b>357,135</b>	
	• Absolute reduction versus 2019 baseline <sup>0</sup>	n/a	37%	40%	<b>39%</b>	<b>50% by 2030 (SBT)</b>
	Carbon offsetting certificates (metric tons) <sup>04</sup>	1,242	42,848	71,256	<b>119,274</b>	
	Net CO <sub>2</sub> e scope 1+2 (metric tons) <sup>02,3,5</sup>	587,514	329,982	284,132	<b>237,861</b>	<b>Carbon neutrality by 2025</b>
CO <sub>2</sub> e scope 1+2 intensity (tons per net revenues million USD) <sup>01</sup>	n/a	n/a	10	<b>9.4</b>		
Scope 1+2—manufacturing	Absolute CO <sub>2</sub> e scope 1+2 (metric tons) from manufacturing <sup>09</sup>	394,447	242,392	224,605	<b>226,749</b>	
	Proportion of electricity used and purchased that is from renewable sources <sup>09</sup>	72%	87%	95%	<b>89%</b>	<b>100% by 2025</b>
	Proportion of carbon-neutral factories <sup>09,10</sup>	3%	35%	43%	<b>61%</b>	<b>100% by 2025</b>
Scope 1+2—PMI Fleet	Absolute CO <sub>2</sub> e scope 1 from fleet (metric tons) <sup>09</sup>	111,400	79,543	81,060	<b>81,069</b>	
	• Absolute reduction versus 2019 baseline <sup>09</sup>	n/a	29%	27%	<b>27%</b>	
	CO <sub>2</sub> e emissions from fleet (g CO <sub>2</sub> e per km driven) <sup>09</sup>	222	191	179	<b>175</b>	
Proportion of hybrid or electrical vehicles in our fleet <sup>9</sup>	0%	19%	27%	<b>39%</b>		

	2019 baseline	2022	2023	2024	Aspirations	
Scope 3—total	Absolute CO <sub>2</sub> e scope 3 ('000 metric tons) <sup>06</sup>	5,000	4,678	4,402	<b>4,391</b>	
	- Absolute reduction versus 2019 baseline <sup>7</sup>	n/a	6%	12%	<b>12%</b>	
	Absolute CO <sub>2</sub> e scope 3 FLAG ('000 metric tons) <sup>06</sup>	1,560	1,196	1,196	<b>1,281</b>	
	• Absolute FLAG reduction versus 2019 baseline <sup>0</sup>	n/a	23%	23%	<b>18%</b>	<b>18% by 2025</b>
						<b>33.3% by 2030 (SBT)</b>
						<b>72% by 2040 (SBT)</b>
	Absolute CO <sub>2</sub> e scope 3 industrial ('000 metric tons) <sup>06</sup>	3,440	3,482	3,206	<b>3,110</b>	
	• Absolute industrial reduction versus 2019 baseline <sup>0</sup>	n/a	(1)%	7%	<b>10%</b>	<b>27.5% by 2030 (SBT)</b>
	CO <sub>2</sub> e scope 3 biogenic emissions ('000 metric tons) <sup>0</sup>	2,621	2,372	2,329	<b>2,420</b>	
	Proportion of suppliers by spend covering purchased goods and services with science-based GHG reduction targets <sup>9</sup>	n/a	35%	35%	<b>43%</b>	<b>15% by 2025 (SBT)</b>
Scope 3—tobacco supply chain	Absolute CO <sub>2</sub> e scope 3 ('000 metric tons) from tobacco supply chain <sup>09</sup>	1,287	910	838	<b>969</b>	
	• Absolute reduction versus 2019 baseline <sup>09</sup>	n/a	29%	35%	<b>25%</b>	<b>35% by 2025, 50% by 2030</b>
	CO <sub>2</sub> e intensity reduction in tobacco curing versus 2019 baseline <sup>08,9</sup>	n/a	57%	51%	<b>39%</b>	<b>75% by 2025</b>
	Proportion of Virginia tobacco purchased cured with coal <sup>9</sup>	16%	6%	0%	<b>0%</b>	<b>Maintain zero</b>
Total PMI value chain	Absolute CO <sub>2</sub> e scope 1+2+3 ('000 metric tons) <sup>0</sup>	5,589	5,051	4,758	<b>4,748</b>	<b>Net zero by 2040</b>
	• Absolute reduction versus 2019 baseline <sup>0</sup>	n/a	10%	15%	<b>15%</b>	<b>90% by 2040</b>
	CO <sub>2</sub> e scope 1+2+3 intensity (tons per net revenues million USD) <sup>01</sup>	n/a	n/a	135	<b>125</b>	
CDP Climate Change rating <sup>11</sup>	A	A	A	<b>A</b>		

Note: Our inventory of GHG emissions (scope 1, 2, and 3) in 2024 is subject to external verification by SGS (see the External Verification Statement for scope 1+2 [here](#), for scope 3 [here](#), and for a list of the individual metrics assured [here](#)). Metrics' values include Swedish Match, unless otherwise specified. Metrics marked with (0) are based on actual CO<sub>2</sub>e data from 2024 (usually from January to September—some to August) and estimates for remaining months. This data will be restated with full-year actual figures and made available on our website during 2025. For more information on PMI's approach to GHG calculations and materiality thresholds, please refer to [PMI's Sustainability KPI Protocol 2024](#) and [PMI's Value Chain Carbon Footprint Methodology Overview](#).

- Intensity is measured per million net revenues in USD (CO<sub>2</sub>e data are based on latest estimates used to run carbon footprint exercise). KPI values are provided as of 2023 to ensure comparability as prior years net revenues figure does not fully include Swedish Match.
- Excludes electricity consumption from fleet.
- Emissions from PMI-operated IQOS stores are partially excluded from scope 1+2 emissions, as de minimis. As of 2022, a portion of PMI's retail stores (representing approx. 10% of total retail surface area) have been included in the scope 1+2 emissions.
- Our 2024 figures include the retirement of carbon credit certificates for 22 production centers in 17 countries and 50 markets. Please refer to carbon neutrality declarations [here](#).
- The net CO<sub>2</sub>e scope 1+2 emissions excluding Swedish Match were equal to 204,358 metric tons in 2024 and 249,250 in 2023.
- For further details on scope 3 calculation, please refer to [PMI's Value Chain Carbon Footprint Methodology Overview](#). In 2024, we further improved our carbon footprint model and data accuracy; improvements relate to, for example, a shift in the overland emissions calculation method from spend-based to a hybrid calculation and improvements/updates on emission factors in several scope 3 categories. This led to previous years being restated accordingly.
- The absolute CO<sub>2</sub>e scope 3 reduction vs. 2019 excluding Swedish Match was equal to 13% in 2024, 13% in 2023, and 7% in 2022.
- Intensity is measured in CO<sub>2</sub>e per million shipped cigarette equivalent.
- Excludes Swedish Match.
- Considered only PMI production centers that have been operational for the full year.
- Excludes Swedish Match before 2024.



Preserve nature

	Scope	2022	2023	2024	Aspirations	
Forest	Proportion of tobacco purchased at no risk of gross deforestation of primary and protected forests <sup>1</sup>	100%	100%	100%	maintain 100%	
	Proportion of tobacco purchased at no risk of net deforestation of managed natural forest and no conversion of natural ecosystems <sup>1</sup>	55%	94%	88%	100% by 2025	
	Total hectares of forest grown:					
	• Due to restoration of at risk forest	389	403	464		
	• Contribution to forest positive	199	205	263		
		190	198	201		
	Proportion of flue-cured tobacco purchased that is cured with renewable fuel sources (self-sufficient firewood and biomass adoption)	PMI tobacco supply chain	74%	76%	79%	maintain >70%
Approximate total number of curing barns upgraded since 2014 (cumulative)		102,806	116,703	127,657		
CDP Forest rating		A	A	A		
Proportion of paper, board, and pulp-based products purchased at no risk of gross deforestation of primary and protected forests <sup>1</sup>	PMI value chain	64%	95%	100%	100% by 2025	
Water	Cubic meters of water optimized in our tobacco-growing areas (cumulative since 2019) (million m <sup>3</sup> ) <sup>2</sup>	4.94	8.14	12.26	≥25 million cubic meters by 2033	
	Proportion of tobacco growing areas which are covered by Local Water Risk Assessments (cumulative, since 2018)	PMI tobacco supply chain	81%	95%	95%	100% by 2025
	Quantity of blue water used per ton of tobacco produced <sup>3</sup>		263	245	256	
	Total amount of water used ('000 m <sup>3</sup> )		107,720	108,714	125,891	
	Total amount of water consumed (withdrawn minus discharged) ('000 m <sup>3</sup> )		1,547	1,465	1,358	
	Total amount of water withdrawn ('000 m <sup>3</sup> )		3,089	3,181	3,232	
	Total amount of freshwater withdrawn ('000 m <sup>3</sup> ) <sup>4</sup>	PMI factories	2,137	2,173	2,244	
	Water ratio (water withdrawn in m <sup>3</sup> per million units of cigarettes produced) <sup>5</sup>		2.5	2.4	2.3	maintain <3.1
	Proportion of PMI factories certified to AWS standard <sup>6</sup>		51%	83%	90%	100% by 2025
	CDP Water Security rating <sup>1</sup>	PMI value chain	A	A	A-	
Biodiversity	Proportion of tobacco purchased without detection of residues attributable to the use of highly hazardous pesticides (HHPs), as defined by FAO and WHO guidelines in 2016		100%	100%	100%	maintain 100%
	Proportion of tobacco purchased without detection of residues attributable to the use of WHO TOX1 group of crop protection agents	PMI tobacco supply chain	100%	100%	100%	maintain 100%

	Scope	2022	2023	2024	Aspirations
Waste	Percentage of waste diverted from landfill in manufacturing operations <sup>7</sup>	99.9%	99.9%	99.9%	maintain >99%
	Total amount of waste generated (in metric tons)	119,192	127,931	130,830	
	• Recycled	86.9%	84.2%	84.4%	maintain 85%
	• Incinerated with energy recovery	12.0%	13.9%	14.2%	
	• Incinerated without energy recovery	0.3%	0.9%	0.7%	
	• Disposed to landfill <sup>8</sup>	0.8%	0.9%	0.7%	
	Amount of hazardous waste generated (in metric tons)	1,698	2,428	3,076	
	• Incinerated with energy recovery	67.4%	47.1%	59.5%	
	• Recycled	16.7%	18.8%	17.0%	
	• Incinerated without energy recovery	13.4%	32.6%	22.7%	
• Disposed to landfill	2.5%	1.5%	0.8%		
Environmental management	Proportion of manufacturing facilities certified to ISO 14001 <sup>9</sup>	100%	100%	100%	maintain 100%
	Number of environmental fines (and approximate amount in USD) <sup>10</sup>	PMI factories	2 (48,000)	0	0

Note: Select 2024 metrics related to PMI's Monitoring, Verification, and Reporting Framework for Leaf Curing Fuel and the [Zero Deforestation Manifesto](#) are subject to a third-party limited assurance (read more [here](#)).

Data exclude Swedish Match, except CDP Water Security rating (1) for year 2024.

- For definitions, please see [PMI's Zero Deforestation Manifesto](#) and [PMI's Sustainability KPI Protocol 2024](#).
- Indicator is based on the World Resources Institute's volumetric benefit accounting methodology. For further details, see [PMI's Sustainability KPI Protocol 2024](#).
- Blue water refers to water used for irrigation, excluding rainfall.
- Refers to amount of freshwater withdrawn from municipal sources.
- Water intensity is measured in cubic meters per million cigarettes produced equivalent.
- Aspiration pertains to priority manufacturing facilities identified based on site over all risk in relation to the watershed, water withdrawal, water consumption, product portfolio, and other strategic considerations. PMI sites that are in low-to-medium water risk areas and below 2.5% of PMI manufacturing water footprint are excluded.
- We aspire to have virtually zero waste to landfill in manufacturing operations. This is achieved when the landfill diversion rate is equivalent to 99 percent or greater. Our calculation of zero waste to landfill does not include canteen and sanitary waste, which do not relate to our production processes. It also excludes the mandated waste, generally tobacco, that we are obliged to landfill to respect local regulations.
- Disposal to landfill includes sanitary waste, canteen waste, and waste mandated by authorities to be disposed of in landfill.
- Scope: Manufacturing facilities producing more than three billion cigarette equivalents annually. 2023 and 2024 exclude Russia, due to sanctions applied to the country.
- Fines above USD 10,000 (or equivalent in converted currency). PMI does not have any anticipated accrued environmental liabilities at year-end 2024.



## Fundamentals

### Business integrity

	2022	2023	2024
Proportion of current employees who participated in training sessions pertaining to PMI's Code of Conduct <sup>†</sup>	81.0%	86.4%	<b>80.8%</b>
Total number of compliance training sessions completed by employees and third parties: <sup>†</sup>	352,796	517,937	<b>446,234</b>
• Employees <sup>†</sup>	286,411	443,402	<b>405,141</b>
• Third parties <sup>†</sup>	66,385	74,535	<b>41,093</b>
Total number of reports received through Ethics & Compliance Speak Up channels	990	1,258	<b>1,444</b>
Total number of closed reports:	923	1,245	<b>1,481</b>
• Number of closed reports involving at least one compliance allegation (unsubstantiated cases/substantiated cases)	429 (206/223)	591 (267/324)	<b>541 (253/288)</b>
• Number of closed reports not involving compliance allegations	494	654	<b>940</b>
Disciplinary actions, by type:			
• Contract termination	48%	31%	<b>43%</b>
• Suspension	3%	7%	<b>4%</b>
• Written warning	20%	25%	<b>25%</b>
• Verbal warning or counseling	29%	37%	<b>28%</b>

Note: Including Swedish Match in 2024.

Metrics marked with (†) exclude Swedish Match, and Russia in 2023 and 2024.

### Respect for human rights

	2022	2023	2024	Aspirations
Cumulative number of human rights impact assessments conducted since 2018, with findings addressed <sup>1</sup>	7	8	<b>10</b>	<b>10 highest-risk countries by 2025</b>

<sup>1</sup> Our assessments prioritize countries which are assessed as highest risks from a human rights standpoint. They are determined based on key parameters such as PMI's footprint and the country's human rights risk profile, as determined by internationally recognized organizations. For further details, please see [PMI's Sustainability KPI Protocol 2024](#).

### Managing our supply chain sustainably

	2022	2023	2024	Aspirations
Total	Total number of suppliers <sup>1</sup>	>30,000	26,000	<b>21,400</b>
	Total supply chain spend (in billions USD) <sup>2</sup>	12.6	14.0	<b>14.0</b>
	Number of critical suppliers <sup>3</sup>	174	202	<b>209</b>
	Critical suppliers, expressed as a proportion of total supply chain spend	37%	40%	<b>39%</b>
	Percentage of spend with critical suppliers from whom PMI sources sustainably <sup>4</sup>	93%	91%	<b>94%</b>
Nontobacco supply chain	Total procurement spend <sup>5</sup>	11.3	12.4	<b>12.1</b>
	<b>Direct materials</b>			
	Number of critical suppliers assessed with EcoVadis <sup>†</sup>	116	120	<b>135</b>
	Percentage of critical direct spend assessed with EcoVadis <sup>†</sup>	97%	95%	<b>92%</b>
	Number of critical suppliers identified as having significant actual or potential negative social impacts <sup>6†</sup>	16	10	<b>6</b>
	Number of critical suppliers identified as having significant actual or potential negative environmental impacts <sup>6†</sup>	21	12	<b>11</b>
	Number of critical suppliers with an agreed corrective action plan in place (EcoVadis) <sup>†</sup>	13	13	<b>10</b>
	Number of suppliers supported in corrective action plan implementation <sup>†</sup>	13	13	<b>10</b>
	Proportion of suppliers assessed with substantial actual or potential negative impacts supported in corrective action plan implementation <sup>†</sup>	100%	38%	<b>90%</b>
	Average total EcoVadis score for critical suppliers of direct materials <sup>6†</sup>	58.1	60.6	<b>62.4</b>
	• Average Environmental score <sup>†</sup>	62.2	65.1	<b>66.4</b>
	• Average Ethics score <sup>†</sup>	54.2	55.8	<b>59.5</b>
	• Average Social score <sup>†</sup>	58.0	60.5	<b>62.6</b>
	• Average Sustainable Procurement score <sup>†</sup>	51.6	54.5	<b>58.1</b>
	<b>Electronics</b>			
	Number of critical suppliers (parent companies) assessed with Responsible Business Alliance (RBA)	28	30	<b>27</b>
	Number of critical supplier sites assessed with RBA	44	48	<b>44</b>
	Number of site level RBA audits completed <sup>7</sup>	42	47	<b>44</b>
	• Tier 1 suppliers	10	9	<b>7</b>
	• Tier 2 and Tier N suppliers	32	38	<b>37</b>
	• Average RBA score achieved by suppliers during site-level audits	173	170	<b>174</b>
	• Percentage of electronic supply chain spend covered by these audits	67%	91%	<b>100%</b>
Number of suppliers with an agreed corrective action plan in place (RBA)	2	30	<b>26</b>	
Number of RBA non-conformances:				
• Priority	3	3	<b>8</b>	
• Other	173	227	<b>194</b>	
Closure rate of corrective actions for non-conformances:				
• Priority	67%	50%	<b>100%</b>	

Note: Data excluding Swedish Match. Metrics marked with (†) exclude Russia.

<sup>1</sup> Suppliers refer to tier 1 suppliers. 2024 data reflects the cleansing of the supplier database and a decrease in the number of suppliers in Russia. For definitions see [Glossary](#).

<sup>2</sup> Total supply chain spend includes procurement spend and tobacco leaf sourcing spend.

<sup>3</sup> Suppliers' criticality is evaluated considering spend segmentation and nature of component, as well as supply flexibility (single-source/not easily substitutable) as relevant. 2024 figure includes tier 1 suppliers of direct materials and electronics, tier 2 directly managed electronics suppliers, and tobacco leaf suppliers.

<sup>4</sup> Sustainable sourcing is determined based on a minimum threshold score of 45 out of 100 in EcoVadis (direct materials) or 125 out of 200 in RBA with no open priority issues (electronics). All traceable tobacco purchased from monitored farmers is considered sustainable.

<sup>5</sup> Procurement spend excludes tobacco leaf sourcing. For definition of critical suppliers, see [Glossary](#).

<sup>6</sup> EcoVadis score ranges from 0 to 100, with a minimum threshold score of 45 demonstrating satisfactory sustainability performance.

<sup>7</sup> This figure includes 47 out of 48 of our electronics critical suppliers' sites.

Managing our supply chain sustainably continued

	2022	2023	2024	Aspirations	
Tobacco supply chain	Number of tobacco farmers from whom PMI purchased tobacco <sup>8</sup>	223,299	305,756	<b>361,043</b>	
	Proportion of tobacco purchased through direct contracts by PMI and PMI tobacco suppliers	99%	94%	<b>96%</b>	<b>maintain &gt;90%</b>
	Number of third-party tobacco suppliers with whom PMI has a direct contractual relationship <sup>9</sup>	15	19	<b>22</b>	
	Number of PMI leaf operations that contract tobacco farmers directly	5	5	<b>5</b>	
	Number of countries where PMI sources tobacco from	20	23	<b>21</b>	
	Number of field technicians providing support to contracted farmers and monitoring the implementation of PMI's Agricultural Labor Practices (ALP)	3,128	3,121	<b>5,063</b>	
Capacity building	Proportion of PMI employees trained on Responsible Sourcing Principles (RSP)	n/a	93%	<b>91%</b>	
	Proportion of PMI employees buyers/procurement professionals trained on specific sustainability topics	n/a	90%	<b>98%</b>	
	Number of suppliers in capacity building program	n/a	5	<b>46</b>	
	Proportion of critical suppliers in capacity building program	n/a	1%	<b>12%</b>	

<sup>8</sup> Tobacco farmers whose tobacco are included in PMI packed products.  
<sup>9</sup> Data refer to parent companies.

## Independent practitioner's limited assurance report

on selected Key Performance Indicators 2024 in the Business Transformation Metrics and Sustainability Index Reporting 2024 to the Board of Directors of Philip Morris International Lausanne, Switzerland

We have been engaged by Management to perform assurance procedures to provide limited assurance on selected Key Performance Indicators 2024 (the metrics market with an asterisk (\*) in the Business Transformation Metrics and Sustainability Index Reporting 2024 of Philip Morris International Inc. and subsidiaries ("PMI") for the period ended 31 December 2024.

The selected Key Performance Indicators ("KPI's") forming part of the Business Transformation Metrics and the Sustainability Index of PMI for the financial year ended December 31, 2024 are included in the Integrated Report 2024 and comprises the following in our scope:

- The Business Transformation Metrics as disclosed in sections strategy (Business Transformation Metrics), reporting and performance (Performance metrics) of PMI's Integrated Report for the year ended December 31, 2024 respectively:
  - Adjusted R&D expenditure ratio (smoke-free/total);
  - Number of factories producing smoke-free products out of a total number of factories;
  - Number of markets where smoke-free products are available for sale;
  - Proportion of markets where smoke-free products are available for sale that are low- and middle- income markets;
  - Commercial (markets) expenditure ratio (smoke-free/total);
  - Smoke-free product shipment volume – heated tobacco units (billion units);
  - Combustible tobacco product shipment volume (billion units);
  - Change in combustible tobacco product shipment volume (billion units) vs 2015 baseline;
  - Shipment volume – nicotine pouch (Mio cans);
  - Total number of users of PMI smoke-free products (in millions);
  - Total number of IQOS users (in millions);

- Estimated number of users who have switched to IQOS and stopped smoking (in millions);
- Adjusted net revenues ratio (smoke-free/total);
- Number of markets where >50% of net revenues are smoke-free;
- Number of markets where >75% of net revenues are smoke-free.
- The Selected Sustainability Index KPI's as disclosed in section reporting and performance (Performance metrics) of PMI's Integrated Report for the year ended December 31, 2024, respectively:
  - Annual net revenue from wellness and healthcare products (in billion USD);
  - Smoke-free product shipment ratio (smoke-free/total)
- The application of the PMI Business Transformation Financing Framework for the preparation of the specified Key Performance Indicators in Business Transformation Metrics Report and Sustainability Index published in sections strategy (Business Transformation Metrics), reporting and performance (Performance metrics), Reporting and performance (Glossary of terms and acronyms), respectively.

We do not comment on, nor conclude on any prospective information nor did we perform any assurance procedures on the information other than those stated above for the reporting period 2024.

The Business Transformation Metrics and Sustainability Index Reporting 2024 were prepared by Management of PMI in line with the Business Transformation-Linked Financing Framework (or "Business Transformation Financing Framework" in short) and made available under [https://www.pmi.com/resources/docs/default-source/investor\\_relation/pmi\\_financing-framework\\_2024.pdf?sfvrsn=3cc860c8\\_0](https://www.pmi.com/resources/docs/default-source/investor_relation/pmi_financing-framework_2024.pdf?sfvrsn=3cc860c8_0). Further, PMI defines the calculation of the specified KPI's in the footnotes in sections strategy (Business Transformation Metrics), reporting and performance (Performance metrics) as well as in the Glossary (section Reporting and performance (Glossary of terms and acronyms)) in the Business Transformation Metrics and Sustainability Index Reporting 2024 (together in the "suitable Criteria").

### Inherent limitations

The accuracy and completeness of the selected Key Performance Indicators 2024 in the Business Transformation Metrics and Sustainability Index Reporting 2024 are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. In addition, some KPIs are derived from different frameworks to form the Business Transformation Metrics, thus the quantification of the self-defined KPIs is subject to inherent uncertainty because of incomplete scientific definition or knowledge

used to determine factors related to such KPIs and the values needed to combine. Our assurance report will therefore have to be read in connection with the Business Transformation-Linked Financing Framework prepared by PMI, its definitions and procedures in the document “Business Transformation Financing Framework” and the footnotes in sections strategy (Business Transformation Metrics), reporting and performance (Performance metrics) and glossary (section Reporting and performance (Glossary of terms and acronyms)) in the Business Transformation Metrics and Sustainability Index Reporting 2024.

### Management’s responsibility

The Management of Philip Morris International Inc. is responsible for preparing the selected Key Performance Indicators 2024 in the Business Transformation Metrics and Sustainability Index Reporting 2024 in accordance with the suitable Criteria. This responsibility includes the design, implementation and maintenance of the internal control system related to the preparation of the selected Key Performance Indicators 2024 in the Business Transformation Metrics and Sustainability Index Reporting 2024 that are free from material misstatement, whether due to fraud or error. Furthermore, the Management is responsible for the selection and application of the chosen Criteria.

### Independence and quality management

We are independent of the Philip Morris International Inc. in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

PricewaterhouseCoopers SA applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Practitioner’s responsibility

Our responsibility is to perform an assurance limited engagement and to express a conclusion on the selected Key Performance Indicators 2024 in the Business Transformation Metrics and Sustainability Index Reporting 2024. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) ‘Assurance engagements other than audits or reviews of historical financial information’. That standard requires that we plan and perform our procedures to obtain limited assurance whether anything has come to our attention

that causes us to believe that the selected Key Performance Indicators 2024 (the metrics marked with an asterisk (\*)) in the Business Transformation Metrics and Sustainability Index Reporting 2024 were not, in all material aspects, prepared in accordance with the suitable Criteria as per 31 December 2024.

Based on risk and materiality considerations, we performed our procedures to obtain sufficient and appropriate assurance evidence. The procedures selected depend on the assurance practitioner’s judgement. A limited assurance engagement under ISAE 3000 (Revised) is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement.

We performed the procedures included, among others:

- Inquiries and detailed walkthroughs with relevant stakeholders for the selected Key Performance Indicators 2024 in the 2024 Integrated Report;
- Interviewing PMI representatives responsible for the internal reporting and data collection;
- Test samples from PMI operations concerning the completeness, accuracy, consistency and classification;
- Inspecting relevant documentation on a sample basis, including PMI policies, management reporting structures and documentation;
- Reviewing and assessing the management reporting period for Business Transformation Metrics and Sustainability Index data and consolidation and their related controls.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### Conclusion

Based on the work we performed, nothing has come to our attention that causes us to believe that the selected Key Performance Indicators 2024 in sections strategy (Business Transformation Metrics), reporting and performance (Performance metrics), respectively, (the metrics marked with an asterisk (\*)) in the Business Transformation Metrics and Sustainability Index Reporting 2024 of Philip Morris International Inc. and subsidiaries for the period from January 1, 2024 to December 31, 2024 are not, in all material respects, prepared in accordance with the Business Transformation Financing Framework and the footnotes in sections strategy (Business Transformation Metrics), reporting and performance (Performance metrics), as well as the glossary (section Reporting and performance (Glossary of terms and acronyms)).

### Restriction of use and purpose of the report

This report is prepared for, and only for, the Board of Directors of Philip Morris International Inc., and solely for the purpose of reporting to them on the selected Key Performance Indicators 2024 in the Business Transformation Metrics and Sustainability Index Reporting 2024 and no other purpose. We do not, in giving our conclusion, accept or assume responsibility (legal or otherwise) or accept liability for, or in connection with, any other purpose for which our report including the conclusion may be used, or to any other person to whom our report is shown or into whose hands it may come, and no other persons shall be entitled to rely on our conclusion.

We permit the disclosure of our report, in full only and in combination with the suitable Criteria, to enable the Management to demonstrate that they have discharged their governance responsibilities by commissioning an independent assurance report over the selected Key Performance Indicators 2024 in Business Transformation Metrics 2024 and in Sustainability Index 2024, without assuming or accepting any responsibility or liability to any third parties on our part. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Management of Philip Morris International Inc. for our work or this report.

PricewaterhouseCoopers SA

**Guillaume Nayet**

Lausanne,  
25 March 2025

**Brendon Dawson**

1 The maintenance and integrity of Philip Morris International Inc.’s website and its content are the responsibility of the Management; the work carried out by us as the independent practitioner does not involve consideration of the maintenance and integrity of the Philip Morris International Inc.’s website, accordingly, we accept no responsibility for any changes that may have occurred to the reported selected Key Performance Indicators 2024 in the Business Transformation Metrics and Sustainability Index Reporting 2024 since they were initially presented on the website.

# Reconciliation of Non-GAAP Measures

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## 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 <sup>1</sup>	23,218
Smoke-free	199	10,190	12,840	14,660
<b>Total PMI</b>	<b>26,794</b>	<b>31,762</b>	<b>35,174<sup>1</sup></b>	<b>37,878</b>

<sup>1</sup> 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) <sup>1</sup>	9,401
EA, AU & PMI DF	2,676	—	2,676
Americas	2,299	—	2,299
<b>Total Combustible Tobacco</b>	<b>22,334</b>	<b>(80)</b>	<b>22,414</b>
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
<b>Total Smoke-free excl. Wellness &amp; Healthcare</b>	<b>12,534</b>	<b>—</b>	<b>12,534</b>
<b>Wellness and Healthcare</b>	<b>306</b>	<b>—</b>	<b>306</b>
<b>Total Smoke-free</b>	<b>12,840</b>	<b>—</b>	<b>12,840</b>
Europe	14,231	—	14,231
SSEA, CIS & MEA	10,629	(80) <sup>1</sup>	10,709
EA, AU & PMI DF	6,201	—	6,201
Americas	3,807	—	3,807
Wellness and Healthcare	306	—	306
<b>Total PMI</b>	<b>35,174</b>	<b>(80)</b>	<b>35,254</b>

<sup>1</sup> 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.

## 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
<b>Total PMI (Reported/Adjusted)</b>	<b>423</b>	<b>642</b>	<b>709</b>	<b>759</b>

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,								
	2024				2023		% Change 2024 vs. 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 <sup>1</sup>	4.0%	6.2%	6.2%
Smoke-free	14,660	(330)	14,990	—	14,990	12,840	14.2%	16.7%	16.7%
<b>Total PMI</b>	<b>37,878</b>	<b>(841)</b>	<b>38,719</b>	<b>—</b>	<b>38,719</b>	<b>35,174<sup>1</sup></b>	<b>7.7%</b>	<b>10.1%</b>	<b>10.1%</b>

<sup>1</sup> 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](http://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

**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*, *TEREA*, *TEREA CRAFTED*, and *TEREA Dimensions*, as well as the KT&G-licensed brands, *Fiiit* 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

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

**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

**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

**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

## 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.<sup>1</sup>

**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.<sup>2</sup>

**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.<sup>3</sup> 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.

## About this report

We are pleased to share our 2024 Integrated Report, published on April 3, 2025. This report follows our [2023 Integrated Report](#) (published in March 2024) and constitutes our 10th consecutive annual disclosure incorporating sustainability-related content. This report describes our Company's progress in delivering on its purpose.

The report content is informed by a formal sustainability materiality assessment conducted in 2021 and refreshed in 2023, which follows the principles of double materiality by incorporating an assessment of our Company's impacts on society and the planet alongside an evaluation of the potential impact of various sustainability-related factors on our enterprise value. It also captures the perspectives of diverse stakeholder groups. We have structured our sustainability topics around two pillars: product impact and operational impact. Those topics pertaining to the social impacts of our products are considered most material. These and other material sustainability topics form the basis of our strategy, which is organized into eight environmental and social priorities and nine related governance factors. This report provides information on context, relevance, management approach, targets, performance, and outlook for our strategic priorities. It is complemented by case studies, market stories, and additional materials available on [PMI.com](#).

Unless otherwise indicated, the data and information contained herein cover our operations worldwide for the full calendar year 2024 or reflect the status as of December 31, 2024, in line with our financial reporting calendar. Our data verification process allows for the timely publication of relevant sustainability metrics. Consequently, some data points in this report are based on actual data from 2024 (typically from January to September, or for some to August) and estimates for remaining months. This data will be restated with full-year actual figures and made available on our website during 2025. 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 which consolidates the units of the 2021 acquisitions of companies Fertin Pharma A/S, Vectura Group plc., and OtiTopic, Inc. (which remained after the sale of one component of the Vectura Group was completed on December 31, 2024). In contrast, unless explicitly stated, the data, information, and aspirations in this report do incorporate the late 2022 acquisition of Swedish Match AB. Where not specified, data come from PMI financials, nonfinancials, or estimates. Details on key performance indicators included in

PMI Sustainability Index are available in [PMI's Sustainability KPI Protocol 2024](#), published alongside this report.

PricewaterhouseCoopers SA (PwC) has provided limited independent assurance on select Business Transformation Metrics, available on pages 25 and 181-182. For more details, see the independent practitioner's limited assurance report on [page 195](#). SGS has provided external verification of our environmental, health, and safety data (including our 2024 greenhouse gas emissions data). The verification statements are available on [PMI.com](#).

This report was completed with oversight from PMI's Board of Directors and reviewed by its Chairman and all members of our Sustainability Committee—composed of Company Management members, including our Chief Executive Officer, Chief Financial Officer, and Senior Vice President & General Counsel. Additional information about our sustainability work, including previous reports and policies, is available on [PMI.com](#).

We welcome your feedback and suggestions. Please contact us at [sustainability@pmi.com](mailto:sustainability@pmi.com).

### Aligning our disclosures with reporting standards and frameworks

This report has been prepared with reference to the Global Reporting Initiative (GRI) Universal Standards (2021) and relevant topic-specific standards. Our [2024 GRI Index](#), which also maps the principles and standards of the UN Global Compact (UNGC), is available on [PMI.com](#).

We take into account guidance from the International Sustainability Standards Board (ISSB) of the IFRS Foundation, including using its SASB Standards, Integrated Thinking Principles, and Integrated Reporting Framework. Our [SASB Index](#) is available on [PMI.com](#).

Our 2022 report aligned with the Task Force on Climate-related Financial Disclosures (TCFD) is available on [PMI.com](#).

We also continued to prepare for the EU Corporate Sustainability Reporting Directive (CSRD).

## Forward-looking and cautionary statements

This report 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.

## Notes

In this report, “PMI,” “we,” “us,” and “our” refer to Philip Morris International Inc. and its subsidiaries.

In this report and in related communications, the term “materiality,” “material,” and similar terms are defined in the referenced sustainability standards and certain regulatory requirements, as may be applicable to us, 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.

This report 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 report 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 report 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 report 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 forward-looking and cautionary statements on page 206 of this report.

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



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